

**MINUTES**  
**REGULAR PENSION BOARD MEETING**  
**CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND**  
**THURSDAY, November 1, 2018 at 9:00AM**

**1. CALL TO ORDER**

Chair Shaw called the meeting to order at 9:10a.m.

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

Board Members present: Chair Phyllis Shaw, Vice Chair Jeffery Greene (not present 9:30-9:40am), Secretary Robert Strauss, Christopher Cassidy, Charles Howell (via Teleconference), George Keller, and Cintya Ramos. Also present: Executive Director Christine Bailey; Alan Falik, Deputy City Attorney; Jeffery Amrose and Trisha Amrose from Gabriel, Roeder, Smith, and Company; Keith Reynolds and Rosa Limas of Segal Marco; and Ronald Cohen of Rice Pugatch Robinson Storfer & Cohen.

**MOTION** made by Trustee Cassidy, seconded by Trustee Keller, to allow Charles Howell to participate telephonically due to extraordinary circumstances. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0.

a. November 1, 2018 Regular Board Meeting Agenda

**MOTION** made by Trustee Cassidy, seconded by Trustee Keller, to approve the November 1, 2018 Regular Board Meeting Agenda as presented. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0. Trustee Greene was not present.

**3. CONSENT AGENDA**

- a. LAID OVER ITEM: August 23, 2018 Regular Meeting Minutes
- b. September 27, 2018 Regular Meeting Minutes
- c. Ratification of Distributions (Contributions and DROP) and Plan Expenses
- d. Approval/Ratification of New Retirements/DROP/Vested/Death Annuities

Trustee Cassidy requested that item 3a be withheld for discussion.

Agenda Item 3b. – It was noted that included in the minutes was Trustee Keller's Form 8B Memorandum of voting conflict for county, municipal, and local public officers stating that on September 27, 2018, Trustee Keller abstained from voting on matters related to Agenda Item 6d. the Proposed Ordinance Amendment related to the Employees' Retirement Fund due to a conflict.

**MOTION** made by Trustee Cassidy, seconded by Trustee Keller, to approve Consent Agenda Items 3b through 3d. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0. Trustee Greene was not present.

Trustee Cassidy noted that he requested copies of the meeting records. Ms. Bailey provided the record for the September meeting to Trustee Cassidy and would sent him the August meeting record.

Trustee Strauss noted that the minutes reflected that he voted in favor of the motion to set a debate time and the number of times a member may speak on a topic to twice and each member be limited to 2 minutes, allowing for time to be extended by a two thirds majority vote of the Board. Trustee Strauss stated that he asked for a clear determination on whether his telephonic votes count and being uncertain, he in fact did not vote and would have opposed the motion. He requested that the minutes be amended to reflect his opposition to the motion.

**MOTION** made by Trustee Keller, seconded by Trustee Cassidy, to amend Consent Agenda Item 3a. Minutes of the August 23, 2018 Regular Meeting minutes to include Trustee Strauss' opposition as it relates to time limits on Trustees. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0

**MOTION** made by Trustee Cassidy, seconded by Trustee Keller, to have Trustees specifically disclose a vote of Yes or No, unless they have a reason to abstain. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

**MOTION** made by Trustee Cassidy, seconded by Trustee Keller, to approve Consent Agenda Item 3a. as amended to include Trustee Strauss' opposition as it relates to time limits on Trustees. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

#### 4. FINANCIAL

- a. Mr. Amrose presented the Actuarial Valuation Report as of October 1, 2017. He noted that over the year, October 2016 through October 2017, there has been modest improvement in the funding matrices, including the funded ratio which increased from 59.6% to 62.1% over last year. He noted that the fund had actuarial gains during the year. He noted the Assumed Interest Rate (AIR) was reduced to 7.6% during the period and would be further reduced to 7.5% in 2018. The required City contribution, as a percentage of payroll, decreased by 4.5%. He noted that the dollar requirement increased mainly as a result of 10% more payroll in the system.

Mr. Amrose stated that the Required Employer Contribution (REC) is \$25.2 million, 58.59% of payroll, an increase of approximately \$500,000 or a decrease of 4.52% of covered payroll. He noted that the change in the contribution rate was primarily the result of the AIR change from 7.7% to 7.6%, the increase in Normal Costs as the level of actual payroll, and the recognition of actuarial gains.

Mr. Amrose noted that the shortfall in the actual City contributions versus required was \$7.4 million at the valuation date. Trustee Cassidy inquired if the REC for Fiscal Year 2019 included the shortfall. Mr. Amrose advised that the REC assume the shortfall payment will come in.

Trustee Cassidy inquired about the shortfall being considered as coming in but not being invested and how many years would the Actuary assume that the payment would be made before that assumption changed. Mr. Amrose noted that the Shortfall included interest charges for the period that the assets are not in the plan. He noted that the State has not approved the valuation reports since 2015, which has more consequences for Fire and Police, and would affect the State's revenue share with the City. Mr. Cohen question whether the assumption that the shortfall will be paid results in the overstatement of plan assets. Mr. Amrose confirmed that he was correct.

