

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND
THURSDAY, APRIL 27, 2017**

1. CALL TO ORDER

Chair Shaw called the meeting to order at 9:02 a.m.

2. ROLL CALL AND PLEDGE OF ALLEGIANCE

Board Members present: Chair Phyllis Shaw, Vice-Chair Jeffrey Greene (departed at 12:38 p.m.), Christopher Cassidy, Charles Howell, and George Keller. Board member absent: Mel Standley. Vacancy: retiree-elected trustee position. Also present: Pension Coordinator Lisa Castronovo and Board Attorney James Linn (Lewis, Longman & Walker).

The Board and meeting visitors honored recently deceased Trustee Richard Templeton with a moment of silence.

a. Adoption of Agenda

MOTION made by Vice-Chair Greene, seconded by Mr. Cassidy, to adopt the April 27, 2017 regular Board meeting Agenda as presented. In a voice vote by the members present, all members voted in favor. **Motion** passed 5-0.

3. CONSENT AGENDA

- a. March 23, 2017 Regular Meeting Minutes
- b. Ratification of Distributions (Contributions and DROP) and Plan Expenses
- c. Approval/Ratification of New Retirement/DROP/Vested/Death Annuities

MOTION made by Vice-Chair Greene, seconded by Mr. Cassidy, to approve Consent Agenda Items 3.a.-c. In a voice vote by the members present, all members voted in favor. **Motion** passed 5-0.

4. TREASURER'S REPORT

Since no one was available from the City's Finance Department to present the Treasurer's Reports, Ms. Castronovo directed the Board's attention to the three reports provided by the Finance Department in advance of the meeting: reports for December 31, 2016, January 31, 2017 and February 28, 2017. There was no discussion.

5. INVESTMENT ISSUES (Keith Reynolds – Segal Marco Advisors)

- a. Principal Global Investors (Paul Stover)
Presentation Report made part of these Minutes.

Mr. Paul Stover, Senior Relationship Manager with Principal Global Investors, presented a summary report to the Board. Mr. Stover emphasized Principal real estate investors: 1) manage \$71.8 billion in real estate assets, 2) cover over 50 US metropolitan real estate markets, and 3) is among the top ten real estate investment managers. Regarding the Principal Enhanced Property Fund (PEPF) specifically, Mr. Stover noted 1) PEPF's gross asset value was \$2.61 billion with a net asset value of \$1.52 billion with an inbound queue of \$70 million, 2) the focus was on income growth by buying growing income

streams and selling flat income streams, 3) the multifamily sector was the best performer in the past year, 4) investments in office and industrial sectors were overweight while investments in retail and multifamily was underweight with an intent to stay away from investing in box stores and malls since returns in those sectors was declining. Mr. Stover reported the rate of returns for PEPF was over 15% for the three- and five-year periods ended March 31, 2017. Mr. Stover noted that lower returns are expected over the next few years even though supply and demand was in a better place that it was prior to the economic downturn in 2008-09.

- b. Morgan Stanley Investors (Bennett Weaver)
Presentation Report made part of these Minutes.

Mr. Bennett Weaver, Executive Director with Morgan Stanley and Head of Operations of Prime Property Fund, presented a summary report to the Board. Mr. Weaver noted that the Fund's investment with Morgan Stanley was less risk-oriented than its investment with Principal because the Morgan Stanley investment was a core fund whereas the Principal investment was a core plus fund. Mr. Weaver continued by emphasizing Morgan Stanley real estate investors: 1) are domestic investors primarily investing in apartments, office space, retail and industrial sites in U.S. cities "open 24 hours a day", 2) manage \$23 billion in real estate assets with a net asset value of \$18 billion, 3) the fund's strategy was to target large, high-quality assets that were resilient to market cycles and generally attracted better credit-quality tenants committed to longer-term leases, 4) since 1974 had an average annual return of 9.7% with returns 10% or more in 26 of the 42 years, and 4) had out-performed their benchmark each year for the past ten (10) years.

- c. Flash Performance Review

Mr. Reynolds reported the Fund's market value was \$310.4 million on March 31, 2017. The Fund's net rate of return for the month ended March 31, 2017 was 0.83% net of expenses compared to the policy return of 0.65%.

