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CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND

CALENDAR OF ITEMS

REGULAR BOARD MEETING

JULY 26, 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
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AGENDA

REGULAR PENSION BOARD MEETING

THURSDAY, JULY 26, 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. June 28, 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. FINANCIAL**
- 5. INVESTMENT (Keith Reynolds – Segal Marco Advisors)**
 - A. Annual Investment Policy Update
 - B. SMID Cap Growth Manager Review
 - C. June 2018 Flash Performance Report
 - D. 2018 Work Plan
- 6. LEGAL (Ron Cohen - Rice, Pugatch, Robinson, Storfer and Cohen.)**
 - A. Rent-A-Center, Inc. Litigation
 - B. Update on City of Hollywood v. City of Hollywood Employees' Retirement Fund
 - C. Communication from the Florida Department of Management Services
 - D. Supplemental Pension Distribution 2012
 - E. Status of Angelo Gordon Realty Value Fund X Contract Documents
 - F. Request for Executive Session to Discuss Pending Litigation
- 7. EXECUTIVE DIRECTOR'S REPORT**
 - A. Staff Performance Evaluation
 - B. Proposed Extension of the Agreement with GRS Retirement Consulting
 - C. Payment Review Process
 - D. City Commission Communication
 - E. Communications from the Executive Director
- 8. PUBLIC COMMENTS**
- 9. TRUSTEE REPORTS, QUESTIONS AND COMMENTS**
- 10. PENSION COORDINATOR'S REPORT**
- 11. 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

JUNE 28, 2018

REGULAR MEETING MINUTES

MINUTES
REGULAR PENSION BOARD MEETING
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND
THURSDAY, June 28, 2018 at 9:00AM

1. CALL TO ORDER

Chair Shaw called the meeting to order at 9:13a.m.

2. ROLL CALL AND PLEDGE OF ALLEGIANCE

Board Members present: Chair Phyllis Shaw, Vice Chair Jeffery Greene (via teleconference), Secretary Robert Strauss, Christopher Cassidy, Charles Howell, George Keller (arrived at 9:17a.m.), and Cintya Ramos.

Also present: Executive Director Christine Bailey; Felicia Ewell, Francois Otieno, and Keith Reynolds of Segal Marco; Ronald Cohen of Rice Pugatch Robinson Storfer & Cohen; and Hilde Johnson, plan member.

a. June 28, 2018 Regular Board Meeting Agenda

MOTION made by Trustee Cassidy, seconded by Trustee Strauss, to approve the June 28, 2018 Regular Board Meeting Agenda as presented. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0.

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

MOTION made by Trustee Cassidy, seconded by Trustee Strauss, to approve the Consent Agenda. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0.

4. TREASURER'S REPORT

The Treasurer's Reports for January and February 2018 and the Draft Reports for March and April 2018 were provided to the Board for review. Ms. Shaw thanked the City for continuing to provide the Treasurer's Reports.

5. INVESTMENT UPDATE

a. Education Session: Emerging Manager Programs

Francois Otieno provided an overview of the Emerging Manager landscape and how the inclusion of emerging managers can be an additive to the performance of the Fund. He advised that the first step in developing an emerging manager program was to define the parameters of the program. He noted that some programs were defined by the asset platform, or by ownership. He also noted that the programs did not come at the expense of performance and that research has shown that emerging managers add value.

Mr. Otieno advised that there are currently 2,300 firms defined as Minority, Women and/or Disabled-owned firms in the Investment Alliance Database. He explained Segal's search methods and noted that all managers, including emerging managers must meet Segal's principles of research and ranking.

Mr. Otieno stated that there are two options when considering an emerging manager program. Either establishing a dedicated program or including an emerging manager component in standard searches. Trustee Shaw thanked Mr. Otieno and requested continued discussion on the economics that can be obtained through an emerging manager program.

- b. Annual Investment Policy Update
Mr. Reynolds provided Trustees with an updated Investment Policy for their review and consideration. The Policy will be considered for adoption at the next regular meeting of the Board.
- c. Flash Report May 2018
Mr. Reynolds provided the Board with the Flash Report for May 2018 for review. He noted the fund increased by over \$1 million in the month of May. The Fund is up 4% fiscal year to date. Trustee Shaw noted the addition of the administrative activity to the Flash Report.
- d. 2018 Work Plan
Mr. Reynolds provided the 2018 Work Plan for review.

