

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

1. CALL TO ORDER

Chair Shaw called the meeting to order at 9:08 a.m.

2. ROLL CALL AND PLEDGE OF ALLEGIANCE

Board Members present: Chair Phyllis Shaw, Vice-Chair Jeffrey Greene (arrived at 9:11 a.m.), Ronald Bolton (arrived at 9:09 a.m.), Christopher Cassidy, Charles Howell (departed at 12:30 p.m.), George Keller and Mel Standley. Also present: Pension Coordinator Lisa Castronovo and Glenn Thomas for Board Attorney James Linn (Lewis, Longman & Walker).

a. Agenda Adoption

MOTION made by Mr. Bolton, seconded by Mr. Cassidy, to adopt the July 27, 2017 regular Board meeting Agenda as presented. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0.

3. CONSENT AGENDA

- a. June 13, 2017 Special Meeting Minutes
- b. June 22, 2017 Regular Meeting Minutes
- c. July 11, 2017 Special Meeting Minutes
- d. Excuse Trustee Keller from June 22, 2017 Regular Board Meeting
- e. Ratification of Distributions (Contributions and DROP) and Plan Expenses
- f. Approval/Ratification of New Retirement/DROP/Vested/Death Annuities

MOTION made by Mr. Cassidy, seconded by Mr. Bolton, to approve Consent Agenda with the exception of Item 3.c. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

MOTION made by Mr. Cassidy, seconded by Mr. Bolton, to amend Item 3.c., July 11, 2017 Special Meeting Minutes, to reflect that Chair Shaw, Mr. Cassidy and Vice-Chair Greene provided comments to Mr. Bassar regarding the Pension Coordinator RFP. In a voice vote by the members present, all members voted in favor. **MOTION** passed 7-0.

4. TREASURER'S REPORT

Mr. Ernesto Acosta, Department of Finance's General Accounting Division Director, provided final reports for March, April and May 2017. Mr. Acosta reported the investment return had surpassed the assumed annual rate of return by June 30, 2017.

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

a. Baird Advisors Presentation (Charles Groeschell & Jeffrey Simmons)

Mr. Charles Groeschell, Managing Director and Senior Portfolio Manager, and Mr. Jeffrey Simmons, Managing Director and Senior Portfolio Manager, with fixed income manager Baird Advisors, presented a summary report to the Board. Mr. Groeschell stated that Baird's investors sought consistent quarter in/quarter out as well as year

in/year out returns and they looked at securities from the bottom up with the major emphasis on the quality of the investment. Mr. Simmons noted the Fund benefited from its investment with Baird because of Baird's long-term relationships focusing on clients and direct communication, their experienced management team, their total focus on fixed income management, and their culture and resources as key to future success.

- b. Neuberger Berman Presentation (William Wallace & Andrew Johnson)
Mr. William Wallace, Senior Vice President, and Mr. Andrew Johnson, Managing Director and Senior Portfolio Manager, with fixed income manager Neuberger Berman Investment Advisors, presented a summary report to the Board.

Because the Board had expressed concern over the past several months about Neuberger Berman's consistent underperformance, Mr. Wallace and Mr. Johnson suggested the Board reallocate the Fund's investment in Neuberger's intermediate duration portfolio to diversified allocation in both Neuberger's short duration bond and short duration emerging markets funds. The diversified allocation could be any combination of weighting from 70% short duration bond/30% short duration emerging markets to 10% short duration bond/90% short duration emerging markets. Mr. Johnson pointed out that a weighting of 40% short duration bond/60% short duration emerging markets would produce a return of almost 90 basis points over the current return for almost the exact same risk.

- c. Fixed Income Wrap-up Discussion
With guidance from Mr. Reynolds and Mr. Otieno, the Board discussed the options presented by Mr. Wallace and Mr. Johnson for a change in investments with Neuberger Berman.

MOTION made by Mr. Bolton, seconded by Mr. Keller, to go with Neuberger Berman's recommendation of reallocating the Fund's current 100% fixed income investment in Neuberger's intermediate duration portfolio to 40% in Neuberger's short duration bond fund and 60% in Neuberger's short term emerging markets fund. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

- d. Flash Performance Review
Mr. Reynolds reported the Fund's market value was \$313.2 million on June 30, 2017 with an approximate net rate of return of 7.83% for the current fiscal year. Mr. Reynolds noted that asset allocation was on target and the rate of return was in line with the Fund's benchmark.

Per the Board's request, Mr. Reynolds asked representatives of GoldenTree, the Fund's most recently hired alternative fixed income manager, if they were able to reduce the investment fees. GoldenTree's response was that because of their comingled fund structure, there was no flexibility in the fees. The only way the fees could be cut would be if the Board opted to go with annual liquidity instead of quarterly liquidity. However, even if the Board chose to go with annual liquidity, the fees would only drop five (5) basis points, which, in Mr. Reynolds' opinion, was not worth the change.

Mr. Reynolds noted that Segal Marco Advisors was working with GoldenTree to see if GoldenTree could treat all of the investors brought to them by Segal Marco as one large investor which could result in GoldenTree reducing the fees for each individual investor.

