

CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND

CALENDAR OF ITEMS

REGULAR BOARD MEETING

MARCH 22, 2022

ADDITIONAL MATERIAL

2A, 3A, 5A, 5B, 5C, 5D, 5E, 5F, 6B AND 7A

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

REVISED

AGENDA REGULAR PENSION BOARD MEETING TUESDAY, MARCH 22, 2022 at 9:00 AM CITY HALL, ROOM 219, 2600 HOLLYWOOD BOULEVARD

1. **CALL TO ORDER**
2. **ROLL CALL AND PLEDGE OF ALLEGIANCE**
 - A. Agenda Adoption
3. **CONSENT AGENDA**
 - A. February 22, 2022 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 Reports and Investment Summary
5. **INVESTMENT (Segal Marco Advisors)**
 - A. January 2022 Flash Performance Report
 - B. Custodian Update
 - C. TSW Transition Update
 - D. Investment Manager Review and Analysis
 - E. Work Plan 2022
 - F. **IPS Update**
6. **LEGAL (Ron Cohen – Lorium Law)**
 - A. Legal Update
 - B. ~~Member Consideration – Survivor Benefits of Joseph Bowman - WITHDRAWN~~
 - C. Request for Executive Session to Discuss Pending Litigation
7. **EXECUTIVE DIRECTOR'S REPORT**
 - A. City Commission Communication
 - B. Pension Office Renovation
 - C. CPMS Update
 - D. Communications from the Executive Director
8. **PUBLIC COMMENTS**
9. **TRUSTEE REPORTS, QUESTIONS AND COMMENTS**
10. **ADJOURNMENT**

PERSONS WITH DISABILITIES WHO REQUIRE REASONABLE ACCOMMODATION TO PARTICIPATE IN AN EMPLOYEES' RETIREMENT FUND BOARD MEETING MAY CALL THE PENSION OFFICE FIVE (5) BUSINESS DAYS IN ADVANCE AT 954-921-3333 (VOICE). IF AN INDIVIDUAL IS HEARING OR SPEECH IMPAIRED, PLEASE CALL 800-955-8771 (V-TDD). *ANY PERSON WISHING TO APPEAL ANY DECISION MADE BY THE BOARD WITH RESPECT TO ANY MATTER CONSIDERED AT SUCH MEETING WILL NEED A RECORD OF THE PROCEEDINGS, AND FOR SUCH PURPOSES MAY NEED TO ENSURE THAT A VERBATIM RECORD OF THE PROCEEDINGS IS MADE, WHICH RECORD INCLUDES THE TESTIMONY AND EVIDENCE UPON WHICH THE APPEAL IS MADE.* *THIS MEETING MAY BE CONDUCTED BY MEANS OF OR IN CONJUNCTION WITH COMMUNICATION MEDIA TECHNOLOGY, THE TYPE BEING A SPEAKER TELEPHONE.* *IN COMPLIANCE OF STATE LAW, THE BOARD OF TRUSTEES FINDS THAT A PROPER AND LEGITIMATE PURPOSE IS SERVED WHEN MEMBERS OF THE PUBLIC HAVE BEEN GIVEN A REASONABLE OPPORTUNITY TO BE HEARD ON A MATTER BEFORE THE BOARD. THEREFORE, THE BOARD OF TRUSTEES HAVE DETERMINED AND DECLARED THAT THEY WILL ALLOW THE PUBLIC TO COMMENT; HOWEVER, EACH PERSON IS LIMITED TO NO MORE THAN (3) THREE MINUTES TO COMMENT AT EACH MEETING.* *TWO OF MORE MEMBERS OF ANY OTHER CITY BOARD, COMMISSION, OR COMMITTEE, WHO ARE NOT MEMBERS OF THE EMPLOYEES' RETIREMENT FUND BOARD MAY ATTEND THIS MEETING AND MAY, AT THAT TIME, DISCUSS MATTERS ON WHICH FORESEEABLE ACTION MAY LATER BE TAKEN BY THEIR BOARD, COMMISSION, OR COMMITTEE.*

AGENDA ITEM 3.A.

CONSENT AGENDA

FEBRUARY 22, 2022

REGULAR MEETING MINUTES

REVISED
MINUTES

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**REGULAR PENSION BOARD MEETING
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND
TUESDAY, FEBRUARY 22, 2022 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 (arrived at 9:25am), Secretary Robert Strauss, Barbara Armand, Charles Howell, and David Keller. Also present: Executive Director Christine Bailey; Keith Reynolds of Segal Marco; and Ronald Cohen of Lorium Law.

A. February 22, 2022 Regular Board Meeting Agenda

MOTION made by Trustee Strauss, seconded by Trustee Howell, to adopt the February 22, 2022 Regular Board Meeting Agenda. In a voice vote of the members present, all members voted in favor. **Motion** passed 5-0.

3. CONSENT AGENDA

- A. January 18, 2021 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 D. Keller, seconded by Trustee Armand, to approve Consent Agenda Items 3a through 3c. In a voice vote of the members present, all members voted in favor. **Motion** passed 5-0.

4. FINANCIAL

- A. Ms. Bailey provided the Board with the Final November 30, 2021; and the Draft January 31, 2022 Financial Operations and Investment Summaries. She also provided the Budget Variance Report as of January 31, 2022.

5. INVESTMENT (Keith Reynolds – Segal Marco)

- A. December 2021 Flash Performance Report
Mr. Reynolds provided the Board with the Flash Performance Report for December 2021. He noted the Fund's market value of assets as of December 31, 2021 increased to \$469.8 million. He also noted that the estimated return for the Fund was about 2.8% net of fees for the month of December 2021 and up 3.9% net of fees for the fiscal year to date.
- C. 2022 Work Plan
Mr. Reynolds provided the Board with the 2022 Work Plan. He noted that research information for the existing managers was not as expected and would be provided at the next meeting. He also noted that the ESG guidelines would be provided in March or April.

Mr. Reynolds requested guidance on TSW and how the Board wanted to proceed. Trustee Shaw noted a preference to transfer the assets out of TSW now. The Board discussed a possible transition from TSW. Mr. Reynolds advised that Segal could conduct a SMID Value Search in March and present candidates in April.

MOTION made by Trustee Strauss, seconded by Trustee Armand, to accept the recommendation of Mr. Reynolds, moving funds from TSW to the Northern Trust Index Fund until a future allocation decision is made. The Board discussed alternative allocations of the TSW assets. Mr. Reynolds advised that to maintain a balance between growth and value, the fund should eventually transition to a new value manager. In a roll call vote of the members present, all members voted in favor. **Motion** passed 6-0.

Trustee Shaw requested that Segal conduct a review of the Fund's performance since the Asset Allocation Study was done to see the impact of the decisions made after the study on

the performance of the Fund. Mr. Reynolds noted that he would bring that back to the Board in the second half of the year.

6. **LEGAL (Ron Cohen – Lorum Law)**

A. Legal Updates

Mr. Cohen advised that Addenda to the GTJZ and GRS contracts were complete. He noted that the Marathon Contract had not yet closed as Marathon was still working through issues with other investors.

Mr. Cohen noted that there was a section in the Marathon Partnership Agreement that required arbitration. He noted that Marathon advised that if the investor was a government agency that had a policy of not to proceeding to arbitration that they would include, in a side letter, that the Fund would not have to proceed to arbitration. He noted that the rosters of arbitrators are sometimes not public records, that arbitration is sometimes closed to the public, and that the Attorney General has ruled that the exception to the Sunshine Law allowing an entity to meet with its attorney in private does not apply to arbitration, and the Fund would therefore be in a distinct disadvantage in arbitration. ~~He noted that due to the sunshine laws, the Trustees could not arbitrate in private, which would put the Fund at a distinct disadvantage.~~ He requested and recommended that the Board adopt the Proposed Arbitration Policy.

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MOTION made by Trustee Strauss, seconded by Trustee D. Keller, to adopt the Arbitration Policy as proposed by our Legal Counsel, Ron Cohen, as presented today February 22, 2022. The Board discussed the impact of this policy on any current or prospective managers. Mr. Cohen noted that he believed that this was the best way to proceed. In a roll call vote of the members present, all members voted in favor. **Motion** passed 6-0.

Mr. Cohen advised that he had two additional contracts still pending, Neuberger Berman and LM Capital.

Mr. Cohen reviewed his letter of February 18, 2022 to Ms. Bailey regarding a decision in the Circuit Court, Appellate Division, that denied Virginia Tisdale-Ferguson's Petition for Writ of Certiorari. He advised that the litigation could continue as Ms. Tisdale-Ferguson could take further actions.

B. Executive Director's Evaluation

Mr. Cohen advised the Board that he received four evaluation forms that scored Ms. Bailey 59, 51, 56, and 49 out of 60. The Board commended Ms. Bailey and thanked her for her service.

MOTION made by Trustee Strauss, seconded by Trustee Armand to adjust Ms. Bailey's compensation by 5% to the next evaluation date of January 31, 2023 retroactive to the end date of the previous period. In a roll call vote of the members present, **Motion** passed 6-0.

C. 2019 Restoration Ordinance and BSO Employees

Mr. Cohen reviewed his letter to Ms. Bailey dated January 19, 2022 regarding the 2019 Restoration Ordinance and BSO Employees. Mr. Cohen discussed the agreements that allowed certain BSO Employees to remain in the City of Hollywood Employees' Retirement Fund. He noted that there was nothing in the ordinance that stated the amount of benefit these members should receive. He opined that, based on his review of the ordinance and the agreements, it was his belief that the BSO Employees should be treated as all other member and were entitled to the benefits of the restoration ordinance.

Mr. Cohen noted that the eligibility of the BSO Employees for restoration involved the interpretation of the Plan, which rested with the Board, as the Board was charged with

the administering the Plan. He recommended that the Board allow the BSO Employees to receive the restoration benefits.

MOTION made by Trustee Strauss, seconded by Trustee G. Keller to accept Legal Counsel, Ron Cohen's letter of explanation and recommendation concerning the restoration ordinance and those employees employed by the BSO, Broward Sheriffs' Office. In a roll call vote of the members present, **Motion** passed 6-0.

D. Request for Executive Session to Discuss Pending Litigation

Mr. Cohen requested an Executive Session to discuss Pending Lawsuit Virginia Tisdale-Ferguson v. the Board of Trustees of the City of Hollywood Employees' Retirement Fund, and Blanche T. Pressley, a/k/a/ Blanche Tisdale. He noted the conditions of the session.

Trustee Shaw advised the Board that the FPPTA had requested that Ms. Bailey develop an Administrative Program for the FPPTA Annual Conference to be held in June 2022.

7. **EXECUTIVE DIRECTOR'S REPORT**

A. City Commission Communication

The Board received the City Commission Communication for the month of January 2022.

B. Pension Office Renovation

Ms. Bailey advised that the Police Department had visited the site and provided their security recommendations which were being incorporated into the floor plans. She noted that the furniture vendor and the IT Department would be reviewing the space that week, and that we hoped to bring the floor plans to the Board at the next meeting.

C. CPMS Update

Ms. Bailey advised that, with the assistance and intervention of Deputy City Manager Keller, significant progress had been made with CPMS. She noted that all demographic data for all retirees and active members had been transferred to PTG. She noted that the demographic data for vested members would be a manual undertaking. She noted that the Fund now had all the bi-weekly contributions for all the active members from the start of the City's Millennium System in 2003 through to current. She noted that the Fund expected to receive employment history and pensionable earnings within the week.

Ms. Bailey advised that PTG would be provided a preview of the proposed screens for the new system on Friday, February 25th for the staff's input.

D. Communications from the Executive Director

- Ms. Bailey advised that the Principal/Wells Fargo transition was in process. She noted that effective February 22, 2022, the custodian of the Fund was now Principal. She noted that so far the staff, Segal and the investment managers, had transitioned smoothly and had access to Principal Interface.
- Ms. Bailey advised that two 2021 life certificates remained outstanding and that these members would remain inactive on pension payroll until the Fund received their certificates. She noted that the 2022 life certificates had been mailed to retirees at the end of January and were due back by March 31, 2022.
- Ms. Bailey advised the Board that 31 distributions remained for the FY2012 13th Check Settlement totaling \$179,324.79. Ms. Bailey advised that two additional claim were being processed.
- Ms. Bailey advised that there were still two disability application in process. She advised that one applicant had stated that he would be discontinuing his application and would be requesting a refund of his contributions. She noted that he had not yet completed the Distribution of Contributions form. Ms. Bailey advised that the other application was in process awaiting the Board's Physician's Report.
- Ms. Bailey provided the Board with the DROP and Planned Retirement Participant Lists.