Mr. Reynolds also provided a report of 2018 Capital Market Assumptions, noting the increase return from the Board decision to move into alternative investment strategies. Trustee Strauss inquired on the status of Frontier. Mr. Reynolds advised that the research group was preparing a report for the Board to consider.

6. DISABILITY APPLICATION

- a. Initial Hearing: Disability Application of Hilde Johnson.
(Trustee Greene disconnected during this portion of the meeting.)
Mr. Cohen summarized the contents of Hilde Johnson's Disability File.

MOTION made by Trustee Cassidy, seconded by Trustee Keller, to approve the Non-Duty Application of Hilde Johnson. In a voice vote by the members present, **Motion** passed 7-0. Ms. Johnson thanked the Board for their approval of her application. Mr. Keller thanked her for her service to the City.

(Trustee Greene reconnected.)

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

- a. Proposed Changes to the By-laws
The Board reviewed and discussed the proposed changes to the By-laws.

MOTION made by Trustee Cassidy, seconded by Trustee Strauss, to amend the proposed By-laws to include a Financial Report similar to the Treasurer's Report. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

MOTION made by Trustee Strauss, seconded by Trustee George Keller, to adopted the proposed changes to the By-laws as amended. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0. (Trustee Cassidy exited the room briefly prior to the vote.) Trustee Keller requested that the record reflect that amendment to Article IV requesting the City's assistance is intended as a request and that information and assistance would be provided as before.

- b. Update on City of Hollywood v. City of Hollywood Employees' Retirement Fund
- c. Communication from the Florida Department of Management Services.
Mr. Cohen provided an update on the City of Hollywood v. City of Hollywood Employees' Retirement Fund litigation. He advised the he had spoken to the City's outside counsel and had a brief conference call with outside counsel and

him and the Counsel for the Police and Fire Pension Funds. He advised the City's counsel that the Board would like to conclude this matter and would not granting any further extension for the 164 process. He also advised the City's counsel that the Actuarial Valuation included prefunding of future supplemental benefit distributions which the City has not fund to date. Mr. Cohen advised that he requested a meeting with the City in an effort to resolve this matter. Trustee Keller advised that the City also interested in concluding this matter.

- d. Audit Finding 2017-001 – Non-compliance with 112.63(4), Florida Statue
Mr. Cohen noted the Audit finding and the response provided by management for the Board's review.

8. ADMINISTRATIVE ISSUES

- a. City Commission Communication

The Board received the City Commission Communication.

- 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 of those interviewed, none were selected. The position had been reclassified and re-advertised with cover letters and resumes coming directly to the pension Office.
- Ms. Bailey advised that the Pension Office would be closed on Friday June 29th from 2-5pm.
- Ms. Bailey also advise of a delay in providing the actuary with the data necessary to complete the 2017 Actuarial Valuation.

9. PUBLIC COMMENTS

Public comment was made by: Ronald Bolton

10. TRUSTEE REPORTS, QUESTIONS AND COMMENTS

Trustee Cassidy reported on his attendance at the FPPTA Annual Conference including the Election of Directors for FPPTA. Trustee Strauss stated that as the elected Retiree representative he was concerned about the holdup in the payment of the 2012 supplemental pension benefit. Trustee Cassidy and Trustee Shaw discussed the addition of staff to the Pension Office.

11. PENSION COORDINATOR'S REPORT

The Board Receive the Executive Directors Report. The Board discussed the Death Notification Processes, the

12. ADJOURNMENT

MOTION made by Trustee Keller, seconded by Trustee Howell, to adjourn the meeting. In a voice vote by the members present, **Motion** passed 7-0. Meeting adjourned at 11:30 a.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
July 26, 2018 Regular Pension Board Meeting

Refunds of Contributions

<u>Name</u>	<u>Refund</u>
Reyes, Juan	\$ 67,096.88
Thomas, Fernand	1,139.52
	<u>\$ 68,236.40</u>

Planned Retirement Distributions

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

DROP Distributions

Nolky Palomino	\$ 78,869.91
	<u>\$ 78,869.91</u>

TOTAL: \$ 147,106.31

EMPLOYEES RETIREMENT FUND

Payment Requests Processed During the Period

June 1, 2018 through June 30, 2018

Manager Fees

Segal Marco Advisors/Performance Monitoring (May 2018)	\$ 10,833.33
Segal Marco Advisors/Administrative Services (May 2018)	4,166.65
Wellington Management (quarter ending 03/31/18)	88,928.58
	<u>103,928.56</u>