Mr. Amrose noted that there would be no supplemental distribution for Fiscal Year 2017. Trustee Strauss inquired about the AIR and questioned the rate used by other funds. Mr. Amrose noted that the average AIR was 7.2% for most funds. In response to a question from Trustee Strauss, Mr. Amrose noted that the purpose of an AIR is to allow the plan the best chance of meeting those assumptions. He noted that more aggressive assumptions, tend to lead to more

losses. Mr. Reynolds noted that return assumption in most asset classes have decreased and therefore the AIR is being reduced and only a few clients remain at 8%.

Mr. Amrose noted that Plan assets were \$320 million and liabilities for inactive members alone was \$385 million. He noted that the funded ratio had decreased from a high of 82.5% in 2000 to 62% today. He provided recommendations on how to improve the funded ratio, including shortening the amortization period by one year, which would have no material impact on employer contribution. In response to a question from Trustee Cassidy, Mr. Amrose noted that the funding ratio of most retirement funds were similarly down.

Mr. Amrose noted that the actual value of assets were \$9 million higher than the smoothed assets and therefore the fund will have unrecognized gains over the next four years. Additionally the AIR would be reduced to 7.5% in fiscal year 2018. He also noted the additional savings from the reduction in normal costs for the lower benefits for new hires. Trustee Ramos requested details of the assumption changes after 2011.

**MOTION** made by Trustee Greene, seconded by Trustee Ramos, to accept the Actuary's Valuation Report. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

- b. Ms. Bailey provided the Preliminary Financial Report for September 2018. The Board requested a synopsis of the report details.

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

### a. Custodial Fee Discussion

Ms. Rosa Limas provided an evaluation of custody services and fee provided by Wells Fargo. She noted that Segal meets monthly with representatives from Wells Fargo to ensure the integrity of their services and to address the concerns of the Board of Governors of the Federal Reserve System. She expected that Wells Fargo would soon issue a report on their compliance with specific requests of the Board of Governors.

Ms. Limas noted that most of the concerns were primarily in the retail space of Wells Fargo and that to date there was no evidence of fraudulent activity in their custody business. She noted that Wells Fargo remained financially stable.

Ms Limas explained the characteristics of a custodian bank and provided a comparison of Wells Fargo with their competitors providing similar services. She noted that Well Fargo had all the capabilities of a top tier bank, and that their financial condition and cost of services were in line with their competitors.

Ms. Limas noted that the estimated costs in the custody report were not the same as the actual costs on the invoices. The Board requested that Ms. Limas update her report to include actual fees instead of estimated fees.

**MOTION** made by Trustee Cassidy to compare the actual cost of Wells Fargo with its competitor. The motion was not seconded. The Motion died.

**MOTION** made by Trustee Cassidy, seconded by Trustee Keller, to put out an RFP in the next calendar year for custodial services. **MOTION** made by Trustee Robert Strauss, seconded by Trustee Greene, to table the motion to put out an RFP in the next calendar year for custodial services. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

**MOTION** made by Trustee Cassidy, seconded by Trustee Keller, to compare Wells Fargo [with the competitors] based on actual cost of Wells Fargo and to be brought back by the Board. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

b. Flash Report September 2018

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

c. Brandes Review

Mr. Reynolds presented a review of the Brandes International Small Cap Fund. He noted that the research team believed that Brandes was still following its investment style and they still had confidence going forward in the manager but added that the Board may consider adding a complimentary manager next year.

d. 2018 Work Plan

Mr. Reynolds provided the 2018 Work Plan for review. He noted that the September quarterly performance report may be presented at the December meeting. He proposed that the Head of Research Alan Kosan come to a future meeting to discuss the 2019 Work Plan.

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

a. Attendance and Telephone Policy

Mr. Cohen reviewed the policy.

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

Mr. Cohen advised the board that there are two open issues. He advised that the City has agreed that there should be no change to the definition of Net Market Rate of Return. Mr. Cohen will reach out to Mr. Amrose and request his opinion regarding the impact of the 0% floor and determine if it has any impact on the 415 limitations. He noted that there was prohibited transaction language on Page 17 which the board is complying with already by law so that language could remain. He also noted that the board had requested that the language on Page 18 regarding reemployment after retirement be deleted as unrelated.

Mr. Falik advised the Board that if the City desired to reemploy a retiree, they could not do so unless it was allowed by the plan. He asked the board to consider the amendment but noted that the ratification of the union was still required. The Board requested that this issue be brought to the union for ratification before it is provided with the Board.

**MOTION** made by Trustee Keller, seconded by Trustee Strauss, to exclude (II) from Page 18. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

**MOTION** made by Trustee Keller, seconded by Trustee Cassidy, to send the proposed ordinance to City with the exclusion of (II) from Page 18 and with (8) on page 6 subject to Mr. Amrose's determination that the interest floor will not affect members 415 limits. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

**MOTION** made by Trustee Greene, seconded by Trustee Keller, to approve the remainder of the proposed ordinance. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

**MOTION** made by Trustee Cassidy, seconded by Trustee Strauss, to extend the meeting for one-half hour. In a voice vote by the members present, the **Motion** passed 4-3. Trustees Greene, Keller and Ramos opposed the motion.

