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CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND

CALENDAR OF ITEMS

REGULAR BOARD MEETING

JULY 23, 2019

AGENDA ITEM 1

CALL TO ORDER

(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 2
ROLL CALL AND
PLEDGE OF ALLEGIANCE
(NO BACKUP FOR THIS SECTION)

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

TUESDAY, JULY 23, 2019 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 25, 2019 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**
 - A. Financial Report and Investment Summary
 - B. Budget Variance Report
 - C. Fiscal Year 2020 Proposed Budget
- 5. INVESTMENT (Segal Marco Advisors)**
 - A. June 2019 Flash Performance Report
 - B. First Quarter Performance Review
 - C. SMID Cap Growth Manager Approval
 - D. Wells Fargo/Principal Custody Update
 - E. Work Plan 2019
- 6. LEGAL (Ron Cohen - Rice, Pugatch, Robinson, Storfer and Cohen.)**
 - A. Update on City of Hollywood v. City of Hollywood Employees' Retirement Fund et al
 - B. Segal Asset Liability Study Agreement
 - C. Eligibility of Transfer Participants to join DROP
 - D. Request for Executive Session to Discuss Pending Litigation
- 7. EXECUTIVE DIRECTOR'S REPORT**
 - A. Communications from the Executive Director
- 8. PUBLIC COMMENTS**
- 9. TRUSTEE REPORTS, QUESTIONS AND COMMENTS**
- 10. ADJOURNMENT**

AGENDA ITEM 3.A.

CONSENT AGENDA

JUNE 25, 2019

REGULAR MEETING MINUTES

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND
WEDNESDAY JUNE 25, 2019 AT 6:00PM**

1. CALL TO ORDER

Chair Shaw called the meeting to order at 6:10p.m.

2. ROLL CALL AND PLEDGE OF ALLEGIANCE

Board Members present: Chair Phyllis Shaw, Vice Chair George Keller, Secretary Robert Strauss, Christopher Cassidy, Jeffery Greene (departed at 7:40p.m.), and Charles Howell. Also present: Executive Director Christine Bailey; Keith Reynolds and Felicia Ewell of Segal Marco; and Ronald Cohen of Rice Pugatch Robinson Storfer & Cohen.

Cintya Ramos was absent and excused.

a. June 25, 2019 Regular Board Meeting Agenda

MOTION made by Trustee Greene, seconded by Trustee Cassidy, to adopt the June 25, 2019 Regular Board Meeting Agenda. In a voice vote of the members present, all members voted in favor. **Motion** passed 6-0.

3. CONSENT AGENDA

- a. May 22, 2019 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 Greene, seconded by Trustee Strauss, to approve the Consent Agenda Items. In a voice vote of the members present, all members voted in favor. **Motion** passed 6-0.

4. FINANCIAL

- a. Ms. Bailey provided the Board with the Audited Financial Statements for the Fiscal Year September 30, 2018. She advised the Board that the Auditors will review the report with the Audit Committee. She noted that the Audit Committee would also discuss the Fiscal Year 2019 Audit.
- b. Ms. Bailey provided the Board with the May 31, 2019 Draft Financial Operations and Investment Summary.
- c. Ms. Bailey provided the Board with the Budget Variance Report as of May 31, 2019. Trustee Strauss noted that the financial statements and the financial operations report did not reflect the \$9 million in prefunding that was requested and not paid by the City. It was stated that the recognition of the prefunding amounts receivable would be discussed by the Audit Committee.

5. INVESTMENT (Keith Reynolds – Segal Marco)

- a. May 2019 Flash Performance Report
Mr. Reynolds provided the Board with the Flash Performance Report for May 2019. He noted that the total market value of the fund was \$326.1 million. He noted that AG Realty Value Fund had a market value of \$0 as of May 31st but that they had called \$7 million as of June 10th. He noted that for the fiscal year-to-date, the Funds return was in line with the policy index.