Attorney Fees

RLI Insurance Company (11/30/17 - 01/26/18)	<u>1,509.18</u>
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Payroll

Christine Bailey (06/01/18 - 06/30/18)	8,301.52
Christine Bailey - Deferred Comp (06/08/18)	192.30
Christine Bailey - Deferred Comp (06/22/18)	192.30
Christine Bailey - Employer Contribution/Benefits (June)	760.76
	<u>9,446.88</u>

Temporary Salaries and Wages

Accountemps (week ending 02/23/18)	1,196.80
Accountemps (week ending 04/06/18)	1,496.00
Accountemps (week ending 04/13/18)	1,496.00
Accountemps (week ending 04/20/18)	2,057.00
Alpha1 Staffing (week ending 05/20/18)	600.00
Alpha1 Staffing (week ending 05/27/18)	600.00
Alpha1 Staffing (week ending 06/03/18)	480.00
	<u>7,925.80</u>

Travel Advances/Expenses

FPPTA Annual Conference (Orlando)	
Robert Strauss	306.81
Christopher Cassidy	650.00
IFEBP Annual Conference (Las Vegas)	
Charles Howell	(400.00)
IFEBP Annual Conference (New Orleans)	
Robert Strauss	1,965.00
Christine Bailey	1,965.00
Cintya Ramos	1,965.00
Phyllis Shaw	745.00

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 July 26, 2018 Regular Pension Board Meeting

May 2018

Amin, Bina	\$	2,133.94
Bridges, Toni		2,949.90
Palomino, Jose (from DROP)		1,258.47

Benefits Stopped

True, Mara Lynne - died 5/23/2018		422.96
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AGENDA ITEM 4.

FINANCIAL

(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 5.A.

INVESTMENT

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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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.

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%~~2.0% NCREIF Property Index + 300 basis points, ~~4.0%~~7.5% Russell 3000 + 300 bps, ~~2.5%~~2.5% CPI + ~~350~~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>	<i>20.0</i>	<i>15-30</i>
<i>Small + Mid Cap</i>	<i>10.0</i>	<i>7-15.5</i>
International Equity	20.0	15-25
<i>Large Cap</i>	<i>15.0</i>	<i>11-19</i>
<i>Small Cap</i>	<i>5.0</i>	<i>2.5-7.5</i>
Fixed Income	30.0	25-37.5
<i>Intermediate/Short</i>	<i>10.0</i>	<i>7-13</i>
<i>Core Plus</i>	<i>12.5</i>	<i>10-20</i>
<i>Multi-Sector</i>	<i>3.75</i>	<i>2-6.5</i>
<i>Direct Lending</i>	<i>3.75</i>	<i>0-6.5</i>
Private Real Estate	10.0	7-14
<i>Core</i>	<i>7.5 5.0</i>	<i>4.5-10.5 2.5-7.5</i>
<i>Value Added</i>	<i>2.5 3.0</i>	<i>1-5</i>
<i>Opportunistic</i>	<i>2.0</i>	<i>0-5</i>
Private Equity	7.5	0-15
<i>Diversified</i>	<i>5.0</i>	<i>0-10</i>
<i>Secondaries</i>	<i>2.5</i>	<i>0-5</i>
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:

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.

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.

COMMUNICATION AND REPORTING REQUIREMENTS

SECTION VI

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~~
23~~8~~, 2017~~8~~.

City of Hollywood Employees' Retirement Fund

By: _____ Date: _____

Investment Manager: _____

Receipt confirmed by: _____ Date: _____

AGENDA ITEM 5.B.

INVESTMENT

SMID CAP GROWTH MANAGER REVIEW

(HAND OUT)

AGENDA ITEM 5.C.

INVESTMENT

JUNE 2018 FLASH PERFORMANCE REPORT

(HANDOUT)

AGENDA ITEM 5.D.

INVESTMENT

2018 WORK PLAN

(HANDOUT)

AGENDA ITEM 6.A.

LEGAL

RENT-A-CENTER, INC. LITIGATION

(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 6.B.

LEGAL

UPDATE ON

CITY OF HOLLYWOOD

V.

CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND

(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 6.C.

LEGAL

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

(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 6.D.

LEGAL

SUPPLEMENTAL PENSION BENEFIT 2012

(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 6.E.

LEGAL

STATUS OF ANGELO GORDON REALTY VALUE FUND X

CONTACT DOCUMENTS

(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 6.F.

LEGAL

**REQUEST FOR EXECUTIVE SESSION TO DISCUSS
PENDING LITIGATION**

(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 7.A.
EXECUTIVE DIRECTOR'S REPORT
STAFF PERFORMANCE EVALUATION
(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 7.B.

EXECUTIVE DIRECTOR'S REPORT

**PROPOSED EXTENSION OF THE AGREEMENT WITH GRS
RETIREMENT CONSULTING**



July 13, 2018

Ms. Christine Bailey
Pension Coordinator
City Hall Annex Building, Room 20
2600 Hollywood Blvd.
Hollywood, FL 33020

**Re: City of Hollywood General Employees' Retirement System
Contract Extension**

Dear Christine:

As you are aware, the contract between GRS and the Board of Trustees for the City of Hollywood General Employees' Retirement System is set to expire on October 1, 2018. It is our understanding that the Board has requested to extend the current contract. We would be pleased to extend the terms of our contract through October 1, 2021 on a year-by-year basis, as requested by the Board.

The fees for our regular annual services and other services for the extended term are shown below.

Fees for Regular Annual Services

Report	Fee
Actuarial Valuation Report	\$18,500 for the October 1, 2018 report ¹
112.664 Compliance Report	\$3,000 per year
GASB No. 67 Actuarial Disclosures	\$2,500 per year
GASB No. 68 Actuarial Disclosures	\$2,000 per year
Enhanced Benefit Statements	\$4,000 per year
Electronic Submission of Valuation Report	\$500 per year

¹ Fee will increase by CPI each year with a 3% per year maximum.

Fees for Other Services

Our regular hourly rates will be used to determine our fees for other services than those listed above.

Thank you for the opportunity to continue providing actuarial services to the Board. Please do not hesitate to contact us should you have any questions or require additional information.

Sincerely yours,

Jeffrey Amrose, EA
Senior Consultant & Actuary



**CONSULTING SERVICES AGREEMENT
BETWEEN THE
CITY OF HOLLYWOOD, FLORIDA
AND
GABRIEL, ROEDER, SMITH & COMPANY**

**Section I
General Information**

A. Purpose

The City of Hollywood, Florida (City) hereby enters into a contractual agreement with Gabriel, Roeder, Smith & Company (GRS) to provide actuarial and consulting services for the City of Hollywood Employees Retirement Fund (Fund) which is governed by the Board of Trustees (Board). The client in this matter shall be the City as represented by the Board of Trustees or its Administration. This Contract does not create any relationship between GRS and any other related private, not for profit, or governmental entity, including, but not limited to, participants in the Fund. GRS shall have no obligation to work for such entities, however, GRS may freely elect to work for such an entity with consent of the City and provided that copies of all related work products are provided to the City.

B. Entire Agreement

This Agreement forms the complete and exclusive contract between the parties as it relates to this transaction.

The failure of a party to insist upon strict adherence to any term of the contract shall not be considered a waiver, or deprive the party of the right thereafter to insist upon strict adherence to that term, or any other term, of the contract. The contract may not be modified, amended, extended, or augmented, except by a writing executed by the parties, and any breach or default by a party shall not be waived or released other than in writing signed by the other party.

Each provision of the contract shall be deemed to be severable from all other provisions of the contract and, if one or more of the provisions of the contract shall be declared invalid, the remaining provisions of the contract shall remain in full force and effect. The contract shall in all respects be governed by, and construed in accordance with, the laws of the State of Florida.

C. Term of Contract

The contract is for the 60-month period extending from October 1, 2010 through September 30, 2015, unless otherwise terminated in accordance with Section J. A three year extension of the contract from October 1, 2015 through September 30, 2018 shall be permitted upon the approval of both parties.

D. Contractor Responsibilities

GRS assumes responsibility for all contractual activities whether or not it performs them directly. GRS shall be the sole point of contact with regard to contractual matters, including payment of any and all charges resulting from the contract. The City reserves the right to interview the key personnel assigned by GRS to this project and to the reassignment of personnel deemed unsatisfactory by the City.