6. LEGAL ISSUES (Glenn Thomas – Lewis, Longman & Walker)

b. Status Report on Background Check and Fiduciary Bond Application for Jennifer Kerr – Item taken out of order

Mr. Thomas reported that Sterling Talent Solutions was the background check company used by the City. Upon request by Mr. Thomas, Sterling Talent Solutions, for a one-time fee of just over \$100, was doing the background check on Jennifer Kerr. Mr. Thomas stated he believed Sterling's background report would be completed in the next few days at which time he would provide it to the Board. Mr. Thomas noted it would be necessary to redact some of the information in the report since it could not be shared with the public. Mr. Bolton asked Mr. Thomas if he had heard anything from the surety bond companies to which Mr. Thomas responded that he had with the bonding company currently covering various Board members, Travelers Insurance, denying coverage for Ms. Kerr as she did not meet their underwriting guidelines. Mr. Thomas noted the bonding agent told him Ms. Kerr could possibly be bonded for a lower amount but with higher premiums. Mr. Howell stated he felt it was time to consider redoing the pension coordinator search process. Mr. Bolton and Mr. Cassidy agreed. Discussion followed.

MOTION made by Mr. Cassidy to no longer pursue hiring Jennifer Kerr as Pension Coordinator. Chair Shaw did not accept the motion.

Chair Shaw said she agreed the process should be started over. Chair Shaw told the Board that the Pension Coordinator had access to a lot of money and thus the Board should consider developing a hiring process and a job description for the person(s) who will be hired to run the Pension office.

Mr. Howell said he agreed with Mr. Cassidy (in that he did not wish to continue pursuing hiring Ms. Kerr), but he thought the Board should not take any formal action until the background check was completed. Mr. Howell added that for any future employee search advertise the salary as negotiable. Mr. Howell concluded by stating he would like to see a background check completed on any future potential employee before the Board made a decision to hire such person.

Mr. Bolton called a Point of Order regarding the Motion on the floor. Chair Shaw explained the motion was not seconded as she did not accept the Motion.

Mr. Keller asked Mr. Thomas if the Board should make a decision at the current Board meeting regarding the hiring of Ms. Kerr or wait until the background check was completed with the results presented to the Board. Mr. Thomas responded that the more facts the Board had to explain why they changed their vote, the less likely chance of legal repercussions.

Mr. Standley said he wanted to wait until the next meeting before making any decision regarding Ms. Kerr so that he could consider all available information. Mr. Standley added that if the Board decided to not hire Ms. Kerr, he would like to see the Board use the services of an executive search firm for any future search. Vice-Chair Greene agreed with Mr. Standley's comments.

Mr. Cassidy asked Mr. Thomas if the Board had enough information before them to cease the hiring of Ms. Kerr. Mr. Thomas replied they probably did based on the denial of surety bond coverage from two different insurance companies, but having the additional background information would solidify the Board decision and help it defend itself if any future litigation arose.

Chair Shaw stated she believed the Board needed to complete the process regarding the RFP due to Florida State Statute requirements. Mr. Keller agreed it would be best to complete the process.

Chair Shaw stated a Special Meeting would be scheduled as soon as the background information was made available. Chair Shaw asked the Board and the Board attorney to provide information regarding hiring processes.

ACTION REQUIRED:

Trustees and Board attorney – Research and prepare information regarding hiring procedures for discussion at the next Special Board Meeting.

MOTION made by Mr. Bolton, seconded by Vice-Chair Greene, to add Ms. Castronovo to the surety bond coverage. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

a. Disability Application Processing and Hearing Procedures

Mr. Thomas reviewed the changes made to the Disability Application Processing and Hearing Procedures per most recent discussions with the Board.

MOTION made by Mr. Bolton, seconded by Mr. Cassidy, to adopt the Disability Application Processing and Hearing Procedures. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

When asked by Mr. Cassidy if these procedures would apply to Ms. Idafunmi's disability application, Mr. Thomas replied no, but it would apply to all disability applications filed in the future.

7. ADMINISTRATIVE ISSUES

a. City Commission Communication

Ms. Castronovo provided the Board with a draft of the City Commission Communication for the June 22, 2017 regular Board meeting and the June 13, 2017 and July 11, 2017 special Board meetings. The Board accepted the Communication as presented.

b. Fund Invoice Payments – Transition to Wells Fargo

Ms. Castronovo presented the Board with ideas on how to direct the Fund custodian, Wells Fargo, to pay all future Fund invoices rather than having such payments go through the City's Finance Department. After discussion, the Board decided to keep the current process in place, at least through September 30, 2017 at which time the issue could be revisited.

c. Fiduciary Liability Insurance

Ms. Castronovo informed the Board that the current fiduciary liability insurance covering the Board expired September 30, 2017. Discussion ensued.

