

# **AGENDA ITEM 1**

**NO BACKUP  
FOR THIS SECTION**

# **AGENDA ITEM 2**

**NO BACKUP  
FOR THIS SECTION**

# **AGENDA ITEM 3**

**ITEM 3.a.**

**MINUTES of  
JULY 28, 2016  
REGULAR PENSION  
BOARD MEETING**

**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 71<sup>st</sup> Avenue, Plantation, FL; Dan McMurtrie, 1700 N 55<sup>th</sup> Avenue, Hollywood, FL; Tim Randall, 2407 Pope Avenue, South Daytona, FL; Troy Porter, 21760 NW 8<sup>th</sup> 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

\_\_\_\_\_  
Date

**ITEM 3.b.**

**RATIFICATION OF  
DISTRIBUTIONS  
(Contributions and DROP)  
and  
PLAN EXPENSES**

# **PLAN DISTRIBUTIONS**

**EMPLOYEES' RETIREMENT FUND**  
**Refunds and DROP Distributions**  
**August 25, 2016 Regular Pension Board Meeting**

Refunds of Contributions

<u>Name</u>	<u>Refund</u>
	\$ <u>0.00</u>

Partial Lump Sum Distribution

Smalley, Jannet	\$ 18,750.00
	\$ <u>18,750.00</u>

DROP Distributions

\$ 0.00

**TOTAL: \$ 18,750.00**

# **PLAN EXPENSES**

# EMPLOYEES RETIREMENT FUND

Payment Requests Processed During the Period

July 1, 2016 through July 31, 2016

## Pension Coordinator Fees

LECastronovo Co., Inc. (July 2016) \$ 13,173.33

## Travel Advances/Expenses

FPPTA Annual Conference (Orlando)

Charles Howell 979.00

Lisa Castronovo 1,062.07

NCPERS Annual Meeting (San Diego)

Christopher Cassidy (298.73)

1,742.34

## Miscellaneous

Sharp - Copier Lease Payment (06/01/16 - 06/30/16) 156.44

Office Depot - General Office Supplies 119.45

Office Depot - General Office Supplies 14.95

Office Depot - General Office Supplies 54.99

Dr. Marc Hammerman 31.00

Safecare Medical Center, Inc. 22.00

HealthPort 1.18

Bactes Medical Records 7.89

Bactes Medical Records 48.41

United Postal Service 26.94

HostGator 10.95

HostGator 10.95

HostGator 10.95

516.10

Total \$ 15,431.77



**ITEM 3.c.**

**APPROVAL/RATIFICATION of  
NEW RETIREMENTS/DEATHS**

# EMPLOYEES' RETIREMENT FUND

New Retirement/DROP/Death/Vested Annuities - Monthly Amounts  
August 25, 2016 Regular Pension Board Meeting

## July 2016

Smalley, Jannet - retirement	\$	1,949.16
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## September 2016

Campbell, Kathleen - retirement (from DROP)	\$	1,240.86
Davis, Ellen - retirement (from DROP)		1,218.00
Lawson, David - retirement (from DROP)		4,200.47
Lemke, Patricia - retirement (from DROP)		2,157.40
Romeu, Gabriel - retirement (from DROP)		4,035.17
Turpin, John - retirement (from DROP)		1,798.79

## Benefits Stopped

Wagman, Harold - died 7/28/2016	\$	309.76
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# **AGENDA ITEM 4**

**NO BACKUP  
FOR THIS SECTION**

# **AGENDA ITEM 5**

**ITEM 5.a.**

**JUNE 30, 2016 QUARTERLY  
PERFORMANCE REVIEW**

(Provided separately)