If any part of the work is to be subcontracted, the City reserves the right to approve the subcontractors in advance, and to require that GRS replace any subcontractors found by the City to be unacceptable. GRS shall be responsible for adherence by the subcontractor to all provisions of the contract.

E. Client Responsibilities

The City agrees to review information supplied by GRS for general reasonableness, and to ensure that GRS has properly understood the assignment. In the event that the City finds a GRS work product to be unreasonable or otherwise unsatisfactory, the City shall not distribute such work product or otherwise make use of it, until a correction has been made, or GRS has explained matters to the satisfaction of the City. The City agrees that GRS is not responsible for the accuracy of any data provided to GRS by the City. In the event of discovery of an error by GRS in a calculation, the City agrees to take immediate steps to mitigate the effects of such error. Any actuarial communication, report and presentation materials may be provided to parties other than the City only in their entirety and only with permission of the City.

F. Accounting Records

GRS shall maintain all pertinent financial and accounting records and evidence pertaining to this contract in accordance with generally accepted accounting principles (GAAP).

G. Patent/Copyright Infringement and General Indemnification

GRS shall indemnify, defend and hold harmless the City and its employees and agents from and against all losses, liabilities, penalties, fines, damages and claims (including taxes), and all related costs and expenses (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties) incurred in connection with any action or proceeding threatened or brought against the City to the extent that such action or proceeding is based on a claim that any piece of equipment, software, commodity, or service supplied by GRS or its subcontractors, or the operation of such equipment, software, commodity, or service, or the use or reproduction of any documentation provided with such equipment, software, commodity, or service infringes any United States or foreign patent, copyright, trade secret or other proprietary right of any person or entity, which right is enforceable under the laws of the United States. In addition, should the equipment, software, commodity, or service, or the operation thereof, become, or in GRS' opinion be likely to become, the subject of a claim of infringement, GRS shall at its sole expense, (i) procure for the City the right to continue using the equipment, software, commodity, or service, or if such option

is not reasonably available to GRS, (ii) replace or modify the same with equipment, software, commodity, or service of equivalent function and performance so that it becomes non-infringing, or if such option is not reasonably available to GRS, (iii) accept its return by the City with appropriate credits to the City against GRS' charges and reimburse the City for any losses or costs incurred as a consequence of the City ceasing to use and returning the equipment, software, commodity, or service.

GRS agrees to indemnify the City from claims made by GRS employees while working on the City premises on the City projects, provided that the City has complied with all relevant Federal and State Laws related to workplace safety, and human rights, including, but not limited to anti-discrimination and anti-harassment laws. In any and all claims against the City, or any of its agents or employees, by any employee of the contractor or any of its subcontractors, the indemnification obligation under the contract shall not be limited in any way by the amount or type of damages, compensation, or benefits payable by or for GRS or any of its subcontractors under workers' compensation acts, disability benefit acts, or other employee benefit acts. This indemnification clause is intended to be comprehensive. Any overlap in subclauses, or the fact that greater specificity is provided as to some categories of risk, is not intended to limit the scope of indemnification under any other subclauses.

The duty to indemnify will continue in full force and effect not withstanding the expiration or early termination of the contract with respect to any claims based on facts or conditions, which occurred prior to termination.

H. Liability Insurance

GRS shall purchase and maintain such insurance as will protect it from claims which may arise out of or result from its performance under the contract, whether such performance be by GRS or by any subcontractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable. The insurance shall be written for not less than the greater of \$1,000,000 and any limits required by law, and shall include contractual liability insurance as applicable to GRS' obligations under the indemnification clause of this contract. GRS agrees to indemnify client for all direct losses the client suffers due to negligence, error, or willful misconduct on the part of GRS.

I. Board Minutes

The City shall routinely provide GRS with copies of Board Minutes for GRS's reference in connection with work to be performed pursuant to this contract. GRS is not obligated to provide corrections to the minutes. Silence on the part of GRS does not constitute agreement with the minutes, even with respect to meetings that the GRS Consultant attended or at which GRS was directly or indirectly quoted.

J. Cancellation

The City, with 30 days written notice, may cancel the contract with or without cause. GRS may also cancel the contract with 30 days written notice if the City breaches any terms of this

agreement. GRS may cancel the contract, without cause, upon giving 90 days written notice. If the City cancels the contract for any cause other than the failure of GRS to fulfill the obligations of the quotation or contract, the City shall pay GRS' reasonable final invoice for work performed under the contract.