Mr. Reynolds also noted that First Quarter Financial reports would be available for the next meeting. He stated that he anticipated that the final report would indicate that the Fund is in the top decile of its peer group. He noted that Brandes remained on the Watch List but they had not lost any clients and Segal maintained its conviction in the strategy.

- b. SMID Cap Growth Manager Search Discussion
Mr. Reynolds noted that the Board conducted the search to replace Frontier. He advised that the Investment Committee met with three managers and anticipated having a recommendation by the July Board meeting.
- c. The Board discussed the 2019 Work Plan for the Board and for the Investment Committee meetings.

Mr. Reynolds also advised the Board that Segal was monitoring the Principal Group acquisition of Wells Fargo's Institutional and Trust Business. He advise that Rosa Limas and the Research Group would be at the next meeting to provide an update on the transition. Mr. Reynolds also recommended that Diane McNally of Segal Select Insurance attend the August Board meeting.

Ms. Bailey advised the Board that Trustee Cassidy stepped down from the Chair of the Investment Committee and Trustee Greene was elected Chair of the Committee. She also advised that Trustee Shaw joined the Committee. She noted that she would be working with Ron Cohen on the Public Official Bond and whether it needed to be increased.

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

- a. Update on the City of Hollywood v. Board of Trustees of City of Hollywood Employees' Retirement Fund et al.

Mr. Cohen advised the Board that he received a call from Bob McCormack, the City's Outside Counsel on May 31, 2019, in which he advised Mr. McCormack that before moving forward with a discussion of a settlement process, there should be settlement terms, which must include payment of the 2012 13th check. He states that on June 11, 2019 he received communication from Mr. McCormack regarding terms, however, the terms were not those discussed with the Board. He noted that Mr. McCormack stated the City was interested in settling the litigation. Mr. Cohen noted that he has not received the discovery documents requested from the City and he had filed a motion to compel with the Court.

Mr. Cohen stated that he received communication from the Court that the Court determined the litigation met the criteria for a complex case and would be transferred to the Complex Litigation Division with its companion case Kellerman and Allan vs City of Hollywood Firefighters' Retirement System.

Trustee Keller noted that the City had a conference call with the State Division of Retirement Services staff and attorneys, Mr. McCormack, and the Staff of the City Manager and City Attorney's offices. He noted that the Chapter 175 and 185 dollars were in jeopardy, an amount equal to the prepayment on the 13th check. The State Division stated that if the City made the prepayments to the Funds within 30 days, the state would release the chapter funds. Trustee Keller noted that the City Manager supported the payment of the 13th check and would make that recommendation to the City Commissioners.

Trustee Strauss requested clarification. It was noted that the Board voted to pay the 13th check, and later voted to abate the payment pending the outcome of the lawsuit. Mr. Cohen noted that there must be settlement terms before there can be a settlement agreement. He noted that once the City agrees to terms, it will need to be implemented, which will be complicated as it involves changes in benefits.

Trustee Strauss noted that if the City was willing to prefund the 13th check, then the lawsuit was unnecessary. He noted that the current litigation include the prospect of filing suit against each individual retiree eligible for a 13th check. Mr. Cohen noted that there were several issues including claw back in the current lawsuit. Trustee Keller noted that the City's proposal would include the payment of the 2012 13th check and future prepayments.

The Board requested that Mr. Cohen reach out to the City Attorney to determine the City's position. In response to a question from Trustee Strauss, Ms. Bailey advise that it would take approximately two weeks after approval to process the payment of the 13th Check payments.

b. Charles Kerr

Mr. Cohen discussed his memorandum to the Board dated June 13, 2019 regarding Charles Norman Kerr III. He noted that the memorandum was informational regarding a possible forfeiture of pension, and outlined how the Board should proceed.

