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CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND

CALENDAR OF ITEMS

REGULAR BOARD MEETING

JUNE 28, 2018

AGENDA ITEM 1

CALL TO ORDER

(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 2
ROLL CALL AND
PLEDGE OF ALLEGIANCE

AGENDA ITEM 2.A.

AGENDA ADOPTION



CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND

2600 Hollywood Blvd. • City Hall Annex Building, 2ND Floor, Room 20 • Hollywood, FL 33020
(954) 921-3333 • (954) 921-3332 Fax • www.hollywoodpension.com

AGENDA

REGULAR PENSION BOARD MEETING

THURSDAY, JUNE 28, 2018 at 9:00 AM

CITY HALL ANNEX, ROOM 20, 2600 HOLLYWOOD BOULEVARD

1. CALL TO ORDER
2. ROLL CALL AND PLEDGE OF ALLEGIANCE
 - A. Agenda Adoption
3. CONSENT AGENDA
 - A. May 24, 2018 Regular Meeting Minutes
 - B. Ratification of Distributions (Contributions and DROP) and Plan Expenses
 - C. Approval/Ratification of New Retirements/DROP/Vested/Death Annuities
4. TREASURER'S REPORT
 - A. January 2018 – Final
 - B. February 2018 – Final
 - C. March 2018 – Draft
 - D. April 2018 - Draft
5. INVESTMENT UPDATE (Keith Reynolds – Segal Marco Advisors)
 - A. Education Session: Emerging Manager Programs
 - B. Annual Investment Policy Update
 - C. May 2018 Flash Performance Report
 - D. 2018 Work Plan
6. DISABILITY APPLICATIONS
 - A. Initial Hearing: Disability Application from Hilde Johnson.
7. LEGAL UPDATE (Ron Cohen - Rice, Pugatch, Robinson, Storfer and Cohen.)
 - A. Laid Over Item: Proposed Changes to the By-laws
 - B. Update on City of Hollywood v. City of Hollywood Employees' Retirement Fund
 - C. Communication from the Florida Department of Management Services
 - D. Audit Finding 2017-001 - Non-Compliance with 112.63(4), Florida Statutes
8. ADMINISTRATIVE UPDATE
 - A. City Commission Communication
 - B. Communications from the Executive Director
9. PUBLIC COMMENTS
10. TRUSTEE REPORTS, QUESTIONS AND COMMENTS
11. PENSION COORDINATOR'S REPORT
12. ADJOURNMENT

PERSONS WITH DISABILITIES WHO REQUIRE REASONABLE ACCOMMODATION TO PARTICIPATE IN AN EMPLOYEES' RETIREMENT FUND BOARD MEETING MAY CALL THE PENSION OFFICE FIVE (5) BUSINESS DAYS IN ADVANCE AT 954-921-3333 (VOICE). IF AN INDIVIDUAL IS HEARING OR SPEECH IMPAIRED, PLEASE CALL 800-955-8771 (V-TDD). *ANY PERSON WISHING TO APPEAL ANY DECISION MADE BY THE BOARD WITH RESPECT TO ANY MATTER CONSIDERED AT SUCH MEETING WILL NEED A RECORD OF THE PROCEEDINGS, AND FOR SUCH PURPOSES MAY NEED TO ENSURE THAT A VERBATIM RECORD OF THE PROCEEDINGS IS MADE, WHICH RECORD INCLUDES THE TESTIMONY AND EVIDENCE UPON WHICH THE APPEAL IS MADE.* *THIS MEETING MAY BE CONDUCTED BY MEANS OF OR IN CONJUNCTION WITH COMMUNICATION MEDIA TECHNOLOGY, THE TYPE BEING A SPEAKER TELEPHONE.* *IN COMPLIANCE OF STATE LAW, THE BOARD OF TRUSTEES FINDS THAT A PROPER AND LEGITIMATE PURPOSE IS SERVED WHEN MEMBERS OF THE PUBLIC HAVE BEEN GIVEN A REASONABLE OPPORTUNITY TO BE HEARD ON A MATTER BEFORE THE BOARD, THEREFORE, THE BOARD OF TRUSTEES HAVE DETERMINED AND DECLARED THAT THEY WILL ALLOW THE PUBLIC TO COMMENT; HOWEVER, EACH PERSON IS LIMITED TO NO MORE THAN (3) THREE MINUTES TO COMMENT AT EACH MEETING.* *TWO OF MORE MEMBERS OF ANY OTHER CITY BOARD, COMMISSION, OR COMMITTEE, WHO ARE NOT MEMBERS OF THE EMPLOYEES' RETIREMENT FUND BOARD MAY ATTEND THIS MEETING AND MAY, AT THAT TIME, DISCUSS MATTERS ON WHICH FORESEEABLE ACTION MAY LATER BE TAKEN BY THEIR BOARD, COMMISSION, OR COMMITTEE.*

AGENDA ITEM 3.A.

CONSENT AGENDA

MAY 24, 2018

REGULAR MEETING MINUTES

MINUTES
REGULAR PENSION BOARD MEETING
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND
THURSDAY, MAY 24, 2018 at 9:00AM

1. CALL TO ORDER

Chair Shaw called the meeting to order at 9:07a.m.

2. ROLL CALL AND PLEDGE OF ALLEGIANCE

Board Members present: Chair Phyllis Shaw, Vice Chair Jeffery Greene (arrived at 9:10am), Secretary Robert Strauss, Christopher Cassidy, Charles Howell, George Keller (arrived at 11:00a.m.), and Cintya Ramos.

Also present: Executive Director Christine Bailey; Keith Reynolds, Alan Kosan (via Teleconference), and Connor Gavey of Segal Marco; Ronald Cohen of Rice Pugatch Robinson Storfer & Cohen; Tami Thornton of the City of Hollywood Human Resources Department, and Terri Herubin, Angelo Gordon & Co.

a. May 24, 2018 Regular Board Meeting Agenda

MOTION made by Trustee Cassidy, seconded by Trustee Ramos, to approve the May 24, 2018 Regular Board Meeting Agenda as presented. In a voice vote by the members present, all members voted in favor. **Motion** passed 5-0.

3. CONSENT AGENDA

- a. March 22, 2018 Regular Meeting Minutes
- b. April 26, 2018 Regular Meeting Minutes
- c. Ratification of Distributions (Contributions and DROP) and Plan Expenses
- d. Approval/Ratification of New Retirements/DROP/Vested/Death Annuities

MOTION made by Trustee Cassidy, seconded by Trustee Howell, to approve the Consent Agenda. In a voice vote by the members present, all members voted in favor. **Motion** passed 5-0.

4. TREASURER'S REPORT

The Treasurer's Report for December 2017 was provided to the Board for review.

5. INVESTMENT UPDATE

- a. Real Estate Presentation – Angelo Gordon Realty Value Fund X
Alan Kosan participated in the presentation telephonically and agree to being recorded. Terri Herubin provided an overview of the Angelo Gordon Realty Value Fund X Proposal. In response to questions from trustees, she advised that the fund was moderately leveraged, and while they did not have investments in Hollywood, they did have an investment in Aventura. She advised that they has approximately 170 assets in the portfolio, with 140 in the U.S. She stated that the typical holding period for an investment was 3-5 years. She stated that the Fund sought to raise \$2.5 billion and anticipated the first close would have approximately \$1 billion in commitments. She stated that in the first 4-6 months, the fund would invest in more opportunistic and value added investments. She stated that investors included the City of Tallahassee and Lakeland Employees. She stated that up to 20% of the Fund (10% in Asia, 10% in Europe) could be invested internationally but that the investments would be US\$ denominated. Connor Gavey advised that the targeted net rate of return for the Portfolio was 14%, with a standard deviation of 12.34%.

MOTION made by Trustee Howell, seconded by Trustee Cassidy, to approve the commitment of \$10 million to the Angelo Gordon Realty Value Fund X funded by a

reduction in Morgan Stanley Real Estate Investment. In a voice vote by the members present, **Motion** passed 5-1. Trustee Strauss opposed the motion.

b. First Quarter Performance Review

Mr. Reynolds reported the Fund's performance was in the top quartile for the three-, five-, and seven-year periods for public plans under \$500 million with 40-70% Equity. He reported that for the quarter ending March 31, 2018 returns were slightly negative at -0.45%. He noticed the positive contribution of the Board's addition of Private Equity and Private Debt to the portfolio.

c. Flash Report April 2018

Mr. Reynolds provided the Board with the Flash Report for April 2018 for review.

d. 2018 Work Plan (*Discussed before 5.b.*)

Mr. Reynolds provided the 2018 Work Plan for review. The Board requested that the education on Fiduciary Liability Insurance be moved up to August, and that the Governance Training be moved to November, eliminating the Fiduciary Training, which has been already been provided by the FPPTA certification courses.

The Board then discussed the need to see Frontier in July. The Board discussed Frontier's fees, performance and communication, and asked Mr. Reynolds to provide a package of alternative investments for review at the next meeting.

MOTION made by Trustee Greene, seconded by Trustee Howell, to discontinue Frontier upon their replacement with a new manager as soon as possible. In a voice vote by the members present, **Motion** passed 5-2. Trustee Shaw and Trustee Keller opposed the motion.

6. **DISABILITY APPLICATION**

- a. Initial Hearing: Disability Application of Hilde Johnson.
This item was withdrawn.

7. **LEGAL ISSUES (Ron Cohen – Rice Pugatch Robinson Storfer & Cohen)**

a. Transition Report

Mr. Cohen provided the Board with an update of the activities he has undertaken since assuming the role of Board Attorney. He noted that he was reviewing and/or drafting policies on records retention, member benefit related legal questions, forms, the Code of Ordinance, public records requests, the disability policy, the IRS Determination letter requiring ordinance changes and the By-laws. He stated that he had reached out to the City Attorney to set up an introductory meeting.

He also discussed the 13th check litigation and the Fund's non-compliance with State statutes related to the prefunding of the 13th check. The Board also suggested that there be another meeting of the former Pension Task Force.

b. Public Official Bond

MOTION made by Trustee Greene, seconded by Trustee Cassidy, to accept and approve the Public Official Bond as presented. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

c. Proposed Changes to the By-laws

MOTION made by Trustee Cassidy, seconded by Trustee Strauss, to lay over the Proposed Changes to the By-laws and provide any recommended changes to Mr. Cohen and Ms. Bailey by June 7, 2018. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

Ron Cohen advised the Board of a recent decision by the Florida Supreme Court related to Financial Urgency. He stated that decision related to the constitutionality of the ability to unilaterally change benefits. He identified the difference between the facial challenge of the law and the "as applied" challenge. He stated that the court determined that the law was facially constitutional but that the law was not properly applied in case of Headley vs the City of Miami.

8. ADMINISTRATIVE ISSUES

a. City Commission Communication

The Board received the City Commission Communication with edits including the Board's appreciation to the City's Finance Department.

b. Communications from the Executive Director

The Board received Communications from the Executive Director.

- Ms. Bailey provide trustees with an update of the Deputy Executive Director search. She advised that there was a short list of eight candidates from which 3-4 candidates would be selected for interview.
- Ms. Bailey requested that the Trustee invoice review process be shortened to one or two days for the credit card invoices. The Board agreed that credit card invoices would be sent separately with a one day review period.
- Ms. Bailey provided the Board with a Draft Executive Director's Report. Including Membership and Administrative Activities from January 2018 through May 2018. She highlighted the activities that would be given priority in June 2018.
- Ms. Bailey requested the creation of a Transition/Steering Committee. The Board discussed the possibility of setting up several committees including an investment committee and an audit committee.

9. PUBLIC COMMENTS

There were no public comments.

10. TRUSTEE REPORTS, QUESTIONS AND COMMENTS

Trustees discussed the possibility of reducing the length of the meeting. Trustee Strauss requested that the website be updated to include minutes, agendas and other documents. Mr. Strauss also expressed members' concerns regarding the Board's current custodian. Mr. Strauss has discussed the Retirees Association request for retirees' addresses. Ms. Shaw thanked Ms. Bailey and the Finance Department for all their work in the last 5 months and the membership for their continued patience during this time.

11. PENSION COORDINATOR'S REPORT

There was no Pension Coordinator's Report.

12. ADJOURNMENT

MOTION made by Trustee Greene, seconded by Trustee Ramos, to adjourn the meeting. In a voice vote by the members present, **Motion** passed 7-0. Meeting adjourned at 1:10 p.m.

Phyllis Shaw, Chair

Date

AGENDA ITEM 3.B.

CONSENT AGENDA

**RATIFICATION OF DISTRIBUTIONS (CONTRIBUTIONS AND
DROP) AND PLAN EXPENSES**

EMPLOYEES' RETIREMENT FUND
Refunds and Distributions
June 28, 2018 Regular Pension Board Meeting

Refunds of Contributions

<u>Name</u>	<u>Refund</u>
Bates, Cynthia	10,828.44
Duarte, Indira	5,820.11
Placide, Denis	\$ 6,136.42
	<u>\$ 22,784.97</u>

Planned Retirement Distributions

\$	
\$	<u>0.00</u>
\$	<u>0.00</u>

DROP Distributions

\$	
\$	<u>0.00</u>

TOTAL: \$ 22,784.97

EMPLOYEES RETIREMENT FUND

Payment Requests Processed During the Period

May 1, 2018 through May 31, 2018

Manager Fees

Brandes International (quarter ending 03/31/18)	\$ 41,513.00
Segal Marco Advisors/Performance Monitoring (April 2018)	10,833.33
Segal Marco Advisors/Administrative Services April 2018)	4,166.67
Thompson, Seigel & Walmsley (quarter ending 03/31/18)	33,516.92
	<u>90,029.92</u>

Quarterly Custodian Fees

Wells Fargo Bank, N.A. (quarter ending 03/31/18)	<u>8,093.19</u>
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Attorney Fees

Lewis, Longman and Walker, P.A. (April 2018)	9,074.98
Lewis, Longman and Walker, P.A. (March 2018)	9,092.20
	<u>18,167.18</u>

Actuarial Fees

Gabriel, Roeder, Smith & Company (through 03/31/18)	<u>5,980.00</u>
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Payroll

Christine Bailey (05/11/18)	4,150.76
Christine Bailey (05/25/18)	4,150.76
Christine Bailey - Deferred Comp (05/11/18)	192.30
Christine Bailey - Deferred Comp (05/25/18)	192.30
Christine Bailey - Employer Contribution/Benefits (May)	760.76
	<u>9,446.88</u>

Miscellaneous

Mac Papers	58.32
AT&T	219.99
IFEBP - Job Ad	240.00
Richard A. Reines, MD	1,200.00
Gateway-Acentria Insurance	3,500.00
	<u>5,218.31</u>

Total	\$ <u><u>136,935.48</u></u>
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AGENDA ITEM 3.C.

CONSENT AGENDA

APPROVAL/RATIFICATION OF NEW RETIREMENT

/DROP/VESTED/DEATH ANNUITIES

EMPLOYEES' RETIREMENT FUND
New Retirement/DROP/Death/Vested Annuities - Monthly Amounts
June 28, 2018 Regular Pension Board Meeting

December 2017

Porter, Troy	\$	3,463.85
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March 2018

Aman, William (beneficiary of Gertude Aman)	\$	3,283.00
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Benefits Stopped

Aman, Gertrude - died 02/09/2018	\$	3,283.00
Atteo, Joseph - died 4/5/2018		2,449.74
Petrack, Amy - died 5/1/2018		375.81

AGENDA ITEM 4.A.

