

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND
THURSDAY, NOVEMBER 20, 2014**

1. CALL TO ORDER

Chair Shaw called the meeting to order at 10:11 a.m.

2. ROLL CALL AND PLEDGE OF ALLEGIANCE

Board Members present: Chair Phyllis Shaw, Vice-Chair Jeffrey Greene (arrived at 10:30 a.m.), Mr. Ralph Dierks, Mr. Patrick Gill, Mr. Dan Matlow, and Mr. Richard Templeton. Board members absent: Mr. Matthew Lalla. Also present: Pension Coordinator, Ms. Lisa Castronovo; Board Secretary, Ms. Raquel Elejabarrieta; and Board Attorney, Mr. James Linn.

3. CONSENT AGENDA

- a. October 23, 2014 Regular Meeting Minutes
- b. Ratification of Distributions (Contributions and DROP) and Plan Expenses
- c. Approval/Ratification of New Retirement/DROP/Vested/Death Annuities

MOTION made by Mr. Dierks, seconded by Mr. Templeton, to approve Consent Agenda Items 3.a.-c. In a voice vote by the members present, all members voted in favor. **Motion** passed 5-0.

4. TREASURER'S REPORT (Matthew Lalla)

On Mr. Lalla's behalf, Ms. Castronovo distributed information regarding the Fund's balance and investment returns.

MOTION made by Mr. Gill, seconded by Mr. Dierks, to excuse Mr. Lalla's absence. In a voice vote by the members present, all members voted in favor. **Motion** passed 5-0.

5. INVESTMENT ISSUES (Keith Reynolds – Segal Rogerscasey)

- a. Presentation by Megan Golder, Morgan Stanley
Ms. Megan Golder, Vice President, Morgan Stanley Real Estate Investing, presented Discussion Materials regarding the Prime Property Fund (hand-out made part of these Minutes). Ms. Golder reviewed the Fund's investment in Prime Property Fund and emphasized how the Prime Property Fund's net return over the last ten (10) years had exceeded the respective index's gross return and that Prime Property Fund was S&P's highest rated core real estate fund.

7. ADMINISTRATIVE ISSUES

- a. Ocwen Litigation update – this item was taken out of order
Via telephone, Ms. Marisa DeMato, attorney with Labaton Sucharow, presented details of Labaton Sucharow's desire to file a books and records request on behalf of the City of Hollywood Employees' Retirement Fund ("Fund") on the Board of Directors of Ocwen Financial Corporation ("Ocwen") regarding their internal communications about alleged securities fraud. Ms. DeMato explained that a books and records request is a pre-filing requirement to filing a shareholder derivative suit. Ms. DeMato opined that the Fund was in a unique position to file a books and records request due to its close physical proximity to Ocwen's general counsel and Board of Directors who are located in south Florida. Ms. DeMato concluded by stating her belief that the books and records request would reveal strong evidence supporting a fraud claim and that the Ocwen's Board of Directors had breached their fiduciary duties.

MOTION made by Mr. Templeton, seconded by Vice-Chair Greene, to authorize Labaton Sucharow to move forward with a Books and Records request regarding alleged fraud by Ocwen Financial Corporation's Board of Directors. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0.

5. INVESTMENT ISSUES (Keith Reynolds – Segal Rogerscasey)

b. Performance Report for Quarter End September 30, 2014

Mr. Reynolds introduced his associate, Mr. Scott Sheely. Mr. Reynolds reviewed Segal Rogerscasey's quarterly performance report (report made part of these Minutes) highlighting specifically the Fund's value on September 30, 2014 (\$279.4 million) and that the -0.85% rate of return for the quarter ended September 30, 2014 was only slightly less than the policy index return for the same period. The Fund's rate of return for the fiscal year ended September 30, 2014 was 11.19% compared to the policy index of 9.80%.