Trustee Keller noted that he may have a conflict of interest and requested that Mr. Cohen advise him if he has a conflict at any point in the process. Mr. Cohen stated that there are few exemptions for abstaining from Board deliberation but noted that there are exceptions for quasi-judicial hearing, which this would be. He stated that he would review the exemption and advise Trustee Keller.

MOTION made by Trustee Greene, seconded by Trustee Keller, to send a letter to Mr. Kerr advising of a preliminary hearing at the August 27th meeting of the Board of Trustees to determine how to proceed. In a voice vote of the members present, all members voted in favor. **Motion** passed 6-0.

MOTION made by Trustee Keller, seconded by Trustee Cassidy, to add Agenda Item 6d. Eligibility of Transfer Participants to join the DROP. In a voice vote of the members present, all members voted in favor. **Motion** passed 5-0. (Trustee Greene departed the meeting.)

c. Request for Executive Session to Discuss Pending Litigation

Mr. Cohen requested an Executive Session to discuss Pending Litigation with City of Hollywood Florida v the Board of Trustees of the City of Hollywood Employees Retirement Fund et al. He noted the conditions of the session.

d. Eligibility of Transfer Participants to Join DROP

Mr. Alphonso and Mr. Leo requested that the Board consider allowing Transfer Participants to join the DROP.

Trustees discussed the DROP Program, the coordination of benefits and the eligibility of transfer members to DROP. Trustees requested additional information on the Coordination of Benefits.

MOTION made by Trustee Strauss, seconded by Trustee Keller, to table Agenda Item 6d. In a voice vote of the members present, all members voted in favor. **Motion** passed 5-0.

Ms. Bailey noted that the Board decision was time sensitive as these members had a 60 day window ending August 19th to DROP retroactively. The Board agreed that these members would be allowed to complete the DROP Application before a decision is made regarding their eligibility to participate.

MOTION made by Trustee Strauss, seconded by Trustee Howell, to extend the meeting by half hour. In a voice vote of the members present, all members voted in favor. **Motion** passed 5-0.

7. EXECUTIVE DIRECTOR'S REPORT

a. City Commission Communication

The Board received the City Commission Communication.

b. Administrative Considerations – Clarification of Ordinance

The Eligibility of Transfer Participants was discussed as Item 6d.

Ms. Bailey requested the Board direction as it related to members of the plan who were hired prior to July 15, 2009 who were employed by the City on June 19, 2019 but had a break in service. The Board discussed the various types of service breaks. Trustee Cassidy noted that there was a difference between voluntary separation and employees who were laid off and recalled.

Trustees requested that Ms. Bailey and Mr. Cohen reach out to the City Attorney and the City's Human Resources Director to determine the City intent as it related to this matter.

c. Communications from the Executive Director

- Ms. Bailey advised the Board that 14 members had not yet responded to the Retiree Life Certificate request, and of those 14, the fund had communicated with four and anticipated receiving the certificates shortly. Ms. Bailey noted that in response to the death certificate request, one member had in fact come back as deceased since December 2018 and that the fund had initiated steps to recoup the overpayment. She noted that the fund would now seek to use the investigator to try to locate these members.
- Ms. Bailey advised the Board that the proposed ordinance amendments had passed restoring members' frozen service. She noted that there were approximately 64 planned retirement participants who were eligible to switch to the DROP.
- Ms. Bailey advised that she had begun the review of the retirement calculation and discovered another calculation that appears to be incorrect. She requested that the Board authorize the actuary to recalculate the benefits of 10 retirees to determine the extent of the calculation errors at a cost not to exceed \$10,000.

MOTION made by Trustee Keller, seconded by Trustee Strauss, to have the actuary recalculate the benefits of 10 retirees at a cost not to exceed \$10,000. In a voice vote of the members present, all members voted in favor. **Motion** passed 5-0.

- Ms. Bailey advised that the 401(a) Plan for staff was being reviewed by Mr. Cohen and should be presented to the Board at the July meeting for Consideration.

- Ms. Bailey noted that she would be reviewing the Public Officers Bond with Mr. Cohen.