MOTION made by Mr. Keller, seconded by Mr. Cassidy, to use the same insurance agent as used for current fiduciary liability insurance coverage, but direct them to shop providers for the same level of coverage - \$15,000,000 – but for a lower premium. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

ACTION REQUIRED:

Ms. Castronovo – submit the application to Gateway-Acentria Insurance and request they shop the providers for same level of coverage but with lower premiums.

Board attorney – determine if Board needs Directors and Officers insurance once they become independent of the City.

d. Independent Auditor RFP

Ms. Castronovo provided the Board with a sample RFP for an independent Fund auditor. Chair Shaw stated the auditors under contract with the City for the City's annual audit will perform the Fund's audit for fiscal year end September 30, 2017. Therefore, an RFP for an independent auditor did not need to be done immediately.

ACTION REQUIRED:

Ms. Castronovo – make note for inclusion in the January 2018 meeting agenda.

e. Travel dates for IFEBP Annual Conference

Ms. Castronovo noted IFEBP's 63rd Annual Conference would be in Las Vegas, NV with the opening session starting at 4:30 p.m. on Sunday, October 22 and a concluding session ending at 11:45 a.m. on Wednesday, October 25, 2017. The conference was preceded by a preconference on Saturday and Sunday, October 21st and 22nd, with preconference sessions starting at 8:00 a.m. both mornings. Ms. Castronovo reminded the Board that per its Travel Policy, covered stay starts the day preceding the first educational session and ends the last day of the registered event. The Travel Policy further states in no event will the hotel room be covered the night following the last educational session unless approved in advance by the Board based on location and availability of flights. Ms. Castronovo stated the Board needed to determine if the Fund would cover meal expenses for Wednesday (lunch and dinner) and Thursday (breakfast and lunch) and the hotel expense for Wednesday night if the attendees could not obtain a flight that would return them home at a reasonable time on Wednesday, October 25th.

MOTION made by Mr. Bolton, seconded by Vice-Chair Greene, to approve extended dates (Friday, October 20, 2017 for those attending preconference sessions and Saturday, October 21, 2017 for everyone else and Wednesday, October 25, 2017 for everyone). In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

8. PUBLIC COMMENTS

Public comments were made by: Veronica Mangan – address exempt FSS 119; Linda Haltam – 5641 Raleigh Street, Hollywood, FL; William Vulpis – 7993 Exeter Boulevard West, Tamarac, FL

9. TRUSTEE REPORTS, QUESTIONS AND COMMENTS

Trustee comments were made by Mr. Cassidy, Mr. Bolton, Vice-Chair Greene, Mr. Keller and Chair Shaw. The Trustees in general noted that while they appreciated the feedback they had received from Fund members regarding the Pension Coordinator position and possible hiring of Ms. Kerr, they were unable to comment or respond due to the Cone of Silence in place for the Pension Administrator RFP.

Mr. Cassidy stated the Board was required to do their fiduciary responsibility for the Fund membership by periodically obtaining bids from all of their vendors to ensure the Board was getting the best “bang for the buck.” Vice-Chair Greene expressed his appreciation to the retirees for becoming actively involved in the process and stated he had read all of their emails. Chair Shaw said the Board had the best interest of all Fund members at heart and emphasized the need for the RFP process to be completed to avoid potential lawsuits. Mr. Bolton expressed his appreciation and commended Ms. Castronovo for her efforts on behalf of the retirees.

Chair Shaw asked the Board Attorney to put together something regarding Sunshine Laws, Public Records requests, and ethics to be presented to the Board on an annual basis, preferably in the spring of each year.

ACTION REQUIRED:

Board Attorney - put together something regarding Sunshine Laws, Public Records requests, and ethics for presentation to the Board on an annual basis.

10. PENSION COORDINATOR’S REPORT (Lisa Castronovo)

Ms. Castronovo noted: 1) registration was open for the Fall FPPTA Trustees School October 8 – 11, 2017 in Tampa and to let her know if anyone wished to attend; 2) she had provided each Trustee with the September 30, 2016 audit report; 3) she had provided each Trustee with the October 1, 2016 Actuarial Valuation Report and asked the Trustees to bring the Report she provided with them to the August 27th Board meeting at which time Jeff Amrose from Gabriel, Roeder, Smith & Company would present the Report; 4) the retiree-elected Trustee position was up in October and that she was going to work with the City of Hollywood Retirees’ Association president, Ron Bolton, on the processes and timing to be followed to notify all retired members about the election for the position; and 5) she expected to receive in the next few weeks the September 30, 2017 Employee Benefit Statements after which she would get distributed to the active Fund members along with a copy of their respective updated Summary Plan Description.

ACTION REQUIRED:

Trustees – let Ms. Castronovo know if you wish to attend the FPPTA Fall Trustees School

Ms. Castronovo – add a list of Planned Retirement participants to the Consent Agenda

Ms. Castronovo - expand information regarding Planned Retirement in the Summary Plan Description.

11. ADJOURNMENT

MOTION made by Vice-Chair Greene, seconded by Mr. Bolton, to adjourn the meeting. In a voice vote by the members present, **Motion** passed 6-0. Meeting adjourned at 12:52 p.m.



Phyllis Shaw, Chair

August 24, 17

Date