

**MINUTES**  
**REGULAR PENSION BOARD MEETING**  
**CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND**  
**THURSDAY, JULY 30, 2015 at 10:00 AM**

**1. CALL TO ORDER**

Chair Shaw called the meeting to order at 10:01 a.m.

**2. ROLL CALL AND PLEDGE OF ALLEGIANCE**

Board Members present: Chair Phyllis Shaw, Vice-Chair Jeffrey Greene (arrived at 10:18 a.m. and departed at 1:07 p.m.), Ralph Dierks, Raquel Elejabarrieta, George Keller, Daniel Matlow and Richard Templeton. Also present: Pension Coordinator, Lisa Castronovo, Assistant Board Secretary, Tami Thornton; Board Treasurer, Matthew Lalla; and Board Attorney, James Linn.

**3. CONSENT AGENDA**

- a. June 25, 2015 Regular Meeting Minutes
- b. July 14, 2015 Special Meeting Minutes
- c. Ratification of Distributions (Contributions and DROP) and Plan Expenses
- d. Approval/Ratification of New Retirement/DROP/Vested/Death Annuities

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

**7. ADMINISTRATIVE ISSUES – Taken out of order**

- a. October 1, 2014 Actuarial Valuation Report (Jeff Amrose, Gabriel Roeder Smith) – Report made part of these minutes.

Mr. Amrose distributed and reviewed a 2-page summary of the October 1, 2014 Actuarial Valuation Report. Mr. Amrose specifically noted the total required contribution stayed relatively the same from fiscal year 2014-15, \$23,276,806, to fiscal year 2015-16, \$23,250,833, with the amount required as a percent of covered payroll decreasing from 80.3% to 72.4% due to the recent increases in the City's payroll. Mr. Amrose noted the funded ratio increased from 53.7% to 55.6% from 2013 to 2014 but was still lower than the majority of his other Florida clients whose average funded ratio was in the low 80's. Mr. Amrose noted that for the first time in several years, the Fund had an actuarial experience gain for the year ended September 30, 2014 due mostly to an actuarial investment return greater than expected (9.8% actual vs. 8.0% assumed).

Ms. Elejabarrieta asked if the October 1, 2014 Report included pre-funding of the Supplemental Pension Distribution to which Mr. Amrose replied yes, the base for such funding was added and effective with the October 1, 2013 actuarial valuation. On behalf of the City, Mr. Lalla requested the total required contribution excluding funding of the Supplemental Pension Distribution.

Mr. Amrose noted that once the Report was approved and accepted by the Board, Gabriel, Roeder, Smith & Company would have sixty (60) days to provide the new Chapter 112.64 reporting requirements.

**MOTION** made by Vice-Chair Greene, seconded by Mr. Templeton, to accept the October 1, 2014 Actuarial Valuation Report. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

**5. INVESTMENT ISSUES (Keith Reynolds) – Taken out of order**

a. Flash Performance Review

Mr. Reynolds reported the Fund's value was \$296.6 million on June 30, 2015 with the three domestic equity managers being over their total target allocation (42.6% actual vs. 37.5% target) and the two fixed income managers being under target (27.4% actual vs. 32.5% target). Mr. Reynolds continued his review stating that per preliminary calculations, the net rate of return for the quarter ended June 30, 2015 was 0.27% vs. the policy index return of 0.06%.

To get the over-target domestic equity managers and the under-target fixed income managers more in line with their respective target allocations, Mr. Reynolds recommended moving \$3 million from SMID-cap equity manager Thompson, Siegel & Walmsley and \$2 million from SMID-cap equity manager Frontier Capital to fixed income manager Baird Advisors by September 30, 2015. Vice-Chair Greene asked why the \$5 million would be placed entirely with Baird Advisors and not split evenly between both fixed income managers Baird Advisors and Neuberger Berman to which Mr. Reynolds responded that based on past concerns and discussions regarding Neuberger Berman, it was more beneficial to the Fund to place the \$5 million with Baird Advisors.

Mr. Matlow asked Mr. Reynolds if the Board should be concerned about the Fund's international investments considering the volatile markets in China and Greece. Mr. Reynolds replied that because China is an emerging market, the Fund is not heavily invested in them through international managers Wellington or Brandes. Mr. Reynolds continued that Segal Advisors felt international markets would outperform domestic markets in the coming months.

**MOTION** made by Vice-Chair Greene, seconded by Mr. Templeton, to take \$3 million from Thompson, Siegel & Walmsley and \$2 million from Frontier Capital and move such monies to Baird Advisors by September 30, 2015. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

b. Rate of Return Discussion/Alternatives Investment Education  
Handout made part of these minutes.

Mr. Reynolds stated that the goal for investing in alternatives such as hedge funds, private equity, and real estate was not to increase risk or asset volatility, but to increase the Fund's rate of return. Further, hedge funds are used to dial back volatility/risk and often are used in place of fixed income investments.

Mr. Reynolds outlined a few items the Board must consider as they contemplate investing in alternatives: 1) alternative investments are generally less liquid than investments in standard equities and fixed income, 2) manager selection is critical as there is a wide dispersion of alternative manager returns, typically much greater than that found in traditional asset classes, 3) there is greater organizational risk requiring more due diligence, 4) fees are higher due to different compensation structures, and 5) diversification is very important.