8. PUBLIC COMMENTS

There were no public comments.

9. TRUSTEE REPORTS, QUESTIONS AND COMMENTS

Trustees Armand asked if there was an agreement between the Board and the City for City employees providing services to the Fund in light of the Fund having its own offices and property. Mr. Cohen advised that he was not aware of any written agreement and noted that the Board could accept the services. With regard to the City providing those services, he stated that he believed they could but that was really a question for the City Attorney.

Trustee G. Keller stated that he was not aware of any formal agreement but advised that there had been a long standing practice that the City had always worked closely with the Fund and had provided services. He noted that informally some services were in place including DCM, HR, and IT. He stated that if there was a need to formalize the arrangement that could be done, if there is a desire to do that. It was decided that a formal agreement was not needed but if it became necessary, a formal agreement would be put in place.

Trustee G. Keller advised that CRA, a long standing public agency within the City of Hollywood but not the Municipal Corporation, had employees that worked for the City, got paid under the City's Tax ID, but they were not recognized as "City of Hollywood Employees". He noted that the CRA would be sun-setting and about 20 long term CRA employees who might become eligible to join the Fund.

Mr. G. Keller also noted that the City was finalizing the latest labor contracts. He noted that the next round of negotiations might include changes to pension benefits and contributions.

Trustee Shaw noted that the independence of the Fund was mainly to allow the Fund to hire its own staff and consultants, and to pay its own bills. She noted that the Fund had always wanted to keep the economies of scale and not unnecessarily charge the City interest. She noted that if the Fund were to reimburse the City for the charges for those services, there would then be a request back to the City for those charges with interest added, essential a dummy tax.

Trustee Shaw also suggested that City and the three City plans look at investments, working together to reduce management and investment fees. Trustee Shaw expressed her support for the CRA employees being allowed to join the Fund.

Trustee Shaw thanked the Pension Staff, Mr. Reynolds, Mr. Cohen and fellow trustees, for all the work that they had been doing.

Trustee Strauss advised that both the Pension Office and he had been receiving calls regarding the possibility of a 13th check. Ms. Bailey advised that she would put some information up on the website regarding the 13th check and the payment processes and timing. She noted that the 13th check was only payable to retirees and employees who were employed on October 1, 2002 and it was based on contributory service. So there are retirees hired after that date and retirees with non-contributory service who will not qualify for a 13th check.

Trustee Shaw recommended that members be directed to the Pension Office to address their particular concerns as the answer may vary depending on each member's circumstance.

10. ADJOURNMENT

MOTION made by Trustee D. Keller, seconded by Trustee G. Keller, to adjourn the meeting. In a voice vote by the members present, **Motion** passed 6-0. The meeting adjourned at 10:45a.m.

Phyllis Shaw, Chair

Date

AGENDA ITEM 5.A.

INVESTMENT

JANUARY 2022 FLASH PERFORMANCE REPORT

(HANDOUT)

AGENDA ITEM 5.B.

INVESTMENT

CUSTODIAN UPDATE



Our service-focused partnership Specific to you

Karl Hutchinson – Senior Relationship Manager
3/22/2022 | Prepared for The City of Hollywood



Terminology

Key Wells Fargo IRT terms at Principal® Custody Solutions

Wells Fargo IRT terminology	Principal® Custody Solutions terminology
CEO	Principal web experience
Retirement Plan Payments (RPP)	Benefit payments
Trust Information Delivery (TID)	Statements
Trust Portfolio Reporting (TPR)	Reports
Benefit Payments Online (BPO)	Retirement payment center
Discretionary Asset Management (DAM); services offered through Institutional Asset Advisors (IAA)	Outsourced Chief Investment Office (OCIO); services offered through Principal Global Advisors (PGA)
Clearwater Analytics*	Trust analytics*
Cash Movement	Cash transactions
Performance IQ*	Performance reporting*
InvestOne Performance Reporting*	Performance reporting*

*Client-specific connection

Trust and custody services

Products and services

- Dedicated service team ✓
 - Trustee and fiduciary services ✓
 - Portfolio liquidation
 - Monthly cash liquidity
 - Collateral valuation services ✓
 - Trade and income processing ✓
 - Asset pricing ✓
 - Investment performance
 - Corporate actions ✓
 - Mirrored asset processing ✓
 - Quarterly status calls
 - Fund changes
 - Benefit payments ✓
 - Actuarial support
 - ✓ Services being utilized
- Online transactions and holdings ✓
 - Domestic and global custody ✓
 - Financial reporting ✓
 - Foreign exchange
 - Commission recapture
 - Statements ✓
 - Reporting ✓
 - Trust analytics
 - Performance IQ (enhanced reporting for an additional fee)
 - Annual relationship review, including all travel costs
 - Trust statements delivered electronically ✓
 - Monitor outstanding check reports ✓
 - Engagement center available 7 a.m. to 5 p.m. CT ✓

Trust and custody services

Fiduciary and regulatory support

- Mailing of annual funding notices, 1099's and W2's
- Ad hoc reporting of real-time information
- SOC1/SSAE18 (formerly SAS70)
- Independent external auditor reviews and evaluates our security controls documented in our SOC1 report
- ASC Topic 820
- GASB40
- Form 1041
- Fiduciary support & legislative updates
- Auditor assistance

Projects

- List specific projects particular to your client.

Communications

- Newsletter
- Annual in-person administrative reviews and quarterly briefings
- Interface with your investment managers and consultants
- Administrative guide/access

Other services available to you

Services

- Defined benefit administrative services
- Actuarial services
- 401(k) plan administrative services
- 403(B) plan administrative services
- Investment management
- ESOP administration
- Nonqualified plan administrative services



Principal® Custody Solutions:

An experience built around you

Services built around you

**Working with you to
help drive your success**

Disciplined approach to
safeguarding assets

Proactive, client-
centered focus

Service team alignment
focused on quality and
outcomes

Comprehensive
trust accounting platform
with robust reporting
capabilities

Capabilities

- Trustee
- Fiduciary support
- Global/domestic custodial service
- Cash management services
- Timely, accurate disbursements for benefit payment systems

Reporting

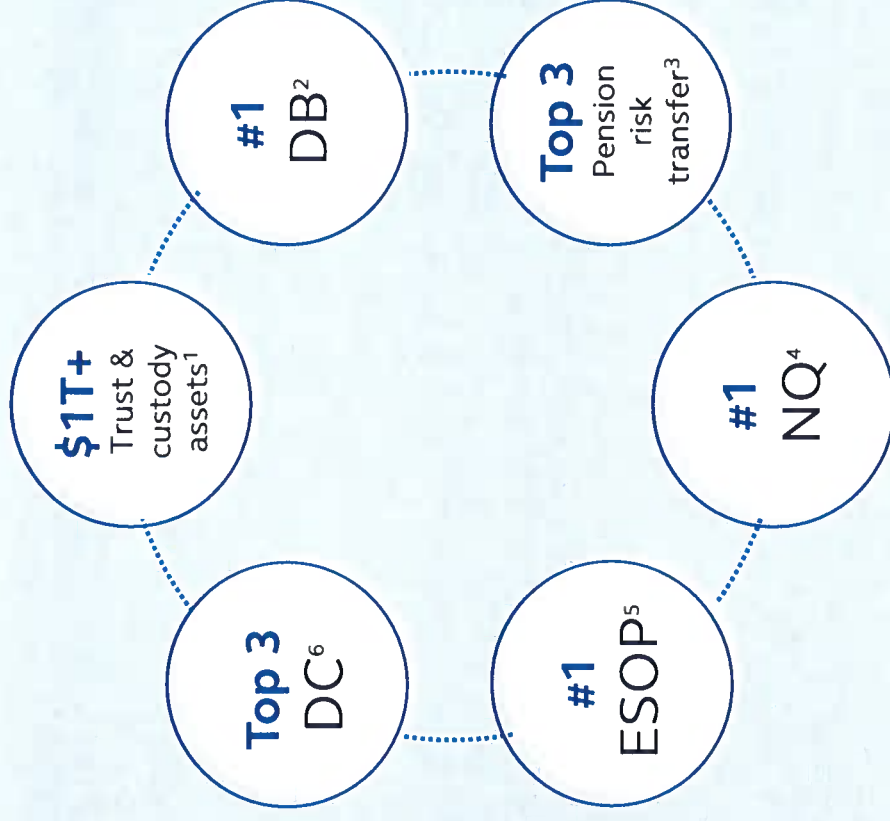
- Multi-currency processing and reporting—including foreign exchange
- General ledger and risk analytics reporting
- Comprehensive daily, monthly, and annual reporting
- Customizable data delivery
- Flexible performance measurement
- Tax reporting

Web experience

- Real-time cash balances, transactions, and ad-hoc reporting
- Plan sponsor and participant benefit payment reporting capabilities

Scale

Building on our foundation
of service.



¹ This internal statistical data is as of Dec. 31, 2020, and representative of plan services on the Principal® and Wells Fargo IRT systems. Please note: Adding numerical data together may not show a true representation of data. Custody and trust services are provided by Principal Bank®, Member FDIC, and/or Principal Trust Company®. These services are provided under the trade name Principal® Custody Solutions, a division of Principal Bank.

² Based on number of plans, PLANSponsor DB Administration survey, May 2021.

³ Based on total PRT assets, LIMRA Secure Retirement Institute, Principal as of Dec. 31, 2021

⁴ Based on number of Section 409A plans, PLANSponsor Recordkeeping Survey, July 2021.

⁵ Based on number of plans, PLANSponsor Recordkeeping Survey, July 2021.

⁶ PLANSponsor Recordkeeping Survey, July 2021. Principal and Wells Fargo IRT combined Plansponsor.com data as of July 2021. Future market share is subject to change and won't be updated until next release of applicable data.

Our commitments to corporate social responsibility¹

PEOPLE

Reach an inclusion index score of 80%+ each year

PRACTICES

Reduce U.S. carbon emissions 40% by 2035 and achieve net-zero carbon emissions by 2050

PRODUCTS & SERVICES

Double minority and women-owned small- to mid-sized businesses we support through product access, micro-finance, community development, and financial education in five years.

By 2022, implementation planning will be in place to align our responsible investment with 7 UN Sustainable Development Goals¹

SDG Alignment: 1, 4, 7, 8, 10, 13, 16

View our 2020 Corporate Social Responsibility report and learn more about our ESG strategy at: principal.com/sustainability



ENVIRONMENTAL

Create sustainable practices through long term responsible actions

48%

Decrease in greenhouse gas emissions over the last 10 years

SOCIAL

Advocate for security and inclusion among our employees, customers and community

\$25 million

In combined funding from Principal and the Principal Foundation for COVID-19 relief for individuals and businesses

GOVERNANCE

Be a good steward of the resources entrusted to us

55%

Of independent members of our Board are women and minorities

A-

Climate change leader rating from the Carbon Disclosure Project (CDP) for the 8th consecutive year

83%

Employee engagement due to increased transparency, communication and responsiveness during COVID-19 as cited by employees

Global Partner

Newly accepted participant leader in the UN Global Compact

4-star

Rating Principal Real Estate Investors received from GRESB, the global benchmark for real estate for the 5th consecutive year

81%

Inclusion Index score-measuring employee engagement, inclusive workplace environment and diversity throughout our talent pipeline

A+

Rating in Strategy and Governance Module by United Nations Principles for Responsible Investment

¹ Our commitments contribute directly to the United Nations Sustainable Development Goals (SDG alignment). ² Unless a client specifically mandates otherwise. ³ GRESB is the global ESG benchmark for real estate assets. ⁴ The ratings exhibit Principal Real Estate Investors' commitment to integrating ESG standards into its investment practices while pursuing positive financial results for clients.