TREASURER'S REPORT

JANUARY 2018

CITY OF HOLLYWOOD, FLORIDA

EMPLOYEES RETIREMENT FUND
TREASURER'S REPORT
FINAL
JANUARY 31, 2018

<u>Investment Balances</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Unrealized Gain (Loss)</u>
Balance, October 1, 2017	\$ 316,479,928.93	\$ 255,359,473.11	\$ 61,120,455.82
Contributions and Payments:			
City Contributions		22,101,018.88	
Employee Contributions		1,021,260.91	
Pension Disbursements		(10,081,958.64)	
Administrative Expenses		(216,463.95)	
Net Contributions/Payments		<u>12,823,857.20</u>	
Investment Income:			
Dividends Received		594,630.05	
Interest Received - net		893,509.14	
Gain on Sales		464,467.03	
Commission Recapture		580.65	
Quarterly Investment Fees		(70,206.46)	
Net Investment Income		<u>1,882,980.41</u>	
Balance, January 31, 2018	<u>348,871,181.86</u>	<u>270,066,310.72</u>	<u>78,804,871.14</u>
Increase (Decrease) for the Period	\$ <u>32,391,252.93</u>	\$ <u>14,706,837.61</u>	\$ <u>17,684,415.32</u>

Unrealized Gain (Loss) Account

Composition of Increases (Decreases)

AG Direct Lending	\$ (7,241.02)
Baird Core Plus Bond Fund	(522,291.08)
Brandes Investment Partners	799,326.15
Frontier Capital Management	1,256,533.92
Golden Tree	286,444.80
Harbourvest Dover IX49	(108,634.00)
IFM Global	461,743.10
Morgan Stanley	277,455.13
NB Crossroads	401,325.00
Neuberger & Berman	35,907.34
Northern Trust	8,569,946.81
Principal Investors	109,351.92
Thompson, Siegel & Walmsley	303,538.99
Wellington International	5,821,008.26
	<u>\$ 17,684,415.32</u>

Investment Return

Net Investment Income	\$ 1,882,980.41
Increase (Decrease) in Unrealized Gain/Loss	17,684,415.32
Total Investment Return for Period	<u>\$ 19,567,395.73</u>
Beginning Market Value of Assets	\$ 316,479,928.93
Plus/(Less): Net Contributions/Payments	12,823,857.20
Assets Available for Investment	<u>\$ 329,303,786.13</u>
Investment Return as a % of Assets Available for Investment	<u>5.94%</u>

AGENDA ITEM 4.B.

TREASURER'S REPORT

FEBRUARY 2018

CITY OF HOLLYWOOD, FLORIDA

EMPLOYEES RETIREMENT FUND
TREASURER'S REPORT
FINAL
FEBRUARY 28, 2018

<u>Investment Balances</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Unrealized Gain (Loss)</u>
Balance, October 1, 2017	\$ 316,479,928.93	\$ 255,359,473.11	\$ 61,120,455.82
Contributions and Payments:			
City Contributions		22,101,018.88	
Employee Contributions		1,275,672.76	
Pension Disbursements		(12,473,659.84)	
Administrative Expenses		(240,162.66)	
Net Contributions/Payments		<u>10,662,869.14</u>	
Investment Income:			
Dividends Received		666,293.98	
Interest Received - net		999,618.53	
Gain on Sales		960,898.52	
Commission Recapture		657.65	
Quarterly Investment Fees		(133,632.57)	
Net Investment Income		<u>2,493,836.11</u>	
Balance, February 28, 2018	<u>338,891,827.07</u>	<u>268,516,178.36</u>	<u>70,375,648.71</u>
Increase (Decrease) for the Period	\$ <u>22,411,898.14</u>	\$ <u>13,156,705.25</u>	\$ <u>9,255,192.89</u>

Unrealized Gain (Loss) Account

Composition of Increases (Decreases)

AG Direct Lending	\$ (7,241.03)
Baird Core Plus Bond Fund	(1,001,851.37)
Brandes Investment Partners	335,644.65
Frontier Capital Management	512,687.60
Golden Tree	299,168.04
Harbourvest Dover IX49	(121,275.01)
IFM Global	406,599.20
Morgan Stanley	277,455.13
NB Crossroads	401,325.00
Neuberger & Berman	35,907.34
Neuberger Short Duration	(77,181.67)
Northern Trust	5,135,116.92
Principal Investors	109,351.92
Thompson, Siegel & Walmsley	(133,875.54)
Wellington International	<u>3,083,361.71</u>
	\$ <u>9,255,192.89</u>

Investment Return

Net Investment Income	\$ 2,493,836.11
Increase (Decrease) in Unrealized Gain/Loss	<u>9,255,192.89</u>
Total Investment Return for Period	\$ <u>11,749,029.00</u>
Beginning Market Value of Assets	\$ 316,479,928.93
Plus/(Less): Net Contributions/Payments	<u>10,662,869.14</u>
Assets Available for Investment	\$ <u>327,142,798.07</u>

Investment Return as a % of Assets Available for Investment 3.59%

AGENDA ITEM 4.C.

TREASURER'S REPORT

MARCH 2018 – DRAFT

CITY OF HOLLYWOOD, FLORIDA

EMPLOYEES RETIREMENT FUND

TREASURER'S REPORT

DRAFT

MARCH 31, 2018

<u>Investment Balances</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Unrealized Gain (Loss)</u>
Balance, October 1, 2017	\$ 316,479,928.93	\$ 255,359,473.11	\$ 61,120,455.82
Contributions and Payments:			
City Contributions		22,101,018.88	
Employee Contributions		1,653,810.35	
Pension Disbursements		(15,276,133.30)	
Administrative Expenses		(302,158.03)	
Net Contributions/Payments		<u>8,176,537.90</u>	
Investment Income:			
Dividends Received		1,228,307.48	
Interest Received - net		1,095,372.45	
Gain on Sales		2,243,691.74	
Commission Recapture		1,394.33	
Quarterly Investment Fees		(390,204.29)	
Net Investment Income		<u>4,178,561.71</u>	
Balance, March 31, 2018	<u>334,271,345.20</u>	<u>267,714,572.72</u>	<u>66,556,772.48</u>
Increase (Decrease) for the Period	\$ <u>17,791,416.27</u>	\$ <u>12,355,099.61</u>	\$ <u>5,436,316.66</u>

Unrealized Gain (Loss) Account

Composition of Increases (Decreases)

AG Direct Lending	\$ 158,015.03
Baird Core Plus Bond Fund	(898,385.42)
Brandes Investment Partners	41,605.50
Frontier Capital Management	252,612.12
Golden Tree	337,556.64
Harbourvest Dover IX49 (February)	(121,275.01)
IFM Global	1,187,847.10
Morgan Stanley	539,378.51
NB Crossroads	527,711.97
Neuberger & Berman	35,907.34
Neuberger Short Duration	(85,662.07)
Northern Trust	2,086,430.50
Principal Investors	77,659.94
Thompson, Siegel & Walmsley	(205,310.35)
Wellington International	1,502,224.86
	<u>\$ 5,436,316.66</u>

Investment Return

Net Investment Income	\$ 4,178,561.71
Increase (Decrease) in Unrealized Gain/Loss	<u>5,436,316.66</u>
Total Investment Return for Period	<u>\$ 9,614,878.37</u>
Beginning Market Value of Assets	\$ 316,479,928.93
Plus/(Less): Net Contributions/Payments	<u>8,176,537.90</u>
Assets Available for Investment	<u>\$ 324,656,466.83</u>
Investment Return as a % of Assets Available for Investment	<u>2.96%</u>

AGENDA ITEM 4.D.

TREASURER'S REPORT

APRIL 2018 - DRAFT

CITY OF HOLLYWOOD, FLORIDA

EMPLOYEES RETIREMENT FUND

TREASURER'S REPORT

DRAFT

APRIL 30, 2018

<u>Investment Balances</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Unrealized Gain (Loss)</u>
Balance, October 1, 2017	\$ 316,479,928.93	\$ 255,359,473.11	\$ 61,120,455.82
Contributions and Payments:			
City Contributions		22,101,018.88	
Employee Contributions		1,778,564.77	
Pension Disbursements		(17,957,581.99)	
Administrative Expenses		(303,567.70)	
Net Contributions/Payments		<u>5,618,433.96</u>	
Investment Income:			
Dividends Received		1,396,380.37	
Interest Received - net		1,338,009.95	
Gain on Sales		4,089,984.52	
Commission Recapture		1,728.14	
Quarterly Investment Fees		(409,665.26)	
Net Investment Income		<u>6,416,437.72</u>	
Balance, April 30, 2018	<u>332,387,699.74</u>	<u>267,394,344.79</u>	<u>64,993,354.95</u>
Increase (Decrease) for the Period	\$ <u>15,907,770.81</u>	\$ <u>12,034,871.68</u>	\$ <u>3,872,899.13</u>

Unrealized Gain (Loss) Account

Composition of Increases (Decreases)

AG Direct Lending	\$ 25,615.03
Baird Core Plus Bond Fund	(1,242,030.54)
Brandes Investment Partners	439,025.82
Frontier Capital Management	12,598.08
Golden Tree	325,193.76
Harbourvest Dover IX49 (February)	(121,275.01)
IFM Global	1,139,234.90
Morgan Stanley	539,378.51
NB Crossroads	527,711.97
Neuberger & Berman	35,907.34
Neuberger Short Duration	(119,551.51)
Northern Trust	1,565,870.88
Principal Investors	77,659.94
Thompson, Siegel & Walmsley	(45,631.77)
Wellington International	713,191.73
	<u>\$ 3,872,899.13</u>

Investment Return

Net Investment Income	\$ 6,416,437.72
Increase (Decrease) in Unrealized Gain/Loss	<u>3,872,899.13</u>
Total Investment Return for Period	<u>\$ 10,289,336.85</u>
Beginning Market Value of Assets	\$ 316,479,928.93
Plus/(Less): Net Contributions/Payments	<u>5,618,433.96</u>
Assets Available for Investment	<u>\$ 322,098,362.89</u>

Investment Return as a % of Assets Available for Investment	<u>3.19%</u>
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AGENDA ITEM 5.A.

INVESTMENT UPDATE

EDUCATION SESSION

EMERGING MANAGER PROGRAMS

**City of Hollywood Employees' Retirement Fund
Emerging Manager – Educational Presentation**

June 28, 2018

Presenter:

Francois Otieno, Director of Fixed Income

★ Segal Marco Advisors

Table of Contents

Part I: Overview of Emerging Manager Landscape

- Definition of Emerging Manager
- Investor Importance of Emerging Managers
- Identification of Best In Class Emerging Managers

Part II: Implementation Options

- Access to Emerging Managers and Investment Programs
- Areas of Consideration for each Investment Program Approach



Part I: Overview Of Emerging Manager Landscape

Definition of Emerging Manager

- The term emerging manager is ambiguous and its definition varies due to:
 - State legislation
 - Client investment policy statement
- Emerging Manager typically includes one or both of the following:
 - Minimum asset level
 - Minority, woman, veteran and /or disabled owned
- For example, the State of Illinois (Public Act 096-0006) defines “Emerging Manager” as firms with assets of at least \$10 million but not exceeding \$10 billion AND are minority, female or disabled-owned

Investor Importance of Emerging Managers

- Under-represented and prudence of Diversity
- Public Policy compliant
 - **Illinois Public Act 096-0006**
 - **Illinois Pension Code [40 ILCS 5/1-109.1]**
- Academic research indicates an ability for smaller and emerging managers to add value
 - “There are diseconomies of scale in active management stemming from the increased costs associated with larger transaction. As assets under management increase, position sizes also increase, and the portfolio return as a percentage of assets declines.”¹
 - “Alpha net of costs decays slowly with growing asset levels”²
 - “We have documented that a manager’s task of delivering value-added becomes harder as a fund’s asset base grows. This is because bigger funds lose flexibility in implementing their ideas. Trading will take longer when the fund gets bigger....The resulting performance drag is pretty much unavoidable.”³

❖ 1. Perold, Andre and Robert Salomon, Jr. 1991. “The Right Amount of Assets Under Management” *Financial Analysts Journal* Vol 47, No 3, May/June 1991, pp. 31-39.

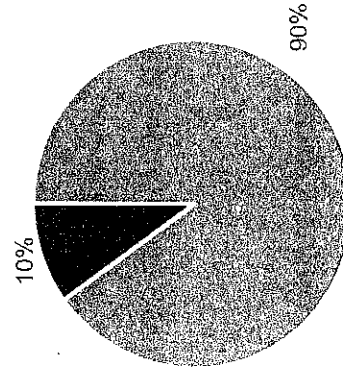
❖ 2. Kahn, Ronald and J Scott Shaffer. 2005. “The Surprisingly Small Impact of Asset Growth on Expected Alpha” *Journal of Portfolio Management*, Fall 2005, pp. 49-60.

❖ 3. Beekers, Stan, and Vaughn, Greg, “Small is Beautiful”, *Journal of Portfolio Management*, Summer 2001, pp. 9-17

Identification of Best In Class Emerging Managers

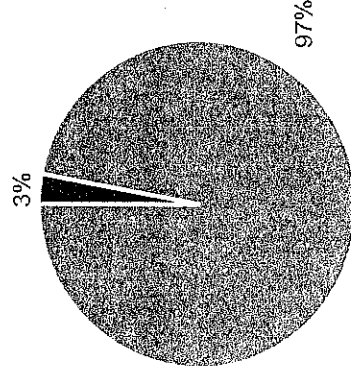
- eVestment Alliance manager database: 2,302 asset managers, 229 of which are Minority, Women and/or Disabled-owned firms. NOTE: eVestment currently does not have the capability of screening out Veteran-owned firms
- Based on numbers, MWBE firms represents roughly 10% of the total universe
- Based on AUM, figures decrease to 3%

Manager Breakdown by Firms



■ Non-Emerging managers ■ Emerging Managers

Manager Breakdown by Assets



■ Emerging Managers ■ Non-Emerging managers

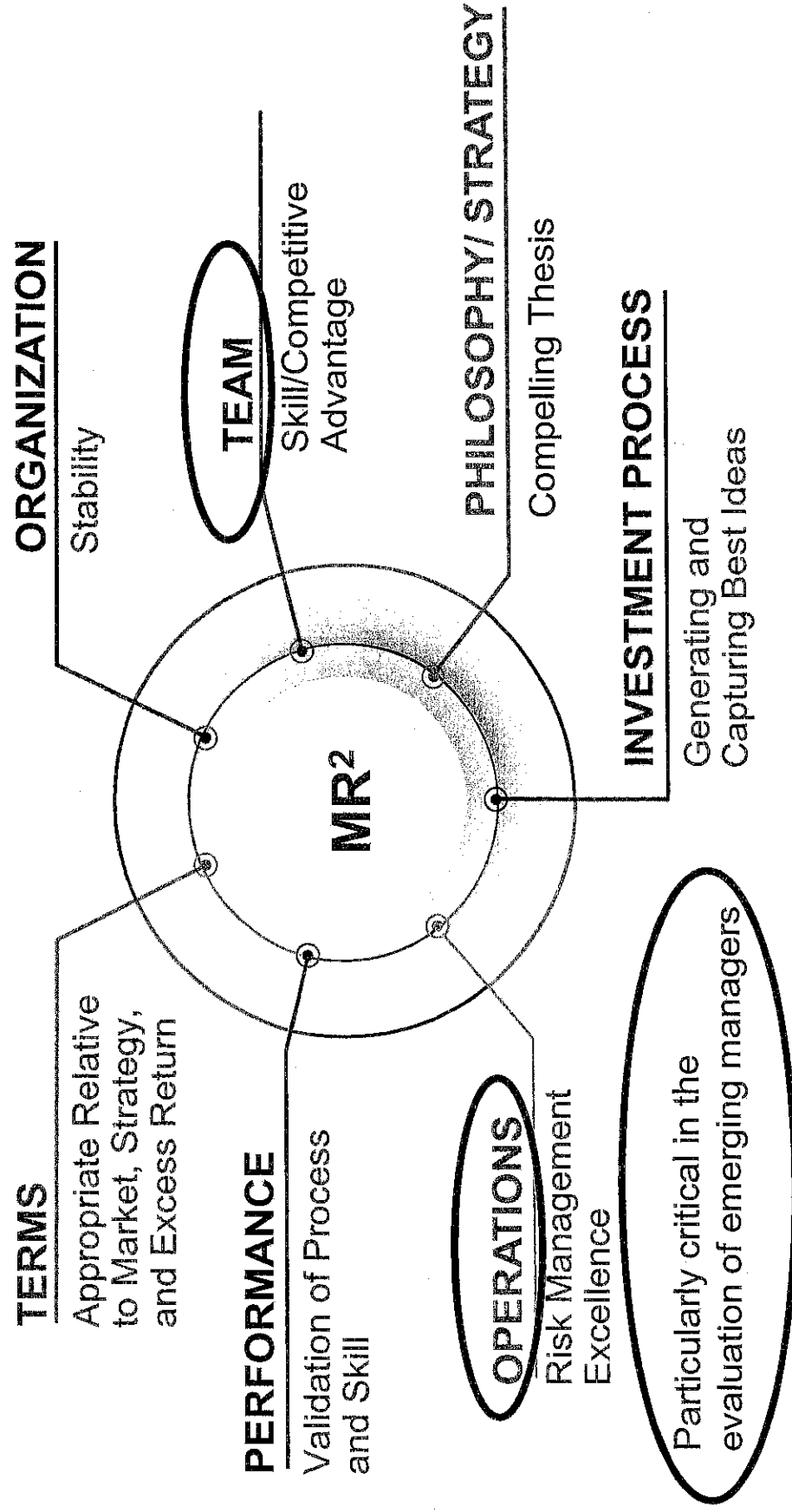
❖ Source: eVestment Alliance as of February, 2018.