Mr. Reynolds suggested doing a Liquidity Analysis which is typically done in advance of alternative investing as it helps suggest appropriate allocations, determine how much is too much in liquefied assets, etc. Mr. Reynolds stated he would bring an overview of a Liquidity Analysis to the next Board meeting for discussion and noted that a full, detailed liquidity analysis costs approximately \$15,000.

Chair Shaw called a recess. The meeting resumed at 11:38 a.m.

**4. TREASURER'S REPORT (Matthew Lalla) – Taken out of order**

Mr. Lalla reported an increase in the Fund's assets of \$2.94 million/1.0% (net of disbursements) from \$290.58 million on October 1, 2014 to \$293.52 million as of July 28, 2015. Investment returns through May 31, 2015 were 6.67%. The Board accepted the Treasurer's Report as read.

Public comment was heard from: Christopher Cassidy, President - AFSCME Local 2432, 2734 Hollywood Boulevard, Hollywood, FL

**5. INVESTMENT ISSUES (Keith Reynolds) – Taken out of order**

- c. Frontier Capital Management Presentation (Christopher Premock)  
Handout made part of these minutes.

Mr. Premock emphasized Frontier Capital 1) was a bottom-up, fundamental SMID-cap domestic equity manager who concentrated on stock selection over sector selection, and 2) invested primarily in companies with strong management and strong balance sheets.

- d. Fiduciary Liability Insurance (Jori Van der Voort, Arthur J. Gallagher Risk Management Services)

The Board discussed with Ms. Van der Voort the need for increased fiduciary liability insurance limits. Ms. Elejabarrieta noted that the City Commission had to approve the Fund's insurance coverage and the premium payments for such coverage whether such coverage became immediately effective or not effective until October 1, 2015.

Mr. Templeton asked Ms. Van der Voort to come back to the Board at its next meeting with her recommendation for the amount of coverage needed. Mr. Templeton stated his opinion that something seemed wrong with the picture that the City Commission must approve the insurance coverage and its respective premium while at the same time it was filing suit against the Board.

**6. LEGAL ISSUES (James Linn)**

- a. Board Travel and Gift Policy

Mr. Linn referred to his July 28, 2015 memorandum to the Board regarding acceptance of gifts. Mr. Linn reported that per City policy, Trustees who were also City employees were prohibited from accepting any gifts from anyone or any organization. However, Trustees who were City employees could accept gifts valued at \$100 or less. Non-City employee Trustees could also accept gifts valued at more than \$100 as long as they reported such gift on their annual report to the State.

Vice-Chair Greene stated that in his position as a non-employee Trustee, he had a problem with the fact that he could accept gifts but his fellow Trustees who were also City employees could not accept such gifts. Vice-Chair Greene asked that Mr. Linn meet with the City Manager to work on a way for the City-employee Trustees to be treated the same as the non-City employee Trustees regarding the acceptance of gifts from vendors, and that a policy similar to the State's and County's policies be agreed to by the City. Mr. Linn agreed to work with Chair Shaw to set up a meeting with the City Manager on this issue.

b. IRC Section 415 Memorandum

Mr. Linn reviewed the July 23, 2015 memorandum from his partner Glenn Thomas regarding Internal Revenue Code Section 415. The memorandum was written and provided in response to specific issues raised by retiree Ronald Bolton regarding the impact of Internal Revenue Code Section 415 on his annual retirement benefit. Mr. Thomas and Mr. Linn concluded that the only real solution was for the City to establish an excess benefit plan. Vice-Chair Greene stated his hope that the issue be resolved favorably for the members affected by IRC Section 415.

- c. Mr. Linn informed the Board he had been in contact with the current fiduciary liability insurer (RLI) regarding the two resolutions approved in early July by the City Commission regarding filing two (2) lawsuits against the Board. Mr. Linn asked the Board if they wanted him to request RLI to appoint him/his firm as the Board's legal representative for the two cases. After discussion, the Board collectively agreed to hold off on making a decision until they receive further information regarding the lawsuits.

**8. PUBLIC COMMENTS**

Public comments were heard from: Christopher Cassidy; Robert Strauss, Vice President - AFSCME Local 2432, 2734 Hollywood Boulevard, Hollywood, FL

**9. TRUSTEE REPORTS, QUESTIONS AND COMMENTS**

Mr. Keller suggested including the Board's concerns regarding the fiduciary liability insurance issues to the City Attorney and City Manager along with the gift scenarios Mr. Linn would discuss with them.

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

Ms. Castronovo reported: 1) Ms. Hechler received notification from the State that the October 1, 2013 actuarial valuation report had been received and approved; 2) the FPPTA Trustees' School was October 4 – 7 and if anyone wished to attend to let her know so she could handle the registrations; 3) she had prepared and provided to each Trustee an up-to-date Trustees' Manual; 4) the Supplemental Pension Distributions for fiscal year end September 30, 2013 were on schedule to be paid out by mid-August; 5) she would shortly be receiving from Gabriel, Roeder, Smith & Company the personalized October 1, 2014 Employee Benefit Statements and upon receipt would get them distributed as quickly as possible; 6) the most current Summary Plan Descriptions were posted on the Fund's website and that the Human Resources department had hard copies to distribute to new employees; and 7) the fund custodial contract with Wells Fargo was set to expire December 31, 2015.

11. **ADJOURNMENT**

**MOTION** made by Mr. Matlow, seconded by Ms. Elejabarrieta, to adjourn the meeting. In a voice vote by the members present, **Motion** passed 6-0. Meeting adjourned at 1:32 p.m.

  
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Phyllis Shaw, Chair

August 27, 2015  
Date