K. Delegation/Assignment

GRS shall not delegate any duties under this contract to a subcontractor unless the City has given prior written consent to the delegation. GRS may not assign the right to receive money due under the contract without the prior written consent of the City. In addition, the City reserves the right to approve subcontractors for this project and to require GRS to replace subcontractors who in the City's judgment are unacceptable.

L. Non-Discrimination Clause

In performing the contract, GRS agrees not to discriminate against any employee or applicant for employment, with respect to their hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, physical or mental handicap or disability. GRS further agrees that every subcontract entered into for the performance of any contract resulting herefrom will contain a provision requiring non-discrimination in employment, as herein specified, binding upon each subcontractor

M. Fees

The fees set forth in this contract shall be firm for the duration of the contract.

N. Modification of Services

The City reserves the right to modify the service requirements during the course of the contract. Modifications may include adding, deleting, or altering the work to be performed under the contract. Any changes in pricing (increases or decreases) proposed by GRS as a result of service modifications are subject to written acceptance by the City. In the event that price changes are not acceptable to the City, the contract may be canceled by either party.

O. Confidentiality

GRS shall instruct its employees and the employees of any subcontractor to keep as confidential information concerning the business of the City, its financial affairs, its relations with its participating municipalities and courts, members, retirees and beneficiaries, and its employees, as well as any other information which may be specifically classified as confidential by the City. At the City's request, GRS or any subcontractor(s) and each of their employees may be required to sign confidentiality statements prior to beginning or continuing to work on the contract.

GRS will not normally print full Social Security numbers on documents used for communication with the City or its participants. The only exception GRS will make to this policy without

direction from the City relates to certain necessary and confidential communications between GRS and the City that are directly related to work assignments. In the event that the City directs GRS to make further exceptions to this policy, the City agrees to indemnify GRS for any illegal use or misuse or security breaches or identity thefts related to such information by individuals other than GRS employees or employees of any subcontractor.

All copies of information developed by GRS in connection with the contract are the property of and will be returned to the City, upon request. GRS reserves the right to shred or otherwise dispose of information one year following receipt, unless it receives instructions to the contrary from the City. GRS will not reveal or disclose either information or findings concerning this contract with anyone who does not have a substantial need-to-know and who has not been expressly authorized in writing by the City to receive the information/findings. GRS must ensure that all safeguards and proper procedures are implemented to protect confidential information.

P. Tax Advice, Legal Advice and Investment Advice

Based upon its general background and research on Federal Income Tax, Legal Issues, and Investment Matters, GRS employees may from time to time provide general comments and information on same. However, no GRS work product shall be deemed to provide income tax advice, legal advice, or investment advice unless such work product contains one of the following phrases or substantially equivalent language.

- "This work product is intended to provide income tax advice."
- "This work product is intended to provide legal advice."
- "This work product is intended to provide investment advice."

No oral communication of any GRS employee shall be interpreted to provide income tax advice, legal advice, or investment advice. Further, no GRS work product shall be used for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or (ii) marketing or recommending to another party any tax-related matter addressed within the work product.

Q. Third Party Dealings

GRS will not provide information related to the City to third parties except with the permission of, and under the specific direction of, the City. By giving such direction and permission, the City agrees to indemnify GRS, or to require such third party to indemnify GRS, against the misuse or misunderstanding of GRS work products by such third party. GRS shall not review any third party work product except under the specific written direction of the City to do so, and only for reasonable compensation. Such review if undertaken shall be limited to those areas in which GRS has expertise, and shall specifically exclude conclusions related to income tax, investment matters, and legal matters.

R. Limitations

GRS shall act with due diligence in all matters in which it provides services under this contract, but shall not serve as a fiduciary of the Fund. GRS shall not be responsible under any circumstance for making employee or employer contributions to the Fund.

No provision of this contract shall be interpreted to require GRS to provide income tax advice, investment advice, or legal advice to the City. GRS has no responsibility for the performance or non performance of the Fund assets, the structure of the Fund portfolio, or the selection or termination of investment managers and consultants.