## **ITEM 5.b.**

### **FLASH PERFORMANCE REVIEW**

**City of Hollywood Employees' Retirement Fund**  
**Preliminary Market Value Update**  
**as of July 31, 2016**

	Market Value	Percent of Total Plan	New Target Allocation	Difference	Range
<b><u>Domestic Equity - Large Cap</u></b>	\$69,753,510	24.0%	20.0%	4.0%	15-30%
Northern Trust	\$69,753,510	24.0%			
<b><u>Domestic Equity - SMID Cap</u></b>	\$42,272,804	14.6%	10.0%	4.6%	7-15.5%
TSW	\$20,932,640	7.2%			
Frontier Capital	\$21,340,164	7.4%			
<b><u>International Equity</u></b>	\$58,717,073	20.2%	20.0%	0.2%	15-25%
Wellington	\$42,697,293	14.7%			
Brandes	\$16,019,780	5.5%			
<b><u>Fixed</u></b>	\$83,036,393	28.6%	30.0%	-1.4%	25-37.5%
Neuberger & Berman	\$34,264,371	11.8%			
Baird Advisors	\$48,772,022	16.8%			
<b><u>Real Estate</u></b>	\$34,419,767	11.9%	10.0%	1.9%	7-14%
Morgan Stanley	\$25,081,121	8.6%			
Principal	\$9,338,646	3.2%			
<b><u>Private Equity</u></b>	\$2,000,000	0.7%	7.5%	-6.8%	0-15%
Neuberger Berman Crossroads XXI	\$2,000,000	0.7%			
HarbourVest Dover Fund IX	\$0	0.0%			
<b><u>Infrastructure</u></b>	\$0	0.0%	2.5%	-2.5%	0-5%
IFM Global Infrastructure	\$0	0.0%			
<b>Total Fund</b>	<b>\$290,199,547</b>	<b>100.0%</b>	<b>100.0%</b>		



**City of Hollywood Employees' Retirement Fund**  
**Preliminary Performance Update**  
as of July 31, 2016

	Quarter ended March 31, 2016	Quarter ended June 30, 2016	1 Month ended July 31, 2016	Fiscal YTD July 31, 2016	Market Value July 31, 2016	Percent of Total Plan July 31, 2016
<b>Domestic Equity</b>						
Northern Trust S&P 500	1.30%	2.44%	3.69%	15.19%	\$69,753,510	24.0%
Northern Trust - net	1.29%	2.43%	3.69%	15.15%		
S&P 500 Index	1.35%	2.46%	3.69%	15.27%		
TSW	3.97%	3.67%	4.92%	15.39%	\$20,932,640	7.2%
TSW - net	3.76%	3.47%	4.85%	14.64%		
Russell 2500 Value Index	3.34%	4.37%	4.55%	15.69%		
Frontier Capital	1.73%	0.89%	8.56%	17.74%	\$21,340,164	7.4%
Frontier Capital - net	1.54%	0.70%	8.50%	17.02%		
Russell 2500 Growth Index	-2.66%	2.70%	5.94%	9.94%		
<b>International Equity</b>						
Wellington	-1.96%	-1.39%	4.27%	4.72%	\$42,697,293	14.7%
Wellington- net	-2.14%	-1.57%	4.21%	4.11%		
MSCI ACWI - ex US (net)	-0.37%	-0.65%	4.95%	7.26%		
Brandes	4.34%	-2.77%	5.06%	12.21%	\$16,019,780	5.5%
Brandes - net	4.09%	-3.00%	4.98%	11.33%		
MSCI EAFE Small Cap (net)	-0.59%	-2.60%	6.13%	9.74%		
<b>Fixed</b>						
Neuberger & Berman	2.08%	1.29%	0.29%	3.22%	\$34,264,371	11.8%
Neuberger & Berman - net	2.01%	1.21%	0.27%	2.97%		
Barclays Intermediates Govt/Credit Index	2.45%	1.59%	0.28%	3.65%		
Baird Advisors	3.50%	2.70%	0.88%	6.25%	\$48,772,022	16.8%
Baird Advisors - net	3.43%	2.63%	0.86%	6.01%		
Barclays Aggregate Index	3.04%	2.22%	0.63%	5.39%		
<b>Real Estate</b>						
Morgan Stanley*	2.69%	2.59%	0.21%	8.42%	\$25,081,121	8.6%
Morgan Stanley - net	1.88%	2.38%	0.00%	7.53%		
NCREIF ODCE (ex) Index	2.44%	2.44%	0.00%	8.54%		
Principal*	3.19%	3.83%	0.33%	13.81%	\$9,338,646	3.2%
Principal - net	2.86%	3.50%	0.00%	13.62%		
NCREIF Property Index	2.21%	2.03%	0.00%	7.32%		
<b>Private Equity</b>						
NB Crossroads XXI*	N/A	N/A	N/A	N/A	\$2,000,000	0.7%
<b>Total Fund</b>	<b>1.81%</b>	<b>1.50%</b>	<b>2.89%</b>	<b>9.87%</b>	<b>\$290,199,547</b>	<b>100.0%</b>
<b>Total Fund - net</b>	<b>1.68%</b>	<b>1.37%</b>	<b>2.85%</b>	<b>9.80%</b>		
<b>Policy Index**</b>	<b>1.29%</b>	<b>1.52%</b>	<b>2.71%</b>	<b>8.99%</b>		

