

**MINUTES  
REGULAR PENSION BOARD MEETING  
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND  
TUESDAY, APRIL 23, 2019 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 George Keller, Secretary Robert Strauss, Jeffery Greene, Christopher Cassidy, Charles Howell (via teleconference), and Cintya Ramos. Also present: Executive Director Christine Bailey; Keith Reynolds of Segal Marco; Ronald Cohen of Rice Pugatch Robinson Storfer & Cohen; and Jeffery Amrose from Gabriel, Roeder, Smith, and Company

a. April 23, 2019 Regular Board Meeting Agenda

**MOTION** made by Trustee Cassidy, seconded by Trustee Ramos, to adopt the April 23, 2019 Regular Board Meeting Agenda moving the Investments before the Financials. In a voice vote of the members present, all members voted in favor. **Motion** passed 5-0. (Trustee Greene was not in the room.)

It was noted that Trustee Howell had attending the meeting telephonically at least twice and the approval of the Board was required to allow him to participate telephonically at this meeting. It was also noted that Trustee Howell was on the way to the meeting when he received a call requiring him to return to his office.

**MOTION** made by Trustee Cassidy, seconded by Trustee Keller, to allow Trustee Howell to attend the meeting telephonically. In a voice vote of the members present, all members voted in favor. **Motion** passed 6-0.

Trustee Howell granted permission to record his participation for the meeting.

**3. CONSENT AGENDA**

- a. March 26, 2019 Regular Meeting Minutes
- b. Ratification of Distributions (Contributions and DROP) and Plan Expenses
- c. Approval/Ratification of New Retirements/DROP/Vested/Death Annuities

Trustee Cassidy and Trustee Strauss requested that item 3c be withheld for discussion.

**MOTION** made by Trustee Greene, seconded by Trustee Strauss, to approve the Consent Agenda Items 3a and 3b. In a voice vote of the members present, all members voted in favor. **Motion** passed 7-0.

Trustee Cassidy inquired about the inclusion of a retiree's total annuity on the first page of the approval request regardless of payability date. Ms. Bailey noted that the payability date information was provided in the supporting documentation.

**MOTION** made by Trustee Keller, seconded by Trustee Strauss, to delay the approval of Consent Agenda Item 3c until requested changes can be made to the Item layout. In a voice vote of the members present, all members voted in favor. **Motion** passed 7-0.

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

- a. March 2019 Flash Performance Report

Mr. Reynolds provided the Board with the Flash Performance Report for March 2019. He noted that the assets have increased significantly in the first quarter returning 7.2% for the quarter. He also noted that the Private Equity and the Private Debt returns have not yet been reported.

- b. Wells Fargo/Principal Transaction  
Mr. Reynolds discussed the purchase of the Wells Fargo Custody and Retirement Services business by Principal Financial Group. He noted the sale would affect the Fund but advised that Rosa Limas and the staff at Segal were in discussions with Wells Fargo and that he would report on the impact of the acquisition on the Fund and keep the Board updated on the transition. Mr. Reynolds noted that any other services provided by Wells Fargo would remain with Wells Fargo.
- c. SMID Cap Growth Search  
Mr. Reynolds discussed the SMID Cap Search Report and recommended that the Investment Committee interview three managers, Alliance Bernstein, Loomis Sayles & Company, and Westfield Management Company. The Board deferred the interview discussion to the Investment Committee. In response to a question regarding the SMID Cap Allocation, Mr. Reynolds advised that the SMID Cap allocation was 10% with TSW and Northern Trust. He noted that the recommendation would be to add a third managers, each manager would receive a 1/3 allocation.
- d. The Board discussed the 2019 Work Plan for the Board and for the Investment Committees. He noted that the Work Plan now clearly delineated the activities of the Board and Investment Committee. He advised the Board that John Ross, head of the Risk Management Team will be at the next Board meeting to discuss the Asset Liability Study.

#### 4. FINANCIAL

- a. Mr. Amrose presented the Actuarial Valuation Report as of October 1, 2018. He noted that over the year, October 1, 2017 through October 1, 2018, there has been continued improvement in the funding matrices, including the funded ratio which increased from 62.1% to a little under 65% over last year. He noted that the fund had actuarial gains in the last 5 years. He noted the Assumed Interest Rate (AIR) was reduced to 7.5% during the period. The required City contribution, in dollars, decreased slightly for the first time since 2010.