Mr. Reynolds recommended transferring \$5 million for SMID-cap domestic equity manager Frontier Capital to Neuberger Berman's fixed income because as a whole the SMID-cap domestic allocation was overweight while Neuberger Berman was underweight. Discussion ensued regarding pulling assets from a manager that was providing very positive returns (Frontier Capital) to a manager that was already on the Board's watch list (Neuberger Berman). Mr. Reynolds noted the Neuberger Berman fixed income investment was performing exactly as it was brought on to do: provide returns greater than a cash investment while allowing the Fund to pull assets from it on a monthly basis to provide monthly benefits.

Mr. Reynolds recommended moving the fixed income assets managed by Baird Advisors in a separately-structured account specific for the Fund into a commingled institutional mutual fund with assets of over \$13 billion. Mr. Reynolds explained by changing the asset vehicle for Baird would allow Baird to more easily liquidate needed funds on a monthly basis to meet the Fund's cash needs since \$1 million a month in a \$13 billion fund was easier to manage than \$1 million a month in a separately managed \$53 million fund.

Discussion continued regarding further investing in Neuberger Berman's fixed income fund.

MOTION made by Vice-Chair Greene, seconded by Mr. Keller, to move \$5 million from SMID-cap domestic equity manager Frontier Capital to fixed income manager Neuberger Berman to keep Neuberger Berman within its target range.

Discussion followed.

In a voice vote by the members present, all members voted in favor. **Motion** passed 5-0.

MOTION made by Vice-Chair Greene, seconded by Mr. Howell, to move all assets managed by Baird Advisors in a separate Fund-specific account into Baird Advisor's \$13.5 billion commingled institutional mutual fund. In a voice vote by the members present, all members voted in favor. **Motion** passed 5-0.

- d. Multi-Sector Search Report (with Francois Otieno, Segal Marco Advisors)
Presentation Report made part of these Minutes

Mr. Reynolds and Mr. Otieno presented their Multi-sector Fixed Income Search Report in which they reviewed in detail the three (3) managers they recommended the Board consider interviewing as their potential multi-sector fixed income money manager: Crescent Capital Group LP, GoldenTree Asset Management LP, and Loomis, Sayles & Company, L.P. After discussing what each manager offers the Fund and assurance from Mr. Reynolds and Mr. Otieno of their belief that any of the three managers would be a good fit for the Fund, the Board decided to interview all three managers at the June 2017 regular Board meeting.

6. LEGAL ISSUES (Board Attorney James Linn – Lewis, Longman & Walker)

- a. Disability Application Processing and Hearing Procedures

Mr. Linn presented a revised draft of the Disability Application Processing and Hearing Procedures. Chair Shaw requested each Board member to thoroughly review the procedure, provide final thoughts and suggestions to Ms. Castronovo for her to forward to Mr. Linn, and be ready to discuss and adopt at the June 2017 Board meeting.

Mr. Cassidy asked Mr. Linn if he had ever heard of a case in which an employee left a city's employment and then came to the Board at a later date to claim a disability. Mr. Linn responded that he had heard of such cases but they were rare. Mr. Cassidy was concerned about language in the Disability Application Processing and Hearing Procedures that stated "in no event" could someone who terminated employment later come back and claim a disability. Mr. Linn responded that if such a situation happened, the affected member could petition the Board to hear their specific case.

ACTION REQUIRED:

Trustees - thoroughly review the Disability Application Processing and Hearing Procedures and provide final thoughts and suggestions to Ms. Castronovo for her to forward to Mr. Linn for final vote at the Board's June 2017 regular meeting.

- b. Rent-a-Center ("RAC") Litigation (Marisa DeMato, Labaton Sucharow)
Ms. DeMato explained, via telephone, that Labaton Sucharow was appointed lead plaintiff representing Oklahoma Firefighters Pension and Retirement System in a case involving RAC. Ms. DeMato briefly explained that RAC allegedly artificially inflated its value while rolling out a new software system that was faulty from the first day of the class action period, February 2, 2015, through the last day of the class action period, October 11, 2016. The Fund held stock in RAC the entire time of the class action period and thus Ms. DeMato wanted to add the Fund as class representative in the suit against RAC.