Identification of Best In Class Emerging Managers

- Emerging Managers are generally newer or smaller and tend to have:
 - Less developed infrastructure (potential higher operational risk)
 - Shorter track record
 - Limited professional resources
- When evaluating the investment approach:
 - Smaller firms are often driven by one key person or a few key people
 - There is not as long of a track record which investors can analyze
 - The focus is usually on “people” and NOT “firm”

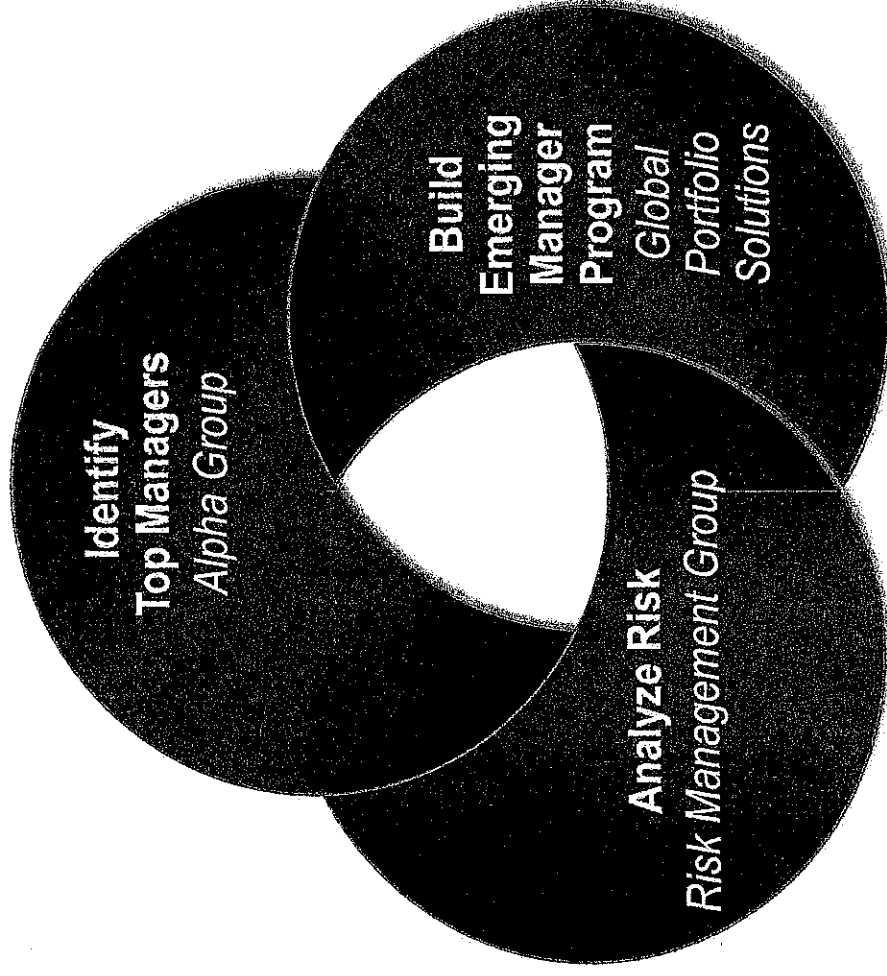
Identification of Best In Class Emerging Managers

- Our proprietary Seven Principles Manager Research and Ranking (MR2) evaluation process identifies the top-tier managers best-equipped to achieve your investment objectives



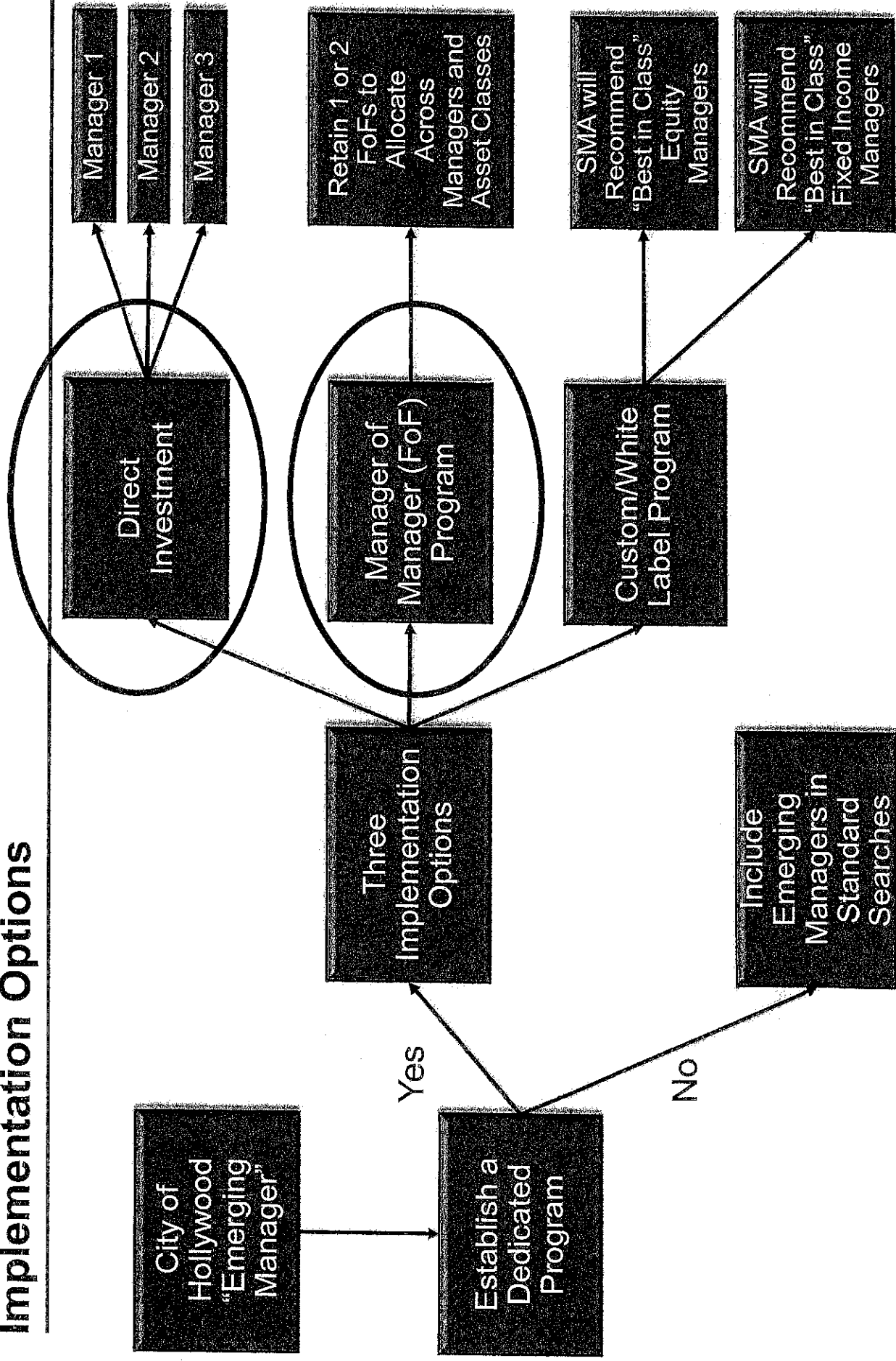
Identification of Best In Class Emerging Managers

- Segal Marco's three-part research team approach enables success in selection of your emerging manager program:

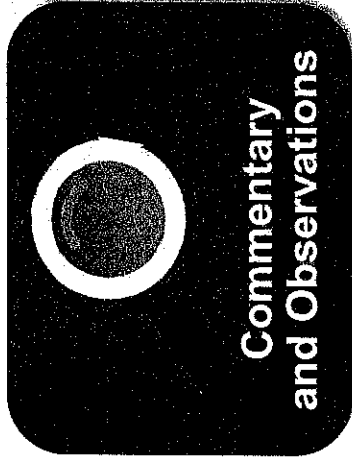


Part II: Implementation Options

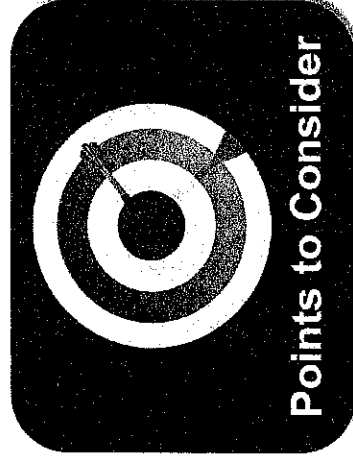
Implementation Options



Direct Approach

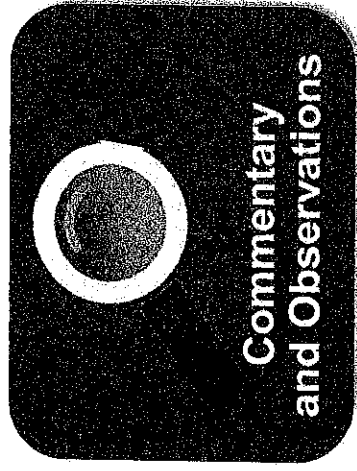


- Greater control over manager hiring and firing decisions
- Establish direct relationships with each investment firm
- Potential to leverage fees with investment firm based on allocation size, SMA's manager relationships and client exposure

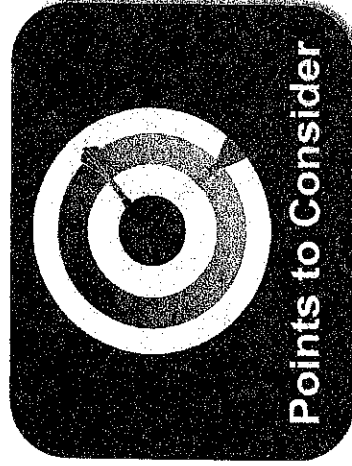


- Less diversified emerging manager program
- Limited asset class diversity
- Manager performance volatility and associated headline risks
- Increased monitoring resulting in higher administrative staff support

Manager of Manager / Fund of Funds (FoF) Approach

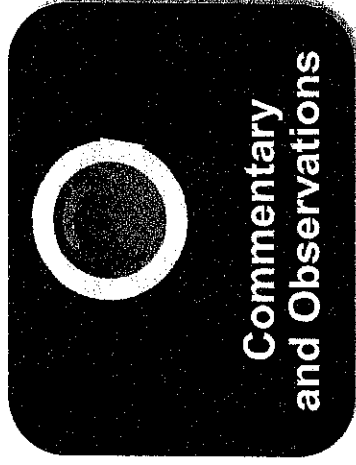


- Manager of Managers have proven track record within this space
- Diversified manager options allows to mitigate firm headline risk (may become scalable)
- Streamline decision making (investment changes discretion)

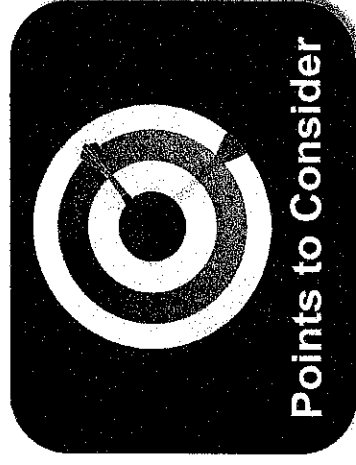


- Potential for additional layer of fees
- Ability for successful managers to “graduate” into mainstream portfolios and may elect to withdraw from the manager of manager programs
- Smaller allocations to multiple managers may result in neutral performance

Custom White Label Design



- Diversified manager options with ability to mitigate firm headline risk
- Ability to build client specific customizable features with Segal Marco Advisors' scope of resources
- Customized to overcome challenges in this space
- Direct negotiation of fees and terms – likelihood of a lower fee structure compared to a FoF program
- Streamlined decision making – client has more control of investment changes discretion



- Implementation requires time and project management of various aspects (legal documentation, added due diligence and compliance)
- Asset growth attainment
- Operational considerations within a Defined Contribution platform structure
- Increased monitoring requirements
- Record keeper support of product

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AGENDA ITEM 5.B.
INVESTMENT UPDATE
ANNUAL INVESTMENT POLICY UPDATE

**CITY OF HOLLYWOOD EMPLOYEES'
RETIREMENT FUND**

**Statement of Overall Investment
Objectives and Policy**

Adopted: November 23, 2004

Effective: December 25, 2004

Amended:

May 2006

March 2008

July 2008

February 2015

March 2016

March 2017

June 2018

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<u>SEPARATE ACCOUNT MANAGER SPECIFIC GUIDELINES (Exhibit A)</u>	VIII

INTRODUCTION

SECTION I

The Board of Trustees of the City of Hollywood Employees' Retirement Fund (the "Fund") hereby adopts this Statement of Investment Objectives and Policy (the "Statement"). The purpose of the Statement is to set forth the investment objectives and guidelines applicable to Fund investments, and will be incorporated into all existing and any future investment management agreements with each investment manager (the "Investment Manager") retained by the Fund. Each such Investment Manager shall acknowledge and agree to the objectives set forth in the Statement and the manager specific guidelines appended as Exhibit "A" hereto (the "Guidelines").

This investment policy establishes and sets forth objectives and policies that the City of Hollywood Employees' Retirement Fund ("Fund") is to adhere to in the administration of its investments. This policy is adopted in accordance with Section 112.661, Florida Statutes, and upon adoption by the Board of Trustees ("Board") will be filed with the State of Florida Department of Management Services, the City of Hollywood and the Fund's consulting actuary.

One of the primary objectives of this Statement and Guidelines is to foster an effective working relationship with the Investment Managers through a discipline of good communication. The Statement and Guidelines are intended to provide the Board and the Investment Managers with a foundation from which to formulate specific investment strategies and goals so that the Board and any independent investment consultant retained by the Fund (an "Investment Consultant") can effectively implement the Fund's investment policies and strategies, as well as evaluate the performance of the Investment Manager and oversee the management of Fund investments in a prudent manner.

This Statement is not intended to remain static. The Board and its Investment Consultant will periodically review the Statement and update it as necessary. Recommendations for its modification from the Investment Manager are expected when investment conditions so warrant.

The Board is charged with the responsibility for the investment of the assets of the Fund. Board members shall discharge their duties solely in the interest of the participants and beneficiaries and for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Fund. They shall discharge their duties with the care, skill, prudence and diligence under the circumstance then prevailing that a prudent man, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; by diversifying the investments of the Plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

In performing their investment duties, the Board and to the extent legally permissible, its investment managers, shall comply with the fiduciary standards set forth in ERISA (Employee Retirement Income Security Act of 1974, as amended [29 USC 1104 (a) (1) (A) - (C)] and section 112.656, Florida Statutes.

INTRODUCTION

SECTION I

It is the intention of the Board to allow each Investment Manager full investment discretion in investing its Account within the scope of this Statement and the Guidelines. The Board and the Investment Manager agree that this Statement and the Guidelines are incorporated into the investment management agreement between them (the "Agreement") and shall be considered by the Investment Manager in formulating its strategy for investing the Fund's assets. This Statement and the Guidelines shall control in the event of any conflicting provisions set forth in the Agreement.

The balance of this document is organized into the following components:

- A. Investment Objectives (Section II): The investment objectives that the Board judges to be appropriate and prudent to implement their strategic planning for the investment of the Fund's assets;
- B. Investment Policies (Section III): The general investment policies and objectives and performance expectations for the Investment Managers;
- C. Performance Measurement (Section IV): The approach that the Board will use to measure the investment performance of each Investment Manager and to ensure that the Fund remains invested in accordance with the principles set forth in this Statement;
- D. Account Investment Policies (Section V): The general investment policies and objectives of the Investment Manager's Account;
- E. Communication and Reporting (Section VI): Accounting and reporting guidelines for purposes of measuring the performance of the Investment Managers;
- F. Proxy Voting Policies (Section VII): Specific rules setting forth the Investment Managers' right and obligation to vote proxies appurtenant to Fund securities.

INVESTMENT OBJECTIVES

SECTION II

A. The investment horizon of the Fund is long term. The Fund's primary investment objective is to maximize the total rate of return subject to the preservation of capital, while assuming less risk than 100% exposure to equities and or fixed income provides.