Notwithstanding anything in this Agreement to the contrary, GRS' primary responsibility under this Agreement is to the plan and its members, and it will place their interests above all others. GRS acknowledges, accepts and agrees that the City has placed its trust and confidence in GRS and that the City relies upon GRS to provide advice for the benefit of the plan and its members. GRS will not enter into any agreement or take any action contrary to that responsibility. GRS will not accept or perform any engagement involving the plan or its members for any organization other than the City without the prior written consent of the City or action by the City at a meeting. GRS shall not have any discretionary authority or control with respect to management of the plan's assets; render investment advice for a fee or other compensation (direct or indirect) as to any monies or any other property of the plan; nor have any discretionary authority or discretionary responsibility in the administration of the provisions of the plan. The City retains absolute discretion over and responsibility for, deciding what, if any, action to take with respect to any report, analysis, or recommendation by GRS and for the implementation of such decision.

S. Warranty

GRS warrants that all work performed under the contract will be performed by individuals who are qualified to do so in accordance with requirements as are from time-to-time issued by various actuarial and other professional bodies. GRS warrants that the work product will be subject to an independent peer review. Finally GRS warrants that GRS has no direct or indirect financial relationship to the City, other than the relationship described in this contract.

T. Venue.

Venue for any litigation arising out of this Agreement shall be in Broward County, Florida.

Section II

Work Statement

A. Scope

GRS shall perform actuarial and consulting services for the City for the period October 1, 2010 through September 30, 2015. By mutual agreement of the parties, the contract may be renewed for a three-year extension.

B. Duties

The regular duties to be performed by GRS are as follows:

Regular Annual Services

- Annual Actuarial Valuation Report and meeting with Board of Trustees
- Annual Employee Benefit Statement for each Plan Participant
- Routine consultation and correspondence, not involving research or calculations
- Respond to annual confirmations requested by the Fund and City auditors
- Respond to requests for information from the Division of Retirement with respect to actuarial reports prepared by GRS.

GRS is not constrained from supplementing this list with additional items or elements deemed necessary to permit the development of alternative approaches or the application of proprietary analytical techniques, within the price schedule set forth in the proposal, unless agreed otherwise by the parties in writing.

C. Other Services

From time-to-time, the City or the Board may require services other than those described, such as:

- Determine actuarial impact of proposed plan changes and prepare State-mandated actuarial impact statements
- Periodic review of actuarial assumptions and methods
- IRS Code Section 415 calculations
- Any other services requested by the Board of Trustees or the City

D. Transition

If at the end of this contract, another vendor succeeds GRS as the City's actuary, GRS shall fully cooperate in the transition of actuarial services, including providing the successor firm with up-to-date actuarial valuation data, assumptions, and results. Such cooperation is contingent upon City agreement to pay GRS' reasonable final invoice for work performed under this contract. GRS shall charge fees for the transition in accordance with the rates described herein if the transition requires extraordinary services on the part of GRS.

E. Actuarial Audit

In the event that an Actuarial Audit of GRS's work for the City is performed during the term of this contract, GRS shall cooperate with the actuarial audit and the City shall pay GRS reasonable fees associated with such cooperation, if such cooperation requires extraordinary services on the part of GRS.

Section III
Price and Payment Schedule

A. Fees for Regular Annual Services

GRS fees for the Regular Annual Services set forth in Section II shall be:

Year One	\$16,000
Year Two	16,500
Year Three	17,000
Year Four	17,500
Year Five	18,000

The City or the Board shall pay these fees to GRS as projects are being performed, within 30 days of receiving an invoice.

B. Fees for Other Services

Our regular hourly rates, as listed in our proposal to the City dated March 1, 2010 will be used to determine the charges for Other Services and/or extraordinary services.

Hourly Fees:

	1st Year	2nd Year	3rd Year	4th Year	5th Year
Senior Analyst	\$175-225	\$180-230	\$185-235	\$190-240	\$195-245
Consultant	\$250-300	\$255-305	\$260-310	\$265-315	\$270-320
Senior Consultant	\$325-400	\$330-410	\$335-415	\$340-420	\$345-425

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed effective the 8 day of September, 2010.

For GRS:

Stephen Salunigant
Gabriel, Roeder, Smith & Company

August 23, 2010

Witness for GRS:

Virginia Zogari
Name

Witness for GRS:

Miriam E. Lago
Name

For the City:

Peter Bober
Peter Bober
Mayor

September 8, 2010

Approved as to form and legality
for the use and reliance of the
City of Hollywood, Florida only.

