

**CORRECTED**

**MINUTES  
REGULAR PENSION BOARD MEETING  
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND  
TUESDAY, JANUARY 22, 2019 AT 9:00AM**

**1. CALL TO ORDER**

Chair Shaw called the meeting to order at 9:08a.m.

**2. ROLL CALL AND PLEDGE OF ALLEGIANCE**

Board Members present: Chair Phyllis Shaw, Vice Chair George Keller (Arrived at 11:25am), Secretary Robert Strauss, Christopher Cassidy, Jeffery Greene (departed at 12:00pm), Charles Howell (departed at 2:10pm), and Cintya Ramos (departed at 12:20pm). Also present: Executive Director Christine Bailey; Jeffery Amrose and Trisha Amrose of Gabriel Roeder, Smith & Company; Keith Reynolds of Segal Marco; and Ronald Cohen of Rice Pugatch Robinson Storfer & Cohen.

a. January 22, 2019 Regular Board Meeting Agenda

**MOTION** made by Trustee Cassidy, seconded by Trustee Ramos, to adopt the January 22, 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. December 13, 2018 Regular Meeting Minutes
- b. Ratification of Distributions (Contributions and DROP) and Plan Expenses
- c. Approval/Ratification of New Retirements/DROP/Vested/Death Annuities

Trustee Strauss requested that item 3a and 3b be withheld for discussion.

**MOTION** made by Trustee Cassidy, seconded by Trustee Greene, to approve Consent Agenda Items 3c. In a voice vote of the members present, all members voted in favor. **Motion** passed 6-0.

Agenda Item 3a. - Trustee Strauss noted that the minutes stated that Ms. Bailey would provide an explanation of loss of \$13 million as report on the October 2018 Draft Financial Report. Ms. Bailey advised that the loss in asset value was investment related only and did not reflect the \$22 million in Employer Contribution received in October. In response to a question from Trustee Strauss, Mr. Cohen advised that the joint motion to lift the Stay in the City's lawsuit had been ordered.

Trustee Shaw questioned the inclusion of language in [ ] brackets. Ms. Bailey advised that the language in the brackets were not said at the meeting and was provided for clarification purposes only. Mr. Cohen requested that the minutes be amended in section 6c to state that the floor was necessary for the preservation of capital which the IRS previously accepted.

Trustee Shaw noted that the minutes should be amended to reflect that Trustee Keller was nominated by Trustee Ramos. Trustee Strauss noted that he recommended Trustee Cassidy and that was not reflected in the minutes. Trustee Cassidy stated that motions that die on the floor should be reflected in the minutes.

**MOTION** made by Trustee Cassidy, seconded by Trustee Strauss, to table Consent Agenda Item 3a until the February Meeting. In a voice vote of the members present, all members voted in favor. **Motion** passed 6-0.

Agenda Item 3b. - Trustee Strauss questioned the dollar amounts on the Planned Retirement Distribution and the terms Partial and Final. Ms. Bailey noted that member are usually paid partial distributions until the investment return for the quarter of their retirement became available and the final payments represent the residual balances on the retirees' accounts to close their accounts.

**MOTION** made by Trustee Strauss, seconded by Trustee Cassidy, to approve Consent Agenda Item 3b. In a voice vote of the members present, all members voted in favor. **Motion** passed 6-0.

#### 4. **FINANCIAL**

a/b. Jeffery Amrose provided a status report of the 2018 Actuarial Valuation. He noted that in order to complete the evaluation, GRS needed the Census Data and the Financial Information of the Fund for September 30, 2018; the Income Statement, the Balance Sheet and the DROP Balances. He noted that once the Information was received, he anticipated that the Valuation Report would be completed in 8 Weeks. He advised that the GASB 67 Disclosure should be completed within 2-3 weeks of receipt of the Financial Information. He noted that the GASB 68 information had already been provided to the Fund.

Trustee Strauss inquired if we would be able to meet the City's timeline for budgetary and other purposes. Mr. Amrose noted that an estimate of the Employer Contribution could be provided to the City as it had been in the past, if necessary.