MOTION made by Vice-Chair Greene, seconded by Mr. Howell, to approve Labaton Sucharow's recommendation that the Fund be a class representative in the Rent-a-Center litigation. In a voice vote by the members present, all members voted in favor. **Motion** passed 5-0.

- c. Legislative Update
Mr. Linn provided a brief update on the State's current legislative session.

7. ADMINISTRATIVE ISSUES

- a. City Commission Communication
Ms. Castronovo provided the Board with a draft of the City Commission Communication for the March 23, 2017 regular Board meeting. Mr. Cassidy suggested that if a trustee has an excused absence, the City Commission Communication reflect such; the Board agreed.

ACTION REQUIRED:

Ms. Castronovo – revise the City Commission Communication to reflect that Mr. Cassidy's absence from the March 23, 2017 was excused.

- b. Fund Administration Transition
Mr. Keller said he would work with Chair Shaw, Ms. Castronovo and Finance Department's Ernesto Acosta to work out a budget for the Board.

ACTION REQUIRED:

Chair Shaw, Mr. Keller and Ms. Castronovo – meet with Finance Department's Ernesto Acosta to develop a budget for the Board.

- c. City Fiscal Retreat Presentation
Fiscal Retreat Presentation made part of these Minutes

Mr. Keller thanked the Trustees who attended the retreat and specifically those who made a presentation to the City Commission - Chair Shaw, Mr. Howell and Mr. Jeffrey Amrose (Board actuary from Gabriel, Roeder, Smith & Company). Mr. Cassidy noted the feedback he heard was that the presentation made by the Board was the best of the three Boards' presentations.

- d. Update re: Board Attorney & Pension Administrator RFP's – this item was taken out of order

At Chair Shaw's request, Mr. Linn and Ms. Castronovo left the meeting. Ms. Jeanne Piro entered the meeting to take notes on behalf of Ms. Castronovo.

Mr. Paul Bassar, Director of Procurement, provided each Trustee with a comparative summary of the response to the respective RFP's for Board Attorney and Pension Administrator. Mr. Keller suggested that each proposer make a presentation to the Board. Chair Shaw and Vice-Chair Greene both expressed surprise over the lack of responses to the RFP for Pension Administrator. Mr. Howell recommended opening the RFP process back up especially considering the annual FPPTA conference was at the end of June at which time outreach could be made to individuals who might be interested. Mr. Keller responded that because the Board needed to be self-sufficient by the end of September, he felt the Board should consider the candidates who already responded and if the need arose after presentations, then the RFP could be redone.

The Board directed Mr. Bassar to coordinate interviews for the Pension Administrator, provide a list of who received the Pension Administrator RFP, and to provide hard copies of the respondent proposals to each Trustee.

The Board will rate the Board Attorney proposals on a scoresheet provided by Mr. Bassar and decide who they would ask to make presentations. Discussion ensued.

8. PUBLIC COMMENTS

Patrick Mason - on behalf of the City of Hollywood Retirees' Association
Ronald Bolton - 1150 NW 71 Avenue, Plantation, FL

9. TRUSTEE REPORTS, QUESTIONS AND COMMENTS

Mr. Keller and Chair Shaw expressed their sympathies regarding the passing of Mr. Templeton.

10. **PENSION COORDINATOR'S REPORT (Lisa Castronovo)**

Ms. Castronovo reminded the Trustees of the upcoming June 2017 FPPTA Annual Conference at the Omni Orlando Resort at ChampionsGate and to let her know if they wished to attend.

Ms. Castronovo told the Board she would like to send an "are you alive" letter and affidavit to all retirees to confirm they were still alive and thus entitled to continue receiving retirement benefits. Mr. Keller said he would like to review the cover letter to make sure it does not come across too harshly.

ACTION REQUIRED:

- ** Ms. Castronovo – send a draft "are you alive?" letter to each Trustee
- ** Trustees: review and revise "are you alive?" letter and provide input to Ms. Castronovo for discussion at next regular Board meeting.

11. **ADJOURNMENT**

MOTION made by Mr. Keller, seconded by Mr. Howell, to adjourn the meeting. In a voice vote by the members present, **Motion** passed 5-0. Meeting adjourned at 1:06 p.m.



Jeffrey Greene, Vice-Chair

2/25/17

Date