8. PUBLIC COMMENTS

There were Public comments from Cheryl Winton, Ronald Bolton, Greg O'Hare, and Bill Vulpis.

9. TRUSTEE REPORTS, QUESTIONS AND COMMENTS

Trustee Strauss noted that he received his ballot on the Thursday before the ordinance election date and that he received many calls and emails from retirees who also received their ballots on Thursday or later. Trustee Strauss also noted that the actuarial report stated that the cost of the restoration ordinance was \$48 million. He noted that the funding ratio was low for three reasons, the dot.com bubble, 9/11 attacks and the 2007/2008 great recession. He also highlighted that the early retirement incentive increased the Fund's liabilities.

Trustee Strauss noted that the Board had taken steps to address these issues, including reducing the assumed interest rate (AIR). He noted that the Board had reduced the AIR and would revisit the AIR for further reductions.

Trustee Keller noted that the three plans have been getting healthier. He noted that the restoration of benefits was not a new benefit but an effort to put members back where they were before.

Chair Shaw apologized to the retiree members and advised that their concerns would be addressed, and not repeated in a future election.

10. ADJOURNMENT

MOTION made by Trustee Keller, seconded by Trustee Howell to adjourn the meeting. In a voice vote by the members present, **Motion** passed 5-0. Meeting adjourned at 8:56p.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 DROP Distributions
July 23, 2019 Regular Pension Board Meeting

<u>Name</u>	<u>Refund</u>
<u>Refunds of Contributions</u>	
Domke, Matthew	\$ 12,831.55
Farrell, Kevon	\$ 10,793.70
Fitzpatrick, Brian	\$ 2,840.85
Mizrahi, Jacob	\$ 1,171.11
Tillman, Shekinah	\$ 1,432.49
	\$ <u>29,069.70</u>
<u>Planned Retirement</u>	
Joseph, Steve (Final)	\$ 140.02
	\$ <u>140.02</u>
<u>Partial Lump Sum Distribution</u>	
None	\$ <u>0.00</u>
<u>DROP Distributions</u>	
None	\$ <u>0.00</u>
TOTAL: \$ 29,209.72	

**CITY OF HOLLYWOOD
EMPLOYEES RETIREMENT FUND
Disbursements Processed
June 1, 2019 to June 30, 2019**

Christine Bailey (Postage)	\$ (735.00)
City Of Hollywood (May 2019)	\$ (29,913.77)
Dept Of Health Off Of Vital Stats	\$ (118.00)
Segal Marco Advisors (May 2019)	\$ (4,166.67)
Segal Marco Advisors (May 2019)	\$ (10,833.33)
Union Services Agency (Public Official Bond)	\$ (4,375.00)
Veron Sibble (FGFOA)	\$ (88.00)
Wells Fargo Credit Card (Supplies)	\$ (339.09)
	<hr/>
	<u><u>\$ (50,568.86)</u></u>

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 23, 2019 Regular Pension Board Meeting

New Retirements

Pension

Machado, Yvonne - (Beneficiary of Pablo Machado)

870.08

Benefits Stopped

Catania, Angelo - Died 5/20/2019

\$ (2,965.60)

Machado, Pablo - Died 5/23/2019

\$ (1,740.15)

AGENDA ITEM 4.A.

FINANCIAL

PROPOSED BUDGET FISCAL YEAR 2020

(UNDER SEPARATE COVER)

AGENDA ITEM 4.B.

FINANCIAL

FINANCIAL OPERATIONS AND INVESTMENT SUMMARY

(UNDER SEPARATE COVER)

AGENDA ITEM 4.C.