The Board discussed the breakout of the cost of the 13<sup>th</sup> check from the Employer Contribution. **MOTION** made by Trustee Cassidy, seconded by Trustee Strauss, to follow the ordinance and not take out the 13<sup>th</sup> check and not pay for it to be calculated. Trustee Greene inquired if he would still be able to identify the cost of the 13<sup>th</sup> check. Mr. Amrose noted that the report will reflect what is owed for the 13<sup>th</sup> check. He noted that the City had previously requested an amount without the payment of a supplemental distributions.

The Board discussed the City's need for information and payment for the preparation of any information requested. Mr. Amrose noted that he would also need the Board's approval to provide a separate letter to the City with any requested information related to the 13<sup>th</sup> check.

In a voice vote of the members present, all members voted in favor. **Motion** passed 6-0. Trustee Cassidy inquired if there were any other work being performed by the Actuary that was not a requirement under the ordinance to be provided to the City from the Board. Mr. Amrose confirmed that there were none.

The Board requested that Mr. Amrose include options to reduce the underfunding of the plan. Mr. Amrose noted that the previous recommendations included shortening the amortization period and further lowering the investment return rate. Trustee Cassidy noted that the Board sought a realistic number for the assumed rate of return. He also noted that the mortality rates from the State have changed, increasing cost and yet the funding rate of the Plan still increased. He inquired if

the Actuary could identify the costs of such changes? Mr. Amrose noted that information included in the report, highlighting the change in the mortality table increased the underfunding by \$23 million. He noted that assumptions did not change the cost of the Plan, it determined when contributions should be made to the Plan.

Trustee Ramos requested clarification on the prior vote, including the Board not denying a request for the City for an information request from the Actuary. Trustee Cassidy clarified, stating that his motion was to ensure that the Plan did not pay for something that was not required. He stated that he had no problem with the City making the request. The Board concurred.

Mr. Amrose requested clarification for the preparation of GASB 67 and the inclusion of the supplemental distribution. In response to a question from Trustee Cassidy, Mr. Amrose noted that the supplemental benefit was included in the ordinance and as such it would be included in the GASB 67 Disclosure. **MOTION** made by Trustee Cassidy, seconded by Trustee Strauss, that the supplemental benefit liability be included as part of the GASB Report. Trustee Shaw inquired if there were any similar issues at other pension plans. Mr. Amrose noted that he was not aware of any similar issues at any other plan that he dealt with. Trustee Ramos requested an opportunity to go back to determine why the City did the disclosure that way and what the Police and Fire Funds were doing.

In response to questions from Trustees, Mr. Amrose noted that GASB report could not be done until the Financials were received and that the any delay would be at the Board's discretion. He noted that the information was for the City's CAFR Report which was due at the end of March. Trustee Ramos noted that she did not expect the CAFR report deadline to be met.

Trustee Cassidy inquired if there was any legal reason to report or not report the cost of the 13<sup>th</sup> Check in the GASB disclosure. Mr. Cohen deferred, noting that he was not an expert on GASB but noted that the 13<sup>th</sup> Check payments were a liability of the Board and that it would likely be a mistake not to report the over \$7 million in liability, particularly if the assets were being included in the actuarial valuations.

Trustee Cassidy inquired if the Board's action or inaction would affect the lawsuit with the City. Mr. Cohen stated that it should not. Trustee Greene noted that there would be a footnote that stated that we were not in compliance with GASB which may disqualify the audit. **MOTION** by Trustee Greene to table Trustee Cassidy's motion to the next meeting. The **motion** was not seconded and was withdrawn.

The Board returned to the original motion from Trustee Cassidy. The results of the voice vote was unclear. While most Trustees noted that the information should be reported, they discussed the need for more information including why the City reported the information the way it did. Trustee Strauss noted that there was no clear tally of the vote on the motion.

In a roll call vote of the members present, the **Motion** passed 5-1. Trustee Ramos opposed the motion.