Preservation of capital encompasses two goals:

- > minimizing the risk of loss of principal for the Fund as a whole; and
- > minimizing the erosion of principal value through inflation.

B. The primary means by which capital preservation is to be achieved is through diversification of the Fund's investments across asset classes. The appropriate level of risk for the Fund was determined by examining the risk and reward of numerous asset allocation alternatives as presented by, and formulated in consultation with, the Investment Consultant. Within each asset group, further diversification is to be achieved through investment in securities across numerous industries and sectors as determined in the sole and absolute discretion of the Investment Managers in accordance with the Agreement, this Statement and the Guidelines.

C. No distinction need be made between realized and unrealized capital gains or losses. All investment income of an Account and all realized and unrealized capital gains and losses will be considered in computing the investment performance of the Account, except to the extent the Investment Manager is specifically directed otherwise in writing.

D. The total Fund has long-term performance expectations as follows:

1. Customized Index

Over a complete market cycle (3-5 years), the Total Fund has an additional investment performance goal of outperforming a weighted portfolio comprised of a mix of 20.0% S&P 500 Index / 10.0% Russell 2500 Index / 15.0% All Country World ex US (net) Index / 5.0% MSCI EAFE Small Cap (net) Index / ~~7.5%~~ 5.0% NCREIF ODCE Equal Weighted Index, ~~2.5%~~ 3.0% NCREIF Property Index, 2.0% NCREIF Property Index + 300 basis points, ~~10%~~ 7.5% Russell 3000 + 300 bps, 2.5% CPI + 350 basis points, 30.0% Bloomberg Barclays Aggregate Bond Index.

Given that private investment allocations may take a period of time before being fully implemented, an Intermediate Customized Index may be used to approximate the actual allocation of the Fund in the interim.

2. Actuarial Assumption

The Fund's investment program will be designed to achieve a minimum investment performance goal as measured over a complete market cycle, equal to its actuarial assumption, currently ~~7.7%~~7.6% as of 10/1/4617, which rate will be lowered by 0.1% each year until it reaches 7.5% as of 10/1/18.

For each actuarial valuation, the Board will determine the total expected annual rate of return for the current year, for each of the next several years, and for the long term thereafter. This determination will be filed with the State of Florida's Department of Management Services, with the City of Hollywood and with the Fund's consulting actuary.

FUND INVESTMENT POLICIES

SECTION III

A. Asset Allocation and Investment Manager Structure

In order to provide an appropriate level of diversification for the Fund, Investment Managers with complementary or diverse investment styles will be retained. It is not the intention of the Board to become involved in day-to-day investment decisions. Therefore, the Board has appointed several Investment Managers to manage (including the power to acquire, or dispose of) assets within the portion of the total Fund allocated to the particular Investment Manager, in a manner consistent with the Agreement, this Statement and the Guidelines. To the extent possible, it is the intention of the Board that the investment managers competitively bid the purchase of securities when feasible and appropriate. Except otherwise required by law, the most economically advantageous bid is to be selected. Neither this Statement nor the Guidelines are intended to direct an Investment Manager to purchase or sell any specific security or to effect or refrain from effectuating any specific investment transaction for its Account. The Board will neither assume any obligation or responsibility for the direct management of Account assets allocated to the Investment Manager nor be liable for any acts or omissions of the Investment Manager that result in any loss to the Account.

B. Asset Deployment Policy

The guidelines that the Board of Trustees has adopted for the overall allocation of the Fund's assets are as follows:

Asset Allocation	Target (%)	Ranges (%)
Domestic Equity	30.0	25-37.5
<i>Large Cap</i>	20.0	15-30
<i>Small + Mid Cap</i>	10.0	7-15.5
International Equity	20.0	15-25
<i>Large Cap</i>	15.0	11-19
<i>Small Cap</i>	5.0	2.5-7.5
Fixed Income	30.0	25-37.5
<i>Intermediate Short</i>	10.0	7-13
<i>Core Plus</i>	12.5	10-20
<i>Multi-Sector</i>	3.75	2-6.5
<i>Direct Lending</i>	3.75	0-6.5
Private Real Estate	10.0	7-14
<i>Core</i>	7.5 5.0	4.5-10.5 2.5-7.5
<i>Value Added</i>	2.5 3.0	1-5
<i>Opportunistic</i>	2.0	0-5
Private Equity	7.5	0-15
<i>Diversified</i>	5.0	0-10
<i>Secondaries</i>	2.5	0-5
Global Infrastructure	2.5	0-5
Cash	0	0-5

To the extent necessary, an attempt will be made to match investment maturities with known cash needs and anticipated cash-flow requirements and to hold an appropriate dollar amount of investments for liquidity purposes.

C. Rebalancing Guidelines

The Board, with assistance from the Investment Consultant, will monitor the Fund's overall asset allocation within the parameters described above. They will do so by giving specific instructions as to the range of allowable asset classifications to individual Investment Managers and by monitoring quarterly the asset classifications actually held by such Investment Managers. The Board recognizes that markets generally do not move in concert, and that actual allocations will deviate from the targets. If the assets deviate from the ranges as outlined above, the Board will authorize rebalancing back to targets.

The performance expectations of the Board are hereby communicated to the Investment Managers in their respective Guidelines. These will include comparison to benchmark returns and standard deviations as well as universe comparisons. Quarterly performance will be evaluated to test progress toward attainment of longer-term goals.

The Board recognizes the possibility that losses may occur from time to time in an Account. The Board will not regard such losses alone as evidence of imprudence, provided that the overall investment performance of the Investment Manager is consistent with the objectives set forth in this Statement and the Guidelines, relevant investment industry benchmarks over appropriate time periods, and the investment style that the Investment Manager was retained to pursue (as it may be modified through subsequent written communications with the Board). It is understood that there are likely to be short-term periods during which the performance of an Investment Manager deviates from market indices. During such times, greater emphasis shall be placed on performance comparisons with investment managers employing similar styles.

Set forth below are the criteria that the Board and the Investment Consultant will use to evaluate the performance of each Investment Manager, depending upon the type of portfolio being managed. The Investment Manager will be expected to:

PERFORMANCE MEASUREMENT

SECTION IV

A. Domestic Equity Portfolio (Large Cap Index)

1. Achieve a rate of return that approximates the Investment Managers' respective index/benchmark.

B. Domestic Equity Portfolios (Small + Mid Cap)

1. Achieve a rate of return that exceeds the Investment Managers' respective index/benchmark net of investment management fees over a complete market cycle (3-5 years).
2. Achieve a positive risk/reward trade-off when compared to the respective index/benchmark.
3. Achieve cumulative performance results, which rank above the median of a universe comprised of equity investment managers with similar style characteristics.

C. International Equity Portfolios (Large + Small Cap)

1. Achieve a rate of return that exceeds the Investment Managers' respective index/benchmark net of investment management fees over a complete market cycle (3-5 years).
2. Achieve a positive risk/reward trade-off when compared to the respective index/benchmark.
3. Achieve cumulative performance results, which rank above the median of a universe comprised of equity investment managers with similar style characteristics.

D. Domestic Fixed-Income Portfolios (~~Intermediate-Short Duration~~ + Core Plus + Multi-Sector)

1. Achieve a rate of return that exceeds the Investment Manager's respective index/benchmark net of investment management fees over a complete market cycle (3-5 years).
2. Achieve a positive risk/reward trade-off when compared to the respective index/benchmark.
3. Achieve cumulative performance results, which rank above the median of a universe comprised of fixed income managers with similar style characteristics.

E. Private Fixed-Income Portfolio (Direct Lending)

1. Achieve an absolute return of 10% net of investment management fees over the long term (7-10 years).

F. Private Real Estate Portfolios (~~CORE~~ + Value Added)

1. Achieve a rate of return that exceeds the respective index/benchmark net of investment management fees over a complete market cycle (3-5 years).
2. Achieve a positive risk/reward trade-off when compared to the respective index/benchmark

G. Private Equity Portfolios (~~Diversified Fund of Funds~~ + Secondaries)

1. To outperform public benchmarks by 300 basis points net of investment management fees over the long term (7-10 years).

H. Global Infrastructure

1. Achieve an absolute return of 8% net of investment management fees over the long term (7-10 years).

A. General

The Board has sole and absolute discretion to select Investment Managers and to replace them when necessary. The Board, with the assistance of and in consultation with the Investment Consultant, will review each Investment Manager's portfolio, and meet with each Investment Manager at least annually to review the portfolio investments, investment returns, changes in the Investment Managers staff, market conditions and environment, and any other pertinent items.

Except with the advance written approval of the Board, the Investment Manager is prohibited from entering into any transactions for the Fund that are not authorized by this Statement or the Guidelines, including, without limitation, making any investment in a security or investment specifically prohibited by the Statement or the Guidelines.

B. Legal Compliance

The Investment Manager is expected to perform their fiduciary duties prudently. Each Investment Manager shall at all times discharge its responsibilities with respect to the Account it manages on the Fund's behalf. In addition, the investment manager(s) shall be registered as an investment manager with the Securities Exchange Commission.

Each Investment Manager appointed by the Board to execute the policy will invest plan assets in accordance with the policy and their judgments concerning relative investment values. In particular, the Investment Manager will be accorded full discretion, within policy limits, and within the requirements of applicable laws, to (1) select, purchase, and invest in, individual securities; (2) make periodic adjustments to the proportions of equity securities, fixed-income securities and cash equivalents; and (3) diversify plan assets. The Investment Managers shall discharge their responsibilities with respect to the Fund's assets in accordance with their fiduciary responsibility.

C. Asset Class Investment Guidelines**Public Market Investments**

The public market portion of the Fund's assets may be invested in institutional commingled and mutual fund vehicles. As a result, the guidelines established under the prospectus that governs the mutual fund and commingled fund vehicles supersede all other client guidelines.

A copy of the investment guidelines and objectives of the pooled vehicle shall be provided to the Board of Trustees and its Investment Consultant. In addition, should the investment guidelines and objectives be modified, the Board and its Investment Consultant shall be notified promptly in writing as to the specific change and shall be provided with a copy of the modified investment guidelines and objectives.

1. Domestic Equity

Exceptions to these guidelines for separate account mandates will be noted in the Separate Account Manager Specific Guidelines found in Exhibit A of this document.

- a. Equity investments shall be made with a view towards achieving a total rate of return (market appreciation plus dividend income).
- b. All equity investments shall be of companies whose respective market capitalizations are consistent with the Investment Manager's specific benchmark. All equity securities must have a minimum capitalization of at least \$50 million.
- c. Equity investments of an Account may be made in securities such as common stocks, convertible securities including debentures, and American Depositary Receipts (ADRs) or U.S. Dollar denominated stocks of foreign companies.
- d. All securities shall be of a class listed on a national securities exchange (e.g., the New York Stock Exchange, the American Stock Exchange, and the NASDAQ National Market system, or the Over-the-Counter securities) or traded in the over-the-counter market and quoted in the National Association of Securities Dealers Automatic Quotation Service.
- e. Industry and sector allocations within an Account must ensure prudent diversification and risk control.

f. Investment in any issuer (measured at fair market value) must at all times be limited to 5% of the fair market value of an Investment Manager's Account.

g. The maximum total account investment in any one company shall be less than 5% of that company's outstanding voting stock and less than 5% in value of all outstanding shares of all classes of stock of the issuer (assuming all conversions have been made by the account).

h. Investment in ADRs or U.S. Dollar denominated stocks of foreign companies (measured at fair market value) must at all times be limited to 10% of the fair market value of an Investment Manager's Account.

i. Investments in convertible securities (measured at fair market value) must at all times be limited to 5% of the fair market value of an Investment Manager's Account.

2. International Equity

a. Acceptable Strategies:

International equity securities shall mean common stocks or equivalents traded on foreign exchanges. Investments in foreign securities listed on an American exchange (ADRs) are also acceptable.

b. Diversification:

As this is a core strategy, the focus should be on investments in the MSCI EAFE countries and may include investments in emerging markets.

~~a. International Equity investments will be made through the purchase of units of commingled funds or group trusts.~~

~~a. Any such commingled fund or group trust shall comply with its own investment guidelines, outlined in the Memorandum(s) and Trust Agreement(s). A copy of the investment guidelines and objectives of the commingled fund or trust shall be provided to the Board of Trustees and its Investment Consultant. In addition, should the investment guidelines and objectives be modified, the Board of Trustees and its Investment Consultant shall be notified promptly in writing as to the specific change and shall be provided with a copy of the modified investment guidelines and objectives.~~

3. Domestic Fixed Income (~~Intermediate-Short Duration~~ & Core Plus)

Exceptions to these guidelines for separate account mandates will be noted in the Separate Account Manager Specific Guidelines found in Exhibit A of this document.

The fixed income portion of an Account shall be invested in marketable fixed income securities of the first four quality grades as established by one or more of the nationally recognized bond ratings services. The average quality of all the bond holdings in an Account should be maintained at AA or better. The following instruments are acceptable:

- a. Commercial Paper or Variable Rate Notes rated P-1 by Moody's, A1 by Standard & Poor's or F1 by Fitch.
- b. Certificates of Deposit and Bankers Acceptances rated A or better by Moody's Investor's Service or equivalent by Standard & Poor's.
- c. United States Treasury Bonds, Notes and Bills.
- d. Debt instruments of the U.S. Government or its Agencies (backed by the full faith and credit of the U.S. Government).
- e. Marketable corporate debt, mortgages, and asset-backed securities rated the equivalent of BBB or better by Moody's Investors Services, Standard & Poor's, or Fitch Investor's Services. In case of split rating among the rating services, the manager shall defer to the highest rating.
- f. The effective duration of an Account should be no more than +/- 25% of the duration of the Investment Manager's benchmark, unless otherwise specified in an Investment Manager's Guidelines.
- g. Securities downgraded by any or all-rating agencies subsequent to purchase resulting in violation of quality guidelines must be sold immediately upon downgrade. If there is no immediate market for the security, then the Board must be notified that the downgraded security has not been sold. A continued effort to sell must be made and immediate notification must be provided to the Board once the security has been sold.
- h. At all times, an Investment Manager may not hold more than 5% of its Account (measured at fair market value) in any one issuer's securities other than direct obligations of the U.S. Government or its agencies.

i. Investments in preferred stock, warrants and convertible securities (measured at fair market value) must at all times be limited to 5% of the fair market value of an Investment Manager's Account. Warrants that were received and distributed due to direct ownership of securities of a company are excluded from this limitation.

j. An Investment Manager may invest a portion of its assets in dollar-denominated foreign bonds, subject to the restrictions set forth herein and also not more than 10% of the fair market value of its Account.

4. Domestic Fixed Income (Multi-Sector)

a. Acceptable Strategies:

The portfolio will seek to achieve its investment objective by investing principally in a portfolio of high yield bonds, leveraged loans and structured products.

b. Diversification:

The portfolio should tactically shift its allocation between high yield bonds, leveraged loans and structured products over time to take advantage of market opportunities and protect capital during periods of market distress.

~~a. Multi Sector Fixed Income investments will be made through the purchase of units of commingled funds or group trusts.~~

~~a. Any such commingled fund or group trust shall comply with its own investment guidelines, outlined in the Memorandum(s) and Trust Agreement(s). A copy of the investment guidelines and objectives of the commingled fund or trust shall be provided to the Board of Trustees and its Investment Consultant. In addition, should the investment guidelines and objectives be modified, the Board of Trustees and its Investment Consultant shall be notified promptly in writing as to the specific change and shall be provided with a copy of the modified investment guidelines and objectives.~~

Private Market Investments

The private markets portion of the Fund's assets will be invested in pooled vehicles, limited partnerships, or other types of private investments as determined by the Board in consultation with the Investment Consultant.

Any such pooled vehicle shall comply with its own investment guidelines, outlined in the Memorandum(s) and Trust Agreement(s). A copy of the investment guidelines and objectives of the pooled vehicle shall be provided to the Board of Trustees and its Investment Consultant. In addition, should the investment guidelines and objectives be modified, the Board of Trustees and its Investment Consultant shall be notified promptly in writing as to the specific change and shall be provided with a copy of the modified investment guidelines and objectives.