Our commitment to environmental, social, and governance issues (ESG)

Revolves around one key factor:



Our dedication
to our clients

ESG committee in place to ensure proper governance and oversight

ESG integration occurs across all asset classes, with the approach determined by each boutique's investment process

Industry leader in responsible real estate investing; unique Pillars of Responsible Property Investing sustainability platform

Extensive experience managing client mandates with specific ESG requirements

How we protect your information

People

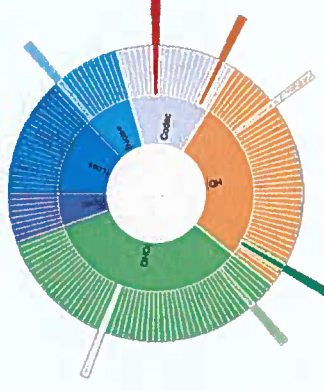
- Dedicated IT staff
- Quarterly review from board of directors
- More than 130 on staff
- Security operations center is 24 hours a day/7 days a week

Improving our
systems based
on your needs

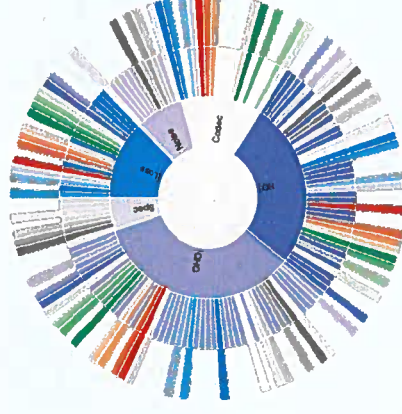
Process

- Enterprise-wide security program
- Cyber insurance
- Phone-printing technology
- FS-ISAC membership
- SOC1
- Two=factor authentication
- Behavioral biometrics

Technology



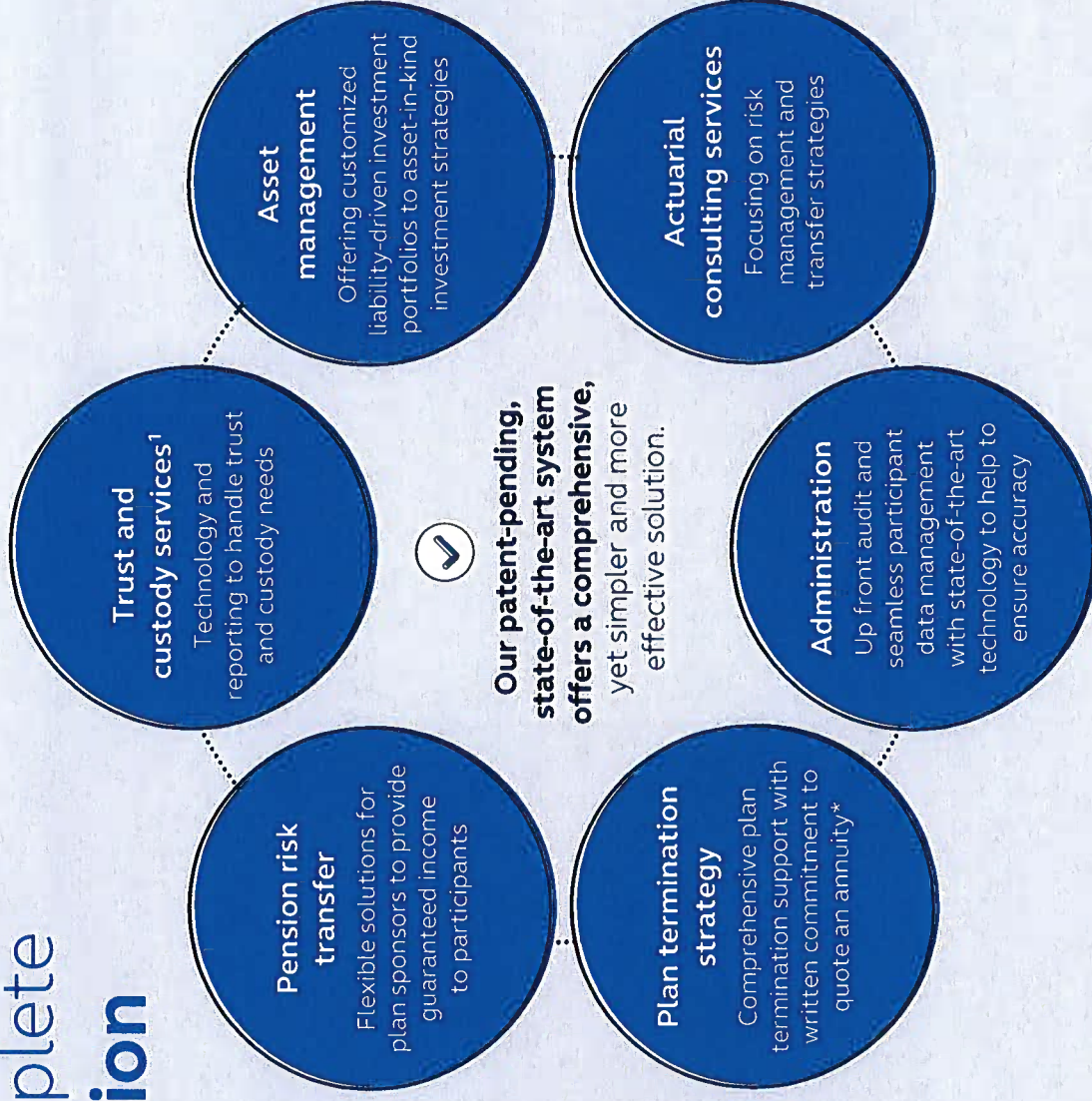
Genuine call
.....
Acoustics
match ANI¹



Fraudulent call
Acoustics
do NOT
match ANI¹

¹ANI = Automatic Number Identification.

Principal® complete pension solution



¹ Custody and trust services are provided by Principal Bank®, Member FDIC, and/or Principal Trust Company®. These services are provided under the trade name Principal® Custody Solutions, a division of Principal Bank.

² The plan's fiduciary is responsible for selected related services for the organization's retirement plan and is not obligated to accept the annuity quote provided by Principal.

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- **Not a Deposit or Other Obligation of, or Guaranteed by, Principal Bank or Any Bank Affiliate**
- **Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested**

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— Thank you

AGENDA ITEM 5.C.

INVESTMENT

TSW TRANSITION UPDATE



City of Hollywood Employees' Retirement Fund

Transition Management Overview

March 22, 2022 / Rosa Limas, Vice President

© 2022 by The Segal Group, Inc.

Segal Marco Advisors

Introduction

Introduction to Transition Management

What is transition management?

- The process of supervising, organizing, and executing the movement of structural changes of assets within investment portfolios.

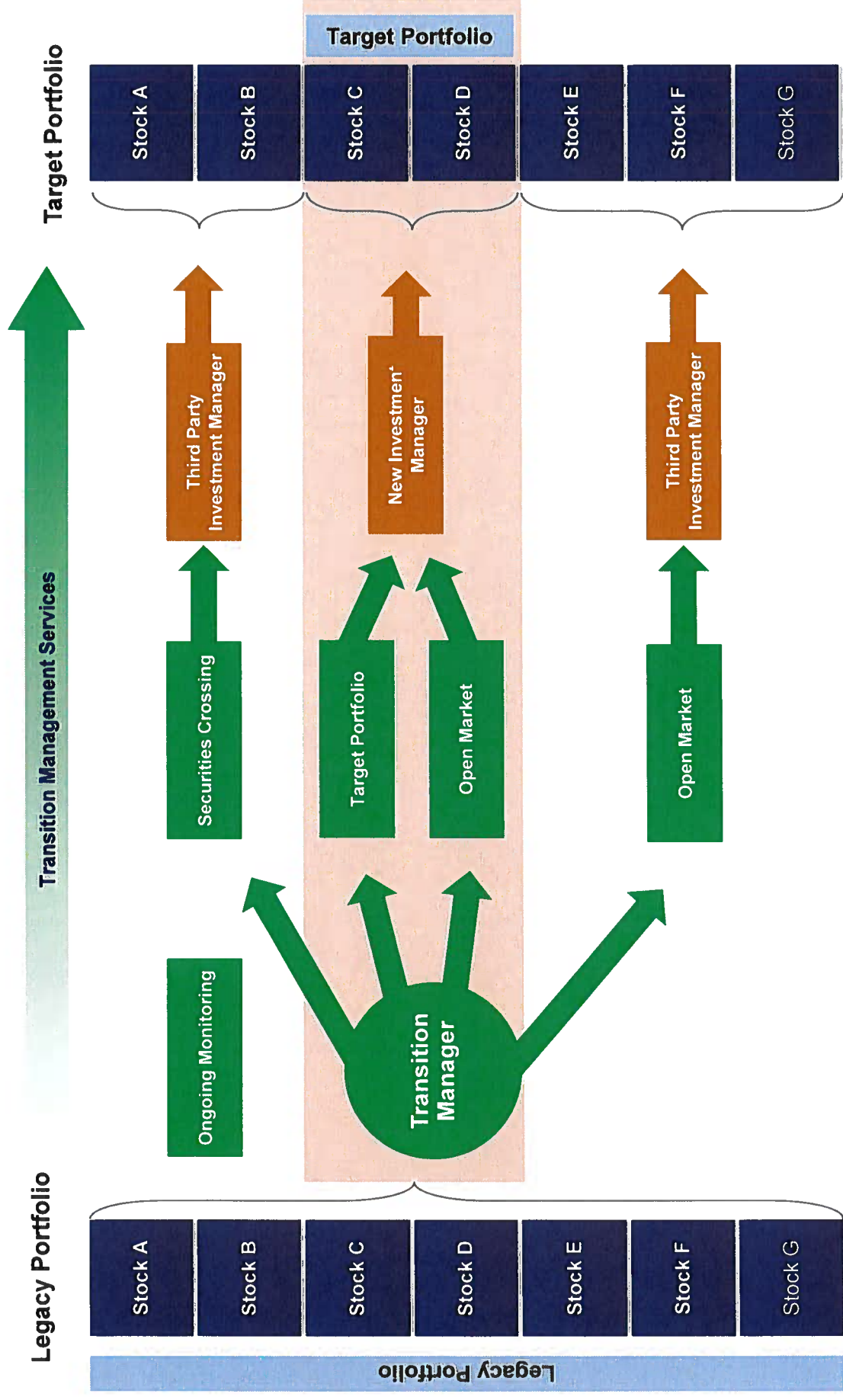
What does a transition manager do?

- A transition manager reconstructs portfolio(s) by transferring securities in-kind, cash, selling unwanted securities, purchasing the desired securities/investments on behalf of the asset owner.

Why hire a transition manager?

- Transition managers project/manage asset movements while helping to minimize the cost and risk of transferring assets.

Transition Management: From Legacy to Target



Identifying When To Use Transition Management

Transition Management Needed When:

Portfolio allocation changes: on-boarding
and off-boarding

Fund actions – mapping and elections

Separate account manager changes

Fund manager changes

Multi-asset rebalance to target allocation

Objectives:

Project Management

Minimize Costs

Reduce Blackout Period

Risk Management

Transparency

Market Exposure

Liquidity

Performance Monitoring

Timely Execution

Transition Management Service Distinctions

Restructure with Transition Manager: Risk Mitigation

Investment Performance & Objectives

- Minimize performance impact and risk
- Efficient implementation timeline
- Full fiduciary and accountable for transition results

Risk Management

- Mitigate risk of performance deviation between the target and transition portfolios
- Regional and industry sector shifts
- Security specific volatility

Transparency

- Detailed pre-trade analysis of the expected costs and risks
- Continuous updates throughout the transition process
- Transparent execution strategy as part of the pre-trade and post-trade report
- Complete audit trail reporting

Costs

- Full transparency of explicit and implicit costs
- Pre-trade cost reporting and post trade cost reporting disclosures

Project Management

- Dedicated specialist project management
- Defined transition timeline and documentation process
- Operational control management

Governance

- Full accountability to monitor and manage restricting costs and risks
- Un-conflicted implementation, advice and guidance
- Full fiduciary execution
- Full disclosure of all cost arrangements

Transition Steps Involved in a Transaction



Transition Management Timeline



❖ Assumes a transition management agreement has been established.

Costs During A Transition

- Costs to transition include explicit costs, implicit costs and opportunity costs
- **Explicit costs** are profile-specific (securities type, size, countries), and are known before trading commences
- **Implicit costs** are stock-specific, and can be estimated accurately before the transition
- **Opportunity costs** are driven by a range of risk factors, and can be significantly reduced through effective risk management



Next Steps

- Conduct a Transition Manager Review of the upcoming transition of assets with pre-trade cost analysis evaluation comparables.
- Select one Transition Manager (TM) to execute the upcoming transition
- Complete Know Your Client (KYC) document requirements
 - Tax Determination Letter
 - Certificate of Incumbency
 - Declaration of Trust
- Timeline
 - TM agreement established
 - TM coordinates timeline with all interested parties
 - TM manages transition to completion
 - TM's performance measured by post-trade cost analysis
- Establish a Transition Manager Pool Panel for future transitions and ease of sourcing pre-trade cost analysis and selection

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AGENDA ITEM 5.D.