FINANCIAL

BUDGET VARIANCE REPORT

City of Hollywood Employees Retirement Fund
Budget v. Actual
For Year Ending 9/30/2019
Expenditures as of 06/30/2019

	Approved Budget (A)	Jun-19	YTD Actual (B)	Remaining Available (A-B)	% Remaining Available (A-B)/(A)
Professional Fees:					
Brandes Investment Partners	152,000	-	63,590	88,410	58%
Northern Trust-Large Cap	26,000	-	15,056	10,944	42%
Thompson Siegel (TSW)	138,000	-	53,309	84,691	61%
Wellington	364,000	-	144,711	219,289	60%
Custodial Fees	33,000	-	16,045	16,955	51%
Manager Fees (not invoiced)	1,305,000	-	-	1,305,000	100%
	<u>2,018,000</u>	-	<u>292,711</u>	<u>1,725,289</u>	<u>85%</u>
Consultants	130,000	10,833	86,667	43,333	33%
Accounting	25,000	4,167	33,333	(8,333)	-33%
Auditors/ Accounting Fees	10,000	-	-	10,000	100%
GRS-Actuarial	18,500	-	32,390	(13,890)	-75%
GRS- Other Fees	20,500	-	8,151	12,349	60%
Medical Svcs (Disability Verification)	4,800	-	-	4,800	100%
Rice - Board Attorney	90,000	-	41,138	48,863	54%
Total Professional Fees	2,316,800	15,000	494,389	1,822,411	79%
Administrative Expenses:					
Total Salaries	203,000	24,068	145,130	57,870	29%
Salaries-Temp	4,800	-	-	4,800	100%
Taxes & Benefits	41,200	4,457	34,417	6,783	16%
Insurance	159,000	4,375	158,488	512	0%
Total Administrative Expenses	408,000	32,901	338,035	69,965	17%
Other Expenses:					
Training/Travel:					
Dues	33,000	336	29,383	3,617	11%
Training-Travel, Meals & Lodging	41,000	88	29,290	11,710	29%
Staff/Trustee Training & Travel	74,000	424	58,672	15,328	21%
Participant/Member Education	5,000	-	-	5,000	100%
Website support/maintenance	5,000	-	-	5,000	100%
Equip Rent	2,520	1,388	1,388	1,132	45%
Printing Cost	7,000	-	-	7,000	100%
Supplies	10,000	121	2,285	7,715	77%
Furniture/Equipment	10,000	-	7,216	2,784	28%
Postage	8,000	735	735	7,265	91%
Total Other Expenses:	122,000	2,668	70,296	51,704	42%
Pension Software & Maintenance	115,000	-	-	115,000	100%
Contingency Reserves	100,000	-	-	100,000	100%
Total Costs FYE 2019	3,062,000	50,569	902,721	2,159,279	71%
FYE 2018 Expenses Paid 2019	-	-	340,779		
	<u>3,062,000</u>	<u>50,569</u>	<u>1,243,499</u>		

AGENDA ITEM 5.A.

INVESTMENT

JUNE 2019 FLASH PERFORMANCE REPORT

(HANDOUT)

AGENDA ITEM 5.B.

INVESTMENT

FIRST QUARTER PERFORMANCE REVIEW

(HANDOUT)

AGENDA ITEM 5.C.

INVESTMENT

SMID CAP GROWTH MANAGER APPROVAL

(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 5.D.

INVESTMENT

WELLS FARGO/PRINCIPAL CUSTODY UPDATE

(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 5.E.

INVESTMENT

WORK PLAN 2019

(HANDOUT)

AGENDA ITEM 6.A.

LEGAL

**UPDATE ON CITY OF HOLLYWOOD V. CITY OF
HOLLYWOOD EMPLOYEES' RETIREMENT FUND**

(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 6.B.