5. Private Fixed Income (Direct Lending)

~~The direct lending portion of the Fund's assets may be invested in institutional commingled fund vehicles. As a result, the guidelines established under the private placement memorandums and subscription documents that govern the fund vehicles supersede all other client guidelines.~~

a. Acceptable Strategies:

A diversified portfolio of illiquid private investments that provides stable and consistent cash flows over time.

b. Diversification:

The portfolio is expected to be focused on providing cash-flow based financing to the lower end of the middle market (\$25 million or less in EBITDA), but stay at the very top of the capital structure. The portfolio is expected to focus on domestic deals and almost exclusively with private equity sponsors.

6. Private Real Estate

~~The real estate portion of the Fund's assets may be invested in pooled real estate vehicles, limited partnerships, or other types of real estate investments as determined by the Board in consultation with the Investment Consultant.~~

a. Acceptable Strategies:

A diversified portfolio of institutional real estate investments.

b. Diversification:

The investments shall be diversified across all major property types including office, residential, retail, industrial, hotel and self-storage properties and by the various geographic regions of the country.

7. Private Equity

~~The private equity portion of the Fund's assets may be invested in institutional commingled fund vehicles. As a result, the guidelines established under the private placement memorandums and subscription documents that govern the fund vehicles supersede all other client guidelines.~~

The following represents a summary of the guidelines required for investment in private equity.

a. Acceptable Strategies:

A diversified portfolio of illiquid private investments. Portfolio may include domestic and international investments in partnerships, direct co-investments, and secondary interests.

b. Diversification:

The investments shall be diversified by economic sector, vintage year, geographic location, and by stage of company maturity.

8. Global Infrastructure

~~The global infrastructure portion of the Fund's assets may be invested in institutional commingled fund vehicles. As a result, the guidelines established under the private placement memorandums and subscription documents that govern the fund vehicles supersede all other client guidelines.~~

The following represents a summary of the guidelines required for investment in global infrastructure.

a. Acceptable Strategies:

A diversified portfolio of infrastructure investments. Portfolio may include domestic and international investments in partnerships, direct co-investments, and secondary interests.

b. Diversification:

The investments shall be diversified by sector, vintage year, number of transactions, and geographic location.

9. Cash and Cash Equivalents

Uninvested cash balances of an Account should be zero or maintained at an absolute minimum at all times (unless clearly prudent not to do so), through the prompt investment of available funds in short-term security holdings, cash equivalents (which includes only commercial paper rated A-1 or P-1, by Standard and Poor's or Moody's respectively, U.S. Government and U.S. Agency obligations, bank money market instruments, or bank certificates of deposit) or other prudent and appropriate common, collective or pooled trusts. The use of common, collective or pool trusts or funds, or "money market" instruments, is permissible only if the securities within such funds meet the general quality (and other) constraints of this Statement and the Guidelines.

Certificates of Deposit ("CDs"), maturing within 12 months, of any domestic bank meeting the standards for a "well-capitalized" bank pursuant to the FDIC Improvements Act of 1991, are appropriate investments, provided that such CDs from any single institution may not represent more than 5% of the assets of the total short-term investment account. CDs shall not exceed more than \$100,000 at any single banking institution. Any CDs purchased must have a minimum rating of three stars as rated by the Bauer Financial Group and cannot be purchased from a non-FDIC insured bank.

10. Other Investments

The Board, after consulting with the Investment Consultant, may authorize the use of any other investment for an Account provided that such investment is considered prudent for a retirement fund. Assets that provide appropriate diversification (specifically low correlation with existing assets) will be considered.

11. General Restrictions

- a. The Investment Managers may not invest in commodities, private placements (including, without limitation, gold or currency futures), direct real estate investments (unless specifically allowed), oil, gas and mineral exploration investments, and nominally public issues for which the market is severely restricted.

- b. Investment Managers are prohibited from investing in letter stocks or other unlisted or restricted securities, uncovered options, futures and forward contracts and any other such derivative instrument; or from engaging in short sales, margin transactions or other specialized investment activities.
- c. No assets may be invested in securities whose issuers have filed a petition for bankruptcy.
- d. An Investment Manager shall not use any commingled fund (other than with respect to Cash and Cash Equivalents as specifically allowed by this statement), unless the Investment Manager notifies the Board and the Investment Consultant in advance, in writing, of its desire to use such other fund and the Board grants written approval.
- e. The Investment Managers shall not use derivative securities to increase portfolio risk above the level that could be achieved in the portfolio using only traditional investment securities or to acquire exposure to changes in the value of assets or indexes that by themselves would not be purchased for the portfolio. Under no circumstances will an Investment Manager undertake a derivative investment possessing elements of leverage or that is non-covered or leveraged to the extent that it would cause portfolio duration to exceed the limits implied by the benchmark. In addition, fixed income securities whose returns are tied to another security or currency are specifically prohibited (except warrants and convertibles referred to above).
- f. Investment in Class B mortgage derivatives is not permitted. Class B means securities the value of which changes as a multiple of the underlying security. This includes interest only and principal only bonds, inverse floaters, leveraged floaters, instruments with internal leverage and other complex leveraged securities. In addition, investment is prohibited in mortgage-backed derivative securities with any of the following characteristics: leverage, more pre-payment risk than the underlying mortgage collateral and/or risk from other tranches (including, without limitation, "Z," "Support" or "Companion" bonds).
- g. The Investment Managers may not make any investment in guaranteed insurance or other investment contracts issued by an insurance company, without the prior permission of the Board.
- h. Repurchase agreements and reverse repurchase agreements against securities are not permitted to be held in an Account, subject to the other guidelines in this Statement and the Guidelines.
- i. The Investment Managers may not invest in private placement or venture capital issues or unrated securities.

- j. The Investment Manager may not engage in any transaction involving loans of portfolio securities without the specific, advance written approval of the Board.
- k. Foreign currency may not be purchased without the written approval of the Board.

D. Cure Period

An Investment Manager shall be allowed a period of up to three months to remedy any instance in which its Account, due to market fluctuation, exceeds any of the percentage limitations set forth in this Statement or the Guidelines, by reducing the exposure as soon as prudently possible.

E. Brokerage

Investment Managers must use best efforts to obtain the best execution of portfolio transaction orders placed on behalf of the Fund, through responsible brokerage firms at the best prices and at reasonably competitive commission rates. The Investment Manager acknowledges that the Plan participates in a commission recapture program and will participate in the program on behalf of the Plan to the extent that best execution of orders is achieved.

As to investments in any security for which an Investment Manager or any of its affiliates is a market maker, the Investment Manager agrees that it will not effect the transaction for that investment through itself or any of its affiliates unless (a) the Investment Manager is able to demonstrate in writing after the transaction that such trade is lawful, would not constitute a non-exempt prohibited transaction under Internal Revenue Code and (b) the Investment Manager provides the Board and the Investment Consultant written notice of such investment after the transaction.

F. Third Party Custodial Agreement

All of the Fund's securities purchased, and all collateral obtained, shall be held in third-party safekeeping by a custodian selected by the Board, except for certificates of deposits and other time deposits, which are collateralized pursuant to Chapter 280 of the Florida Statutes, and should be properly designated as an asset of the Plan. No withdrawal of securities, in whole or in part, shall be made from safekeeping except by the authorized custodian. Security transactions between a broker-dealer and the investment managers involving purchases or sales of securities by transfer of money or

securities must be made on a "delivery vs. payment" basis to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

G. Internal Controls

The Board established the following internal controls to protect the Fund's investments against fraud, embezzlement, theft, mismanagement, misrepresentation by third parties, loss and error. These controls are to be reviewed by the Fund's independent auditors as part of the Fund's annual financial audit.

- > Keep duties separate to avoid collusion and fraud. The Fund's Treasurer will see that investments are recorded separately from the investment managers. Investment transactions will be reviewed prior to recording them in the general ledger to ascertain compliance with investment policy.
- > Comparison of monthly portfolio from investment manager against custodian statements to detect and investigate any differences.
- > Require third-party safekeeping, as discussed in item F. Custodian will provide statements reconciled against investment managers' statements.
- > Purchase book-entry securities only. Do not purchase bearer form or physical delivery securities.
- > Maintain delegation of and control over investment authority through written procedures or Board decisions.
- > Enter into formal agreements with the custodial bank and investment managers and require sufficient insurance coverage.

H. Continuing Education

The Board recognizes schools and conferences as sources of continuing education on pension and investment issues. Board members shall attend two (2) pension-related seminars within the first year of service to the Pension Board. Continuing members shall attend at least one (1) pension-related program per year. Appropriate staff members must attend educational programs on a rotating basis.

I. Reporting

An annual financial report will be distributed to the City Commission and to fund participants, which shall include investments, by type, at fair value and income earned. This report will be filed with the City Clerk as a public document and will be available to the general public.

J. Valuation of Illiquid Investments

The Board defines an illiquid investment as one for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism. Should an investment become illiquid or in the event that the fund acquires an illiquid investment, the Board shall follow the criteria set forth in Section 215.47(6), Florida Statutes, except that submission to the Investment Advisory Council is not required.

COMMUNICATION AND REPORTING REQUIREMENTS

SECTION VI

A. Each Investment Manager is required to provide quarterly written reports to the Board and the Investment Consultant. The quarterly reports should contain, at a minimum, the following information:

1. Identity of every security held under the Account (organized by sector), with an indication of its market and book value.
2. Performance results compared with appropriate benchmarks.
3. Quality ratings of the fixed income investments including average quality.
4. The characteristics of the aggregate holdings of the Investment Manager's Account in comparison with the Investment Manager's particular benchmark.
5. A record of all proxy decisions, including, without limitation, the company name, the number of shares voted, a description of the issues voted upon, and how the shares were voted. A summary of the proxy voting for the year should also be included in the fourth quarter year-end report.
6. A certification, signed by an authorized officer of the Investment Manager, that no event required to be reported in Section VI.B. of this Statement has occurred in the quarter other than as reported to the Board and the Investment Consultant in writing in accordance with Section VI.B.

B. Each Investment Manager must also provide in writing certain information to the Board and the Investment Consultant as soon as possible following the occurrence of an event. This information includes:

1. Notice of changes in organizational structure, ownership and key personnel of the firm, or financial condition. This information must be provided as soon as possible, but in no event more than 14 days after the Investment Manager knows or should know about the change.
2. Notice of any litigation, investigations by any governmental body, and any other pertinent information that might be material to the Fund. This information must be provided as soon as possible, but in no event more than 14 days after the Investment Manager knows or should know about the event.
3. A quarterly letter, no later than thirty days after quarter end, stating that the Account is in compliance with this Statement.
4. Any violation of this Statement or the Guidelines. This information must be provided as soon as possible, but in no event more than 5 days after the Investment Manager knows or should know about the violation.
5. In the event that the cumulative accrued losses in the Account exceed 10% in any calendar quarter. This information must be provided as soon as possible, but in no event more than 14 days after end of the quarter.
6. Any transactions that the Investment Manager has not been able to reconcile with the Custodian, after reasonable efforts to do so. This information must be provided as soon as possible, but in no event more than 5 business days after the Investment Manager learns that it is unable to reconcile a transaction with the Custodian.
7. The Investment Manager will provide the Fund Manager and the Investment Consultant with annual notice of the filing of its Form ADV with the SEC, as well as a copy of such filing.

8. Each Investment Manager must meet with the Board and the Investment Consultant as required. The Board expects to receive a written summary, which addresses the subjects identified below at least seven days prior to the meeting:

- a. Performance for Past Period: Standard time periods for each report will be last calendar quarter, year to date, latest 12 months, 3 years, 5 years, since inception. Returns should be annualized and calculated on a time-weighted basis for the total portfolio. All returns should include income and dividends and be reported both gross and net of investment management fees.
- b. Rationale for Performance Results: Discussion of the rationale for performance results, relating them specifically to investment strategy and tactical decisions implemented during the current review period.
- c. Specific Near-Term Strategy: Discussion of the Investment Manager's specific strategy for the portfolio over the near-term period, with specific reference to asset mix (including cash position) and expected portfolio characteristics.
- d. Changes in Investment Manager's Firm: Discussion of any changes in the Investment Manager's firm, including professional turnover and client accounts lost.
- e. Changes in the Board of Trustees' Requirements: Discussion of any proposed or required modifications to the investment program and strategy.

These meetings will also provide the Investment Manager with the opportunity to explain how its investment strategy/outlook has evolved since previous meetings.

9. Each Investment Manager shall be responsible for reviewing this Statement and the Guidelines at least annually (or more frequently, as the Board or the Investment Consultant deem necessary). Whenever the Investment Manager believes that any particular guideline or objective should be changed, added or deleted, it is the responsibility of the Investment Manager to initiate communication with the Board and the Investment Consultant.

COMMUNICATION AND REPORTING REQUIREMENTS

SECTION VI

10. The Investment Consultant shall also be responsible for reviewing this Statement and the Guidelines on a continuous basis and promptly informing the Board in the event that the Investment consultant believes that any particular guideline or objective should be changed, added or deleted.

11. The Investment Managers may not act upon written or oral instructions from any person other than the full Board of Trustees or its duly authorized representatives.

PROXY VOTING POLICIES

SECTION VII

The Investment Managers, rather than the Board, will have sole responsibility for voting all proxies appurtenant to the securities in the Account. In voting such proxies, each Investment Manager shall adhere to the following guidelines:

The Investment Manager shall vote each proxy in a timely manner. All actions and advice with respect to voting proxies appurtenant to portfolio securities must be taken or rendered prudently, and solely in the interest, and for the exclusive benefit, of the Fund and its participants and beneficiaries.

The Investment Manager must provide the Board with its statement of proxy voting guidelines and must adhere to such guidelines, unless inconsistent with applicable law or agreement with the Board to the contrary.

All proxies must be voted unless clearly prudent not to do so. Proxies should be vigorously voted with the interest of preserving or enhancing the security's value.

Exhibit A
SEPARATE ACCOUNT MANAGER SPECIFIC GUIDELINES SECTION
VIII

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The above Statement of Investment Objectives and Guidelines is hereby found acceptable to the Investment Manager, the Board of Trustees, and the Consultant. These Guidelines may be executed in counterpart copies, each of which shall be deemed an original, but all of which shall be considered the same instrument. All modifications to these Guidelines shall be in writing and signed by the Board and communicated to the Investment Manager and the Consultant before they become binding.

IN WITNESS WHEREOF this document has been approved by the Pension Board on ~~March~~ June 23rd, 2017~~8~~.

City of Hollywood Employees' Retirement Fund

By: _____ Date: _____

Investment Manager: _____

Receipt confirmed by: _____ Date: _____

AGENDA ITEM 5.C.