- c. Ms. Bailey advised the Board that there was an IRS rule that does not allow a member to select a non-spousal beneficiary who is 10 or more years younger than

the member, to receive a 100% Joint and Equal form of retirement benefit. She noted that there were current retirees and deceased retirees who selected that form of benefit with beneficiaries who were 10 or more years younger than themselves.

Mr. Amrose explained the IRS rule 401a (9) that prevented retirees for making the election. He noted that this rule did not affect the 50% Joint and Half form of retirement benefit.

Trustee Cassidy noted that there were two main issues. First, deceased retirees who received a reduction based to the age of their beneficiary, secondly, the current retirees, who were collecting reduced pensions, and questioned how we would correct both. Ms. Bailey noted that there were cases that fell in both categories. The Board request additional information on the retirees and beneficiaries impacted and asked that Ms. Bailey, Mr. Cohen and Mr. Amrose provide a recommendation to the Board to correct the error in March.

- d. Ms. Bailey provided the Board with the September 30, 2018 Treasurer's Report, the October 31, 2018 Financial Report. Trustees requested that more current information be provided even if it were incomplete.

## **5. INVESTMENT (Keith Reynolds – Segal Marco)**

- a. Third Quarter Performance Review

Mr. Reynolds noted that the Fund increased by approximately 2.5% in the quarter and 3.5% for the calendar year to date. He noted that the Fund outperformed in the fourth quarter.

Mr. Reynolds noted that the Fund return for the three- and five-year periods ending September 30, 2018, outperformed the index and the median fund of its peers at a lower standard deviation.

In response to a question from Trustee Shaw, Mr. Reynolds noted that the TSW would be reviewed along with the assets previously managed by Frontier as part of the SMID Cap review in 2019. Trustee Strauss noted that there were not passive managers. Mr. Reynolds noted that 26% of the Fund's assets were in passive investments and there were not many index funds in this space.

- b. November 2018 Flash Performance Report

Mr. Reynolds advised the Board that the Flash Report for November 2018 was not yet available.

- c. 2019 Work Plan

Mr. Reynolds advised the Board that the discussion of the 2019 Work Plan would be moved to February.

Mr. Reynolds reviewed the process and timeline of conducting an Asset/Liability Study. He estimated that the cost of the study would be between \$25,000 and \$50,000.

The Board discussed the Segal Client Conference and the new fees associated with the conference. The Board determine that the conference had significant educational value and it would be beneficial for Trustees to attend. Mr. Reynolds

noted that the firm does not make any profit on the conference, the fees represent only the services provided. Since these fees were unexpected, Trustees requested that Segal consider ways to reducing the fees for the conference.

**MOTION** made by Trustee Cassidy, seconded by Trustee Strauss, to extend the meeting for half an hour. In a voice vote of the members present, all members voted in favor. **Motion** passed 7-0.

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

- a. Proposed Ordinance Amendment for consistency with the September 3, 2015 IRS Determination Letter

Mr. Cohen advised the Board that the Proposed Ordinance passed on first reading. He noted that the section of Reemployment After Retirement is not language required by the IRS. He stated that he explained to Alan Falik that the section was not a requirement and that the Board voted against its inclusion and feared that it would delay the passage of the ordinance. He noted that he went to the Commission meeting and spoke in favor of passage of the amendment without this section.

Trustee Cassidy inquired about the inclusion of the language in section H (8) and questions the Board's role in recommending changes to the ordinance. Mr. Cohen stated that he would investigate the reason for the inclusion of the new language. Trustee Strauss questioned the language under required distributions and the time of payment. He asked if that language could delay payment as stated. Mr. Cohen noted that it was an IRS requirement that distribution be made by the date stated.

- b. 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 the Fund met with City and noted that there had been progress. He noted that the City's outside counsel was now in favor of severing the Employees' Fund from the current combined lawsuit. Trustee Strauss noted that in his letter to the City, Mr. Cohen had requested payment of the 2012 13<sup>th</sup> Check and asked whether the rewrite included the payment of this check. Mr. Cohen advised that the issue was still outstanding.