LEGAL

SEGAL ASSET LIABILITY STUDY AGREEMENT



333 West 34th Street, New York, NY 10001-2402
T 212.251 5262 www.segalmarco.com

JOHN R. DEMAIO
President & CEO
jdemairo@segalmarco.com

July 15, 2019

Board of Trustees
City of Hollywood Employees'
Retirement Fund
City Hall Annex Building, Room 20
PO Box 229045
Hollywood, FL 33022-9045

Dear Trustees:

I am writing pursuant to Section 1 of the Engagement to Provide Consulting Services entered into between Segal Advisors, Inc., d/b/a Segal Rogerscasey, now known as Segal Advisors, Inc., d/b/a Segal Marco Advisors ("Segal Marco") and the City of Hollywood Employees' Retirement Fund (the "Client") that commenced on January 1, 2016, as amended by a letter agreement, dated November 6, 2017 the terms of which became effective on December 1, 2017 (collectively, the "Agreement"). Specifically, I am writing to memorialize (i) your request that Segal Marco provide (and Segal Marco's agreement to provide) additional services to the Client, consisting of an asset allocation – asset liability study as described below (the "Study") and (ii) the additional compensation payable by the Client to Segal Marco in connection with its performance of the Study.

Upon execution of this letter agreement, Segal Marco will perform the following activities:

- (a) Segal Marco will produce the Study. The Study will address all the matters set forth in the document that was distributed to members of the Board of Trustees at its meeting of April 23, 2019 with the initial heading of "Project Description" (a copy of which is attached hereto as Exhibit A) and will include the following:

The first part of the Study will develop the short-and long-term outlook for the Client. It will project the Client's demographics, contributions, funding ratios, assets and liabilities using experience neutral assumptions. These trend projections are a baseline for the asset allocation analysis.

The second part of the Study will show how the asset allocation decision impacts the future financial condition of the Client. It will examine current and alternative

asset allocations. Risk/reward profiles will be produced for each asset allocation considered. These profiles will be composed of "best", "most-likely" and "worst" case projections of the key variables for both the short- and long- terms.

- (b) To complete the Study, Segal Marco will need to work with the Client's actuary, GRS, in order to obtain key liability projections regarding the Client. In addition to the most recent valuation report, these projections include, but are not limited to:

- (1) Full benefit payment projections
- (2) Accrued liabilities
- (3) Normal cost
- (4) Contributions
- (5) Administration expenses

Segal Marco will send a detailed list of requirements to GRS upon commencement of the Study and the Client agrees to instruct its actuary to cooperate with Segal Marco's request.

Segal Marco estimates that the Study can be completed within 8 to 12 weeks from the time Segal Marco receives all data/information from the Client's actuary. The estimated time, can vary based on Client availability and decision making during the process.

- (c) In performing the Study, Segal Marco will:

- (1) Develop economic and capital market assumptions;
- (2) Select asset classes to be included in the Study;
- (3) Produce trend projections;
- (4) Identify alternative asset allocation strategies using efficient frontier analysis;
- (5) Project rates of return of alternative asset allocations;
- (6) Produce integrated asset/liability projections for each alternative asset allocation;
- (7) Formulate criteria that will be used to rank the alternatives;

- (8) Present the results and assistance to Board of Trustees in selection of an asset allocation;
- (9) Segal Marco will meet with the Client's Chief Investment Officer and other outside consultants as needed or requested by them during the Study.

Segal Marco's fee to perform the Study is \$25,000, billed and payable upon completion of the Study. The parties recognize and agree that there are ongoing discussions commonly referred to as restoration of benefits, and it is anticipated that these discussions, and the resulting impact to Plan benefits and cash flow (the "Findings"), will be finalized by the Client and its actuary (GRS) by, or around, July 1, 2019. Segal Marco will complete the study taking into account the Findings. For avoidance of doubt, the fee for the Study is in addition to (not in lieu of) the annual fee for Services in the Agreement.

Except as specifically modified by this letter agreement, the terms and conditions of the Agreement will remain in full force and effect and will govern the parties' respective obligations with regard to the Study.