INVESTMENT UPDATE

MAY 2018 FLASH PERFORMANCE REPORT

City of Hollywood

PRELIMINARY PERFORMANCE

Employees' Retirement Fund

June 28, 2018

Keith Reynolds
Vice President & Senior Consultant

Felicia Ewell
Senior Associate

 **Segal Marco Advisors**

City of Hollywood Employees' Retirement Fund
Preliminary Market Value Update
as of May 31, 2018

	Market Value	Percent of Total Plan	New Target Allocation	Difference	Range
<u>Domestic Equity - Large Cap</u>	\$71,239,323	21.5%	20.0%	1.5%	15-30%
Northern Trust	\$71,239,323	21.5%			
<u>Domestic Equity - SMID Cap</u>	\$34,533,124	10.4%	10.0%	0.4%	7-15.5%
TSW	\$17,241,067	5.2%			
Frontier Capital	\$17,292,057	5.2%			
<u>International Equity</u>	\$62,856,625	19.0%	20.0%	-1.0%	15-25%
Wellington	\$47,554,761	14.4%			
Brandes	\$15,301,864	4.6%			
<u>Fixed Income</u>	\$98,499,653	29.8%	30.0%	-0.2%	25-37.5%
Neuberger Short Duration	\$33,070,402	10.0%			
Baird Core Plus Bond	\$43,812,132	13.2%			
GoldenTree Multi-Sector	\$12,337,122	3.7%			
AG Direct Lending Fund II, LP	\$9,279,997	2.8%			
<u>Real Estate</u>	\$36,800,917	11.1%	10.0%	1.1%	7-14%
Morgan Stanley	\$26,360,609	8.0%			
Principal	\$10,440,308	3.2%			
<u>Private Equity</u>	\$15,221,753	4.6%	7.5%	-2.9%	0-15%
Neuberger Berman Crossroads XXI	\$10,880,568	3.3%			
HarbourVest Dover Fund IX	\$2,653,398	0.8%			
GoldPoint Co-Investment VI	\$1,687,787	0.5%			
<u>Infrastructure</u>	\$11,316,486	3.4%	2.5%	0.9%	0-5%
IFM Global Infrastructure	\$11,316,486	3.4%			
<u>Investment Cash Account</u>	\$469,502	0.1%			
Total Fund	\$330,937,383	100.0%	100.0%		

City of Hollywood Employees' Retirement Fund
Preliminary Performance Update
as of May 31, 2018

	Quarter ended December 31, 2017	Quarter ended March 31, 2018	1 Month ended April 30, 2018	1 Month ended May 31, 2018	Fiscal YTD May 31, 2018	Market Value May 31, 2018	Percent of Total Plan May 31, 2018
Domestic Equity							
Northern Trust S&P 500	6.65%	-0.77%	0.43%	2.41%	8.83%	\$71,239,323	21.5%
Northern Trust - net	6.64%	-0.76%	0.38%	2.41%	8.81%		
S&P 500 Index	6.64%	-0.76%	0.38%	2.41%	8.80%		
TSW	2.82%	-0.55%	1.20%	1.65%	5.22%		
TSW - net	2.82%	-0.55%	1.13%	1.61%	4.69%	\$17,241,067	5.2%
Russell 2500 Value Index	4.25%	-2.65%	1.09%	4.11%	6.81%		
Frontier Capital	3.95%	-2.51%	-1.33%	6.15%	6.08%		
Frontier Capital - net	3.77%	-2.10%	-1.39%	6.03%	5.56%	\$17,292,057	5.2%
Russell 2500 Growth Index	6.35%	2.36%	-0.64%	5.32%	13.94%		
International Equity							
Wilmington	4.14%	-0.57%	0.87%	-1.25%	2.94%	\$47,554,761	14.4%
Wilmington - net	3.96%	-0.74%	0.81%	-1.31%	2.47%		
MSCI ACWI - ex US (net)	5.07%	-1.18%	1.60%	-2.31%	2.99%		
Brades	1.53%	-1.58%	2.56%	-3.82%	-1.42%		
Brades - net	1.29%	-1.82%	2.48%	-3.90%	-2.05%	\$15,301,864	4.0%
MSCI EAFE Small Cap (net)	6.05%	0.23%	1.36%	-0.96%	6.72%		
Fixed							
Neuberger Short Duration	N/A	N/A	-0.10%	0.05%	N/A	\$33,070,402	10.0%
Neuberger Short Duration - net	N/A	N/A	-0.14%	0.01%	N/A		
NB Blended Benchmark ²	0.09%	0.13%	0.04%	0.24%	0.50%		
Bimbg. Bacc. Internat. U.S. Government/Credit	-0.20%	-0.96%	-0.52%	0.60%	-1.11%		
Baird Core Plus Bond	0.50%	-1.26%	-0.63%	0.56%	-0.82%		
Baird Core Plus Bond - net	0.51%	-1.33%	-0.65%	0.53%	-1.02%	\$43,812,132	13.2%
Bimbg. Barclays Aggregate Index	0.38%	-1.46%	-0.74%	0.71%	-1.50%		
AG Direct Lending Fund II, L.P.*	2.62%	0.00%	0.00%	0.00%	4.61%	\$9,279,997	2.8%
GoldenTree Multi-Sector LP	1.50%	1.65%	-0.04%	0.16%	3.31%		
GoldenTree Multi-Sector LP - net	1.32%	1.46%	-0.10%	0.10%	2.81%	\$12,337,122	3.7%
GT Blended Index ¹	1.06%	0.44%	0.55%	1.97%	-0.06%		
Bimbg. Barclays Aggregate Index	0.39%	-1.46%	-0.74%	0.71%	-1.11%		
Real Estate							
Morgan Stanley*	2.29%	2.21%	0.07%	0.07%	4.68%	\$26,360,609	8.0%
Morgan Stanley - net	2.08%	2.00%	0.00%	0.00%	4.12%		
NCREIF ODCE (ew) Index	2.15%	2.17%	0.00%	0.00%	4.37%		
Principal*	2.53%	2.99%	0.11%	0.11%	5.79%		
Principal - net	2.20%	2.66%	0.00%	0.00%	4.92%	\$10,440,308	3.2%
NCREIF Property Index	1.80%	1.70%	0.00%	0.00%	0.00%		
Private Equity							
NE Crossroads XXI*	0.00%	0.00%	0.00%	0.00%	5.74%	\$10,880,568	3.3%
HarborVest Dover Fund IX*	1.99%	0.00%	0.00%	0.00%	7.25%	\$2,653,398	0.8%
GoldPoint Co-Investment VI*	N/A	N/A	N/A	0.00%	N/A	\$1,687,787	0.5%
Infrastructure							
IFM Global Infrastructure*	4.28%	7.11%	-0.43%	-0.44%	10.73%	\$11,316,486	3.4%
Investment Cash Account							
Investment Cash Account	N/A	0.20%	0.04%	0.10%	N/A	\$469,502	0.1%
Total Fund	3.18%	-0.23%	0.20%	0.60%	3.95%	\$330,937,383	100.0%
Total Fund - net	3.03%	-0.38%	0.15%	0.55%	3.55%		
Policy Index**	3.79%	-0.55%	0.31%	0.97%	4.47%		

Note: Monthly performance is preliminary and provided by investment managers. The Total Fund return is a weighted average of the returns provided.
¹ Performance on a total return basis. Principal is the only real estate fund in the portfolio.
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⁹⁵ * Performance on a total return basis. Principal is the only real estate fund in the portfolio.
⁹⁶ * Performance on a total return basis. Principal is the only real estate fund in the portfolio.
⁹⁷ * Performance on a total return basis. Principal is the only real estate fund in the portfolio.
⁹⁸ * Performance on a total return basis. Principal is the only real estate fund in the portfolio.
⁹⁹ * Performance on a total return basis. Principal is the only real estate fund in the portfolio.
¹⁰⁰ * Performance on a total return basis. Principal is the only real estate fund in the portfolio.

City of Hollywood Employees' Retirement Fund
Preliminary Performance Update
as of May 31, 2018

	Quarter ended December 31, 2017	Quarter ended March 31, 2018	1 Month ended April 30, 2018	1 Month ended May 31, 2018	Calendar YTD May 31, 2018
<u>Domestic Equity</u>					
Northern Trust	6.65%	-0.77%	0.43%	2.41%	2.06%
S&P 500 Index	6.64%	-0.76%	0.38%	2.41%	2.02%
TSW SMID	2.82%	-0.55%	1.20%	1.68%	2.34%
Russell 2500 Value Index	4.25%	-2.65%	1.09%	4.11%	2.45%
Frontier Capital	3.96%	-2.51%	-1.33%	6.15%	2.11%
Russell 2500 Growth Index	6.35%	2.38%	-0.64%	5.32%	7.14%
<u>International Equity</u>					
Wellington	4.14%	-0.57%	0.67%	-1.25%	-1.15%
MSCI ACWI ex-US Index	5.01%	-1.18%	1.60%	-2.31%	-1.92%
Brandes	1.53%	-1.58%	2.56%	-3.82%	-2.92%
MSCI EAFE Small Cap (net)	6.05%	0.23%	1.36%	-0.96%	0.62%
<u>Fixed</u>					
Neuberger Short Duration	N/A	N/A	-0.10%	0.05%	N/A
NB Blended Benchmark	0.09%	0.13%	0.04%	0.24%	0.42%
B/mbg, Barc. Intermed. U.S. Government/Credit	-0.20%	-0.98%	-0.52%	0.60%	-0.90%
Baird Core Plus Bond	0.59%	-1.26%	-0.63%	0.56%	-1.45%
Barclays Aggregate Index	0.39%	-1.46%	-0.74%	0.71%	-1.50%
GoldenTree Multi-Sector LP	1.50%	1.65%	-0.04%	0.16%	1.78%
GT Blended Index	1.06%	0.44%	0.55%	-0.06%	0.89%
Barclays Aggregate Index	1.50%	-1.46%	-0.74%	0.71%	-1.50%
<u>Real Estate</u>					
Morgan Stanley	2.29%	2.21%	0.07%	0.07%	2.36%
NCREIF ODCE (ew) Index	2.15%	2.17%	0.00%	0.00%	2.17%
Principal	2.53%	2.99%	0.11%	0.11%	3.21%
NCREIF Property Index	1.80%	1.70%	0.00%	0.00%	1.70%
<u>Infrastructure</u>					
IFM Global Infrastructure	4.29%	7.11%	-0.43%	-0.44%	6.18%
<u>Investment Cash Account</u>	N/A	0.20%	0.04%	0.10%	0.34%

The City of Hollywood

Comparative Performance - IRR

As of May 31, 2018

	Market Value (\$)	%	1 Month	1 Quarter	Oct-2017 To May-2018	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date
Private Equity											
Private Equity Composite	15,221,753	4.60	0.00	0.91	5.89	13.86	N/A	N/A	N/A	11.92	06/23/2016
NB Crossroads Fund XXI	10,880,568	3.29	0.00	1.20	5.74	10.53	N/A	N/A	N/A	7.60	06/23/2016
HarbourVest Dover Fund IX	2,653,398	0.80	0.00	0.00	7.25	31.52	N/A	N/A	N/A	43.28	12/16/2016
GoldPoint Co-Investment VI	1,687,787	0.51	0.00	N/A	N/A	N/A	N/A	N/A	N/A	0.00	04/23/2018
Private Debt											
AG Direct Lending Fund II, L.P.	9,279,997	2.80	0.00	2.04	4.61	9.09	N/A	N/A	N/A	9.09	05/31/2017

City of Hollywood Employees' Retirement Fund
Investment Manager Fee Table
Period Ended May 31, 2018

Manager	Mandate	Market Value	Fee Schedule	Estimated Annual Fee (\$)	Estimated Annual Fee (%)
Northern Trust	Passive Large Cap Equity	\$ 71,239,323	3.5 bps on assets	\$ 24,934	0.04%
TSW	SMID Cap Value Equity	\$ 17,241,067	80 bps on assets	\$ 137,929	0.80%
Frontier Capital	SMID Cap Growth Equity	\$ 17,292,057	75 bps on assets	\$ 129,690	0.75%
Wellington	International Equity	\$ 47,554,761	71 bps on assets	\$ 337,639	0.71%
Brandes	International Small Cap Equity	\$ 15,301,864	95 bps on first \$25MM, 90 bps on next \$25MM, 80 bps on balance	\$ 145,368	0.95%
Neuberger Short Duration	Short Duration Fixed Income	\$ 33,070,402	43 bps on assets	\$ 142,203	0.43%
Baird Core Plus Bond	Core Plus Fixed Income	\$ 43,812,132	30 bps on assets	\$ 131,436	0.30%
GoldenTree Multi-Sector Fund	Multi-Sector Credit	\$ 12,337,122	75 bps on assets	\$ 92,528	0.75%
AG Direct Lending Fund II, LP ¹	Direct Lending Fixed Income	\$ 9,279,997	100 bps on first \$50MM, 85 bps on \$50-100MM, 80 bps on \$100-\$200MM, 60 bps above \$200MM	\$ 92,800	1.00%
Morgan Stanley	Real Estate	\$ 26,360,609	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	\$ 221,429	0.84%
Principal ²	Real Estate	\$ 10,440,308	130 bps on assets + incentive fee	\$ 135,724	1.30%
Neuberger Berman Crossroads XXI ³	Private Equity	\$ 10,880,588	25.8 bps on assets	\$ 28,072	0.26%
HarbourVest Dover Fund IX ⁴	Private Equity	\$ 2,653,398	70 bps on assets	\$ 18,574	0.70%
GoldPoint Co-Investment VI ⁵	Private Equity	\$ 1,887,787	1% on committed capital during investment period, 1% on invested capital thereafter	\$ 100,000	1.00%
IFM Global Infrastructure ⁶	Infrastructure	\$ 11,316,486	77 bps on assets	\$ 87,137	0.77%
Investment Management Fees		\$ 330,467,981		\$ 1,825,462	0.55%
Segal Marco	Investment Consulting		\$130,000 annual retainer	\$ 130,000	0.04%
Wells Fargo	Custodian	\$ 330,467,881	2 bps on first \$50MM, 1 bps on next \$75MM, 0.5 bps on balance	\$ 27,773	0.01%
TOTAL FEES				\$ 1,983,236	0.60%

¹Incentive fee is equal to 15% of the profits in excess of an 7% net IRR to investors.

²Incentive fee is equal to 15% of the profits in excess of an 11% net IRR to investors.

³NB is aggregating commitments to provide best pricing for SMA clients, and as a result the City of Hollywood \$20 million is saving 10.5 bps; if the commitment had not been aggregated the fee would have been 36.3 bps.

⁴The fee for the Dover IX Fund is 75 bps, but the City of Hollywood is receiving a 5 bps fee discount.

⁵Incentive fee is equal to 10% of the profits in excess of an 8% per annum.

⁶Incentive fee is equal to 10% of the profits in excess of an 8% per annum.

Watch List – May 31, 2018

Equity Managers	Strategy	Rating	Performance Criteria											Exceed Peer Median		Comments
			Benchmark Criteria													
			3-Yr	Manager Returns %	Benchmark Returns %	5-Yr	Manager Returns %	Benchmark Returns %	Inception *	Manager Returns %	Benchmark Returns %	3-Yr	5-Yr			
Frontier	SMID Cap Growth	Recommended	No	8.6	10.4	NA	NA	NA	Yes	11.6	12.5	N/A	N/A	Performance & Communication		

* Frontier placed on "Watch List" February 22, 2018.
 Performance is Net of Fees.
 Inception Date - Frontier: 8/1/2013

Cash Flow Activity – Inception to Date

- Since the December 2017 inception of the Administrative Services relationship, the SMA Client Services team has administered the following investment activity for the Fund:

City of Hollywood Employees' Retirement Fund	12/2017 - 05/2018 Activity	
	Dollars	Count
Manager Subscriptions / Redemptions	17,200,000	7
Monthly Benefits	-	-
Capital Calls	7,830,000	10
Capital Distributions	15,710,000	10
Mutual Fund Trades	-	-
Internal Bank Transfers	13,300,000	5
Invoice Payments	-	-
Other Directives	-	-
TOTALS:	\$ 54,040,000	32

Cash Flow Activity Detail – April & May 2018

Manager	Product	Wire Type	Transfer Date	Transfer Amount
Angelo Gordon	AG Direct Lending Fund II, L.P. (Onshore)	Capital Call	5/29/2018	\$900,000
Angelo Gordon	AG Direct Lending Fund II, L.P. (Onshore)	Capital Distribution	4/30/2018	\$132,400
GoldPoint Partners	GoldPoint Partners Co-Investment VI, LP	Capital Call	4/23/2018	\$1,687,787
Northern Trust Global Investments	Northern Trust S&P 500 Index	Capital Distribution	4/20/2018	\$1,700,000
Northern Trust Global Investments	Northern Trust S&P 500 Index	Commingled Fund Redemption	4/19/2018	\$1,700,000
Wells Fargo Bank	Cash	Internal Bank Transfer	4/2/2018	\$5,000,000
Wellington Management Company	International Opportunities	Capital Distribution	4/2/2018	\$6,000,000
Wellington Management Company	International Opportunities	Commingled Fund Redemption	4/1/2018	\$6,000,000

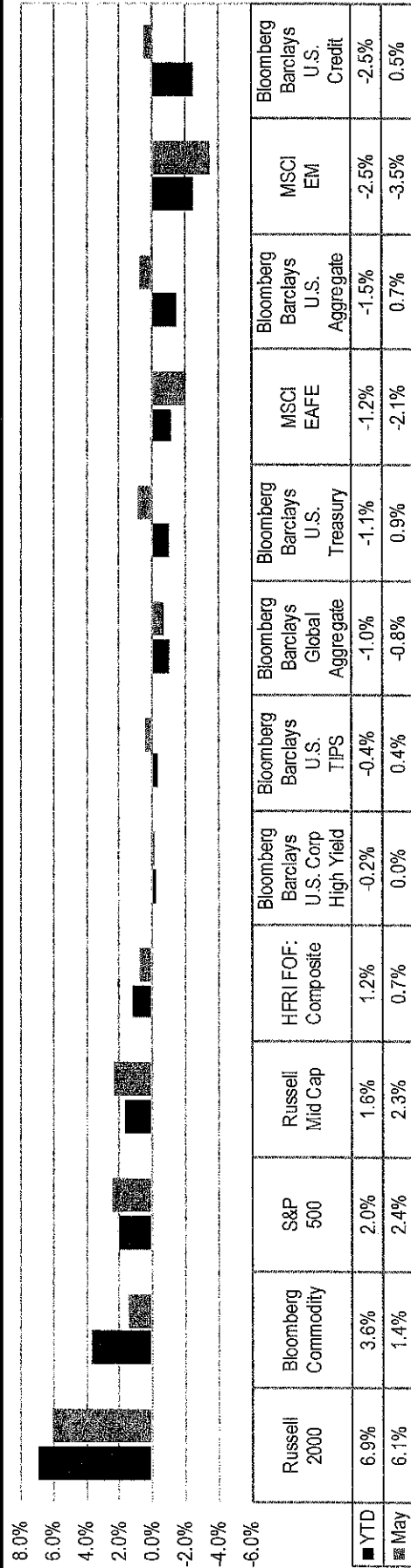
May Highlights

- ❑ The U.S. unemployment rate fell 0.1% to 3.8% in May. Nonfarm payrolls increased by 223,000 jobs. Employment in retail, construction and healthcare continued to grow. The University of Michigan Index of Consumer Sentiment decreased from 98.8 in April to 98.0 in May.
- ❑ Small caps continued to outperform large and mid caps. S&P 500 sector performance was mixed. IT (7.3%) posted the strongest gain, while Telecom (-2.3%) declined the most.
- ❑ Emerging market equity struggled in May as the U.S. dollar (USD) strengthened and investors were nervous about fallout from political turmoil in Italy. Developed market stocks also fell for similar reasons, though less steeply than EM stocks.
- ❑ U.S. Treasury bonds gained, reflecting a risk-averse stance by investors amid European political uncertainty. Investment grade credit also rose with continued positive economic news in the U.S., but high yield was flat in a risk-off month. Global bonds declined as the USD appreciated.
- ❑ Hedge funds ended May higher. Energy funds performed the best.
- ❑ Commodities gained with global growth creating demand. Energy posted the strongest performance, driven largely by Brent crude prices rising after the U.S. withdrew from the Iran nuclear agreement and a solid return for natural gas.