Note: Monthly performance is preliminary and provided by investment managers. The Total Fund return is a weighted average of the returns provided.  
\*Performance is calculated on a quarterly basis.

\*\* Policy Index: (May 15-current) 25% S&P 500, 12.5% Russell 2500, 15% MSCI ACWI ex US (net), 5% MSCI EAFE Small Cap (net), 32.5% Barclays Intermediate Aggregate, 7.5% NCREIF ODCE (ex), 2.5% NCREIF NPI (Nov 13-Apr 15), 30% S&P 500, 12.5% R2500, 15% MSCI ACWI ex US (net), 32.5% Barclays Intermediate Aggregate, 7.5% NCREIF ODCE (ex), 2.5% NCREIF NPI (May 13-Oct 13), 32.5% S&P 500, 12.5% Russell 2000, 15% MSCI ACWI ex-US, 32.5% Barclays Intermediate Aggregate, 7.5% NCREIF ODCE (ex)

**City of Hollywood Employees' Retirement Fund**  
**Preliminary Performance Update**  
**as of July 31, 2016**

	Quarter ended March 31, 2016	Quarter ended June 30, 2016	1 Month ended July 31, 2016	Calendar YTD July 31, 2016
<b><u>Domestic Equity</u></b>				
Northern Trust	1.30%	2.44%	3.69%	7.60%
S&P 500 Index	1.35%	2.46%	3.69%	7.68%
TSW SMID	3.97%	3.67%	4.92%	13.09%
Russell 2500 Value Index	3.34%	4.37%	4.55%	12.76%
Frontier Capital	1.73%	0.89%	8.56%	11.42%
Russell 2500 Growth Index	-2.66%	2.70%	5.94%	5.90%
<b><u>International Equity</u></b>				
Wellington	-1.96%	-1.39%	4.27%	0.80%
MSCI ACWI ex-US Index	-0.37%	-0.65%	4.95%	3.88%
Brandes	4.34%	-2.77%	5.06%	6.58%
MSCI EAFE Small Cap (net)	-0.59%	-2.60%	6.13%	2.76%
<b><u>Fixed</u></b>				
Neuberger & Berman	2.08%	1.29%	0.29%	3.70%
Barclays Intermediate Gov't/Credit Index	2.45%	1.59%	0.28%	4.37%
Baird Advisors	3.50%	2.70%	0.88%	7.22%
Barclays Aggregate Index	3.04%	2.22%	0.63%	5.99%
<b><u>Real Estate</u></b>				
Morgan Stanley	2.09%	2.59%	0.21%	4.95%
NCREIF ODCE (ew) Index	2.44%	2.44%	0.00%	4.94%
Principal	3.19%	3.83%	0.33%	7.48%
NCREIF Property Index	2.21%	2.03%	0.00%	4.28%

