

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND
THURSDAY, JULY 28, 2016
CITY HALL ANNEX, ROOM 20, 2600 HOLLYWOOD BOULEVARD**

1. CALL TO ORDER

Chair Shaw called the meeting to order at 9:06 a.m.

2. ROLL CALL AND PLEDGE OF ALLEGIANCE

Board Members present: Chair Phyllis Shaw, Vice-Chair Jeffrey Greene (arrived at 9:07 a.m.), Chris Cassidy, Charles Howell (arrived at 9:09 a.m.), George Keller, Mel Standley and Richard Templeton. Also present: Pension Coordinator Lisa Castronovo and Board Attorney James Linn (Lewis, Longman & Walker).

3. CONSENT AGENDA

- a. June 23, 2016 Regular Meeting Minutes
- b. Ratification of Distributions (Contributions and DROP) and Plan Expenses
- c. Approval/Ratification of New Retirement/DROP/Vested/Death Annuities

There was discussion regarding Fund expenditures, specifically Mr. Linn's invoices for April and May.

MOTION made by Mr. Templeton, 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 7-0.

4. TREASURER'S REPORT (Ernest Acosta)

Mr. Acosta stated there was no Treasurer's Report available due to the timing of receipt of a few of the investment managers' reports.

There was discussion regarding a July 22, 2016 letter from the City Manager regarding the City of Hollywood as "plan sponsor" of the Retirement Fund. Chair Shaw stressed the importance of the Director of Human Resources and Department of Finance staff attending Board meetings.

5. INVESTMENT ISSUES (Keith Reynolds)

a. Flash Performance Review

Mr. Reynolds provided the June 30, 2016 flash performance report noting the inclusion of the new alternative asset classes - private equity (Neuberger Berman's Crossroads XXI fund and HarbourVest's Dover Fund IX) and infrastructure (IFM's Global Infrastructure Fund). The Fund's market value on June 30, 2016 was \$283.9 million. The Fund's preliminary rate of return, net of fees, for the quarter ended June 30, 2016 was 1.30% vs. policy index of 1.54%. The preliminary rate of return for fiscal year-to-date (October 1, 2015 - June 30, 2016), net of fees, was 6.38% vs. policy index of 5.84%. On June 30, 2016, \$2.5 million was transferred from real estate manager Morgan Stanley to the Fund's cash account to cover future member distributions. Further, at the end of June, \$2 million was deposited with investment manager Neuberger Berman to fund the Fund's new private equity investment in Crossroads XXI.

Mr. Reynolds recommended the Board authorize transfers into the Fund's cash account in August 2016 of \$2 million each from SMID-cap managers Thompson, Siegel & Walmsley and Frontier Capital Management and on December 31, 2016 \$2.5 million from real estate manager Morgan Stanley and \$1 million from real estate manager Principal Global Investors to the cash account to cover future payments to members and capital calls for the Fund's new alternative investments.

MOTION made by Vice-Chair Greene, seconded by Mr. Keller, to follow Mr. Reynolds' recommendation to authorize transfers to the cash account in August 2016 of \$2 million each from SMID-cap managers Thompson, Siegel & Walmsley and Frontier Capital Management and on December 31, 2016 of \$2.5 million from real estate manager Morgan Stanley and \$1 million from real estate manager Principal Global Investors. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

6. LEGAL ISSUES (James Linn)

a. Litigation Update

Mr. Linn reported the City Commission adopted a resolution to initiate Conflict Resolution Procedures regarding the Supplemental Pension Distribution litigation with the process as follows :

Step 1 – Conflict Assessment: this is a meeting that representatives for the City and the Chairperson and Administrator of each of the City's three pension boards attend. The meeting was scheduled for August 10, 2016.

Step 2 – If a resolution was not reached in Step 1 then a joint public meeting would be held which all Board members must attend.

Step 3 - An independent third party mediator would be brought in with costs born equally by all parties. The idea of Step 3 was that a mutually satisfying resolution would be reached but such mediation would not be binding.

If no resolution was reached in Step 1, Mr. Linn stated the attorneys for the three pension boards were in agreement to skip Step 2 and go straight to Step 3 since a joint public meeting would most likely not lead to a conclusion/settlement. If no settlement was reached through mediation (Step 3), the case would go back to into the court system.

When asked by Mr. Keller if there was a specific "script" for Step 1, Mr. Linn replied that there was not since Step 1 was more of a layout of the issues to determine if there was a way to resolve the matter without going to Step 2, Step 3, or back to court.

Mr. Keller disclosed that he might be the City Manager's designee for the City in Step 1. The Board was adamantly opposed to such designation. Mr. Templeton stated it would be a conflict of interest for either Mr. Keller or Mr. Standley to be the City's designee considering both sat on the Fund's Board.

Chair Shaw expressed her dissatisfaction with the City for listing the Board in the same lawsuit as the City's Police and Fire boards considering the Board did what they were supposed to do when they did not pay out the September 30, 2012 supplemental pension distribution check while the Police and Fire funds did as well as paying supplemental pension distributions for several years before and after September 2012.

Discussion followed regarding a July 22, 2016 letter from the City Manager each Board member had received. Mr. Templeton stated he was very upset not only about the lawsuit but also the recently received letter considering the Board had actively worked with the City over the years to ensure the Fund was properly managed and followed City's requests. Mr. Templeton said the Board should never be in the situation it found itself in for following the terms and conditions of the Plan document as set out by the City. Mr. Templeton further stated his disappointment with City Commissioners for not attending Board meetings to hear what the Board did on a regular basis to manage the Fund.

Chair Shaw said she felt all discussions should have happened before the City filed any lawsuit. Chair Shaw stated while on one hand she was pleased the City was reaching out to the Board, on the other she was disappointed the City was only now reaching out rather than doing so years ago. Mr. Keller responded the new City Manager and administration had inherited the results of the last 30 years and was now trying to right the "ship" by instituting a working task force and starting better communication with the three boards.