YTD Highlights

- ❑ The U.S. unemployment rate has fallen 0.3% YTD and 0.5% over the one-year period. Consumer sentiment has been strong despite volatility in the capital markets and anticipated interest rate and inflation increases. Historically, rising rates haven't hindered consumer spending as long as incomes rise with them.
- ❑ Small caps posted a solid return YTD, while large and mid caps turned positive YTD in May. Nervousness about global trade and tariffs has steered investors away from larger companies recently.
- ❑ USD strength and geopolitical tensions have led to volatility in emerging market stocks, which are now negative for the year. Developed market stocks also turned negative in May with investors' apprehension about Italy's political situation.
- ❑ Hedge funds are positive YTD as a pickup in market volatility boosted some strategies.
- ❑ U.S. Treasuries and the Treasury-heavy U.S. Aggregate index continue to struggle due to rate hike fears and data suggesting a rise in inflation.
- ❑ Commodities are in positive territory YTD. Because there is always volatility in this asset class, the changing direction of both the USD and oil production so far this year has led to performance swings.

Returns



AGENDA ITEM 5.D.

INVESTMENT UPDATE

2018 WORK PLAN

City of Hollywood Employees' Retirement Fund

2018 Work Plan*

MEETING DATE	INVESTMENT MANAGER	SEGAL MARCO ADVISORS
January 25	None	<ul style="list-style-type: none"> December Flash Report
February 22	None	<ul style="list-style-type: none"> 4Q Performance Review January Flash Report Draft 2018 Work Plan
March 22	<i>Private Equity Finalist Presentation: Goldpoint Partners Co-Investment VI, LP</i>	<ul style="list-style-type: none"> February Flash Report
April 26	None	<ul style="list-style-type: none"> March Flash Report <i>Education: Real Estate Investments</i> <i>Segal Admin Services Update</i>
May 24	<i>Real Estate Finalist Presentation: Angelo Gordon Realty Value Fund X</i>	<ul style="list-style-type: none"> 1Q Performance Review April Flash Report
June 28	None	<ul style="list-style-type: none"> May Flash Report Annual Investment Policy Update <i>Education: Emerging Manager Programs</i>
July 26	None	<ul style="list-style-type: none"> June Flash Report <i>SMID Cap Growth Manager Review</i>
August 23	<i>Watch List Manager Presentation: Brandes International Small Cap</i>	<ul style="list-style-type: none"> 2Q Performance Review July Flash Report <i>Education: Fiduciary Liability Insurance Policy Review</i>
September 27	<i>Custodian Presentation: Wells Fargo</i>	<ul style="list-style-type: none"> August Flash Report
November 1	None	<ul style="list-style-type: none"> 3Q Performance Review <i>Education: Governance Training</i>
December 13	None	<ul style="list-style-type: none"> October Flash Report

*This is a working document and subject to change.

AGENDA ITEM 6.A.

DISABILITY APPLICATIONS

INITIAL HEARING:

DISABILITY APPLICATION FROM

HILDE JOHNSON

(HANDOUT)

AGENDA ITEM 7.A.

LEGAL UPDATE

PROPOSED CHANGES TO THE BY-LAWS

LAI D OVER ITEM

CITY OF HOLLYWOOD
EMPLOYEES' RETIREMENT FUND
BY-LAWS

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PROPOSED CHANGES TO THE BYLAWS

ADOPTED AND EFFECTIVE: NOVEMBER 21, 2013 JUNE 28, 2018

ARTICLE I

BOARD OF TRUSTEES

The Board of Trustees of the City of Hollywood Employees' Retirement Fund (the "Board") is responsible for the proper operation and administration of the Fund, including policy formulation, interpretation of the provisions of the ordinances governing the Plan, investments and benefit determinations. The Board's duties and responsibilities are set forth in the Plan Document. These by-laws are adopted pursuant to ~~Section 18(h)~~ 33.025(R)(8) of the Plan.

ARTICLE II

OFFICERS AND ~~PENSION COORDINATOR~~ EXECUTIVE DIRECTOR

SECTION 1: CHAIR

The Chair shall be elected from among the Board members by majority vote of the Board members present at the ~~annual~~ Annual meeting. The Chair shall preside at all meetings; announce the business before the Board, the question under consideration and the result of votes taken; request a roll call vote as herein provided; and appoint all necessary committees and ensure that they perform their assigned duties. ~~The Chair and the~~

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~~Treasurer shall sign all~~All contracts and agreements creating any liabilities, ~~upon~~
~~authorization of the Board shall require dual signatures from either the Chair or Vice~~
Chair, and one other Trustee.

SECTION 2: VICE-CHAIR

The Vice-Chair shall be elected ~~from among the Board members~~ by majority vote of the Board members present at the ~~annual~~Annual meeting, and shall act as Chair in the absence or disability of the Chair.

SECTION 3: SECRETARY

The Secretary shall be ~~appointed by the City Manager~~elected from among the Board members by majority vote of the Board members present at the Annual meeting. The Secretary shall administer the detailed affairs of the Fund and shall act as Secretary of the Board. The Secretary shall give proper and timely notice of all meetings; prepare Board agendas; record, transcribe, provide copies and maintain records of the proceedings of Board meetings; read all communications addressed to the Board; present bills for administrative expenses, and annuity and refund applications to the Board; maintain, ~~along with the Treasurer,~~ all records and documents of the Fund; answer correspondence regarding participant benefits; receive applications for annuities and refunds, requesting related information required by the Board in the consideration of such claims; and perform other duties as are assigned by the Board. The Secretary shall act as the public records liaison for the ~~Fund~~Board, unless the Board designates the ~~Pension Coordinator~~Executive Director to perform this function. The Board may transfer some or all of the duties of the Secretary to the ~~Pension Coordinator~~Executive Director.

SECTION 4: ~~PENSION COORDINATOR~~EXECUTIVE DIRECTOR

~~The Board~~Executive Director shall engage an independent contractor to serve as pension coordinator ~~be appointed by a vote of at least five Trustees~~. The ~~Pension Coordinator~~Executive Director shall assist members and retirees in matters relating to

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their retirement, and as set forth in the contract with the Executive Director and may
perform ~~such~~ other duties as may be assigned by the Board.

ARTICLE III

MEETINGS

SECTION 1: REGULAR MEETINGS

Regular Board meetings will be scheduled monthly, with the first meeting to be held in January of each year. However, the schedule may be changed by the Chair if determined to be necessary.

SECTION 2: SPECIAL MEETINGS

Special meetings may be held at such times as may be deemed necessary and called by the Chair or by any four (4) Board members.

SECTION 3: NOTICE

A minimum of three (3) days' posted notice of any meeting shall be provided when possible.

SECTION 4: ANNUAL MEETING

The last regular meeting of the year shall constitute the Annual Meeting of the Board. At such meeting the Board shall elect a Chair ~~and~~ Vice-Chair and Secretary for the following year.

SECTION 5: QUORUM

Four members of the Board of Trustees shall constitute a quorum for the transaction of business at any regular or special meeting.

SECTION 6: VOTING

Each Board member in attendance shall cast one vote on all questions coming before the Board at any regular or special meeting. Proxy voting shall not be permitted nor recognized. The passage or rejection of any resolution or action shall require the concurring majority vote of the members present.

SECTION 7: ROLL CALLS

On all motions involving the expenditure of monies or the creation of a Fund liability, the vote of each member present shall be recorded. On any other vote, such record shall be made at the request of any member present.

SECTION 8: ORDER OF BUSINESS

The Agenda shall be established by the ~~Pension Coordinator~~Executive Director under the direction of the Chair. Business shall normally be considered in the following order:

1. Call to Order
2. Roll Call and Pledge of Allegiance
3. Approval of Minutes Consent Agenda
4. Treasurer's Report
5. Investment Issues
- 6.5. Disability Applications (when necessary)
7. Legal Issues
7. Executive Director's Report 8. Administrative Issues
9. Public Comments
10. Trustee Reports, Questions and Comments
11. Pension Coordinator's Report

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~~12-10..~~ Adjournment

At the direction of the Chair, the Agenda order may be changed and Items may be added, deleted or taken out of order as deemed appropriate for the circumstances.

SECTION 9: RULES OF PROCEDURE

Meetings of the Board shall be governed by Robert's Rules of Order, except as otherwise specifically provided in these ~~By~~by-laws.

ARTICLE IV

RECORDS

All accounts, records, correspondence and other data and documents of the Fund, other than investment and financial records, shall be maintained in the Pension Office. The ~~Treasurer~~Executive Director shall maintain the investment and financial records of the Fund. The Executive Director may request assistance from the City's Finance Department.

ARTICLE V

OATH OF OFFICE

SECTION 1: FORM OF OATH

Each person becoming a member of the Board shall take a written oath of office that they will diligently and honestly administer the affairs of their office, and not knowingly violate or willfully permit to be violated any provisions of laws governing the operation of the Fund. The oath shall be subscribed and acknowledged before the City Clerk. A person

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shall qualify for membership on the Board upon the oath of office being filed with the City Clerk.

ARTICLE VI

AMENDMENTS

Changes or amendments to the by-laws may be proposed by any member of the Board, ~~Secretary, Pension Coordinator or Treasurer~~Executive Director, and shall be submitted to the ~~Pension Coordinator~~Executive Director, in writing. Proposed changes shall be acted upon in the following manner:

Upon receipt of a proposal for an amendment, the Secretary or, if designated by the Board, the ~~Pension Coordinator~~Executive Director, shall ~~mail~~ provide to each member of the Board a notice setting forth in full the proposed change or amendment at least ten (10) days prior to the date of any regular or special meeting at which the proposal shall be submitted for consideration. At the next regular or special meeting following the mailing of such notice, or at any meeting thereafter to which consideration of the change or amendment has been postponed by the Board, such change or amendment may be adopted by a vote of at least four members voting in favor of its adoption. At such meeting the proposed change or amendment may be modified before being acted upon, without the necessity of any further notice; provided, however, that the amendment as modified shall be applicable only as to those Articles or portions thereof to which the notice specifically referred; and provided further that any such modification shall be approved by at least four members of the Board.

ARTICLE VII

BOARD MEMBER EXPENSES

A. Board members shall serve without compensation but shall be reimbursed for any expenses incurred in connection with their service on the Board. Travel expenses in connection with attendance at Board-approved seminars, conferences and meetings shall be reimbursed in accordance with ~~City~~Board policy, except that meals shall be reimbursed in accordance with GSA guidelines plus 15%. Board members shall submit travel expenses for reimbursement on a form approved by the Board.

B. The Board authorizes the issuance of ~~a credit card~~cards to the ~~Pension Coordinator~~Chair, Vice Chair and Executive Director in the name of the Employees' Retirement Fund with the following restrictions:

- ~~The card limit~~The card limit of the Chair and Vice Chair shall not exceed \$3,500.
The card limit of the Executive Director cannot exceed \$10,000;
- It may only be used for pension fund office supplies and preauthorized conference registration fees and related travel expenses of Board Members, ~~the Secretary,~~
~~the Treasurer,~~ and the ~~Pension Coordinator~~Executive Director;
- The credit card bill will be sent to the Pension Office for review by the Pension
Coordinator and then submitted to Executive Director..
- The Board of Trustees may also develop a Credit Card Usage Policy, consistent
with these by-Laws, which may also govern the City Financial Services
Department for payment use of credit cards.

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CITY OF HOLLYWOOD
EMPLOYEES' RETIREMENT FUND
OPERATING PROCEDURES

A. BASIC RECORDS AND ACCOUNTS

1: MEMBERSHIP RECORD

Every member shall be required to execute a membership record with respect to date of birth, beneficiary, and any other information necessary for the effective operation of the fund.

2: CLAIMS RECORDS

Annuity and refund claims shall record the type of claim, amounts paid, and other essential facts.

3: ACCOUNTING

Each member's contributions to the Fund shall be separately accounted, and other pertinent data shall be maintained in a form specified by the actuary as necessary for an accounting of contributions and for required calculations and valuations.

4: GENERAL BOOKS OF ACCOUNT

Proper books of account accurately reflecting the income of the Fund, disbursements, and investments made by the Board, shall be established and maintained in accordance with the laws creating and governing the Fund, and recognized accounting standards and techniques.

5: STATISTICS

Records providing statistical and operations data required for the annual actuarial valuation and periodic analyses of the Fund shall be created and maintained.

6: ~~Prior service credit~~ PRIOR SERVICE CREDIT

Any member claiming prior service credit shall file with the Secretary or, if designated by the Board, the ~~Pension Coordinator~~ Executive Director, a written statement detailing the periods of service rendered. If no records are available, confirmation of prior service may be made by affidavit of a person(s) in the employ of the City who has knowledge of the rendition of service claimed. The claim shall be confirmed in writing by the department in which the employee rendered the service or by records maintained by the Human Resources Division.

B. FILING OF CLAIMS

1: SERVICE RETIREMENT

Members claiming a service retirement benefit shall file an application on a form provided by the Board. The application, along with the membership record, verified credited service, and other pertinent participant information, shall form the basis for the allowance of the benefit.

2: DISABILITY RETIREMENT

A. All applications for disability benefits shall be in writing on a form provided by the Board.

~~B.~~ A member claiming disability benefits shall file an application on a form provided by the Board. The application shall include the member's name, address, employing

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department, nature, date, cause, extent and duration of disability, name and address of attending physician(s), and any medical treatment received during the five years preceding the disability. Applications shall be accompanied by a report of the attending physicians including the date of the first and last examination, the cause and nature of disability, information regarding surgery or laboratory tests, prognosis, an estimate of the probable length of disability, and if the claim is for a job-related disability benefit, a statement of maximum medical improvement.

C. Every applicant for disability benefit shall be examined by a physician or physicians designated by the Board, at the Board's expense. Examinations may be required at the direction of the Board thereafter during the period of disability until the employee's attainment of age 55, if hired prior to July 15, 2009, or age 57 with 25 years of credited service or age 60 with 7 years of credited service if hired on or after July 15, 2009, the frequency of which and their scope, to be governed by the individual circumstances of each case. Investigation services may be employed to determine the extent and duration of disability on which a claim is based.

D. Based on the available medical information, the Human Resources Director shall make the final determination regarding the ability of the member to perform the specific duties of his or her position.

E. If the Human Resources Director determines that the member is unable to perform the specific duties of his or her position, the Board shall review the application for disability benefits and other relevant documents and determine, based on the available evidence, whether the disability occurred by reason of injuries sustained while in the performance of an act of duty as an active employee of the City.

