

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND
THURSDAY, SEPTEMBER 24, 2015**

1. CALL TO ORDER

Vice-Chair Greene called the meeting to order at 10:07 a.m.

2. ROLL CALL AND PLEDGE OF ALLEGIANCE

Board Members present: Chair Phyllis Shaw (arrived at 10:14 a.m.), Vice-Chair Jeffrey Greene, Raquel Elejabarrieta, George Keller, Daniel Matlow and Richard Templeton. Board Members absent: Ralph Dierks. Also present: Pension Coordinator, Lisa Castronovo; Board Secretary, Tammie Hechler; Board Treasurer, Matthew Lalla; and Board Attorney, James Linn.

3. CONSENT AGENDA

- a. August 27, 2015 Regular Meeting Minutes
- b. Ratification of Distributions (Contributions and DROP) and Plan Expenses
- c. Approval/Ratification of New Retirement/DROP/Vested/Death Annuities
- d. Excuse Trustee Ralph Dierks from September 24, 2015 Board Meeting

MOTION made by Mr. Templeton, 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 5-0.

4. TREASURER'S REPORT (Matthew Lalla)

Mr. Lalla reported a decrease in the Fund's assets of \$6.6million/2.3% (net of disbursements) from \$290.6 million on October 1, 2014 to \$284 million on September 15, 2015. The Board accepted the Treasurer's Report as presented.

5. INVESTMENT ISSUES (Keith Reynolds)

- a. Principal Global Investors Presentation (Paul Stover)

Mr. Paul Stover, Senior Relationship Manager with Principal Global Investors, presented a summary report to the Board (report made part of these Minutes). Mr. Stover emphasized that Principal real estate investors: 1) manage \$60.3 billion in real estate assets, 2) cover over 45 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) the focus was on income growth by buying growing income streams and selling flat income streams, 2) technology, healthcare, and housing industries were expected to lead real estate expansion, 3) investments in the south and west regions and office and industrial sectors were overweight and was expected to remain so due to strong returns in those areas. Mr. Stover reported the rate of returns for PEPF remained around 11% per annum and was expected to stay at that level for the next several years.

- c. Flash Performance Review – **Taken out of order**

Mr. Reynolds reported the Fund's value was \$283.1 million on August 31, 2015. Mr. Reynolds noted that although the market was down overall for August, the Fund's money managers for the most part outperformed their respective indices.

Mr. Reynolds remarked that Principal Global Investors through PEPF sought to purchase under-valued properties, make improvements and then sell such properties at a nice profit so they were "earning their keep."

Mr. Reynolds concluded the flash report review by noting that the Fund's rate of return for the fiscal year to date through August was 3.12%, net of fees, versus the policy index of 1.64%.

Vice-Chair Greene turned the gavel over to Chair Shaw.

6. LEGAL ISSUES (James Linn)

a. Follow-up on Meeting with City Manager regarding City's Gift Policy

Mr. Linn reported that he along with Chair Shaw met with City Manager Wazir Ishmail and City Attorney Jeff Sheffel to review the City's strict "no acceptance of gifts" policy. Mr. Linn stated the meeting went very well and that the City Manager requested to see Broward County's gift policy since it contained a blanket provision allowing employees attending business-related conferences to accept meals, snacks, beverages and small incidentals.

Vice-Chair Greene commented it would be worth it to meet with the money managers one-on-one to learn what they offer regarding both the asset class and the individual manager.

b. Internal Revenue Service Favorable Determination Letter

Mr. Linn reported that the City had received a Favorable Determination Letter from the Internal Revenue Service. Receipt of the letter meant that if certain technical amendments required by the IRS were adopted and made part of the Code of Ordinances, the Fund would then meet the IRS requirements and have a favorable tax qualified status. Mr. Linn noted that any change to the Ordinance – even those technical in nature required by the IRS – required a vote of those covered by the Fund and City Commission approval. Mr. Linn concluded by stating he had provided the suggested technical amendments to City Attorney Sheffel.

ADDITIONAL ISSUES

Mr. Linn reported that Ifatunbi Adefunmi, who applied for and was denied a non-duty disability in 2013, had recently submitted an application for a duty disability retirement. Mr. Linn reminded the Board that all submitted medical records were exempt from public records laws and must be kept confidential.