**City of Hollywood Employees' Retirement Fund**  
**Investment Manager Fee Table**  
**Period Ended July 31, 2016**

Manager	Mandate	Market Value	Fee Schedule	Estimated Annual Fee (\$)	Estimated Annual Fee (%)
Northern Trust	Passive Large Cap Equity	\$ 69,753,510	3.5 bps on assets	\$ 24,414	0.04%
TSW	SMID Cap Value Equity	\$ 20,932,640	80 bps on assets	\$ 167,461	0.80%
Frontier Capital	SMID Cap Growth Equity	\$ 21,340,164	75 bps on assets	\$ 160,051	0.75%
Wellington	International Equity	\$ 42,697,293	71 bps on assets	\$ 303,151	0.71%
Brandes	International Small Cap Equity	\$ 16,019,780	95 bps on first \$25MM, 90 bps on next \$25MM, 80 bps on balance	\$ 152,188	0.95%
Neuberger & Berman	Intermediate Fixed Income	\$ 34,264,371	30 bps on first \$50MM, 20 bps on next \$50mm, 15 bps on balance	\$ 102,793	0.30%
Baird Advisors	Core Plus Fixed Income	\$ 48,772,022	30 bps on first \$25MM, 25 bps on next \$25MM, 20 bps on next \$20MM, 15 bps on balance	\$ 134,430	0.28%
Morgan Stanley	Real Estate	\$ 25,081,121	84 basis points base fee, plus a monthly accrued performance based fee equal to 5% multiplied by NAV multiplied by comparable property NOI growth for the month	\$ 210,681	0.84%
Principal <sup>1</sup>	Real Estate	\$ 9,338,646	130 bps on assets + incentive fee	\$ 121,402	1.30%
Neuberger Berman Crossroads XXI <sup>2</sup>	Private Equity	\$ 2,000,000	25.8 bps on assets	\$ 5,160	0.26%
HarbourVest Dover Fund IX <sup>3</sup>	Private Equity	\$ -	70 bps on assets	\$ -	-
IFM Global Infrastructure <sup>4</sup>	Infrastructure	\$ -	77 bps on assets	\$ -	-
<b>Investment Management Fees</b>		\$ 290,199,547		\$ 1,381,732	0.48%
Segal Rogercasey	Investment Consulting		\$130,000 annual retainer	\$ 130,000	0.04%
Wells Fargo	Custodian	\$ 290,199,547	2 bps on first \$50MM, 1 bps on next \$75MM, 0.5 bps on balance	\$ 25,760	0.01%
<b>TOTAL FEES</b>				\$ 1,537,492	0.53%

<sup>1</sup>Incentive fee is equal to 15% of the profits in excess of an 11% net IRR to investors.

<sup>2</sup>NB is aggregating commitments to provide best pricing for SRC clients, and as a result the City of Hollywood \$20 million is saving 10.5 bps; if the commitment had not be aggregated the fee would have been 36.3 bps.

<sup>3</sup>The fee for the Dover IX Fund is 75 bps, but the City of Hollywood is receiving a 5 bps fee discount.

<sup>4</sup>Incentive fee is equal to 10% of the profits in excess of an 8% per annum.

## Monthly Market Highlights

July 2016

### U.S. Economy

- The U.S. unemployment rate was unchanged from June at 4.9%, while the labor force participation rate increased by 0.1% to 62.8%. Nonfarm payrolls grew by 255,000 jobs in July. May and June employment gains were revised upward.
- The University of Michigan Consumer Sentiment Index fell from 93.5 in June to 90.0 in July. Views on both present conditions and expectations declined.
- The Purchasing Manager's Index (PMI) ended June at 53.2 and July at 52.6, indicating manufacturing growth continued at a slower rate of change.

### U.S. Equity

- The Russell style and size index returns:
 

	Value	Core	Growth
Large Cap	2.9%	3.8%	4.7%
Mid Cap	4.2%	4.6%	5.0%
Small Cap	5.4%	6.0%	6.5%
- The Russell 3000 Index (4.0%) gained in July. All style returns were positive. Growth outperformed value within each market cap, and small caps posted the strongest gains.
- Sector returns were mixed. Of the sectors that gained, IT (7.9%) and Materials (5.1%) performed the best. Energy (-1.9%), Utilities (-0.7%) and Consumer Staples (-0.7%) fell.