Vice-Chair Greene stated he was glad the City was taking steps to communicate with the Boards as it had not seen any such attempt on the City's part in his 25 years on the Board. Mr. Keller reiterated the City Manager was genuinely interested in "righting the ship" and making the City better going forward and working to prevent the situation from getting any worse in the future.

b. IRS Compliance Ordinance Update

Mr. Linn stated he continued to work with the City's Legal department to finalize an ordinance needed to comply with the IRS determination letter. Mr. Linn said the City wanted to add a clause to the ordinance regarding reemployment of retirees. Mr. Linn hoped to provide a draft of the proposed ordinance to the Board at its next meeting.

7. ADMINISTRATIVE ISSUES

a. City Commission Communication

Ms. Castronovo provided the City Commission Communication memorandum for Board approval. Chair Shaw requested Ms. Castronovo to add to the Communication a statement urging the Director of Human Resources, Finance staff and the City Commissioners to attend the Board meetings.

MOTION made by Mr. Templeton, seconded by Mr. Standley, to accept the City Communication with Chair Shaw's addition. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

b. Fund Administration

1. Report on meetings with Pension Administrators for City's Police and Fire Retirement Funds

Ms. Castronovo summarized her meetings with the administrators of the City's Police (Dave Williams) and Fire (Jennifer Kerr) funds, highlighting specifically how the two administrators handle various tasks currently handled by the City for the Retirement Fund, i.e. payment of invoices, bookkeeping, RFP's.

Chair Shaw requested the Board hold another workshop so the Trustees could continue discussions on transitioning to complete autonomy from the City. The workshop was scheduled for September 8, 2016.

2. Fund Secretary Responsibilities

The Board collectively agreed that since the Board Secretary was a Board member, the Secretary should not take notes for meeting minutes purposes; such responsibility would remain with the Pension Coordinator.

3. Fund Attorney Responsibilities

The Board agreed that the Board attorney should no longer review a draft of meeting Minutes in advance of Board meetings as had been done in the past. The Board also agreed that if the City contacts the Board attorney directly regarding an issue then the City is responsible for paying the Board attorney for that matter. Further, in an effort to control expenses, the Board directed Ms. Castronovo to tell the City's Legal department to contact her or the Board's Chairperson regarding any legal issue before they contact the Board attorney.

4. Fund Administration Workshop – discussed in 7.b.1.

5. City Manager's July 22, 2016 letter to the Board

Chair Shaw expressed her excitement about the letter and also her disappointment that the City was suing the Board when the Board followed the Ordinance as laid out by the City. Chair Shaw recommended the Board schedule an educational workshop specifically for the City Commissioners to educate them on the past, present and future of the Fund. Vice-Chair Greene agreed and said he thought it would be a good idea to hold a workshop at least once a year to keep the City Commissioners informed and up-to-date about the Fund.

Chair Shaw suggested holding one Board meeting a quarter after 5:00 p.m. so that City employees could attend. Mr. Templeton stated that, based on his past experience, no matter what time the meeting was scheduled, employees would not attend.

c. RFP's for Independent Auditor for Retirement Fund & Pension Administration Software

The Board agreed to not issue an RFP for an independent auditor but rather use the City's auditor for the 2015-16 fiscal year. Ms. Castronovo stated she would be sending out an RFP for pension administration software in the very near future.

8. PUBLIC COMMENTS

Public comments were heard from Ron Bolton – 1150 NW 71st Avenue, Plantation, FL; Dan McMurtrie, 1700 N 55th Avenue, Hollywood, FL; Tim Randall, 2407 Pope Avenue, South Daytona, FL; Troy Porter, 21760 NW 8th Place, Pembroke Pines, FL.

9. TRUSTEE REPORTS, QUESTIONS AND COMMENTS

On behalf of himself, prior trustee Russell Dunn and previous members of the Board, Vice-Chair Greene expressed his appreciation for the positive public comments made concerning the Board's efforts to get where the Fund where it was.

Chair Shaw stated she felt the City Manager's July 22, 2016 letter was a step in the right direction, but that she really wished the City would reconsider the lawsuits it filed against the Board.

10. PENSION COORDINATOR'S REPORT (Lisa Castronovo)


Ms. Castronovo reviewed various items of her July 21, 2016 memorandum to the Board (memo made part of these Minutes). Specific discussion items Ms. Castronovo addressed: 1) All of May, June and July DROP members had been processed and the July and August benefits were being finalized; 2) the annual Employee Benefit statements were distributed by the end of June; 3) an application for Fiduciary Liability Insurance and applicable bond coverage for October 1, 2016 – September 30, 2017 had been submitted for quotes to Arthur J. Gallagher & Co.; and 5) FPPTA's Fall Trustee School would be held at the Hyatt Regency in Bonita Springs September 25-28, 2016.

Ms. Castronovo reported that two duty disability applications were being reviewed by Director of Human Resources Tammie Hechler with the intent to present both to the Board for review at their next meeting. Ms. Castronovo stated she was notifying both applicants via letters of the date and time of the meeting as well as the applicants' right to attend the meeting and address the Board.

Per a request at a previous meeting, Ms. Castronovo provided a list of procedures followed for 1) the transfer of funds between accounts, 2) benefit payments, and 3) refunds and DROP distributions.

11. ADJOURNMENT

MOTION made by Vice-Chair Greene, seconded by Mr. Keller, to adjourn the meeting. In a voice vote by the members present, **Motion** passed 7-0. Meeting adjourned at 12:37 p.m.



Phyllis Shaw, Chair
VICE CHAIR - JEFF GREENE
9/8/16

Date