Mr. Amrose stated that the Required Employer Contribution (REC) was \$25.1 million, 58.86% of payroll, a decrease of approximately \$80,000 or a decrease of 0.27% of covered payroll. He noted that the change in the contribution rate was primarily the result of the AIR change from 7.6% to 7.5%, the recognition of actuarial gains and the slight decrease in Normal Costs.

Mr. Amrose noted that the shortfall in the actual City contributions versus required was \$9.9 million at the valuation date. Trustee Keller noted that the City Commission is discussing the possibility of not Pre-funding the supplemental benefits with the State Division of Retirement (DOR). He expects the issue to advance with the DOR and hopes that the issue will be resolved, including the payment of the 2012 13<sup>th</sup> check. Mr. Amrose noted that the valuation report assumes the REC shortfall will be paid based on the interpretation provided by the DOR requiring the prefunding of the benefit. He stated that if that is changed, the reports will be adjusted to reflect that,

Mr. Amrose again noted that the AIR was reduced from 7.6% to 7.5%. He stated that the reduction in the AIR did not change the cost of the Plan, it only affected the timing of payment requirements from the City. He also noted that a net AIR

of 7.0% was more in line with the portfolio of the Fund. He stated that there were three possibilities for the valuation reports going forward.

First, keep the current 7.5% AIR. He noted that the twelve national investment consulting firms that they consult believe 7.5% would be an aggressive assumption, they expect a rate of return in the 6.0% to 6.5% range. Mr. Amrose noted that 7.5% was aggressive and there was not a high likelihood of making that assumption and the assumption increased the chances of actuarial losses, resulting in higher unfunded accrued liabilities. Second, lowering the AIR by 0.1% each year until it reaches 6.5%. And thirdly, when there are actuarial gains recognized that would lower the REC, use those fund to reduce the unfunded accrued liability.

Chair Shaw noted that these decision would be made in conjunction with the Asset Liability Study recently approved by the Board. She expressed the Board's desire to work closely with the City on a plan to strengthen the Fund.

Mr. Amrose noted that there was a net actuarial gain resulting from a 6.8% return on the market value of assets or 8.3% return on the actuarial value of assets. He noted that that the rate of return was lower that the 12.1% needed to issue a supplemental distribution for Fiscal Year 2018. He also noted that the funded ratio was 64.7%, 65.3% before the actuarial changes. He noted that the average plan that he oversaw had a funded ratio of mid to upper 80s.

Trustee Cassidy inquired about the shortfall in the REC. Mr. Amrose noted that the report assumes that the shortfall will be paid, as noted on page 35 of the report, listing the shortfall as a receivable. He also noted that interest was being charged on the shortfall. He noted that any difference between the interest charged on the shortfall and the actual rate of return would be included in gains and losses. The City would not be requested to contribute additional interest.

Mr. Amrose noted that in addition to lowering the AIR, the Board could consider lowering the amortization period. He stated that market asset value was \$5 million higher than the actuarial value of assets. Mr. Amrose noted that the Fund's assets are not sufficient to cover the liabilities for current retirees with a market value of assets of \$340.0 million and liabilities of \$397.2 million. He noted that a one-year reduction in the amortization period would only result in a \$1,000 increase in REC.

Trustee Greene questioned which action would the actuary recommended if the Board had to choose one action. Mr. Amrose stated that lowering the AIR would help the funded ratio more than any other recommendation.

Trustee Keller noted that the City was currently in negotiations with the Union and he anticipated that an ordinance impact statement would be required. Mr. Amrose advised that it would take approximately three weeks to complete an actuarial impact statement.

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

Ms. Bailey advised the Board that with the conclusion of the valuation, the actuary would start preparing the Employee Benefit Statements as at October 1, 2018, however with the possibility of significant changes to the benefits, employees would most likely be interested in their benefit amounts post any benefit changes. After discussion the Board agreed that it would be best to prepare the statements after any benefit changes.

Trustee Shaw noted that at the City's Annual Fiscal Retreat, the Mayor thanked the Trustees for their work on the Pension Board and their efforts in taking the Fund independent of the City.

- b. Ms. Bailey provided the Board with the March 31, 2019 Draft Financial Operations and Investment Summary.
- c. Ms. Bailey provided the Board with the Budget Variance Report as of March 31, 2019. The Board requested changes to the variance report to include the percentage of the budget that has been spent and a budget modification to reflect the additional salary and travel expenses for the year. Trustee Cassidy noted that the website budget may have to be increased depending on the type of service the board selects. Mr. Cohen noted that the website should be compliant with the Americans with Disabilities Act (ADA).

