

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND
THURSDAY, APRIL 23, 2015**

1. CALL TO ORDER

Chair Shaw called the meeting to order at 10:07 a.m.

2. ROLL CALL AND PLEDGE OF ALLEGIANCE

Board Members present: Chair Phyllis Shaw, Vice-Chair Jeffrey Greene, Mr. Ralph Dierks, Ms. Raquel Elejabarrieta, Mr. Matthew Lalla, Mr. Daniel Matlow (arrived at 10:12 a.m.) and Mr. Richard Templeton. Also present: Pension Coordinator, Lisa Castronovo; Tami Thornton for Board Secretary, Tammie Hechler; and Board Attorney, James Linn.

3. CONSENT AGENDA

- a. March 19, 2015 Regular Meeting Minutes
- b. Ratification of Distributions (Contributions and DROP) and Plan Expenses

MOTION made by Mr. Templeton, seconded by Mr. Dierks, to approve Consent Agenda Items 3.a-b. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0.

4. TREASURER'S REPORT (Matthew Lalla)

Mr. Lalla reported an increase in the Fund's assets of \$13.1 million/4.5% net of disbursements from \$290.6 million on October 1, 2014 to approximately \$303.7 million on April 21, 2015. Investment returns through the month of February were at 5.43%. The Board accepted the Treasurer's Report as read.

5. INVESTMENT ISSUES (John DeMairo – Segal Rogerscasey)

- a. Flash Performance Review

Mr. DeMairo reported the Fund's value at \$303.6 million on March 31, 2015 with the fiscal year-to-date gross rate of return equal to 6.04%, gross and 5.83%, net of fees, both of which were well above the policy index and a good start to the fiscal year. Mr. DeMairo noted that fixed income manager Neuberger Berman has continued to struggle when compared to its benchmark but that they are more short-term oriented than the benchmark and their government bond exposure versus credit exposure had hurt their portfolio. Mr. DeMairo reported Baird Advisors had been a solid and consistent performer for the current fiscal year. Mr. DeMairo stated that both real estate managers Principal and Morgan Stanley continued to experience returns higher than their respective benchmarks and thus the move for the Fund to invest in them had been a good one.

- b. Alternatives Investment Education

Mr. DeMairo reviewed their Alternatives Investment Education report (report made part of these Minutes). Mr. DeMairo stated Segal Rogerscasey would model out the Fund with various alternative investment scenarios. Mr. DeMairo explained that all alternative investments come with higher management fees and required more work for the investment consultant as well as the pension office and the Fund's legal advisor. Mr. DeMairo stated that there was a different kind of and higher level of exposure and commitment when invested in alternatives and, other than the hedge fund investments, it was generally difficult and lengthy to divest out of alternatives if the Fund wanted to do so. The Trustees asked Mr. DeMairo to provide rates of returns for other funds similar in size to the Fund that had invested in alternatives.

6. LEGAL ISSUES (James Linn)

a. Legislative Update

Mr. Linn presented a brief recap of the State's recent legislative session noting the only item in the current session likely to pass effecting municipal retirement plans was a bill specific to mortality tables. Specifically, the bill would require all local law municipal pension plans to use a mortality table consistent with what had been used in either of the two most recent actuarial valuations of the Florida Retirement System. Mr. Linn advised the bill could impact the Fund and, if passed, would take effect January 2016.

Mr. Linn reported on a case involving a Fund retiree who refused to cash her retirement benefit checks for the past two years. Mr. Linn explained there was no mechanism in place under the City Ordinance for the Fund to cease the benefit payments to the retiree even though she requested a cessation on several occasions. Mr. Linn advised the issue had been discussed with Wells Fargo representatives. It was determined that in order for the Board to meet their fiduciary responsibility, the best course of action was for the Board to set up an account for the benefit of the retiree. Discussion ensued.

Public comment was heard from: Christopher Cassidy - 15721 93 Lane North, Jupiter, FL

MOTION made by Mr. Templeton, seconded by Vice-Chair Green, to open a savings account at Wells Fargo for the retiree who was not cashing her retirement benefit checks. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

Mr. Linn reported that nothing had happened since the last Board meeting regarding the City's request for an IRS favorable determination letter for the Fund. Mr. Linn advised that he would respond to the IRS based on the way the Plan was presently administered which would hopefully satisfy their concerns on the definitely determinable benefit issue.

7. ADMINISTRATIVE ISSUES

a. Revised October 1, 2013 Actuarial Valuation Report (Jeffrey Amrose, Trisha Amrose – Gabriel, Roeder, Smith & Company)

Mr. Amrose reviewed the revised October 1, 2013 Actuarial Valuation Report (Report made part of these Minutes) which excluded the supplemental pension distribution ("SPD") for fiscal year ended September 30, 2012.

