

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND
THURSDAY, APRIL 24, 2014**

1. CALL TO ORDER

Chair Shaw called the meeting to order at 10:07 a.m.

2. ROLL CALL AND PLEDGE OF ALLEGIANCE

Board Members present: Chair Phyllis Shaw, Vice-Chair Jeffrey Greene, Mr. Charles Howell, Mr. Ralph Dierks, Mr. Patrick Gill, Mr. Matthew Lalla and Mr. Richard Templeton. Also present: Pension Coordinator, Ms. Lisa Castronovo; Board Secretary, Ms. Tami Thornton; and Plan Attorney, Mr. James Linn.

3. CONSENT AGENDA

- a. March 27, 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. Gill, 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 (Matthew Lalla)

Mr. Lalla reported that the Fund's investments had increased from \$255.8 million on October 1, 2013 to approximately \$285.4 million on April 22, 2014, which was an increase of \$29.6 million/11.6%, net of disbursements.

MOTION made by Mr. Dierks, seconded by Mr. Greene, to approve the Treasurer's Report. In a voice vote by the members present, all members voted in favor. Motion passed 7-0.

5. INVESTMENT ISSUES (Keith Reynolds – Segal Rogerscasey)

- a. Flash Performance Review

Mr. Reynolds presented the March 31, 2014 Flash Performance report noting Fund assets on March 31, 2014 were \$281.5 million which was down from the \$282 million they were at the end of February. Mr. Reynolds noted that equity investments were higher than their target allocations and fixed income investments were lower than target as a result of market fluctuations. Mr. Reynolds stated if equity investments continued to trend above their respective target allocation, the Board could consider allocating excess equity assets back to fixed income but there was not an immediate need to reallocate at the moment. New SMID equity growth manager Frontier Capital Management continued to do well and outperformed its benchmark (5.6% vs. 1.0%). Wellington Trust, the Fund's international equity manager, underperformed the benchmark for the quarter. Mr. Reynolds concluded that the Fund was doing well with a fiscal year-to-date return of 7.75%, net of fees, compared to the policy index of 6.83%.

b. Update regarding Principal's Quarterly Statements

Mr. Reynolds shared with the Board his conversation with a representative of the Principal value-added real estate fund about the turn-around time of the fund's quarterly statements. The Principal representative reported that due to the nature of the fund's investments, 45 days after the end of each quarter was the quickest that statements could be produced. Mr. Reynolds noted that the 45-day turn-around time was standard for value-added real estate funds.

Mr. Reynolds suggested that since the value-added real estate investment was a minor investment of the Fund, the Board might consider using the prior quarter's value-added real estate information and returns for its current quarterly statements as is done by other Segal Rogerscasey clients.

c. Presentation by Ciaran Murphy, Neuberger Berman

Mr. Ciaran Murphy, Senior Vice President, Institutional Client Group, Neuberger Berman, presented a Portfolio Review (hand-out made part of these Minutes). Mr. Murphy provided general information regarding Neuberger Berman and its philosophy regarding fixed income investments. Mr. Murphy stated that Neuberger Berman continued to follow the same discipline in managing the Fund's fixed income assets as had been done for the past many years and that they continued to follow the mandate the Board set as its investment objective several years ago. Mr. Murphy noted that fixed income investments with Neuberger Berman were benchmark-like thus producing investment returns close to the policy index based on a high-quality, low beta portfolio. Mr. Murphy emphasized Neuberger Berman's commitment to investing in high quality, investment-grade assets.

d. Presentation by Charles Groeschell, Baird Advisors

Mr. Charles Groeschell, Managing Director, Senior Portfolio Manager, Baird Advisors, presented an Account Review (hand-out made part of these Minutes). Mr. Groeschell provided general information regarding Baird Advisors and its philosophy regarding fixed income investments. Mr. Groeschell noted that Baird Advisors emphasized two strategies when making fixed income investments: 1) understanding risks in the market to minimize such risks through selected investments, and 2) add value to the Fund by outperforming the benchmark 25-50 basis points.

6. LEGAL ISSUES (James Linn)

a. Update on Supplemental Benefit ("13" Check)

Mr. Linn reported that per Chair Shaw's direction he responded to two letters from Ken Harrison, attorney representing the City of Hollywood Retirees Association. In his letter to Mr. Harrison, Mr. Linn stated that the Board had not received anything from the State regarding its decision on the validity (under State law) of the City's Police or Fire board's authorization and payment of supplemental benefit checks for fiscal year ended September 30, 2012.