INVESTMENT

INVESTMENT MANAGERS REVIEW AND ANALYSIS



Manager Research Report Summaries

City of Hollywood Employees' Retirement Fund

March 2022

Keith Reynolds
Vice President and Senior Consultant

Manager Research Report

SUMMARY

INVESTMENT OPINION

The Small/Mid Cap Growth strategy (the "Strategy") managed by Loomis, Sayles & Company, L.P. is rated Recommended as of 3/4/2019. The key observations relating to our Seven Principles are summarized below:

- While Loomis Sayles is 100% owned by NATIXIS, the firm has maintained significant operating and complete investment autonomy from the parent company and has been very successful and stable for over 30 years under this model. Furthermore, the senior leadership team has been instrumental in building and maintaining Loomis' culture and success.
- The stability, experience, and dedicated resources on the team provides Loomis with a cohesive unit of individuals focused on small and midcap investing. Additionally, this is seen as the value add to their investment approach.
- The appeal of this strategy comes from a team of highly skilled experienced professionals who have great continuity working together in creating high conviction portfolios. The low risk profile with the ability to generate alpha across various markets is indicative of their stock picking capabilities which has been impressive.
- While the investment approach is not particularly unique, the execution of the process is appealing where each person on the team is engaged throughout the process. The process is well defined, clear, and concise to their investment thesis as a growth investor. The risk awareness throughout the entire process helps define the low volatility profile.
- There are no concerns about the operational infrastructure and compliance effort at Loomis Sayles; we believe that the breadth and depth of the resources are significant and there are no red flags at this juncture.
- The strategy has performed in line with expectations, with a low risk and downside focused return profile. It is important to note this approach will have periods of cyclical performance over shorter periods but is built to add the most value over time, as it has shown by outperforming its benchmark over all rolling 5-year periods.
- The fees for the separate account options are right in line with the median fee, so they are reasonably priced. The commingled trust is slightly above the median by 3 bps and the mutual fund fees are attractively priced at 10 bps below the median and among the best within their peer group ranking in the 32nd percentile.

Manager Research Report

SUMMARY

INVESTMENT OPINION

The TS&W Small/Mid (SMID) Cap Value strategy (the "Strategy") managed by Thompson, Siegel & Walmsley LLC is rated Recommended as of 3/5/2014. The key observations relating to our Seven Principles are summarized below:

- We consider the acquisition of TSW by Pandal Group to be a positive development for the firm. Primarily the transaction removes the overhang of the BrightSphere ownership, which was a relationship that had become less valuable to TSW in recent years following the spinoff from Old Mutual. In contrast, the relationship with Pandal Group appears to be fruitful from an early stage through several aspects. Pandal Group's decision to position John Reifsnider as CEO of their whole U.S. operation speaks positively to their opinion of him. Most importantly, the investment team members appear to be happy with the resolution to the ownership issues, and the firm has not seen any attrition in the last 9 months or so since the deal was originally announced.
- Brett Hawkins has worked on the Strategy since its inception, and over that time he has progressed to the role of portfolio manager and CIO of TSW. Until recently, Hawkins was a co-portfolio manager alongside the more experienced Frank Reichel (who was also CEO of the firm), but with Reichel's planned retirement at the end of December 2020 his role on the team has been more as a sounding board for analysts. We have no concerns over Hawkins ability to manage this portfolio as the sole lead.
- TSW's value approach is applied across all equity strategies at the firm and has been consistent for five decades. The approach of seeking attractively valued companies with a positive catalyst is clearly delineated to all equity professionals. The Strategy's investment style can best be described as relative value.
- The firm has been disciplined in adhering to the four-factor investment process, which is well documented and embraced by all equity investment professionals at the firm. We do not observe any informational, analytical or behavioral edge in the fundamental research performed by the investment team. In our opinion, neither the depth nor the breadth of the research differentiates TSW from its competitors.
- We believe TSW maintains a comprehensive operational framework with the appropriate separation of duties and compliance procedures in place. In our opinion, the size of the equity-trading department is appropriate given the number of stocks and low turnover in their portfolios.
- The Strategy's performance has been underwhelming in recent years, mainly as a result of poor returns in Q4 2016, Q3 2017, and Q1 2021 despite its lower risk profile (as measured by tracking error and downside protection) the strategy's risk adjusted returns have not been impressive either. Standard deviation has generally been on par with the peer group median, but the strategy will typically struggle to keep up low quality deep value rallies, and during periods of low economic growth where investors place emphasis on high quality. With the current economic set up at the start of 2022, of generally tightening monetary policy, combined with above average inflation, we believe the strategy should finally have a positive tailwind after several years of struggle.
- Relative to eVestment U.S. Small-Mid Cap universe, at the investment minimum of \$10 million, the separate account fees are priced 5 basis points below the peer group median. This competitive pricing has the separate accounts ranked in the 27th percentile, making it an attractive small-mid cap option. The commingled fund pricing ranks in line with the peer group median.

Manager Research Report

SUMMARY

INVESTMENT OPINION

The International Opportunities strategy (the "Strategy") managed by Wellington Management Company, LLP is rated Recommended as of 12/1/2012. The key observations relating to our Seven Principles are summarized below:

- The firm is 100% employee owned with equity distributed across 182 partners. Such broad ownership distribution helps boost morale, providing increased stability and employee retention. In addition, the firm as a whole is well resourced and is prudently diversified across assets, client base, and product lineup.
- Lead portfolio manager Nicolas Choumenkovitch is a seasoned and impressive investor who has worked at Wellington since 1995 and is a partner at the firm. He has been a portfolio manager on the International Opportunities strategy since 2000, and is supported by a team of seasoned analysts with a broad range of experience. In our opinion, the depth and breadth of the fundamental research effort at Wellington gives the Strategy an edge over its peers.
- The Strategy's investment philosophy is well defined and embraced by all members of the team. They seek to identify companies with hidden, underappreciated, or under-managed assets, where the company management has a clear plan to improve the return on those assets. They look for ideas across the value and growth spectrum, from restructuring stories to pure growth plays, which results in a diversified core portfolio that may tilt towards growth or value depending on the opportunities identified.
- We believe the investment process is well defined and consistently implemented by the entire investment team. The process is collaborative in its approach to stock research, emphasizing the importance of gaining input and insight from all members of the investment team, and various resources around the firm. We feel the experience and the depth and breadth of the fundamental research conducted by the team and the global industry analysts to be a differentiating factor.
- We believe that Wellington maintains a robust operational and compliance framework with the appropriate separation of duties and compliance procedures in place. In our opinion, the compliance, operations, and trading departments are well resourced with experienced and tenured staff. In addition, we view the well-developed and vast back office capabilities as impressive relative to peers.
- Performance has been generally strong since Choumenkovitch became the lead portfolio manager in 2007. Performance during rising and falling markets was also favorable. In addition, risk adjusted metrics are impressive versus peers; the Strategy was in the top quartile for its trailing 10-year Information Ratio, Alpha, and Sharpe Ratio statistics, indicative of the team's focus on risk management in their stock selection process. While performance between 2016 and 2018 was disappointing, we believe the team has made incremental improvements which support a positive view on a forward looking basis, and this has played out very well since the start of 2019.
- Fees on the commingled fund, which have minimum investment \$5 million are priced 10 bps below the peer group median in the ACWI ex-US Large Cap Core Equity universe, which is relatively attractive. The mutual fund (\$250,000 investment minimum), is priced attractively relative to peers, coming in at 11 basis points below the median fee of 85 basis points.

Manager Research Report

SUMMARY

INVESTMENT OPINION

The RBC Emerging Markets Equity strategy (the "Strategy") managed by RBC Global Asset Management (US) Inc. is rated Recommended as of 5/1/2017. The key observations relating to our Seven Principles are summarized below:

- RBC GAM has grown largely through acquisitions, with a broadly diversified product base and client mix. With that in mind, we also recognize that the firm is a large, global manager, with distinct investment teams and business units located in various regions around the world. The distinct executive committees of each individual business unit does help to bridge any information gaps, aligning all units under the investment ideology of RBC GAM.
- RBC's Emerging Markets team consists of individuals who have been in the investment industry for an average of 15 years. Team members have varying backgrounds, both culturally and investment experience-wise. Langham believes the diversity on the investment team provides better insight and variability into their stock analysis capabilities. In addition, the quality and diversity of the investment insight provided by this diverse group of investors is unique within the industry.
- The Strategy's investment philosophy, which focuses on sustainably high CFROI businesses, results in a less-volatile, higher quality emerging markets option that many investors might find appealing. The six components used to identify these high CFROI franchises is clearly delineated and researched by the team. Additionally, conversations with various team members have shown that all embrace the same philosophy and work well together to implement these views in the emerging market portfolios.
- The investment strategy is clearly defined and is applied in a repeatable and measurable framework. We believe the team has successfully blended the top-down, macro research with bottom-up, fundamental stock views. The depth of investment knowledge and scope of risk management considerations is impressive. In particular, we believe the team's ESG due diligence work is critical and useful within the EM space because of the growing demographic and resource challenges that these countries face.
- We have no concerns regarding the operational infrastructure surrounding the Emerging Markets Equity team at RBC GAM and find the added layer of risk management support from RBC GAM-U.K. and RBC GAM-U.S. to be appealing. The firm is structured to remove investment professionals away from any legal and compliance activity, allowing them to focus solely on investing. We believe RBC's investors receive ample compliance, distribution, and risk management support in managing their strategies.
- The Strategy's emphasis on fundamental research and quality, as well as their top-down positioning in areas with structural growth are all conducive factors to long-term outperformance. As exhibited by the portfolio, its downside risk tends to be limited due to the team's risk awareness and quality positioning; however, the Strategy may underperform when quality is out of favor and riskier value stocks do well.
- Relative to the eVestment Emerging Markets Equity peer group, the separate account fee is priced in line with the median fee of 85 bps. The commingled fund and mutual fund are near the median. Given the mostly neutral pricing of the all vehicles, we believe the Strategy is accessible and attractively priced to most investors.

Manager Research Report

SUMMARY

INVESTMENT OPINION

The Core Plus Bond strategy (the "Strategy") managed by Baird Asset Management is rated Recommended as of 11/2/2021. The key observations relating to our Seven Principles are summarized below:

- Baird Advisors has been a stable organization that has seen tremendous growth in fixed income AUM in recent years. Its leadership team has successfully worked together for several decades. We maintain a favorable view of its parent company, particularly given the broad distribution of employee ownership, which includes all members of Baird Advisors' portfolio management team.
- Our favorable view of the investment team is rooted in the experience and stability of the group, which is led by the co-CIO's Mary Ellen Stanek and Warren Pierson. Historical turnover is very low and Baird's culture and reputation is viewed positively in the industry, allowing the firm to continuously attract talented investment professionals.
- The Core Plus Bond Strategy takes a risk-controlled approach and aims to remain duration neutral to the Barclays US Universal Index. The Strategy is most appropriate for an investor seeking a diversified core plus fixed income mandate with component ingredients that are well-understood because of the securities found in the differentiated benchmark it targets.
- The investment process has been consistently executed for many years, with many of the same individuals who generated the initial track-record in place today. In our view, Baird has maintained a strong focus on continuity and preserved a risk-controlled approach to managing the Strategy.
- The operational framework is well-defined with more than sufficient resources supporting compliance, legal, accounting, IT, and cyber security.
- The Strategy has been successful in exceeding the return of the benchmark over full market cycles, and has remained true to its low turnover and duration-neutral approach. A steady and predictable return profile that should not surprise on the downside while also being competitive in both mundane and spread compression environments.
- We consider fees to be fair relative to peers within the eVestment U.S. Core Plus Fixed Income Universe, as the mutual ranks in the top quartile on a \$1 million dollar mandate. Baird has increased the separate account minimum requirement to \$200 million, which is an indication that they clearly prefer managing the assets through the 40 Act mutual fund for operational and compliance efficiencies. There is no commingled vehicle offering.