Mr. Amrose asked the Board if their direction was for the October 1, 2014 actuarial valuation report to include or not include information regarding the SPD for fiscal year end September 30, 2013 (assuming one was payable based on reported rate of return for September 30, 2013). Mr. Linn opined that the State was clear that the actuarial valuation must include pre-funding for future SPD's. Mr. Templeton stated that the actuarial valuation report should accurately reflect what the State said must be in the report, which in this case was the reflection of payment of the SPD for fiscal year end September 30, 2013. Mr. Templeton continued that whether or not the City funds the SPD was a different issue and would be between the City and the State. Mr. Amrose agreed with Mr. Templeton.

Mr. Matlow inquired whether the October 1, 2014 report would use the new State-mandated mortality table to which Mr. Amrose replied that it would not since the new tables would not be required for use until at least the October 1, 2015 actuarial valuation.

Mr. Amrose reported his hope to provide to the Board at its next meeting the results of GRS's experience study on the Fund. Mr. Amrose stated he expected the study would likely indicate that the interest rate assumption (discount rate) should be lowered from the current 8.0% and that the mortality table should be changed to one that more closely reflects actual Fund experience. The two changes would in turn increase the unfunded accrued liability in the immediate but in turn, since the Fund would more accurately reflect real costs each year, the unfunded accrued liability would decrease in the future because the number and amount of actuarial experience losses would decrease.

Ms. Elejabarrieta asked if an SPD for fiscal year ended September 30, 2013 was payable, did the payment of it need to be approved by the Board since prefunding for it was included in the October 1, 2013 actuarial valuation. Mr. Linn opined that payment of an SPD for any given year would have to be approved by the Board separate from the Board's acceptance of the valuation report that reflected the SPD prefunding.

Public comments were heard from: Ronald Bolton - 1150 NW 71 Avenue, Plantation, FL; Christopher Cassidy

8. PUBLIC COMMENTS (taken out of order)

Public comment was heard from: David Miller – 1 S.E. 3rd Avenue, Miami, FL

7. ADMINISTRATIVE ISSUES

b. Supplemental Pension Distribution for Fiscal Year End September 30, 2013

There was discussion regarding payment of an SPD for fiscal year ended September 30, 2013 considering the Fund's gross rate of return was 13.54%. Mr. Linn suggested the Board wait to receive further information from Mr. Amrose since the net rate of return for fiscal year end September 30, 2013 had not yet been calculated and thus the total SPD to be paid, if at all, had not yet been calculated.

9. TRUSTEE REPORTS, QUESTIONS AND COMMENTS

Chair Shaw recommended that all Board Members attending the NCPERS annual conference provide their contact information to Ms. Castronovo.

10. PENSION COORDINATOR'S REPORT (Lisa Castronovo)

Ms. Castronovo stated that in order for GRS to prepare the October 1, 2014 actuarial valuation, they needed direction in regards to payment of the SPD for fiscal year ended September 30, 2013. Ms. Castronovo asked the Board if they would like GRS to provide any information they have regarding the amount of the total SPD in advance of the May meeting. The Board collectively agreed they would like any information available regarding the SPD as soon as GRS had it available.

Ms. Castronovo reported that the first funding of the Fund's new money manager, Brandes Investment Partners would be funded in part on May 1, 2015.

Ms. Castronovo reported that she had provided the City with the information they requested regarding addressing the concerns regarding IRC Section 415. The provided information included information on all DROP participants in the DROP on September 30, 2011 and how their DROP account balances were affected by the February 2011 Letter of Understanding.

Ms. Castronovo reported that she had provided information to AFSCME attorney Barbara Duffy regarding refunds received by employees who separated from City employment after September 30, 2011.

Ms. Castronovo informed the Board that she had been contacted by a vendor interested in submitting a response to the Board's RFP for retirement management software services because they wanted to know if they could submit a response given the fact they did not have public plan experience. Ms. Castronovo asked the Board if the public plan criteria could be waived. The Board collectively replied that they did not want to revise the RFP at that time.

Ms. Castronovo reported that, per the Board's direction, the Agenda backup material was posted on the Fund's website (minus the few items the Board agreed should not be publicly posted).

Ms. Castronovo provided the Trustees with pertinent information regarding the upcoming NCPERS conference.

Ms. Castronovo stated that registration for the FPPTA annual conference, held the last week of June in Boca Raton, was open and to let her know if they wanted to attend.

Ms. Castronovo asked the Board if they would like her to conduct a survey of local pension plan administrators to which the Board agreed such information would be useful.

11. ADJOURNMENT

MOTION made by Vice-Chair Greene, seconded by Mr. Templeton, to adjourn the meeting. In a voice vote by the members present, **Motion** passed 7-0. Meeting adjourned at 12:32 p.m.



Phyllis Shaw, Chair

May 28, 2015

Date