- c. Proposed Ordinance Amendment relating to the Employees' Retirement Fund  
Mr. Cohen noted that the ordinance had already been passed by the City Commission, and that it required to approval of the membership and the union. Trustee Cassidy inquired if this was a time sensitive issue. Mr. Falik stated that there was no specific timeline but he noted that the City had already passed the ordinance.

In response to a question from Trustee Shaw, Mr. Falik noted that there was no requirement that the union vote on this proposed amendment prior to the plan members but that it would probably be better for the union to ratify the proposed ordinance before the Board holds its election. The Board requested that the proposed ordinance be sent to the union for ratification prior to it being sent to the membership for consideration.

- d. 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 filed a joint motion with the City to lift the stay so that the litigation could proceed. He noted that the Police and Fire Funds did not join in the motion but indicated that they had no objections. Mr. Cohen and Trustee Keller expressed the frustrations of the slow pace of the process with the City.
- e. Request for Executive Session to Discuss Pending Litigation  
He 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. ADMINISTRATIVE ISSUES

- a. Proposed Fiscal Year 2019 Budget  
Ms. Bailey provided the Board with the Fiscal Year 2019 Proposed Budget.

**MOTION** made by Trustee Greene, seconded by Trustee Cassidy, to accept the proposed budget and sent it to the City. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

- b. Proposed 2019 Regular Board Meeting Dates  
The Board reviewed the new proposed 2019 Regular Board Meeting Schedule. The Board requested that the proposed June 25<sup>th</sup> meeting be changed to an evening meeting from 6:00pm – 8:00pm.

**MOTION** made by Trustee Cassidy, seconded by Trustee Keller, to accept the Proposed 2019 Regular Board Meeting Dates with the June 25<sup>th</sup> meeting being moved from 9:00am, to 6:00pm – 8:00pm. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

c. Proposed Employee Election Process

Ms. Bailey provided the Board with the Proposed Employee Election Retirement Process. In response to a question from Trustee Cassidy, she noted that there were no material changes to the previous process, however, three additional dates were included in the process to address challenges to the election results, as they were part of the Election Procedures.

**MOTION** made by Trustee Greene, seconded by Trustee Cassidy, to accept the Proposed Employee Election Process. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

d. New Pension Software

Ms. Bailey advised the Board that a Request for Proposal would be issued in January 2019 to seek the development of New Pension Software.

**MOTION** made by Trustee Cassidy, seconded by Trustee Keller, to allow the Executive Director to obtain proposals and recommend a short list of proposed vendors to the Board for consideration. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

c. City Commission Communication

The Board received the City Commission Communication.

d. Communications from the Executive Director

- Ms. Bailey advised the Board that Wells Fargo would conduct an audit of the Retiree Payroll. She also provided copies of the annual life certification that retirees will be asked to complete going forward.
- Ms. Bailey requested that the Board revise its authorization to Wells Fargo to allow for only one authorized signer on deposits only.

**MOTION** made by Trustee Greene, seconded by Trustee Keller, to authorize Wells Fargo to accept only one authorized signer for deposits only. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

**MOTION** made by Trustee Cassidy, seconded by Trustee Strauss, to extend the meeting for an additional 15 minutes. In a voice vote by the members present, the **Motion** passed 4-3. Trustees Greene, Keller and Ramos opposed the motion.

- Ms. Bailey also noted an issue with an outstanding invoice. She advised the Board that the NCPERS 2019 Legislative Conference would be in January 2019 and recommended that the Board consider sending a representative to this or future legislative conferences.

Ms. Bailey advised the Board that the auditors had begun the Fiscal Year 2018 Financial Statement Audit. She updated the Board on the retiree benefit calculation concern. The calculations were in fact correct based

upon the interpretation and understanding of the language in the ordinance.

- Ms. Bailey provided the Board with the Administrative and Membership Report.

**8. PUBLIC COMMENTS**

There were no public comments.

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

Trustee Strauss advised that at the Annual meeting of the City of Hollywood Employees Retirees' Association on October 25<sup>th</sup>, he was elected President of the Association for a two year period.

Trustee Shaw requested that the Board set up Committees and requested volunteers for the committees. The Following committees were established with the following participants:

**Investment**

Christopher Cassidy – Appointed Pro-tem Chair

Jeffery Greene

Charles Howell

George Keller

**Financial/Administration/Actuarial/Audit/Risk**

Jeffery Greene - Appointed Pro-tem Chair

Charles Howell

Cintya Ramos

Phyllis Shaw

**Board Governance**

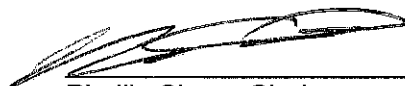
Phyllis Shaw, appointed Pro-tem Chair

Christopher Cassidy

Cintya Ramos

**10. ADJOURNMENT**

**MOTION** made by Trustee Greene, seconded by Trustee Keller, to adjourn the meeting. In a voice vote by the members present, **Motion** passed 7-0. Meeting adjourned at 12:45p.m.



Phyllis Shaw, Chair

January 28, 2019

Date