### Non-U.S. Equity

- (All returns in USD unless otherwise stated.)
- The MSCI EAFE Index (5.1% USD; 4.8% local) rebounded in July, as many investors took a risk-on approach. All style indices were positive, but small cap value (7.0%) fared the best.
- All regions gained, but Pacific ex-Japan (7.0%) rose the most due to strong returns from New Zealand (10.5%), Australia (8.2%) and Hong Kong (6.8%). Of all the countries in the EAFE index, only Norway (-0.5%) declined.
- Most sectors rose in July, and cyclical led the way. IT (10.3%) and Consumer Discretionary (9.4%) were the best performers, while more defensive sectors, such as Telecom (0.3%) and Energy (-3.0%), lagged the index.

### Emerging Markets Equity

- (All returns in USD unless otherwise stated.)
- The MSCI EM Index (5.1% USD; 4.2% local) gained in July, buoyed by indications that the worldwide supportive liquidity market would continue. All style returns were positive, but mid cap value (7.5%) gained the most.
- Latin America (5.5%) posted a solid return for the second consecutive month, lifted once again by gains in Brazil (10.0%) and Peru (5.6%). EMEA (5.6%) also gained, backed by strong results in Egypt (20.8%), the best-performing market of the EM index. Asia (4.9%) also fared well due to gains in Thailand (7.3%) and Taiwan (6.9%).
- All sectors were positive, but Materials (9.6%) once again posted the strongest return. Consumer Staples (0.7%) gained the least.

	MSCI EAFE			MSCI EM		
	Value	Core	Growth	Value	Core	Growth
Large Cap	5.1%	4.8%	5.1%	5.0%	4.8%	4.7%
Mid Cap	6.1%	5.3%	6.0%	7.5%	6.1%	4.9%
Small Cap	7.0%	6.1%	6.2%	5.4%	4.3%	3.2%

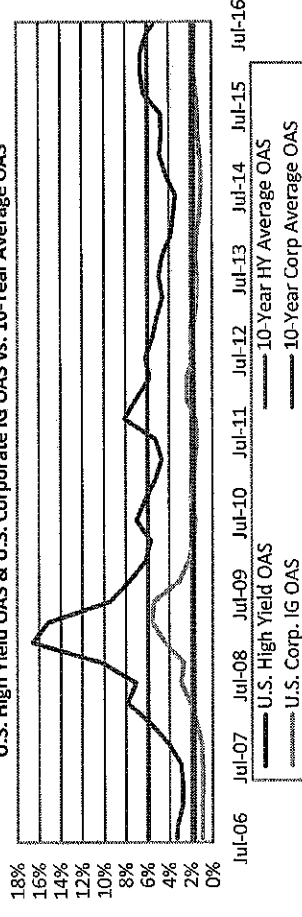
### U.S. Fixed Income

- The Barclays U.S. Aggregate Index (0.6%) gained in July.
- All BC Aggregate spread sectors were positive relative to duration-matched Treasuries except for ABS:
 

Category	Value
Corporates	93 bps
Agencies	15 bps
MBS	13 bps
CMBS	81 bps
ABS	-7 bps
- The U.S. Treasury yield curve flattened. Yields contracted on the long end, while short and intermediate Treasuries expanded by an average of 5 bps. The 1-, 2-, 3-, and 5-year yields rose 5, 8, 6, and 2 bps, respectively; 10- and 30-year yields fell 3 and 13 bps, respectively.
 

Category	Value
BC 1-3 Year Gov/Credit	BC Intermed Gov/Credit
	BC Long Gov/Credit
	0.0%
	0.3%
	2.6%
- The BC Corporate High Yield Index (2.7%) gained. The average OAS tightened by 54 bps to end July at 540 bps.
- The BC U.S. TIPS Index (0.9%) posted a positive return.

### U.S. High Yield OAS & U.S. Corporate IG OAS vs. 10-Year Average OAS



Source: Barclays Capital

### Non-U.S. Fixed Income

- The Citigroup Non-U.S. WGBI Index increased on both a currency-hedged basis (0.4%) and a currency-unhedged basis (0.6%).
- Emerging market debt posted positive results per the JPM EMBI Global Index (1.6%).