c. Flash Performance Review

Mr. Sheely reported on the increase in the Fund's value from \$279.4 million on September 30, 2014 to \$301.9 million on October 31, 2014 with the increase due mainly to the City's \$20 million contribution at the beginning of October. Mr. Sheely stated that the Fund's total rate of return slightly outperformed the policy index on a net basis (1.46% actual vs. 1.41% policy) for the month ended October 31, 2014. Mr. Sheely noted that the fixed income portfolio was still below its target allocation of 32.5% but had moved from 24.3% on September 30, 2014 to 28.7% on October 31, 2014 due mostly to the allocation of the City's contribution at the beginning of October to the two fixed income money managers, Baird Advisors and Neuberger & Berman.

d. Investment Policy Statement Discussion

Mr. Reynolds reported that Mr. Linn was reviewing the draft of an updated Investment Policy Statement and that manager guidelines had been sent to each money manager for updating.

e. International Small Cap Search Book Review

Mr. Reynolds reviewed Segal Rogerscasey's report on their international small cap manager search (report made part of these Minutes) for the Fund. Mr. Reynolds noted that the search was conducted with the intent of finding an international small cap manager who would complement international large cap manager Wellington Trust.

Mr. Reynolds reported that after much research, Segal Rogerscasey identified three managers who were the most suitable match for the Fund: Brandes Investment Partners (in business since 1974), Lord, Abbett & Company (in business since 1929), and Schrodgers plc. Brandes Partners was team managed, invested up to 30% in emerging markets, and was a bit less interested in benchmark performance. Lord, Abbett & Company used a two-person management team, performed a lot of on-site evaluations, invested up to 15% in emerging markets, and had better near-term than long-term growth results. Schrodgers was team managed and looked for high-quality stocks, but did not perform as well as Brandes and Lord, Abbett.

MOTION made by Mr. Templeton, seconded by Mr. Dierks, to interview Brandes Partners and Lord, Abbett & Company for international small cap money management. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0.

7. ADMINISTRATIVE ISSUES

- a. October 1, 2013 Actuarial Valuation Report (Jeffrey Amrose & Trisha Amrose – Gabriel, Roeder, Smith & Company) – this item was taken out of order

Mr. Amrose presented the revised October 1, 2013 Actuarial Valuation Report (report made part of these Minutes) and highlighted in his presentation the revisions made to reflect prefunding of the supplemental pension distribution starting in fiscal year 2014-15 as required by the State. Mr. Amrose specifically noted the \$2.24 million increase in the required contribution due to the supplemental pension distribution prefunding requirement. Mr. Amrose pointed out that a new base of \$23.5 million was added to the Unfunded Actuarial Accrued Liability (“UAAL”) as a result of the addition of the required prefunded supplemental pension distribution assumption. The new base will be paid off over 30 years at approximately \$1.93 million per year via increased City and member contributions. Mr. Amrose concluded his presentation by noting that the inclusion of supplemental pension benefit prefunding decreased the funded ratio by 3.1% and that the funded ratio on October 1, 2013 was 52.7% (compared to 56.2% on October 1, 2012).

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

MOTION made by Mr. Gill, seconded by Mr. Templeton, to approve the October 1, 2013 Actuarial Valuation Report as presented by Gabriel, Roeder, Smith & Company. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0.

- b. Gabriel, Roeder, Smith & Company Letter re: Senate Bill No. 534 (Jeffrey Amrose & Trisha Amrose – Gabriel, Roeder, Smith & Company) - this item was taken out of order

Mr. Amrose discussed the reporting requirements as required by Senate Bill No. 534 (referred to as the “unfunded” mandate). Mr. Amrose stated the effect of Senate Bill No. 534 reporting requirements would be to shine a negative light on all pension plans because the Bill required actuaries to disclose funding information using a rate of return 2% less than the actuarial assumed rate of return used for funding purposes. Mr. Amrose assured the Board the information gathered per Senate Bill 534 would not impact the funding of the Fund but would only be compiled in a database along with similar information from all other public plans in Florida. GRS’s fee to produce the required information would be \$2,500 - \$3,000.

MOTION made by Mr. Templeton, seconded by Mr. Gill, to approve Gabriel, Roeder, Smith & Company’s fee for their services to produce information as required by Senate Bill No. 534, but with information reported using rates of return both 2% below and above the assumed rate of return used for funding purposes.

Public comment was heard from: Ronald Bolton

In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0.