Manager Research Report

SUMMARY

INVESTMENT OPINION

The Emerging Markets Debt - Blend strategy (the "Strategy") managed by Neuberger Berman is rated Recommended as of 3/8/2016. The key observations relating to our Seven Principles are summarized below:

- Our favorable view of the organization is based on the successful management buyout of the firm following the Lehman bankruptcy, which returned the firm to independence and 100% employee-ownership in December 2014, and was optimally designed to ensure stability and alignment with client interests. Senior investment professional ownership is broad, retention levels high, and we believe the firm maintains a number of successful teams across equities, fixed income, and alternatives.
- We believe the team is one of the largest and most experienced in the business, and one of the most stable. In 2013, 20 team members came over from ING via team lift-out, and the senior professionals have worked together since the early 2000s and average 20 years of experience. Today the team has expanded to 37 investment professionals, including 10 corporate analysts, 14 local currency analysts, six hard currency analysts, four economists, and two product specialists. We believe that the size and experience level of the team are the key differentiators.
- The investment strategy is well defined and clearly communicated by the entire team. We believe that the research effort across local and hard currency sovereign/corporate is structured to capitalize on the targeted market opportunity. While there have been modest enhancements over the years, this strategy has been successfully in place since the early 2000s.
- The investment process, in our view, is exceptionally well defined, rigorous, disciplined, and consistently communicated by all team members over multiple interactions. In particular, we believe that the team has created a robust process that strikes an optimal balance of top-down and bottom-up views from sovereign, corporate, and local currency teams, and effectively translates them into active positioning that is also highly risk-controlled.
- From an operational standpoint, we believe that NB has a solid infrastructure supported by experienced and independent teams across various functional areas including operations, compliance, legal and risk management. We did not uncover any red flags and believe that NB has created a rigorous oversight process designed to manage and mitigate material exposures and issues, and elevate them to executive management if necessary.
- The Strategy's outperformance over the trailing one, three, five, and since inception periods have been driven by sector allocation, currency decisions and security selection. We continue to maintain confidence in the manager to add alpha across all sleeves of the strategy (HC, LC and corporates) over a full market cycle.
- We find that separate account fees beginning at 65 bps are reasonable relative to peers although slightly above median, while the commingled fund places in the 35th percentile, which is very competitive within its peer group. The mutual fund (79 bps) is below the median fee of 86 bps.

Manager Research Report

SUMMARY

INVESTMENT OPINION

The Multi Sector Fund strategy (the "Strategy") managed by GoldenTree Asset Management LP is rated Recommended as of 4/20/2017. The key observations relating to our Seven Principles are summarized below:

- GoldenTree is 100% owned by its employees, which includes 24 active partners. Employees have significant ownership in GoldenTree funds (> \$600 million), which we believe strongly aligns their interest with those of their clients. The firm's client base is diverse and so is its product mix. The firm typically partners with large institutional investors and employs a solution based approach when servicing its clients.
- Steve Tananbaum, Joe Naggar and Lee Kruter co-manage the Multi-Sector strategy and are also members of the firm's Risk Committee. We think they are highly talented investors and complement each other very well given their diverse backgrounds. Tananbaum is the firm's founder, Chief Investment Officer, and lead portfolio manager on the loan sleeve of the multi-sector portfolio and ultimately responsible for the overall strategy.
- We find this strategy particularly appealing because it seeks to exploit the firm's best credit ideas across the entire platform. Additionally, we believe the strategy can be utilized either as a high yield and/or leveraged loan proxy with much less volatility but with higher return potential. We, therefore, consider this strategy to have broad-based appeal from a client perspective.
- We are of the opinion that the investment process is well defined and highly institutionalized and not reliant on any one particular individual. This time-tested process is driven by relative value analysis and safety of margin triggers, which dictate all investment decisions. We also find the process to be rigorous and disciplined as evidenced by a very well thought out Sell discipline that are driven by a pre-defined set of factors.
- GoldenTree's middle and back-office operational functions are well staffed with long tenured dedicated professionals. In addition, the firm has adequate policies and procedures in place, consistent with an organization of this size. Lastly, the firm has invested significant amount of capital in technology infrastructure and we consider its systems to be among the best in class in the industry.
- The Multi Sector strategy had generated strong absolute and risk-adjusted performance since inception. While the strategy's track record is short, the manager's track record in each of the individual sleeves is extensive. Each of these sleeves have outperformed their respective indices, which in our opinion, is indicative of a superior security selection skill.
- We find the strategy's terms to be all-around very attractive relative to similar offerings. The management fee of 75 basis points is below the peer group and there are no incentive fees associated with this strategy. Additionally, there are no lock up provisions associated with this strategy, which is another unique feature about the structure of the fund.

Manager Research Report

SUMMARY

INVESTMENT OPINION

The PRIME Property Fund strategy (the "Strategy") managed by Morgan Stanley Real Estate Advisor, Inc. is rated Recommended as of 1/29/2018. The key observations relating to our Seven Principles are summarized below:

- Morgan Stanley is a large, publicly owned institution with 4 lines of business. Morgan Stanley Real Estate Investing ("MSREI") resides within MSIM and is Morgan Stanley's global real estate investment management platform with 17 offices located around the world. The PRIME Property Fund ("PRIME") represents the majority of the MSREI funds under management.
- Senior leadership for the PRIME Fund is very experienced averaging over 20 years in the real estate industry. Additionally, key decision makers have considerable longevity on PRIME, with both senior team members being involved with the Fund for approximately 25 years. Morgan Stanley has a global platform with significant resources dedicated to real estate investing. The Board of Directors provides oversight while the incentive fee compensation align team interests with investors.
- PRIME is MSREI's only active U.S. core investment mandate. PRIME is well diversified by geographic region and property sector with a focus on high-quality office buildings, top tier super-regional malls, Class A apartment communities, and distribution warehouses in major metropolitan markets. PRIME is conservatively positioned in terms of leverage. The Fund currently has a 15% - 25% target range.
- PRIME's strategy and process have been refined over 45 years of experience in managing an open-end core fund. Research has long been an integral part of the investment process, not just in defining the investment strategy but also throughout the due diligence process as well as hold/sell analysis. The experienced in-house asset management team drives value by advising on operational improvements and identifying multiple exit strategies to enhance the Fund's ability to meet its return objectives.
- In addition to the dedicated MSREI back office staff, the broader MSIM and Morgan Stanley platform assist the real estate business in supporting their investment functions. Additionally, several functions are outsourced to reputable companies. Policies and procedures are in place to support information technology, cybersecurity, business continuity, compliance and regulatory requirements.
- PRIME's long-term return objective is to achieve an 8% to 10% gross return. PRIME's performance has been very strong on both a relative and an absolute basis. Since its inception, in August of 1973, PRIME has returned a healthy 9.2% gross return to investors, which is well within its target return hurdle. PRIME has outperformed its peer benchmark across different time periods with less leverage than its peers.
- The terms are industry standard for a core open-end fund. The PRIME Fund currently has an investment queue but the team estimates that it will take approximately 2 quarters for new commitments to be fully drawn. The Fund charges an incentive fee in addition to its base management fee, which many open-end funds do not have, however, the Fund capped the total fees at 119 bps per annum, which is within normal range for this type of fund.

Manager Research Report

SUMMARY

INVESTMENT OPINION

The Principal Enhanced Property Fund strategy (the "Strategy") managed by Principal Global Investors, LLC is rated Recommended as of 12/4/2015. The key observations relating to our Seven Principles are summarized below:

- Principal Real Estate Investors is Principal's real estate investment boutique and manages \$75 billion of assets under management across the broad spectrum of public and private real estate equity and debt providing the Enhanced Property Fund investment team with access to a wide range of real estate market research and expertise.
- The portfolio management team is experienced and well-staffed. The lead portfolio manager, Jay Davis, is a seasoned investment professional with 35 years of industry experience. He is supported by two portfolio managers, Todd White and Mark Scholz, with 22 and 25 years of experience, respectively.
- Principal's Enhanced Property Fund was launched in 2004 as a more flexible offering than their core strategy. It is an open-end vehicle offering quarterly liquidity that follows a core-plus investment strategy which combines stable core assets with transitional assets that have a higher risk/return profile.
- The investment process has both top-down and bottom-up elements. It begins with a senior team which determines the macroeconomic view for the firm. This view feeds into the real estate research team which analyzes the different property types across the different markets and ranks them in terms of favorability.
- Principal has established internal policies and procedures for the operation of all accounts managed on behalf of its clients and investors. The fund is managed in compliance with its operating document and investment policy statement.
- The Enhanced Property Fund's returns are attractive relative to the benchmark across both short-term and long-term time periods; however, the fund maintains a higher allocation to non-core investments.
- The terms are consistent with other offerings in the market.

Manager Research Report

SUMMARY

INVESTMENT OPINION

The IFM Global Infrastructure (US), LP strategy (the "Strategy") managed by IFM is rated Recommended as of 9/6/2013. The key observations relating to our Seven Principles are summarized below:

- IFM has a unique ownership structure, being wholly owned by 23 Australian pension funds. Given this structure, the firm is deeply aligned with the objectives of its investors. IFM's top priority is investor returns and the firm seeks to be highly transparent, to minimize fees and to provide high quality service to investors.
- IFM has built a highly experienced, dedicated infrastructure team of 80 individuals. The senior investment individuals average 20 years of experience, in industries critical to infrastructure investing such as power generation, gas transmission, investment banks, rating agencies, government agencies, etc. The team has been very stable without any senior-level departures in the past five years.
- IFM implements a core infrastructure strategy through an open-end vehicle. IFM primarily targets investments in operating assets in OECD markets, making this a lower risk strategy, whereby a significant part of the return is expected to come from cash yield. The open-end structure IFM utilizes is conducive to achieving the Fund's investment objectives, as it is able to hold attractive cash flowing assets in perpetuity and does not have to invest capital during less appealing market environments.
- IFM has developed a clear and thorough investment and due diligence process through its 25 years of experience investing in infrastructure. The process incorporates not only the senior members of the infrastructure team, but expertise from across the firm, through the utilization of the Investment Committee as well as potentially the Investor Board for very large investments.
- IFM has large, dedicated in-house teams of Finance and Operations (75+ individuals), Legal, Tax & Commercial (45+ individuals), and Global Investor Relations (45+ individuals). IFM's back office is split across several distinct areas, each of which has its own well-documented responsibilities, processes and procedures.
- Performance has been strong with the fund exceeding its total return target across 1-year, 3-year-, 5-year time periods. While long-term returns slightly lagged its long-term total return objective, the Fund has produced strong income returns over its life with a 7.2% since inception net cash yield.
- Given IFM's ownership structure, the firm delivers funds that generally have more favorable terms than their peers. When compared to other infrastructure funds, GIF has lower management fees on invested capital as most funds charge more than 1% on committed capital. Additionally, as they continue to raise assets, IFM will conduct ongoing fee assessments, in order to ensure that fees are appropriate given the fund size. In the past, this has resulted in fees being rebated back to investors.

Manager Research Report

SUMMARY

INVESTMENT OPINION

The Crossroads XXI strategy (the "Strategy") managed by Neuberger Berman is rated Recommended as of 9/28/2017. The key observations relating to our Seven Principles are summarized below:

- Neuberger Berman is a large and experienced investment management firm, with over 29 years of investment experience and \$281 billion in assets under management and committed capital. The firm is 100% employee owned with three major product lines, including Equities, Fixed Income and Alternatives. Neuberger Berman Private Equity is an integrated platform consisting of primary partnerships, secondaries and co-investments and utilizes the broader firm platform as part of its investment activities.
- The tenured investment team is experienced, and the distinct private equity strategies work collaboratively, which enhances information flow, selection, access and decision-making, in turn driving superior risk-adjusted returns. The Private Investment Portfolio Investment Committee leads the Primary Fund of Funds strategy and the members have worked together for over 17 years and have approximately 28 years of average private equity experience.
- Crossroads Fund XXI provides exposure to a well-diversified global strategy in a tactical allocation vehicle, while offering investors with the option of customizing their allocation across one or more of the following asset classes: small and mid-cap buyout; large-cap buyout; special situations; and venture and growth capital. The Fund is expected to have an allocation to secondaries and co-investments, which should help to mitigate the J-Curve.
- NB Private Equity enjoys a reputation as a preferred investor and has demonstrated its ability to access top performing funds, which is a crucial element to successful fund of funds investing. The investment process has been developed and refined for more than 28 years and combines a top-down asset allocation with a rigorous bottom-up fund selection process.
- NB Private Equity's back office and operations platform is robust and utilizes a combination of internal processes and a reputable outsourced third party service provider, Capital Analytics. The Capital Analytics team has a wealth of experience across several critical back office functions. The firm's in-house Legal and Compliance Department and Internal Audit team has adequate policies and procedures in place.
- The performance of the eight predecessor diversified fund of funds is excellent, with substantial outperformance on a Quartile basis, as compared to Cambridge Associates data. Since inception of the Private Equity platform, the Gross/Net IRR is 21.7% and the Total Value to Paid in Capital is 1.54x.
- The terms are industry standard and offer a management fee discount based on higher capital commitments. The General Partner will commit 1% of the total Fund, which is industry standard, however carried interest is assessed on an individual investment basis.