**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 the Court had issued an Order of Severance, whereby the claims of the City of Hollywood against the Board of Trustees of the Employees Retirement Fund were severed from all claims against other defendants. He noted that he received the full cooperation of the City's outside counsel and noted that the counsel for the Police and Fire Funds did not join the vote but neither did they oppose the motion. He noted that he had begun discovery in an effort to move the case forward.
- b. Update on Wells Fargo Contract.  
Mr. Cohen provided the board with an updated draft of the Wells Fargo contract. He noted the improved language on fiduciary responsibility and ability of the Board to sue if Wells Fargo fails to meet the standard of care. Mr. Cohen advised that the Board was still able to terminate the contract with a 60 day notice.

**MOTION** made by Trustee Strauss, seconded by Trustee Keller, to approve the revised contracts for Wells Fargo as proposed by attorney Ron Cohen. In a voice vote by the members present, all members voted in favor. **Motion** passed 7-0.

- c. Review Sunshine Law  
This review was held over.
- c. Wolf Popper LLP Retainer Agreement  
Mr. Cohen provided the Board with the Retainer Agreement for Wolf Popper and explained the process of monitoring securities and how the Board would proceed in the case of proposed litigation.

- e. Update on Spectrum Brands Holdings, Inc.  
Mr. Cohen advised that on further review it was determined that the Fund did not have standing to pursue Lead Plaintiff based on the timing of the Fund's stock purchases and sales.
- f. 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 Communication  
The Board received the City Commission Communication with recommended changes.
- b. Administrative Considerations  
Ms. Bailey requested that the Board approve a reduction in the time between the notification of an ordinance vote and the date of the election from twenty one days to ten days.

**MOTION** made by Trustee Greene, seconded by Trustee Keller, to reduce the notification period to ten days prior to the election date for the upcoming proposed retirement plan amendment. In a voice vote of the members present, all members voted in favor. **Motion** passed 7-0.

Ms. Bailey advised the Board that the Fiscal Year 2019 Financial Audit was almost complete. She advised that the Fund will need its own accountant in 2019 and sought the Board's thoughts on retaining Marcum Accountants, the City's Independent Auditors. The Board discussed the benefits of retaining Marcum and the alternative opportunities available in the marketplace. The Board requested that based on the Board's discussion, the Audit Committee further deliberate and provide its recommendation to the Board.

Ms. Bailey advised the Board that there may be a possibility of relocating the Pension office within the City Hall Circle. The Board discussed the economies of scale and the convenience for members if the office remained in the circle. The Board agreed to proceed with a request to the City for information on the possibility of obtaining office space in the circle.

- c. Member Considerations
  - Ms. Bailey provided the Board with a list of retirees and beneficiaries currently receiving benefits who may be affected by the rule regarding non-spousal beneficiaries who are 10 or more years younger than a retiree. She advised that she would continue to work with Ron Cohen and Jeff Amrose to recommend corrective action to the Board.

**MOTION** made by Trustee Greene, seconded by Trustee Keller, to extend the meeting by 10 minutes. In a voice vote of the members present, all members voted in favor. **Motion** passed 7-0.

e. Communications from the Executive Director

- Ms. Bailey advised the Board that there are 42 members who have not returned their life certificates. These remain after the Sun Credit Union and the Retirees Association assisted in locating some of the members.
- Ms. Bailey advised that the City Commission held its annual Fiscal Retreat on April 17, 2019 and the Fund provided the Commission with an overview of the Fund, its progress and concerns.
- Ms. Bailey advised the Board that the documents to establish the Plans 401(a) were being reviewed by Ron Cohen.
- Ms. Bailey provided the Administrative and Membership Report to the Board for their information.

8. **PUBLIC COMMENTS**

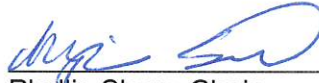
Public comments were provided by Ronald Bolton.

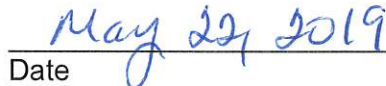
9. **TRUSTEE REPORTS, QUESTIONS AND COMMENTS**

Trustee Keller advised the Board of an issue involving individuals around City Hall. Trustee Greene thanked the Board for their kindness at the Segal Conference. Trustee Shaw, on behalf of the membership, thanked the Board, the attorney, the actuary and the staff for the work that they have done on the Fund to date.

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 12:15p.m.

  
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Phyllis Shaw, Chair

  
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Date