- c. Proposed Ordinance Amendment relating to the Employees' Retirement Fund

Mr. Cohen advised that after a review of the records of the last meeting, he determined that there was no consensus on whether to send the proposed ordinance out for a vote of the membership after the first reading but prior to it being negotiated with the union, or to wait until after it was negotiated. He noted that there was only an instruction to send out an email, which was done.

- d. Wells Fargo Custody Agreement

Mr. Cohen noted that there were two issues with the Agreement related to indemnification and fiduciary duty. He noted that the Agreement had been sent back to Wells Fargo

**MOTION** made by Trustee Cassidy, seconded by Trustee Keller, to extend the meeting for 15 minutes. In a voice vote of the members present, all members voted in favor. **Motion** passed 6-0.

- e. 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.

## 7. EXECUTIVE DIRECTOR'S REPORT

- a. City Commission Annual Report  
The Board received the City Commission Annual Report. The Board requested that additional detail be included in the Report.
- b. City Commission Communication  
The Board received the City Commission Communication.
- c. Communications from the Executive Director
  - Ms. Bailey advised the Board that the Trustee Election was schedule for February 5<sup>th</sup> when most Trustees and Staff would not be available and requested that the Board reschedule the Election for February 12<sup>th</sup> **MOTION** made by Trustee Keller, seconded by Trustee Strauss, to reschedule the Trustee Election from February 5<sup>th</sup> to February 12<sup>th</sup>, leaving all other aspects the same. In a voice vote of the members present, all members voted in favor. **Motion** passed 5-0. Ms. Bailey noted that she had provided Trustees with a question from the attorney for the union regarding the eligibility of candidates and Mr. Cohen's response to the question.
  - Ms. Bailey advised that the Retiree Audit was almost complete with approximately 75% of the Retirees responding. A report of the Audit results will be provided at the next meeting.
  - Ms. Bailey provided communications from the City Manager regarding the preparation of the financial statement as well as the response to the City Manager.
  - Ms. Bailey reminded the Board that the FPPTA Trustee School started on February 3, 2019.
  - Ms. Bailey requested that the Credit Card formerly issued to the Vice Chair, be instead issued to the Pension Coordinator. **MOTION** made by Trustee Cassidy, seconded by Trustee Howell, to increase the Executive Director's Credit Card to \$16,000. In a voice vote of the members present, all members voted in favor. **Motion** passed 4-0. Trustee Strauss was not in the Room.
  - Ms. Bailey advised the Board that in preparing the valuation data there appears to be certain errors or omissions. She noted that approximately 40% of the records were missing documentation such as Personnel Action Forms, Member Records, Proof of Age or Social Security Number. She noted that the retirees' valuation records had not yet reviewed. She advised the Board of inconsistencies in certain records.
  - She noted that J. Sheffel had retired and was being paid both his pre- and post-2011 change benefits. Additionally it appeared that the Retirement was never presented to the Board for approval. The Board discuss a course of action. Mr. Cohen recommended that the Board communicate with the member and advise him of the error and the corrective action as well as inviting him to address the Board if he disagreed. The Board

discussed recoupment of the overpayment to Mr. Sheffel. Ms. Bailey also noted that the letter to Mr. Sheffel stated that he was entitled to supplemental distributions which he was not.

**MOTION** made by Trustee Keller, seconded by Trustee Cassidy, to seek the return of the overpayment from Mr. Sheffel within 30 days or begin recouping the benefits in 15 installments. In response to questions from Trustee Cassidy and Trustee Keller, Ms. Bailey advised that she had not charged interest on any overpayment identified and that all overpayments that had been identified to date had been recovered. In a voice vote of the members present, all members voted in favor. **Motion** passed 5-0.

**MOTION** made by Trustee Cassidy, seconded by Trustee Keller, to extend the meeting for 15 minutes. In a voice vote of the members present, all members voted in favor. **Motion** passed 5-0.