F. The ~~Pension Coordinator~~Executive Director shall provide the Board, at a minimum, the following information prior to the disability hearing: the member's job description, attendance records, performance appraisals and/or memorandum of performance by supervisor of director, date of birth, credited service date and years of credited service, normal retirement date and an estimate of the member's monthly disability benefit.

3: DEATH BENEFIT

A member may designate a beneficiary(ies) and contingent beneficiary(ies) to receive the death benefits provided by the Plan. If no beneficiary is designated, the member's surviving spouse shall receive such benefit or refund of contributions as provided in the Plan. If there is no surviving spouse, the benefit or refund of contributions shall be paid to the member's estate, as provided in the Plan. Any person claiming a benefit on account of the death of a member shall file an application on a form provided by the Board, accompanied by a copy of the death certificate or other public record of death. Any person applying for a death benefit shall furnish such proof of identification, relationship and/or dates of birth as specified by the Board.

4: REFUND OF CONTRIBUTIONS

Any former employee or beneficiary eligible to receive a refund of contributions may make a written request therefore on a form provided by the Board. Failure to make a written request will not prevent the Board from issuing a refund pursuant to any policy adopted by the Board.

C. HEARING PROCEDURES

1: GENERAL PROCEDURES.

A. The Board of Trustees may grant a hearing upon receipt of a written request ("Claim"), on any matter that affects the substantial rights of any person, including members, active or retired, beneficiaries, or any person affected by a decision of the Board.

B. The Board shall review the claim at an initial hearing and enter an order within thirty days following the initial hearing. The Board may extend the time for entering the order at an initial hearing for an additional forty-five (45) days if it determines such time is necessary for full discovery and adequate review. The Board attorney and the claimant may stipulate to further extensions of time.

C. It shall be the function of the Board attorney, throughout the hearing process, to assist the Board in the discovery and presentation of evidence in order to assure that the Board receives all relevant information prior to the Board's decision.

D. Proceedings involving the forfeiture of a member's retirement benefits under Section 112.3173, Florida Statutes, shall be governed by that statute and not by these by-laws.

2: INITIAL HEARING.

A. At the initial hearing, the only evidence to be considered by the Board shall be documentary evidence contained in the pension file, including but not limited to, correspondence, medical records and reports of treating physicians and/or examining physicians, and evidence received from the claimant.

B. Other than questions from Board members or the Board attorney, there will be no taking of additional evidence at the initial hearing, except that the claimant and/or his representative will be afforded fifteen (15) minutes to make a presentation, which shall be limited to comments and/or arguments as to the evidence or information already contained in the pension file, including the report of the examining physician.

C. Upon completion of the review of the Claim at the initial hearing, the Board shall enter an order setting forth its findings and conclusions on the Claim. The written order shall be provided to the claimant. The order shall include:

- (1) The specific findings and conclusions of the Board, including specific references to pertinent provisions of the Plan on which such conclusions are based;
- (2) A description of any additional material or information that the Board may deem necessary for the claimant to perfect the claim, together with the reasons why such materials or information is necessary; and
- (3) An explanation of the right to a full hearing on the claim and the time limit in which a full hearing must be requested in writing.

D. The decision of the Board at the initial hearing shall not be final until after the time has expired to request a full hearing or, if a full hearing is requested, until the Board makes a decision at the conclusion of the full hearing.

3: FULL HEARING.

A. Any claimant may request a full hearing on the issues presented to the Board at an initial hearing and upon which the Board has entered an order as provided in subsection 2.C. above.

- B. A full hearing must be requested by the claimant within thirty (30) days following receipt of the Board's order. The order will be deemed received three (3) days following the date it is mailed to claimant at the address provided to the Board by the claimant.
- C. Upon receipt of the request for a full hearing, the Board shall establish a date for the full hearing and cause notice to be given to the claimant. The full hearing shall be held within ninety (90) days following receipt of the request from the claimant, unless additional time is agreed to by the claimant and the Board.
- D. Copies of all documents to be offered into evidence at the full hearing, and a complete witness list with names and addresses of witnesses expected to be called, shall be furnished to the Board at least twenty (20) days prior to the full hearing. Documents not furnished to the Board within the prescribed time limit may be excluded from evidence at the full hearing, and witnesses not disclosed within the prescribed time limit may be excluded from testimony, if a reasonable explanation is not provided for the delay in providing the documents.
- E. The claimant shall be responsible for the appearance of any witnesses at the hearing.
- F. At the hearing, irrelevant or unduly repetitious evidence or testimony shall be excluded.
- G. Any person who knowingly gives false testimony is guilty of a misdemeanor of the first degree, punishable as provided in Section 775.082 or 775.083, Florida Statutes.
- H. The file maintained by the Board, including but not limited to various medical reports therein, is part of the record before the Board at the full hearing.
- I. All proceedings of the Board shall be conducted in public.

J. In cases concerning an application for pension benefits, including applications for disability retirement benefits, the burden of proof, except as provided by law, shall be on the claimant seeking to show entitlement to such benefits.

K. Except as to those records which are exempted from the provisions of Chapter 119, Florida Statutes, Florida's Public Records Law, records maintained by the Board are open for inspection and/or copying during normal business hours at a reasonable cost for the copying.

L. Should a claimant requesting an initial or full hearing decide to appeal any decision made by the Board, with respect to any matter considered at such hearing, the claimant will need a record of the proceeding and may need to assure that a verbatim record of the proceeding is made. The claimant will be responsible for obtaining a court reporter or otherwise making a record of the proceedings before the Board.

M. The decision of the Board after the requested full hearing shall be final and binding.

N. Within thirty (30) days after making a decision at the full hearing, the Board shall enter a final order setting forth its findings and conclusions, and a copy of the order shall be provided to the claimant.

O. Judicial review of decisions of the Board shall be sought by the filing of a timely petition for writ of certiorari with the Clerk of the Circuit Court, in the appropriate county.

4: CONDUCT OF THE FULL HEARING.

A. The Chair shall preside over the hearing and shall rule on all evidentiary, procedural, and other legal questions that arise during the hearing. The Chair's rulings shall stand unless overruled by all other Board members present. The Chair shall open the full hearing by explaining the procedures to be followed.

- B. The claimant shall have the right to be represented by counsel or other representative. The Board attorney shall advise the Board.
- C. The claimant shall be allowed to make an opening statement not to exceed ten (10) minutes.
- D. Testimony of witnesses shall be under oath or affirmation. Depositions or affidavits shall be admissible if agreed upon by the claimant and the Board or the Board attorney.
- E. The Chair, any Board member, the Board attorney, the claimant or the claimant's counsel, upon recognition by the Chair, may direct questions to any witness during the proceedings.
- F. The claimant and the Board attorney shall have the right to present evidence relevant to the issues, to cross examine witnesses, to impeach witnesses and to respond to the evidence presented.
- G. The claimant shall be permitted a closing argument not to exceed fifteen (15) minutes.
- H. The Board shall deliberate and make a decision following closing argument, and thereafter enter an order as provided in subsection 2.C., above.

~~plan documents by laws current 4-20-2011~~

AGENDA ITEM 7.B.

LEGAL UPDATE

UPDATE ON

CITY OF HOLLYWOOD

V.

CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND

(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 7.C.

LEGAL UPDATE

**COMMUNICATION FROM THE FLORIDA DEPARTMENT OF
MANAGEMENT SERVICES**



FLORIDA DEPARTMENT OF MANAGEMENT SERVICES

retirement

We serve those who serve Florida

Bureau Local Retirement Systems

P.O. Box 9000

Tallahassee, FL 32315-9000

Tel: 850-488-2784 | Fax: 850-921-2161 | Toll-free: 877-738-5622

Rick Scott, Governor

Chad Poppell, Secretary

September 13, 2016

Mr. Alan Fallik
Deputy City Attorney
City of Hollywood
2600 Hollywood Blvd.
Hollywood, Florida 33022-9045

Re: City of Hollywood General Employees' Retirement Plan (Plan)

Dear Mr. Fallik:

This letter follows up on my attached letters of July 3, 2014, and June 18, 2015, outlining the issues of noncompliance with Part VII of Chapter 112, Florida Statutes, for the above referenced Plan regarding the payment of a Supplemental Pension Distribution. These letters provided guidance on the additional information and/or corrections that are required to determine that the Plan is in compliance with section 112.61, F.S. To date, the additional information and/or corrections have not been received. Therefore, the plan has been determined to be **not state accepted** pursuant to Part VII of Chapter 112, F.S.

It appears that a supplemental distribution was paid out to retirees in 2015, based on results for the fiscal year ending September 30, 2013. Based on the Plan's unfavorable net actuarial experience accumulated from all sources of gains and losses, if the actuarial accrued liability created by this benefit is not funded through additional contributions, this distribution would not comply with Part VII of Chapter 112, F.S.

Based on our discussions with the Plan actuary, the pre-funding for future supplemental distributions is now being included in the actuarially determined contributions. In order to approve the payment of the 2015 supplemental benefit for compliance with Part VII of Chapter 112, F.S., please provide verification of the City of Hollywood's (City) commitment to fulfilling the pre-funding requirements in full for the supplemental benefit paid in 2015, and thereafter. The pre-funding component of the actuarially determined contribution will be reviewed periodically for adequacy as part of the actuarial review process in s. 112.63, F.S.

NOTE: Section 112.63(4), F.S., provides that if a satisfactory response to this request is not received within a reasonable period of time, the Department of

Mr. Alan Fallik
Page 2
September 13, 2016

Management Services may notify the Departments of Revenue and Financial Services to withhold any funds payable to the plan sponsor (not pledged for the satisfaction of bond debt service), until the additional material information or corrections have been received by this office.

Please let me know if you have any questions or if the Division can be of further assistance.

Sincerely,



Keith E. Brinkman, Chief
Bureau of Local Retirement Systems

cc: Jim Linn, Esq.
Jeff Amrose, Actuary
Tammie Hechler, Administrator

attachments



FLORIDA DEPARTMENT OF MANAGEMENT SERVICES

retirement

We serve those who serve Florida

Bureau of Local Retirement Systems

Local Retirement Section

P.O. Box 9000

Tallahassee, FL 32315-9000

Tel: 850.488.2784 | Fax: 850.921.2161 | Toll-Free: 877.738.5622

Rick Scott, Governor

Erin Rock, Secretary

June 12, 2018

Ms. Lisa Castronovo
Hollywood Employees' Retirement Plan
P. O. Box 229045
Hollywood, FL 33022-9045

**RE: Hollywood Employees' Retirement Plan
Not State Accepted - Review of reports through 10/1/2016**

Dear Ms. Castronovo:

The above-referenced plan has been determined to be **not state-accepted** pursuant to Part VII of Chapter 112, F.S. Our letter dated September 13, 2016 (see attached) outlined the requirements for the plan to gain state acceptance. These requirements include pre-funding future supplemental distributions for compliance with Section 112.61, F.S. According to the 10/1/2016 valuation, the plan is deficient \$4,463,328 due to the City making the required contribution excluding the pre-funding of the Supplemental Pension Distribution for the fiscal years ending September 30, 2015 and September 30, 2016.

NOTE: Section 112.63(4), F.S., states that if a satisfactory response to the foregoing requests is not received within a reasonable period of time, the Department of Management Services may notify the Departments of Revenue and Financial Services to withhold any funds payable to the plan sponsor (not pledged for the satisfaction of bond debt service), until the additional material information or corrections have been received by this office.

Should you have any questions, please do not hesitate to call us.

Sincerely,

Douglas E. Beckendorf, A.S.A., E.A.
Actuary

cc: Mr. Jeff Amrose, Plan Actuary
Mr. James W. Linn, Plan Attorney
Ms. Cintya Ramos, Hollywood Finance Director
Mr. Josh Levy, Hollywood Mayor

AGENDA ITEM 7.D.

LEGAL UPDATE

AUDIT FINDING 2017-001

NON COMPLIANCE WITH 112.63(4), FLORIDA STATUTE

**CITY OF HOLLYWOOD, FLORIDA
EMPLOYEES' RETIREMENT FUND**

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

2017-001- NON-COMPLIANCE WITH 112.63(4), FLORIDA STATUTES

Criteria

As required by section 112.63(4), Florida Statutes, the Department of Management Services (the Department) reviews and comments on each plan's actuarial valuations at least triennially. If the Department finds that the actuarial reports are not complete, accurate, or based on reasonable assumptions, or otherwise materially fail to satisfy the statutory requirements, or if the department requires additional material information to complete its review, then the Department requests that the material error or reporting deficiency be corrected. If the plan does not provide the requested materials or correction within a reasonable period of time, the Department may take agency action to encourage compliance. For purposes of this review, the Department considers a "reasonable period of time" to be within 60 days. The Plan has been identified to be "not state accepted" for compliance with applicable statute and rules as of September 30, 2017.

When a plan is found to be "not state accepted," the Department communicates the issues to be resolved and follows up with the plan at regular intervals to ensure that the responsible parties are aware of the review status. The Department works with the plan and sponsor to facilitate appropriate responses or corrections to the actuarial reports. Consequently, the list of noncompliant plans often changes.

Condition, Cause, and Effect

The Plan is a party to lawsuit filed by the City. The suit seeks a declaratory judgment alleging that the City defined benefit plans, including the City of Hollywood Florida, Employees Retirement Fund, did not have the authority to authorize paying a supplemental pension distribution to its members. The Plan and parties to the lawsuit have filed a motion to dismiss the suit, which is currently pending. Because of the ongoing lawsuit, the Plan is considered not to be in a compliance with 112.63(4), Florida Statutes by the Department due to pending results which would affect the determination if previous, current, and future actuarial valuations are accurate.

Recommendation

Marcum recommends the Plan adhere to 112.63(4), Florida Statutes.

Views of Responsible Officials and Planned Corrective Actions

XXXXXX

AGENDA ITEM 8.A.
ADMINISTRATIVE UPDATE
CITY COMMISSION COMMUNICATION



CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND

2600 Hollywood Blvd. • City Hall Annex Building, 2ND Floor, Room 20 • Hollywood, FL 33020
(954) 921-3333 • (954) 921-3332 Fax • www.hollywoodpension.com

CITY COMMISSION COMMUNICATION

June 2018

The following information is provided to the City Commission for informational purposes only.

BOARD OF TRUSTEES

Phyllis Shaw – Chair

Christopher Cassidy

George Keller

Jeffery Greene – Vice-Chair

Charles Howell

Cintya Ramos

Robert Strauss – Secretary

The last meeting of the Board of Trustees was held on May 24 2018 at 9:00a.m. All trustees were in attendance.

ITEMS OF INTEREST TO THE CITY COMMISSION

- The Fund's estimated value on April 30, 2018 was \$330.0 million.
- The Fund committed \$10 million to the Angelo Gordon Realty Value Fund X.
- Communication from the Florida Department of Management Services regarding the Hollywood Employees' Retirement Plan Not State Accepted – Review of Reports through 10/1/2016 (copy attached).

ITEMS SUBMITTED FOR THE CITY COMMISSION CONSIDERATION

- None

UPCOMING PENSION EDUCATIONAL OPPORTUNITIES FOR CITY COMMISSION

- Florida Public Pension Trustees Association
Fall Trustee School
September 30 - October 3, 2018
Hyatt Coconut Point, Bonita Springs
- International Foundation of Employee Benefit Plans
64th Annual Employee Benefits Conference
October 14 - October 17, 2018
Ernest N. Morial Convention Center, New Orleans

MEETING SCHEDULE 2018

Unless otherwise stated all Regular Meeting of the Board of Trustees are held at 9:00am in the Fund Office.

July 26, 2018

August 23, 2018

September 27, 2018

November 1, 2018

December, 13, 2018

Please be advised that the Next Regular Meeting of the Board of Trustees will be held on Thursday, July 26th at 9:00am at the Fund Office. All Commissioners are invited to attend.

AGENDA ITEM 8.B.

ADMINISTRATIVE UPDATE

COMMUNICATIONS FROM THE EXECUTIVE DIRECTOR

(HAND OUT)

AGENDA ITEM 9

PUBLIC COMMENT

(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 10

TRUSTEE REPORTS, QUESTIONS AND COMMENTS

(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 11

PENSION COORDINATOR'S REPORT

(HAND OUT)

AGENDA ITEM 12

ADJOURNMENT

(NO BACKUP FOR THIS SECTION)