Mr. Linn stated it was his opinion and that of the Fund's actuary, that State law prohibits the payment of additional benefits if the value of such additional benefits exceeds the value of the cumulative net actuarial experience of the Fund. The cumulative net actuarial experience of the Fund since the supplemental benefit provision was added in 2002 was a net actuarial loss in excess of \$110 million. Based on the Fund's actuarial experience and State

law, the Board decided to not pay a supplemental benefit for fiscal year end September 30, 2012. Mr. Linn continued by stating his expectation that the State's Division of Retirement would be the same as his own once it finished its review of the payments made by the Police and Fire plans. Mr. Linn concluded that he was waiting for the State's final opinion regarding the 13th check distributions authorized and paid by the Police and Fire pension boards.

MOTION made by Mr. Dierks, seconded by Mr. Templeton, to approve the 13th check distribution to Fund retirees with the ability to recapture the monies paid out if required.

Discussion ensued. Mssrs. Gill, Greene, and Howell discussed possible methodologies of recouping the paid monies from recipient retirees if the need arose. Mssrs. Gill and Lalla were of the opinion that to proceed with the payment of supplemental benefits against the advice of the Fund's paid actuary and legal counsel would be a breach of each Trustee's fiduciary duty and responsibility to the Fund and all of its members. Mr. Gill noted that proceeding with the payment and then having to recoup the payment via monthly retirement benefit check reductions, or complete payment cessation for one or more months, would be an administrative nightmare. Mssrs. Dierks and Templeton both stated their belief that the supplemental benefit payment was the right thing to do especially in consideration of the fact that both the Police and Fire pension boards authorized and paid a supplemental benefit for the same fiscal year. All Trustees agreed that if the supplemental benefit was paid, the monies would need to be recouped immediately if it was later determined that such monies should not have been paid.

Public comments were heard from:

Ronald Bolton – 1150 NW 71st Avenue, Plantation, FL
Robert Strauss – 2638 Jackson Street, Hollywood, FL
Andre Brown - 2316 Mayo Street, Hollywood, FL

In a voice vote by the members present, **Motion** passed 4-3 (Mssrs. Gill, Greene, and Lalla voted in opposition).

The Board recessed at 11:54 a.m. and reconvened at 12:05 p.m.

7. ADMINISTRATIVE ISSUES

- a. Presentation regarding City Ordinance O-2014-02
Alan Fallik, Deputy City Attorney, stated he did not participate in negotiations between the City and the union, but was assigned the task of converting the provisions of the negotiated collective bargaining agreement as applicable to the Fund into a City Ordinance amendment. While drafting the amendment, Mr. Fallik stated he found a few items added to the Ordinance in the 2011 financial urgency amendment that were ambiguous so he clarified such in the current amendment. Mr. Fallik noted he added to the amendment a provision allowing certain employees previously excluded from Fund participation to participate if they paid to the Fund employee contributions for the period of time they were excluded.

When asked by Mr. Templeton to explain the Planned Retirement provision to the Board, Barbara Duffy, AFSCME Local 2432 attorney, responded that Ms. Kathy Lopez-Negron made a PowerPoint presentation to the City Commission that the Board should watch. After a brief discussion, the Board decided to ask Ms. Lopez-Negron to present her PowerPoint presentation to the Board at its next meeting.

Public comments were heard from:

Ronald Bolton – 1150 NW 71st Avenue, Plantation, FL
Jitendra Patel – 7300 SW 10th Street, Plantation, FL

Mr. Fallik noted that the documents provided to employees who wish to sign up for Planned Retirement were drafted by the City's labor attorney and were similar to those utilized by the Police and Fire administrators for the Police and Fire members entering their respective Planned Retirements.

Public comment was heard from:

Robert Strauss – 2638 Jackson Street, Hollywood, FL

b. Presentation by Labaton Sucharow

Ms. Marisa DeMato of Labaton Sucharow made a brief presentation regarding her new law firm, Labaton Sucharow (hand-out made part of these Minutes). Ms. DeMato stated she was the liaison between the Board and Labaton Sucharow for the services offered by Labaton Sucharow: 1) portfolio monitoring, 2) quarterly monitoring reports for both domestic and international equity investments, and 3) corporate bond tracking services.