6. LEGAL ISSUES (James Linn – Lewis, Longman & Walker)

a. Summary Plan Description

Mr. Linn provided the Board with a draft copy of the Summary Plan Description on which he and Ms. Castronovo had collaborated. Ms. Castronovo requested feedback from the Board, the City of Hollywood Retirees' Association and AFSCME on or before December 7, 2014 so the finalized draft could be discussed at the December 18, 2014 Board Meeting. Ms. Castronovo advised that upon the Board approval, the Summary Plan Description would be provided to all employees and made available on the Fund's website.

Mr. Linn informed the Board of his receipt of a recent certified letter from Ifantunbi Adefunmi in which she requested assurance that her medical information would not be shared with anyone who was not on the Board. Mr. Linn stated that prior to Ms. Adefunmi's duty disability hearing with the Board in November 2013, he had received an email from Ms. Adefunmi in which she stated she had been contacted by a non-Board member who told her he had reviewed her medical documents which were shared with him by a Board member. Mr. Linn cautioned Board members to refrain from sharing any medical information with anyone and reminded them that the disability applications were confidential.

7. ADMINISTRATIVE ISSUES

d. 2014 Employee-elected Trustee Election

Ms. Castronovo reported Richard Templeton ran unopposed for the Retiree-elected Trustee position on the Board and therefore an election would not need to be held in December. Ms. Castronovo advised Mr. Templeton's term was effective November 1, 2014 through October 31, 2017.

e. Travel Policy Review

There was discussion regarding the restrictions in the Board's Travel Policy pertaining to reimbursement for taxi fares.

MOTION made by Vice-Chair Greene, seconded by Mr. Templeton, to allow for taxi cab reimbursements (in addition to the ones allowed for transportation to and from the airport) as needed. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0.

Public comment was heard from: Ronald Bolton

f. Retirement Fund website

Ms. Castronovo reminded the Board that the Fund's website was ready for review. Ms. Castronovo requested Trustee feedback and stated that once she had heard back from each she would "go live" with the site and would publish the newsletter at the same time.

8. PUBLIC COMMENTS

There were no public comments.

9. TRUSTEE REPORTS, QUESTIONS AND COMMENTS

Trustee comments were made by Mr. Templeton, Chair Shaw and Mr. Dierks.

Public comment was heard from: Barbara Duffy – AFSCME Local 2432 general counsel, 4621 Hollywood Blvd., Hollywood, FL

There was discussion regarding expanding the existing Pension Office conference room so that Board meetings could be held there in the future.

10. PENSION COORDINATOR'S REPORT (Lisa Castronovo)

Ms. Castronovo reported on the email she sent to City Manager Swanson-Rivenbark regarding the two upcoming vacant City Manager-appointed Trustee positions: the position filled by the City Manager or City Manager's designee (currently filled by Mr. Lalla) and the Trustee position filled by an employee with accounting or investment experience who is also an employee of the non-represented group (currently filled by Mr. Gill). In her reply email, Ms. Swanson-Rivenbark's stated that she would have the Interim City Manager handle the appointments of the two positions.

Ms. Castronovo reported the nomination period for the upcoming employee-elected Trustee position (currently filled by Chair Shaw) would open December 1, 2014 and close at noon December 18, 2014.

Ms. Castronovo requested any Board member interested in attending FPPTA's Winter Trustees' School let her know so that she could register them.

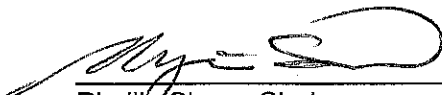
Ms. Castronovo advised that the furniture in the Pension Office conference room could be reconfigured to accommodate about 20 visitors for Board meetings. The Board agreed that Ms. Castronovo should reconfigure the room and that the December 2014 meeting would be held in the Pension Office.

Public comment was heard from: Ronald Bolton

There was a brief discussion regarding the Board Treasurer serving on the Board as a voting Trustee as there might be a conflict of interest.

11. ADJOURNMENT

MOTION made by Mr. Dierks, seconded by Mr. Mr. Matlow, to adjourn the meeting. In a voice vote by the members present, **Motion** passed 6-0. Meeting adjourned at 1:33 p.m.



Phyllis Shaw, Chair

12/18/14

Date