Manager Research Report

SUMMARY

INVESTMENT OPINION

The Dover IX strategy (the "Strategy") managed by HarbourVest Partners is rated Recommended as of 3/8/2016. The key observations relating to our Seven Principles are summarized below:

- HarbourVest is among the most experienced private equity fund of funds managers, with more than three decades of operating history and an investment platform that effectively combines primary partnerships, secondaries and direct co-investments. By virtue of its industry longevity, HarbourVest has cultivated deep relationships with many of the premier private equity firms across a variety of strategies, which confers advantages on all investment portfolios.
- The HarbourVest investment team is characterized by significant experience, continuity, depth and a global presence. The firm has a dedicated secondaries team of 28 investment professionals, and the senior team has been with the firm an average of 14 years. Carried interest is broadly distributed across the firm and the incentive structure promotes strong alignment among the various products, firm collaboration and talent retention.
- The investment strategy provides investors with exposure to global secondary investments by leveraging HarbourVest's 33 years of private markets investing experience and seeking out the less efficient segments of the secondary market by focusing on more complex secondary transactions. The strategy includes various types of secondary transactions, compared to competitors that may focus only on traditional secondary purchases, which has become a more efficient segment of the secondary market.
- The synergistic integration of primary partnerships, secondary transactions and direct co-investments, all within one company, provides multiple avenues from which to source deal flow by leveraging over 450 active general partners relationships and 600 limited partner relationships. This provides a superior advantage relative to peers. The thorough and rigorous due diligence process has been refined over three decades and is consistently applied across all investment types.
- HarbourVest has one of the more robust operational units amongst its peers. The resources allocated to building a large, experienced operations team reflects a deep commitment to mitigating risk across the organization. The firm has shown a willingness to incorporate voluntary measures that strengthen the control environment, including the issuance of a SOC 1 report. Additionally, the firm actively seeks to address evolving risks, such as with its enhancement initiatives regarding cybersecurity.
- Over the course of nine predecessor secondaries funds, HarbourVest has demonstrated an ability to deliver attractive returns to investors across various market cycles and geographies. HarbourVest's aggregate Gross/Net IRR for all secondary investments since inception is 20.5%. Performance on an IRR basis is exceptional, with 78% posting Top Quartile as compared to Venture Economics.
- Terms are reasonable and consistent with industry standards. HarbourVest charges fees on committed capital throughout the life of the fund with an average annual management fee of 0.75% and offers discounts for participating in the first close and for larger commitments. This is an enhanced term compared to the prior fund, which did not offer a discount on management fees. The General Partner commitment of 1.5% compares favorably to competitors who generally include a 1% commitment.

Manager Research Report

SUMMARY

INVESTMENT OPINION

The GoldPoint Partners Co-Investment VI, LP strategy (the "Strategy") managed by GoldPoint Partners is rated Recommended as of 12/10/2017. The key observations relating to our Seven Principles are summarized below:

- Formerly known as New York Life Capital Partners, GoldPoint was formed in 1999 to manage alternative assets for New York Life Insurance Company. GoldPoint and its predecessors have been managing alternative investments since 1992 and today manage \$11.6 billion across five co-investment funds (\$1.3bn), four mezzanine funds (\$2.3bn), as well as NYL's private equity primary fund program and three middle market fund of private equity funds (\$7.9bn).
- GPP and its predecessors have been managing co-investments since 1992. GPP maintains 15 investment professionals who are all involved in sourcing, investment, and monitoring activities of all the Firm's strategies. GPP's Senior Investment Team consists of six Managing Principals and four Principals who have worked together and on this strategy for an average of 21 years. GPP's investment team is supported by a 39-person operations and business development team.
- GPP VI will be GPP's sixth vintage, seeking capital to make equity and equity-like co-investments alongside leading buyout sponsors ("Core Partners"). Consistent with its predecessors, the Fund will seek a highly diversified portfolio of mid-market transactions, typically between \$10 million and \$40 million per deal, primarily targeting North American co-investments alongside Core Partners with fund sizes of less than \$5 billion.
- GoldPoint has leveraged the Core Partner relationships to create a differentiated, actively managed approach to co-investment portfolios that many investors treat passively. This process consists of a targeted, stable source of high quality deal flow, a distinguished due diligence network, and a partnership approach to investing. Throughout various market environments, the Core Partners have provided a consistent source of high quality deal flow that is pre-screened prior to GPP's involvement.
- GoldPoint has a very strong back office infrastructure and all back-office functions are performed by qualified individuals or reputable outside third-party service providers. There are proper policies and procedures in place for legal and compliance, cash management, valuation, and investor reporting.
- GoldPoint and its predecessors have been managing co-investments since 1992, committing approximately \$2.8 billion to 177 transactions. As of September 30, 2017, the GoldPoint co-investment composite has generated a Gross IRR on realized and partially realized investments of 18.7%, a total Gross IRR of 17.1%, and a total Net IRR of 12.7%.
- The terms are reasonable and consistent with industry standards. During the investment period the Fund will pay 1.0% per annum of the aggregate capital commitments of the limited partners and, after the investment period, 1.0% per annum of the actively invested capital of the limited partners. The Fund has a 10% American style carry and the GP will commit a minimum of 5% of total committed capital, with \$3 million committed by members of the GoldPoint team.
- On August 30, 2021, GoldPoint Partners announced that its Managing Principals and Senior Investment Partners resigned effectively immediately. The six departing executives represent the entire senior leadership of GoldPoint, and they include Thomas Haubenstricker, Chief Executive Officer, Vijay Palkar, Head of Investment Team, Quint Barker, Chief Investment Officer, Scott Iorio, Managing Principal, Michael Kho, Managing Principal, and Binayak Mishra, Managing Principal. While the departures do not materially impact this fund given it is already 100% committed, performing well and currently in liquidation mode, forthcoming vintages from GoldPoint will not be Recommended in the immediate future.

Manager Research Report

SUMMARY

INVESTMENT OPINION

The AG Direct Lending Fund II, L.P. strategy (the "Strategy") managed by Angelo, Gordon & Company is rated Recommended as of 5/8/2018. The key observations relating to our Seven Principles are summarized below:

- AG is an asset management firm that focuses on three core verticals; Credit, Real Estate, and Private Equity. The Firm was founded in 1988 and has been investing in Credit since 1988. The Credit vertical represents 62% of total AUM, so we view the addition of the direct lending platform as a natural extension of the firm's broader credit capabilities. Note that AG employees have invested over \$1 billion across AG Funds, so we believe that there is a strong alignment of interest.
- AG's 26-person direct lending team is one of the largest and most talented in the industry. The team is led by Chris Williams and Trevor Clark and they have worked together for 21 years. They are supported by a very seasoned team of originators and underwriters who work alongside one another throughout the life of each transaction that enters the portfolios. In addition, this team leverages AG's broader credit research platform, which we believe is a differentiator.
- AGDL Fund II is structured as a PE style Fund and has raised \$1.4 billion of equity capital, to date. The strategy's main area of focus is on sponsored deals within the lower middle market segment (\$25 million or lower in EBITDA) of the broader middle market while staying exclusively at the top of the capital structure. We find this segment of the market to be somewhat insulated from potential changes in the financial regulatory environment.
- AG's investment process is rigorous and disciplined but there are two elements that make firm's process unique. First, AG employs an integrated approach to sourcing and underwriting transactions while maintaining two separate teams whose interests are perfectly aligned. Secondly, all deals have to be approved by a two-layered Investment Committee structure (Michael Gordon is a key member of the second IC) before inclusion in the portfolios/Funds.
- We do not have any concerns regarding the operational infrastructure surrounding the direct lending strategy. The firm has a comprehensive and well-resourced back office that supports the investment functions. All relevant policies and procedures are in place. Additionally, the firm has extensive cash control measures in place. PricewaterhouseCoopers audits the firm and its funds on an annual basis.
- The direct lending team's historical performance has been strong. Clearly, the team has managed direct lending strategies through multiple credit cycles dating back to 2002 and relative to the majority of its peers, we believe that it has one of the longest and most successful track records in the industry. We believe that this long-standing track record of success is a true testament to the team's talent and its disciplined approach to investing in middle market loans.
- AGDL Fund II terms are generally in line with industry standards, which in totality we consider to be fairly reasonable. While the stated management fees are competitive, we do not like the notion that they are charged on total assets which includes the leverage component. However, the carried interest received by the GPs is based on a European waterfall distribution and we view that as being LP friendly.

Manager Research Report

SUMMARY

INVESTMENT OPINION

The Brightwood Capital Fund V strategy (the "Strategy") managed by Brightwood Capital Advisors is rated Recommended as of 6/19/2020. The key observations relating to our Seven Principles are summarized below:

- Brightwood Capital ("Brightwood") was founded in 2000 by Sengal Selassie and Damien Dwin. Middle market direct lending is the firm's sole business and it currently manages \$4.2 billion of assets. The firm is headquartered in New York City and has regional offices in Chicago, Los Angeles, Atlanta and Dallas. The firm is 100% employee-owned and also qualifies as a Minority Women Business Enterprise (MWBE) firm. There is a strong alignment of interest between employees (including affiliates) and investors through significant GP commitment (over \$100 million) across Brightwood funds. The firm is also signatory to the UNPRI.
- The investment team is large and senior members average over 20 years of investment experience. The team is organized by functional areas (origination, underwriting and risk management). The founders, Selassie and Dwin, spent over a decade at Societe Generale, Goldman Sachs, and Credit Suisse managing credit-oriented portfolios prior to founding the firm. However, Dwin left the firm in late 2020 along with a handful of employees to start a new firm that focused on socially oriented issues. While significant, we believe the firm is well equipped to overcome Dwin's departure given the depth of the team. Selassie is supported by a seasoned team of talented investment professionals. While we think highly of Selassie as an investor and his ability to carry the organization forward, key man risk is elevated in light of Dwin's departure.
- Fund V is a US-focused, predominantly non-sponsored (70%), core middle market (\$25 to \$75 million in Co EBITDA) strategy. A key attribute of the strategy is the blended approach between sponsored and non-sponsored. The strategy will predominantly invest in first lien senior secured transactions and will utilize up to one turn of leverage. Similar to the firm's prior funds, Fund V will invest up to 25% of its capital in minority and/or women owned businesses which we find to be the most unique feature of the strategy.
- The Investment Committee has the ultimate investment decision-making authority on every proposed investment opportunity. Overall, we believe that Brightwood has a unique origination model that relies upon its in-house originators as well as its network advisors for their specialized industry knowledge and advice. This proprietary sourcing channel is a distinct differentiator and a source of value add. The firm also employs a rigorous underwriting process and maintains continuous credit monitoring by a seasoned risk management team. The risk team renders an independent risk assessment on every borrower on a monthly and/or quarterly basis.
- Brightwood has a robust operational infrastructure consisting of 18 professionals across these various functional areas: Legal/compliance, finance/accounting, and operations. Seven of the 18 professionals have committed an aggregate amount of \$6.7 million of their own capital to Brightwood Funds. We view favorably the delineation of roles and responsibilities across the back office platform. The firm is currently undergoing its first SEC audit and management is not expecting any material findings.
- Historical performance has been mixed. Fund I performance was spectacular (15.6% net IRR). However, Fund II (an ESG-focused fund) and Fund III performance were below expectations. Specifically, Fund III performance was challenged due to heavy concentration to the energy sector. The manager recognized its mistakes and revamped and strengthened its risk management team by adding additional personnel and limit the number of credits each analyst would cover. In addition, the firm immediately instituted changes to its investment guidelines by limiting issuer concentration to 2.5% and avoid highly cyclical sectors such as energy. Because of these changes, we feel confident in the manager's ability to meet Fund V's return target of 10% net IRR.
- Fund V management fees are only charged on the equity invested capital (excluding leverage) which we find appealing. However, the 15% carried interest over a 6.5% preferred return is in line with the market. The carried interest is evenly split between the two founders and the rest of the team. We find this fee structure appropriate and ensures the investment team is adequately incentivized.

Manager Research Report

SUMMARY

INVESTMENT OPINION

The Blue Ocean Fund strategy (the "Strategy") managed by EnTrust Global is rated Recommended as of 8/22/2018. The key observations relating to our Seven Principles are summarized below:

- EnTrustPermal is an industry leading alternative investment management solutions provider with a diverse set of clientele and a global footprint. The firm has since placed greater emphasis on its strategic partnerships, co-investments, and specialty real assets platforms.
- The Blue Ocean team is lean, yet highly experienced in shipping and affiliated sector investing. The four dedicated professionals have worked together previously and have sustained a strong and positive rapport.
- The Blue Ocean Fund seeks to provide shipping and other maritime-related companies with an alternative source of liquidity as traditional creditors retrench lending activities to the sector. It expects to generate attractive risk-adjusted returns by targeting direct lending opportunities to vessel owners and other affiliated companies by originating, structuring, restructuring, and investing asset-based financings secured by high-quality maritime assets.
- The Blue Ocean investment process is well-structured, detailed, and allows for a consistent evaluation of unique maritime finance investment opportunities.
- The firm's policies and procedures with respect to its internal operations, as well as those related to the Fund are on-par with expectations of a manager of its scale.
- The Blue Ocean Fund has performed in-line with expectations to-date and has effectively executed on its mandate. Tranche I has fully committed and invested LP capital across a diversified pool of loans. To-date, Tranche I has generated a non-annualized since inception net IRR of roughly 8.3%.
- Terms are reasonable for this type of product. The Blue Ocean Fund charges a single layer of fees (unlike other EnTrustPermal products we have historically underwritten), translating to an LP fee schedule that is consistent with other private credit investment mandates, and does not use leverage at the fund-level (unlike many of its senior secured direct lending peers).