Mr. Linn suggested the Board amend its By-Laws to allow the appointment of a "hearing officer" who would thoroughly review each disability application and then provide to the Board their recommendation regarding the application. Discussion ensued. Mr. Matlow was in favor of the idea while Mr. Templeton was not. Vice-Chair Greene suggested forming a sub-committee to review disability applications to which Chair Shaw responded a subcommittee would not work since all disability cases should be reviewed by the entire Board.

Vice-Chair Greene stated his desire to hold Board meetings every other month instead of monthly. Mr. Templeton responded that monthly meetings were necessary due to the size of the Fund, the number of Fund members and the various complexities of the Fund.

Chair Shaw tabled the discussion.

5. INVESTMENT ISSUES (Keith Reynolds) – Taken out of order
b. Northern Trust Presentation (James Dominguez)

Mr. James Dominguez, Investment Relationship Manager with Northern Trust Asset Management, presented a summary report to the Board (report made part of these Minutes). Mr. Dominguez emphasized that Northern Trust was a multi-asset class investment manager with index management as its core business with \$464.9 billion assets in its index funds. True to its nature, the Fund's investment in the Northern Trust S&P Index Fund matched the S&P rate of return every quarter since the initial investment beginning October 1, 2012.

6. LEGAL ISSUES – continued

Chair Shaw stated the Board needed to update its By-Laws. Mr. Templeton stated there should be member participation when revising them. Chair Shaw appointed Vice-Chair Greene to set up a subcommittee to review/revise the By-Laws. Vice-Chair Greene stated he would send the By-Laws to all Board members to get their input. The subcommittee was Vice-Chair Greene, Mr. Keller, and Mr. Templeton.

Chair Shaw requested a presentation of suggested By-Laws revisions/updates at the December Board meeting. Chair Shaw reminded Vice-Chair Greene to make sure all sub-committee meetings are publicly posted to meet Sunshine Law requirements. Vice-Chair Greene will coordinate subcommittee meeting dates and times with Ms. Castronovo.

Chair Shaw inquired if any Trustees were aware of the pending lawsuit against the City from IRC Section 415 affected retirees. Mr. Linn reported he had a letter from Sugarman & Susskind to City Mayor Bober, dated September 22, 2015, regarding the affected retirees seeking relief from the City for unlawful pension recalculations.

Chair Shaw recommended that the City's Code of Ordinances, as it regards the Fund, be revised so that the Board hires and pays its own service providers rather than the City doing such and that such revision be done in the near future since the Ordinance needed technical amendments per the recently received IRS Favorable Determination Letter.

MOTION made by Ms. Elejabarrieta, seconded by Vice-Chair Greene, to have Mr. Linn to revise the Ordinance to allow the Board to control and pay its own operating expenses. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0.

Mr. Linn reported that the invoices for his services for the Fund had not been paid in five months. Mr. Linn explained that each year the City Commission adopts a resolution concerning his fees with a specified "not to exceed amount." The "not to exceed amount" had not been modified in several years, and had not been an issue in the past. A proposed resolution increasing the "not to exceed amount" for the current year was currently in process. Discussion followed.

Mr. Templeton inquired as to why the Board/Fund did not have a budget. Mr. Keller asked the subcommittee to specify the creation and maintenance of a budget in the up-coming By-Law revisions.

7. ADMINISTRATIVE ISSUES

There were no Administrative Issues.

8. PUBLIC COMMENTS

Public comment was heard from: Ronald Bolton - 1150 NW 71 Avenue, Plantation, FL

9. TRUSTEE REPORTS, QUESTIONS AND COMMENTS

Chair Shaw commented that Board members will have more responsibility if they assume the responsibility for the Fund's service providers hiring and fee payments. Vice-Chair Greene stated he would want to see cash-flow statements.

Mr. Templeton requested that the By-Laws be revised to state that the Board Treasurer not have the City's financial responsibilities. Mr. Templeton also wondered if the Director of Human Resources should be the Board Secretary.

10. PENSION COORDINATOR'S REPORT (Lisa Castronovo)

Ms. Castronovo had nothing to report.

11. ADJOURNMENT

MOTION made by Vice-Chair Greene, seconded by Ms. Elejabarrieta, to adjourn the meeting. In a voice vote by the members present, **Motion** passed 6-0. Meeting adjourned at 12:02 p.m.



Phyllis Shaw, Chair

October 22, 2015
Date