Jeffrey P. Sheffel
Jeffrey P. Sheffel
City Attorney

September 8, 2010

Matthew Lalla

Matthew Lalla
Financial Services Director

September 3, 2010

ASSIGNMENT OF
CONSULTING SERVICES AGREEMENT
BETWEEN THE
CITY OF HOLLYWOOD
AND
GABRIEL, ROEDER, SMITH & COMPANY

WHEREAS, on September 8, 2010, the City of Hollywood ("City") entered into a Consulting Services Agreement with Gabriel, Roeder, Smith & Company (now known as GRS Retirement Consulting, and referred to throughout this document as "GRS") to provide actuarial and consulting services for the City of Hollywood Employees' Retirement Fund; and

WHEREAS, the Consulting Services Agreement between the City and GRS has a five year term with a three-year extension, and is in effect through September 30, 2018; and

WHEREAS, the Hollywood City Commission adopted Ordinance No. O-2016-08 on May 16, 2016, revising the duties and responsibilities of the Board of Trustees ("Board") of the City of Hollywood Employees' Retirement Fund, to include authority for the Board to "engage such actuarial, accounting, legal and other services as shall be required to transact the business of the Fund"; and

WHEREAS, the City, GRS and Board desire that the City's rights, interests and obligations under the Consulting Services Agreement between the City and GRS be assigned to the Board.

It is hereby Agreed as follows:

1. The City of Hollywood (the "Assignor"), in consideration of the public policy reflected in Ordinance No. O-2016-08 and other valuable consideration, hereby conveys, transfers, and assigns to the Board of Trustees of the City of Hollywood Employees' Retirement Fund (the "Assignee"), all rights, interests and privileges which Assignor has and may have under the Consulting Services Agreement between the City and GRS dated September 8, 2010.
2. The Board of Trustees ("Board") of the City of Hollywood Employees' Retirement Fund (the "Assignee") hereby accepts the assignment and assumes all obligations under the Consulting Services Agreement between the City and GRS dated September 8, 2010.
3. GRS Retirement Consulting agrees to the above assignment.

4. The parties acknowledge and agree that all services provided by GRS pursuant to the Consulting Services Agreement between the City and GRS dated September 8, 2010, through September 30, 2017 shall be invoiced to and paid by the City, and all services provided by GRS pursuant to the Consulting Services Agreement between the City and GRS dated September 8, 2010, on and after October 1, 2017 shall be invoiced to and paid by the Board.
5. GRS hereby releases and discharges the City from the performance of the Consulting Services Agreement on and after October 1, 2017 and from all obligations, liabilities, claims and demands howsoever arising on and after October 1, 2017 under or in relation to the Consulting Services Agreement.

ASSIGNOR:**CITY OF HOLLYWOOD, FLORIDA**By: *W.A. Ishmael*

Wazir A. Ishmael, City Manager

Date: *1/12/18***ASSIGNEE:****BOARD OF TRUSTEES,
CITY OF HOLLYWOOD EMPLOYEES'
RETIREMENT FUND**By: *Phyllis Shaw*

Phyllis Shaw, Chair

Date: *4 January 2018***GRS:****GRS RETIREMENT CONSULTING**By: *J. Broccialorpe*Date: *12-18-17*

APPROVED AS TO FORM AND LEGAL
SUFFICIENCY FOR THE USE AND RELIANCE
OF THE CITY OF HOLLYWOOD, FLORIDA, ONLY.

By: *Pat [Signature]*CITY ATTORNEY *at*

AGENDA ITEM 7.C.
EXECUTIVE DIRECTOR'S REPORT
PAYMENT REVIEW PROCESS
(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 7.D.

EXECUTIVE DIRECTOR'S REPORT

CITY COMMISSION COMMUNICATION

(TO BE PROVIDED UNDER SEPARATE COVER)

AGENDA ITEM 7.E.

EXECUTIVE DIRECTOR'S REPORT

COMMUNICATIONS FROM THE EXECUTIVE DIRECTOR

(HAND OUT)

AGENDA ITEM 8

PUBLIC COMMENT

(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 9

TRUSTEE REPORTS, QUESTIONS AND COMMENTS

(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 10

ADJOURNMENT

(NO BACKUP FOR THIS SECTION)