### Commodities

- The Bloomberg Commodity Index (-5.1%) and the S&P GSCI (-9.6%) fell due to significant losses in Energy (-10.7% BCOM; -13.6% GSCI), Livestock (-9.3% BCOM; -7.4% GSCI) and Agriculture (-7.4% BCOM; -6.5% GSCI). All other sectors were positive.
- The price of crude oil fell from \$48/barrel in June to \$42/barrel in July, and the price of gold rose from \$1,322/troy ounce to \$1,351/troy ounce.

### Hedge Funds

- The HFRI Fund Weighted Composite Index (1.7%) increased.
- The HFRI Fund of Funds Composite Index (1.3%) also gained.
- All of the major hedge fund strategies posted positive returns.

	Month	YTD
HFRI Equity Hedge Index	2.4%	1.9%
HFRI Relative Value Index	1.4%	4.1%
HFRI Event-Driven Index	2.1%	4.4%
HFRI Emerging Markets Index	2.7%	5.3%
HFRI Macro Index	0.8%	3.7%

# **AGENDA ITEM 6**

**NO BACKUP  
FOR THIS SECTION**

# **AGENDA ITEM 7**

**ITEM 7.a.**

**CITY COMMISSION  
COMMUNICATION**



**CITY COMMISSION COMMUNICATION**  
**for the**  
**CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND**  
**BOARD OF TRUSTEES' JUNE 23, 2016 REGULAR MEETING**

**Board's Communication to City Commission**

Items Requiring City Commission Action

- Attend Board of Trustees' workshop in the Pension Office starting at 5:00 PM, Thursday, September 8, 2016. The workshop is for the Board to continue discussions and plans regarding Fund administration.
- Attend Board of Trustees' regular meeting in the Pension Office starting at 9:00 AM, Thursday, September 22, 2016

Items of Interest to the City Commission

- None

Items Submitted for City Commission Consideration

- None

**Summary of July 28, 2016 Regular Board Meeting:**

Board Members present: Chair Phyllis Shaw  
Vice-Chair Jeffrey Greene  
Christopher Cassidy  
Charles Howell  
George Keller  
Mel Standley  
Richard Templeton

Board member absent: ---

Also present: Pension Coordinator Lisa Castronovo  
Board Attorney James Linn

**INVESTMENT MATTERS:**

Keith Reynolds, representing Segal Rogerscasey, the Board's investment consultant, reported the Fund's market value on June 30, 2016 was \$283.9 million. The Fund's rate of return for the fiscal year-to-date was 6.38% vs. the policy index of 5.84%. 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; the Board agreed to the transfers.

LEGAL MATTERS:

The Board discussed Conflict Resolution Procedures as outlined by Board Attorney James Linn. The Board voiced their displeasure for being named in the same lawsuit as the Police and Fire Boards considering the Board did not pay a Supplemental Pension Distribution ("SPD") for fiscal year end September 30, 2012 whereas Police and Fire did as well as paying SPD's for several years both before and after 2012.

ADMINISTRATIVE MATTERS:

The Board discussed several items affecting the administration of the Fund in consideration of its move to independence from the City. Items specifically discussed: Board Secretary and Attorney responsibilities and meetings with the administrators of the City's Police and Fire funds. The Board also discussed the City Manager's July 22, 2016 letter. The Board expressed their pleasure that the City was reaching out to work more closely with them but also reiterated their collective displeasure with their inclusion in lawsuits in which the Board was simply following direction as detailed in the City's Code of Ordinances.

The Board agreed to use the City's auditor as the Fund auditor for fiscal year 2015-16.

# **AGENDA ITEM 8**

**NO BACKUP  
FOR THIS SECTION**

# **AGENDA ITEM 9**

**NO BACKUP  
FOR THIS SECTION**

# **AGENDA ITEM 10**

**NO BACKUP  
FOR THIS SECTION**



# **AGENDA ITEM 11**

**NO BACKUP  
FOR THIS SECTION**