Manager Research Report

SUMMARY

INVESTMENT OPINION

The AG Realty Value Fund X strategy (the "Strategy") managed by Angelo, Gordon & Company is rated Recommended as of 8/17/2018. The key observations relating to our Seven Principles are summarized below:

- Angelo, Gordon & Co. ("AG") is a privately held investment management firm that focuses on four core verticals; Credit, Real Estate, Direct Lending and Securitized Products. The Firm has over \$27 billion in assets under management, has a diversified and loyal client base with strong leadership in place. Angelo Gordon enjoys an entrepreneurial and collegial culture where people are very collaborative with limited turnover.
- Angelo Gordon's US real estate team is well staffed with bright, articulate real estate professionals that have significant real estate experience. The six managing directors have an average of 21 years of real estate experience with significant longevity working together. Schwartz is a smart, experienced, and passionate leader that has overseen the team since 2010. The team is very experienced across all property sectors and real estate professionals are very hands-on asset managers. The broader resources of the firm, particularly their distressed and private equity efforts, further support the real estate team.
- This is an attractive real estate offering from Angelo Gordon, a company with a strong track record of investing in value add and opportunistic real estate. The team has been investing in opportunistic real estate for approximately 25 years and in value add since 2002. The strategy, which incorporates both value add and opportunistic investments, provides the team with increased flexibility and allows them to change their strategy to suit changing market conditions over the four-year investment period of the fund. Additionally, investors have the option of investing in just the US or including the international sleeve.
- Angelo Gordon has developed a comprehensive and disciplined investment approach over its 25-year history that includes detailed and extensive due diligence, significant collaboration and information sharing with other internal groups, and active hands-on asset management.
- We do not have any concerns about the operational infrastructure surrounding the real estate strategies. The firm has a comprehensive and well-resourced back office that supports all investment functions. All relevant policies and procedures are in place to support information technology, cybersecurity, business continuity, compliance, and regulatory requirements. The cash management function and fund management provide for adequate segregation of duties and controls. Additionally, SEI, the Firm's third-party administrator, oversees all investor-level processing and money movement activities into and out of the Fund.
- AG has been an active investor in real estate and has achieved attractive returns over their twenty-five year history. More importantly, the team has been a significant seller of assets and has a large number of realizations across its funds. In total, the team has returned almost \$8 billion of the \$9 billion raised for US value add and opportunistic strategies. Performance has been very strong across cycles and funds.
- Terms are standard for the industry. The fee break for first close investors, which only applies during the investment period, is attractive. The fund's investment period of 4 years is on the longer side (generally 3 years); however, the total term of 8 years is typical of other funds in the market place, which generally fall between 8-10 years. Overall, we feel that the GP co-invest appropriately aligns investor interest with the GP.

Affiliated Housing Impact Fund

Opinion

Affiliated Development, a regional focused real estate development and investment company, is currently in the market with their first fund, Affiliated Housing Impact Fund, which is targeting a capital raise of \$100m to \$125m. The Fund will focus on developing mixed-income housing, that includes a significant allocation to workforce housing, in key cities in South Florida.

From our initial analysis, we believe that the opportunity has some attractive attributes although there are also some notable areas of concern. The strategy is compelling in that investors can potentially earn an attractive return by providing much needed quality workforce housing in local communities. Developers have typically ignored this segment of the market, as the rental rates they could charge did not make it an attractive option given the high fixed costs of labor, land and building materials. Affiliated Development utilizes public financing and incentives as well as any other available public or private subsidies that will allow them to develop quality apartments at meaningful rent discounts compared to available product in the market. There appears to be a significant need for this type of housing in South Florida, which has been further accelerated by Covid, and the team has been successful in finding suitable sites and obtaining the required public financing. Two potential opportunities have already been identified for the Fund, one of which is currently under contract and the other expected to close during the summer. Affiliated Development has aligned itself with a successful national developer, Moss, that has significant experience in the multifamily sector and who is also an investor in the Fund, so providing for alignment of interests. Additionally, this strategy is the sole focus of Affiliated Development and co-founders Jeff Burns and Nick Rojo have put up the GP co-invest in the Fund; thus aligning their interests with those of their investors. The Fund has held a first close on \$25m.

While we do believe the strategy has some compelling features, there are some concerns worth noting. This is a first-time fund for both Messrs. Burns and Rojo and there is limited prior performance available. The co-founders track-record in this strategy totals five development projects and while most are exhibiting strong results none of the assets have yet been realized. The Fund will be concentrated in 5-6 assets assuming that they reach their target fund raise so any one asset can have a significant impact on fund performance. Lastly, while we only carried out an initial review and did not go into detail on back office operations, it is important to note that the team has not yet hired a custodian nor an administrator; although according to Nick Rojo this is in progress and they have identified potential candidates.

Manager Research Report

SUMMARY

INVESTMENT OPINION

The Healthcare Finance Fund strategy (the "Strategy") managed by Marathon Asset Management is rated Recommended as of 10/27/2021. The key observations relating to our Seven Principles are summarized below:

- With roughly \$23 billion in assets and a successful 20+ year track record, Marathon is a leading opportunistic credit manager with global capabilities across a wide range of corporate, emerging market, and structured securities. Our favorable view of the organization also stems from the relative stability of its assets, including throughout the financial crisis, as well as Marathon's selection to be part of the U.S. Treasury PPIP in 2009.
- The Strategy's investment activity will be guided by Dr. Evan Bedil and Louis Hanover with input from the Firm's Investment Committee. Dr. Bedil and Hanover average 29 years of relevant investment experience. Senior members of the Healthcare team average 20 years of relevant experience and are supported by a Medical Advisory Board (39 years of average experience) and supporting investment professionals that average 15 years of experience. Thirty-nine percent of investment professionals employed by Marathon are either minority or individuals identifying as female.
- The Marathon Healthcare Finance Fund ("MHFF" or the "Fund") provides creative capital solutions to biotech and pharmaceutical companies with regulatory-approved therapeutics that are clinically proven and fully commercialized. The Fund maintains a flexible investment mandate to opportunistically source, structure, and execute transactions of the senior secured debt, royalty acquisitions, synthetic royalties, and debt with equity upside varieties. The Fund is targeting a 14% net IRR and a 1.75x net multiple on invested capital.
- The Firm applies a well-structured, time-tested investment process that leverages top-down and bottom-up skillsets of investment professionals. Moreover, the iterative underwriting and investment decision-making and monitoring processes are viewed favorably for MHFF.
- The operations function is well-resourced and organized with the appropriate delineation of duties. The infrastructure is strong, and the third-party providers are all institutional quality.
- Marathon's Healthcare track record encompasses 17 investments completed since 2006. The majority of investments have been senior loans and involved proprietary sourcing. Marathon has experienced a significant amount of realizations over the same time period, demonstrating an ability to manage investments throughout a full lifecycle. When applying a fee profile and terms that are consistent with the Fund, Marathon has been able to generate a 13.2% net Internal Rate of Return and a 1.3x net Multiple of Invested Capital throughout its performance track record.
- The Fund is targeting aggregate capital commitments of \$300 million, with a hard cap on aggregate capital commitments set at \$500 million. The Fund's standard terms include a management fee of 1.50% per annum on capital commitments of less than \$50 million, and 1.25% p.a. on capital commitments of greater than \$50 million. Standard management fees are applied to both unfunded capital commitments and invested cost. However, Marathon has offered clients of Segal Marco Advisors a management fee of 1.50% applied only to invested cost, should the aggregate capital commitments of clients of Segal Marco Advisors exceed \$25 million. For the avoidance of doubt, Marathon intends to aggregate the capital commitments of clients of Segal Marco Advisors for the purposes of calculating management fees. The management fee rate would step down to 1.25% p.a. of invested cost should aggregate capital commitments exceed \$50 million. In addition to management fees, the Fund charges a carried interest rate of 20%, subject to the full return of capital contributions and cost, as well as a preferred return of 8%, compounded annually. The Fund intends to offer offshore vehicles to facilitate participation by U.S. tax-exempt investors. Additionally, the Fund will not be managed as a "plan assets" vehicle for the purposes of ERISA.

Manager Research Report

SUMMARY

INVESTMENT OPINION

The NB Private Debt Fund IV LP strategy (the "Strategy") managed by Neuberger Berman is rated Recommended as of 10/7/2020. The key observations relating to our Seven Principles are summarized below:

- Neuberger Berman ("NB") is a large and experienced investment management firm, with significant assets under management. The firm is 100% employee owned and has three major product lines, including Equities, Fixed Income and Alternatives. NB Private Equity has an integrated platform consisting of primary partnerships, secondaries, private debt and equity co-investments developed over the last 30 years utilizing the broader firm platform to enhance the investment activities of each strategy. Employees have invested approximately ~\$4 billion of their own capital across NB strategies, so there is a strong alignment of interest with those of their clients.
- The Neuberger Berman Private Debt strategies are led by Susan Kasser - a very talented and astute investor - and supported by a team of 17 dedicated investment professionals, with an average of 15 years of relevant experience. The six-person Investment Committee has an average of 29 years of relevant industry experience and includes some of the most senior professionals within NB's alternatives business which is a testament to the firm's dedication to private credit. The dedicated Private Debt team is further supported by approximately 75 investment professionals within the NB Private Equity Group, as well as more than 170 buy-side research analysts.
- The Strategy invests in corporate debt in growing and profitable private equity backed companies to fund new buyouts, add-on acquisitions and refinancings. The strategy may employ up to one turn of leverage which is typical for a sponsor-backed strategy. The investment focus is flexible in terms of company size and security types (1st Lien, 2nd Lien, and preferred equity) and diversified across a wide range of private equity sponsors. Investments will primarily be made in North America and will focus on avoiding losses rather than chasing returns and offers a quarterly income component, which mitigates the J-Curve. The flexible nature of the strategy enables the manager to be opportunistic and cast a wider net as it seeks attractive investment opportunities.
- NB's Private Equity platform has been a long-term private equity investor and a stable source of capital to numerous private equity sponsors. Due to these long-standing relationships that have been developed over the last 30 years, NB Private Equity is a preferred equity and debt investor to these sponsors, which makes deal sourcing for the private debt team a distinct advantage. In addition, the firm's IC decision-making structure ensures that the integrity of the process is maintained, followed, and only the highest conviction ideas are vetted. NB private debt team leverages the entire NB Private Equity platform to increase deal flow and the diligence process has an emphasis on credit quality and principal preservation.
- From an operational standpoint, we believe that NB has a solid infrastructure supported by experienced and independent teams within operations, compliance, legal and risk management. We did not uncover any red flags and believe that NB has created a rigorous oversight process designed to manage and mitigate material exposures and issues, and elevate them to executive management if necessary.
- Since 2014, Neuberger Berman has deployed \$9.1 billion of capital in 200 companies across its private debt platform. Over that time period, the firm generated a net IRR of 10.1% with an annualized net loss rate of 0.06%. Given its strong track record and our continued high conviction level in the manager, we expect PD IV to meet its performance target of 8 to 11% net IRR.
- The 1% management fee is based on total invested capital (including leverage). While not uncommon, we find this type of management fee structure economically more advantageous to the manager rather than to the LPs. However, the carried interest of 12.5% - over a 7% preferred return - ranks favorably compared to the peer group. In addition, the manager has an annual clawback provision designed to protect investors. Please note that NB has a 50% discount on management fees during the first closing period and/or based on at least \$150 million aggregate commitment to NB private credit funds.

These discounts can be combined for equally eligible investors (0.25%). We find this discounted fee structure quite attractive.