8. Public Comments

Comments were heard from:

Ron Bolton – 1150 NW 71st Avenue, Plantation, FL

9. TRUSTEE REPORTS, QUESTIONS AND COMMENTS

Mr. Dierks reported he had provided rules of decorum revisions to Mr. Linn for consideration and would like the matter added to the May Board meeting.

MOTION made by Mr. Templeton, seconded by Mr. Dierks, to request the City to form some sort of supplemental plan to restore the full retirement benefit for those members who inadvertently had their benefits reduced by application of IRC Section 415 limits and to cover the full retirement benefit for each member who may in the future have their otherwise payable retirement benefit reduced due to application of IRC Section 415 limits.

Discussion ensued. Mr. Gill supported the motion. Mr. Lalla clarified that a member's benefit was limited due to the application of IRS regulations, not due to something the City had or had not done. Mr. Howell clarified that the actuary accounted for the full benefit, without limits, in their annual actuarial valuation report.

Public comments were heard from:

Ronald Bolton – 1150 NW 71st Avenue, Plantation, FL
Robert Strauss – 2638 Jackson Street, Hollywood, FL

In a voice vote by the members present, **Motion** passed 6-1 (Mr. Lalla voted in opposition).

Chair Shaw commented on several items.

The gavel was passed to Vice-Chair Greene.

MOTION made by Ms. Shaw, seconded by Mr. Templeton, to ask Mr. Linn to request the State's Division of Retirement for a ruling specific to the Retirement Fund on whether or not it was okay for the Board to issue a 13th check based on issues specific to the Fund.

Discussion ensued. Mr. Lalla questioned the logic of requesting a State ruling after the Board already passed the motion to pay the 13th check. Mr. Templeton responded that the request of the State made sense because it expedited the recovery of monies paid if the State ruled that such payments should not have been paid.

Public comments were heard from:

Robert Strauss – 2638 Jackson Street, Hollywood, FL
Andre Brown – 2316 Mayo Street, Hollywood, FL
Gerald Jones - 2115 Wiley Court, Hollywood, FL

In a voice vote by the members present, **Motion** passed 7-0.

The gavel was passed back to Chair Shaw.

Ms. Shaw requested that each Trustee be provided with and complete an evaluation of the Pension Coordinator, the Board Attorney, and the Investment Consultant.

Chair Shaw requested Board input regarding the specific nights the Fund would pay for hotel stay at the upcoming 2014 IFEBP Annual Conference in Boston. The Board agreed the Fund would pay for Saturday night through and including Tuesday night.

10. PENSION COORDINATOR'S REPORT (Lisa Castronovo)

Ms. Castronovo noted that she had provided each Trustee with several items in the Agenda backup. First item: a memorandum from the City Manager appointing Tami Thornton, Interim Director of Human Resources, as the Board secretary. Second item: application and information regarding the City Commission Trustee-appointed Board positions. Third item: information regarding the June 2014 FPPTA Annual Conference in Orlando. Fourth item: information regarding a Public Fund Summit sponsored by Opal Financial Group in July. Ms. Castronovo acknowledged that the conference was not on the Board's approved conference attendance list, but she provided the information to the Board for consideration since the Summit was specific to public plans and appeared to have many attendees from cities all over the country.

Ms. Castronovo asked for Board clarification regarding how it wanted Segal Rogerscasey to report investment information for Principal's value-added real estate fund. Mr. Gill and Mr. Lalla agreed that they did not want to use information from the prior quarter but would rather wait 45 days after each quarter end to use current quarter information.

Ms. Castronovo asked for Board clarification regarding which office was to supply Planned Retirement documents to employees wishing to enter Planned Retirement: Pension Office or a City office. The Board collectively agreed that since the Planned Retirement package was a City document, then a City office was responsible for providing the Planned Retirement package to interested employees. The Board told Ms. Castronovo that it was not her responsibility to provide Planned Retirement documents to employees even though they would have to visit her first to acquire information regarding Planned Retirement. The Board directed Ms. Castronovo to have each employee interested in entering Planned Retirement to go to the City's Human Resources office to get all pertinent documents.

11. ADJOURNMENT

MOTION made by Mr. Greene, seconded by Mr. Templeton, to adjourn the meeting. In a voice vote by the members present, motion passed 7-0. Meeting adjourned at 1:13 p.m.



Phyllis Shaw, Chair

May 22, 2014
Date