

**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 required 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 advised 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 inquired if 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.

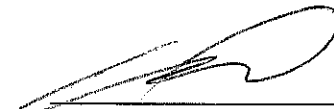
Trustee Strauss noted that the Board had taken steps to address these issues, including reducing the assumed interest rate (AIR). He noted that the Board had reduced the AIR and would revisit the AIR for further reductions.

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

aug 6, 2019

Date