Sincerely yours,

John R. DeMairo
President and CEO

**ACCEPTED AND AGREED BY
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND**

By: _____
Name: Phyllis Shaw
Title: Chair, Board of Trustees

Date: _____

EXHIBIT A

Project Description:

Asset/Liability Modeling—City of Hollywood Employees' Retirement Fund ("the Fund") is considering engaging Segal Marco Advisors ("SMA") in an asset/liability modeling (ALM) project. Investment returns rarely follow straight paths but rather exhibit much volatility. While future events are uncontrollable, defined benefit plans can control their exposure to risk and shape their future outcomes. ALM simulates future trends by determining investment returns, rates of inflation, etc. randomly, based on quantitative models. ALM enables decision makers to better understand future trends in key plan metrics and assess trade-offs of various investment portfolios, investment strategies and contribution policies.

Data/Information Requirements:

SMA will need to work with your actuary, GRS, in order to obtain key liability projections regarding the Fund. In addition to the most recent valuation report, these projections include, but are not limited to:

- Full benefit payment projections
- Accrued liabilities
- Normal cost
- Contributions
- Administration expenses

SMA will send a detailed list of requirements to GRS upon commencement of the ALM study.

ALM Study Scope:

Typically, an ALM study requires 8 to 12 weeks to complete. The estimated timeline below, as well as the time required for any stage, can vary based on client availability and decision making during the process. This timeline begins once all data/information is received from the actuary.

Stage 1 (weeks 1-4) – Model Fund Liabilities

- Using the valuation date membership information, together with the actuary's methods and assumptions, the Fund's liabilities are valued as of the most recent valuation in order to validate our results against the actuary's results.
- Once the results are validated, assets, liabilities and cash flow items are projected over a 20-year forecast period on a deterministic (single scenario) basis assuming the actuary's estimates will be borne out over this period.
- The purpose of this baseline scenario is to demonstrate how the assets and liabilities change over time and interact with each other to produce contributions, pension expense and funding ratios.

Stage 2 (weeks 5-6) - Agree on Asset Classes and Capital Market Inputs

- While the procedures in the first stage are being performed, a meeting is set up to discuss the various asset classes to be considered in the stochastic (multiple scenario) model.
- The discussion will also cover the capital market inputs (expected return and volatility for each asset class and correlation between asset classes) as well as the need or preference for constraints (a limit on certain individual or group of asset classes).

Dynamic Asset Allocation

- Portfolios are constructed to provide the highest expected return for a specific risk tolerance or for which the risk is minimized for a desired expected return. In addition, ensuring asset class considerations are relevant to liability specific characteristics.

Identify Candidate Investment Portfolios for Further Review

- From the list of portfolios considered, typically 1 to 4 candidate portfolios are selected for further review. These selected portfolios are used as input in the following stage.

Stage 3 (weeks 7-10) - Forecast Short and Long Term Key Financial Variables Using Monte Carlo Simulation

- The output from the Monte Carlo simulations provides more realistic results as interest rates, assets, and portfolios vary in accordance with statistical expectations. For each simulation and portfolio, liability metrics including, but not limited to zone status, funded ratio, surplus (deficit), credit balance (deficiency) in funding standard account, and market value of assets are calculated.
- The range of outcomes from these calculations is a more meaningful measure of risk than the standard deviation of expected returns for a given portfolio.

Analyze Results and Determine Investment Policy

- Using the simulation output, the results are analyzed in consideration of the decision maker's priorities. These results are presented, along with our recommendations, to the Board to determine the appropriate Investment Policy.

AGENDA ITEM 6.C.

LEGAL

ELIGIBILITY OF TRANSFER PARTICIPANTS TO JOIN DROP

(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 6.D.

LEGAL

REQUEST FOR EXECUTIVE SESSION

TO DISCUSS PENDING LITIGATION

(NO BACKUP FOR THIS SECTION)

AGENDA ITEM 7.A.

EXECUTIVE DIRECTOR'S REPORT

COMMUNICATIONS FROM THE EXECUTIVE DIRECTOR

(HANDOUT)

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)