- Ms. Bailey advised the Board that W. Ishmael was formerly a member of the Fund and that, having reentered the Fund, he would again be eligible to receive credit for that time. She noted that the City (who administered the Fund at the time) had no record of the member being given a refund. Ms. Bailey recommended that the Board grant credit to the member under the ordinance with the receipt of an affidavit from the member that he has not received a refund and a letter from the City confirming that they have no record of him receiving a refund. **MOTION** made by Trustee Cassidy, seconded by Trustee Strauss, to accept the recommendation of the Executive Director. In a voice vote of the members present, all members voted in favor. **Motion** passed 5-0.
- Ms. Bailey advised the Board that T. Gordon had separated from the City, received a refund, and the separation was then rescinded. She noted that the member's case indicated that the member was required to return the refund, however, it does not appear that this was communicated to the member. She requested the Board provide guidance on how to proceed. **MOTION** made by Trustee Strauss, seconded by Trustee Cassidy (for discussion), to send certified mail to Ms. Gordon for the repayment of the contributions that coincide with credited pension service time. **MOTION** made by Trustee Strauss, seconded by Trustee Cassidy that the Mr. Cohen and Ms. Bailey review the issue with the member and communicate the negotiated repayment to the Board for a period not to exceed 5 years. In a voice vote of the members present, all members voted in favor. **Motion** passed 5-0.
- Ms. Bailey advised the Board, that after discussion with Mr. Cohen, members would be allowed to join Planned Retirement once they have reached Normal Retirement Age on their pre-plan change benefits only, even if they are not yet eligible to receive their post-plan change benefits. The Board concurred.
- Ms. Bailey requested the Board's guidance on the question of whether a participant can elect Planned Retirement on a date prior to their application to participate in the program. The Board discussed allowing the actions taken on retired members to stand and requested a list of all active members whose applications have been backdated. **MOTION** made by Trustee Keller, seconded by Trustee Strauss that effective immediately, the window for retroactive participation is closed. In a voice vote of the

members present, all members voted in favor. **Motion** passed 5-0. The Board requested that Ms. Bailey notify employees of the policy change. The Board also agreed that a particular member who was misinformed be given 30 days to make a retroactive election after which his window would also be closed.

**MOTION** made by Trustee Keller, seconded by Trustee Cassidy, to extend the meeting to 2:00pm. In a voice vote of the members present, all members voted in favor. **Motion** passed 4-0.

- Ms. Bailey advised the Board that it was her one year anniversary and that based on the anticipated length of this meeting her evaluation had been postponed to next month. She also noted that she would be requesting that the part-time employee work full-time. **MOTION** made by Trustee Cassidy, seconded by Trustee Keller to hire the part-time employee on a full-time basis to particularly ensure that the Calendar is issued at least a week before the meeting. In a voice vote of the members present, all members voted in favor. **Motion** passed 4-0. The Board thanked Ms. Bailey for her work. The Board requested that Ms. Bailey provide a timetable to complete the review of the Active and Retiree Files and to relocate the pension office.

**8. PUBLIC COMMENTS**

Tim McVeigh and Barbara Armand made public comments.

**9. TRUSTEE REPORTS, QUESTIONS AND COMMENTS**

Trustee Strauss expressed concern about the complex language used in the Proposed IRS Ordinance and where the language come from. He also stated that the Fund made the refund to the member discussed earlier and that a request for the return of the funds should have been made at that time. He noted that the reinstatement process was not the breakdown but the execution of the process. Trustee Strauss also expressed gratitude for the meeting with the City regarding the 13<sup>th</sup> check. He requested that there be sufficient communication with the Retiree Association regarding the issue.

Trustee Keller requested that if there are any question regarding the interpretation of rules or policies that they brought to the Board.

**10. ADJOURNMENT**

**MOTION** made by Trustee Keller, seconded by Trustee Strauss, to adjourn the meeting. In a voice vote by the members present, **Motion** passed 4-0. Meeting adjourned at 2:15p.m.

  
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Phyllis Shaw, Chair

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Date 4/9/19