Manager Research Report

SUMMARY

INVESTMENT OPINION

The Opportunistic Core Fixed Inc. strategy (the "Strategy") managed by LM Capital Group, LLC is rated Recommended as of 5/8/2018. The key observations relating to our Seven Principles are summarized below:

- We feel comfortable that the firm is 100% employee owned. In addition, we like the fact that the founders have gradually began distributing ownership more broadly to employees across different areas of the organization. While the firm has been in existence for a long time, its assets under management has failed to grow beyond the \$5 billion threshold but we expect steady grow over the next few years given the firm's wide array of product offerings.
- The core members of the team, Luis Maizel, John Chalker, Mario Modiano, and Rachel Wilson, have worked together since 2004. We find this level of stability - at the senior level - to be a key differentiator for the firm. However, we do believe key man risk is somewhat elevated at the firm, as we consider both Maizel and Chalker, to be the architect of the process and key contributors to the investment decision-making process. We will continue to monitor the development of the next generation of the firm's leadership on a go-forward basis given the age of Chalker, Modiano, and Maizel. Note that the director of research, Todd Crescenzo, left in February 2017, but was replaced by Patrick Paul, who we believe is a capable and talented investment professional.
- The Opportunistic Core Fixed Income Strategy is LM Capital's flagship product and, as such, we believe it incorporates the manager's best ideas across the global fixed income market. We consider the bias towards emerging markets within the "plus" allocation to be a key differentiating factor due to Maizel's Latin American roots and deep professional network in that region of the globe. Because of that, we believe that Maizel possesses unique macro and market insights within Latin America.
- We believe the core of the investment process has remained largely unchanged over the last two decades and we are of the opinion that the scoring matrix created by the firm's co-founders is unique and rigorous. The process has been augmented by the recent addition of a senior economist to further assist in the analysis of macro factor inputs used to formulate the firm's investment thesis. We view this institutionalized, disciplined, and macro-driven process as mitigating factors to key man risk.
- Despite the relatively small size of LM Capital, it appears the firm has the operational infrastructure in place that we would expect from a mainstream organization. Having a specifically dedicated CCO and a director of operations, as well as requiring employees to review the compliance manual and code of ethics on an annual basis promotes regulatory adherence and gives us confidence in their operational/compliance process. To the best of our knowledge, there was not a resolution to the SEC investigation. We will closely monitor the situation.
- Interest rate anticipation is very difficult to consistently predict. However given the process LM Capital has in place, we believe that the manager has been able to demonstrate its ability to manage duration effectively, which has historically been the primary source of alpha generation, followed by sector rotation.
- We consider fees to be competitive relative to peers within the eVestment U.S. Core Plus Fixed Income Universe, as the Strategy ranks below the median fee level of 50 basis points for the separate account on a minimum account size of \$10 million.

AGENDA ITEM 5.E.

INVESTMENT

WORK PLAN 2022

City of Hollywood Employees' Retirement Fund

Draft 2022 Work Plan*

MEETING DATE	SEGAL MARCO INVESTMENT ITEMS	INVESTMENT PRESENTATIONS
January 18	<ul style="list-style-type: none"> • November 2021 Flash Performance Report • Third Quarter Performance Review • Investment Policy Statement Update 	<ul style="list-style-type: none"> • None
February 22	<ul style="list-style-type: none"> • December 2021 Flash Performance Report 	<ul style="list-style-type: none"> • None
March 22	<ul style="list-style-type: none"> • January 2022 Flash Performance Report • Custodian Update • TSW Transition Update • Existing Manager Summaries – For your Files 	<ul style="list-style-type: none"> • None
April 26	<ul style="list-style-type: none"> • February 2022 Flash Performance Report • Fourth Quarter Performance Review • SMID Value Manager Search Report 	
May 24	<ul style="list-style-type: none"> • March 2022 Flash Performance Report • SMID Value Manager Finalist Presentations 	
June 28	<ul style="list-style-type: none"> • April 2022 Flash Performance Report • ESG Policy Discussion 	
July 26	<ul style="list-style-type: none"> • May 2022 Flash Performance Report • First Quarter Performance Review • Emerging Manager Investment Opportunities 	
August 23	<ul style="list-style-type: none"> • June 2022 Flash Performance Report 	
September 27	<ul style="list-style-type: none"> • July 2022 Flash Performance Report 	
November 15	<ul style="list-style-type: none"> • Aug & Sept 2022 Flash Performance Report • Second Quarter Performance Review 	
December 13	<ul style="list-style-type: none"> • October 2022 Flash Performance Report • Annual Investment Policy Review 	

**This is a working document and subject to change.*

AGENDA ITEM 5.F.

INVESTMENT

IPS UPDATE

Exhibit A
SEPARATE ACCOUNT MANAGER SPECIFIC GUIDELINES
SECTION VIII

Active Core Plus, Fixed Income
LM CAPITAL GROUP, LLC

Investment Objective

The overall financial objective of the fixed income portfolios of the Fund is to utilize an Active Core Plus Investment approach to investing in fixed income securities for the purpose of maximizing the long-term U.S. Dollar total return of the Portfolio while controlling and restricting overall portfolio risk. This Portfolio is expected to outperform the Bloomberg US Aggregate Index by 50bps net of fees over a full market cycle.

Investment Guidelines

1. Permitted Securities

LM Capital Group, LLC will have discretion to invest in a broad array of public and private placement securities including:

- Money Market Instruments, Cash, Cash Equivalents
- U.S. Treasury and Agency Notes and Bonds
- U.S. Municipal Bonds
- Corporate Bonds
- Private Placements (Including 144As and Reg. S)
- Yankee and Euro Bonds
- Mortgage-Backed Securities (excluding CMO's, REMICS, IOs, and POs)
- Asset-Backed Securities
- Non-U.S. Dollar-Denominated Bonds
- U.S. Dollar-Denominated Emerging Market Debt
- Preferred Stock
- Currency Forwards, Futures, and Options

2. Duration

The Portfolio may be invested in securities covering the full range of available maturities. The average weighted effective duration of the Portfolio shall not vary by more than +/- 25% of the average weighted effective duration of the Bloomberg U.S. Aggregate Index.

3. Credit Quality

- a) Minimum weighted average credit quality of all Portfolio holdings will not fall below A3/A-. The rating used to determine the quality of the individual securities

Exhibit A
SEPARATE ACCOUNT MANAGER SPECIFIC GUIDELINES
SECTION VIII

with split ratings will be the median of the ratings supplied by S&P, Moody's, and Fitch, and the lower of the two ratings if there are only two agency ratings available.

b) A maximum of 10% of the Portfolio may be invested in unrated securities. These unrated securities may be deemed investment grade quality by LM Capital Group's internal credit analysis group.

c) The minimum allowable rating for any security at the time of purchase will be B3/B-.

d) Any securities that are downgraded below the minimum credit rating described above may be held at the manager's discretion. The Fund will be notified in writing of all such downgrades and/or bankruptcies, including the reasons behind these events as well as the manager's recommendation for these securities within the immediate time horizon.

4. Concentration Limits

(All limits refer to the total market value of the Portfolio at time of purchase)

a) Up to 20% of the Portfolio may be invested in issues rated below BBB-/Baa3.

b) Up to 20% of the Portfolio may be invested in U.S. Dollar-Denominated emerging market securities.

c) Up to 10% of the Portfolio may be invested in Non-U.S. Dollar-Denominated securities, denominated in the currencies of developed countries such as Japan, United Kingdom, Europe, Canada, etc.

d) Up to 10% of the Portfolio may be invested in Private Placements (excluding securities eligible for resale under rule 144A).

e) Up to 5% of the Portfolio may be invested in Cash; exclusions are warranted due to withdrawals or contributions.

5. Diversification Requirements

a) No more than 25% of the Portfolio's assets may be invested in securities of issuers in any one industry excluding U.S. government and U.S. government agencies.

b) Obligations of other issuers or issues are subject to a limit of 5% of portfolio at time of purchase.

Exhibit A
SEPARATE ACCOUNT MANAGER SPECIFIC GUIDELINES
SECTION VIII

c) U.S. government, U.S. government agencies, or U.S. government-sponsored corporations and agencies, and obligations issued by other national governments may be held without limit, excluding the sovereign debt of emerging market countries.

d) The cumulative allocation to U.S. High Yield, Non-U.S. Dollar-Denominated bonds and emerging market debt shall not exceed 30% at any time.

6. Currency Hedging

LM Capital Group, LLC may engage in transactions to hedge against currency risks. Forward contracts, Futures and Options may be used for currency hedging purposes only. LM Capital Group, LLC is not permitted to utilize these transactions for speculative purposes.

7. Prohibited Transactions

- The Portfolio shall not be invested in interest only or principal only securities.
- The Portfolio shall not be invested in mortgage residuals or direct real estate.
- The Portfolio shall not be invested in common stocks or commodities or derivatives thereof.
- The Portfolio shall not be invested in derivative instruments (including leveraged structured notes) except as authorized for currency hedging purposes.
- No assets shall be committed to short sale contracts.
- The Portfolio shall not use leverage except for rolling mortgage pass-through securities.

Exhibit A
SEPARATE ACCOUNT MANAGER SPECIFIC GUIDELINES
SECTION VIII

The above Statement of Investment Objectives and Guidelines is hereby found acceptable to the Investment Manager, the Board of Trustees, and the Consultant. These Guidelines may be executed in counterpart copies, each of which shall be deemed an original, but all of which shall be considered the same instrument. All modifications to these Guidelines shall be in writing and signed by the Board and communicated to the Investment Manager and the Consultant before they become binding.

IN WITNESS WHEREOF this document has been approved by the Pension Board on April 22, 2022.

City of Hollywood Employees' Retirement Fund

By: _____ **Date:** _____

Investment Manager: _____

Receipt confirmed by: _____ **Date:** _____

AGENDA ITEM 6.B.

LEGAL

MEMBER CONSIDERATION

SURVIVOR BENEFITS OF JOSEPH BOWMAN

Christine Bailey

From: Christine Bailey
Sent: Thursday, March 17, 2022 11:12 AM
To: Duane B
Subject: RE: [EXT]RE: City of Hollywood Employees Retirement Fund Meeting of the Board of Trustees, March 22, 2022 Agenda Item 6B

Mr. Bowman,

Once the Board Agenda is set, I am unable to change it. The Board will have to take that action. I will provide the Board with your request made here, and will recommend at the start of the meeting that this item be withdrawn. While I believe it likely that the Board will accept my recommendation, I cannot guarantee that they will.

You may consider calling into the meeting at 9:00am (I will provide the link in a separate email), so that you are aware of the Board's action on your request.

Christine Bailey
Executive Director
City of Hollywood Employees' Retirement Fund
Ph: (954) 921-3333

From: Duane B [mailto:d.bowman@q.com]
Sent: Thursday, March 17, 2022 12:24 AM
To: Christine Bailey <CBAILEY@hollywoodfl.org>
Subject: [EXT]RE: City of Hollywood Employees Retirement Fund Meeting of the Board of Trustees, March 22, 2022 Agenda Item 6B

Ms. Bailey,

Thank You for the message voice message you left on my machine today and for the opportunity to review the documents you've attached to the e-mail you sent today.

The expectation that this matter will be presented to the Board on the 22nd and that we will be able to present any reasonable differences of opinion for the Board's consideration is a very short notice. It is inadequate notice to allow us to prepare a response to the materials included. I therefore am requesting a postponement at least until the next board meeting so we will have time to review the documents provided. Providing us with these documents 3 business days prior to the date when you expect us to be heard on the matter is unreasonable.

Thank you for your offer and yes, we do need additional information and will have questions we will need answers to. We intend to prepare a written response and we will require a number of disclosures on various points made in Mr. Cohen's documents. In that regard we will need prompt written responses to our requests as they are made. We will make those requests to you in written form and will need answers in the same. Since it has taken 6 months for Mr. Cohen to prepare his findings, we believe another month is the minimum time it will take us to prepare an adequate response. That is assuming we receive prompt responses to requests for additional information and answers to our questions in a timely manner.

Please reply by March 17 with your agreement to postpone the Board's agenda item as requested above.

Sincerely,
Duane Bowman

From: Christine Bailey <CBAILEY@hollywoodfl.org>

Sent: Wednesday, March 16, 2022 1:45 PM

To: Duane B <d.bowman@g.com>

Cc: General Pension Help <GeneralPensionHelp@hollywoodfl.org>

Subject: City of Hollywood Employees Retirement Fund Meeting of the Board of Trustees, March 22, 2022 Agenda Item 6B

Mr. Bowman,

Please be aware that the next regularly scheduled meeting of the Board of Trustees of the City of Hollywood Employees' Retirement Fund will be held on March 22, 2022 in City Hall, City of Hollywood, 2600 Hollywood Boulevard, Room 219. At that meeting, Trustees will be discussing the Survivor Benefits of Joseph Bowman. Attached please find the Agenda for the meeting and documentation related to Agenda Item 6B. Member Considerations – Survivor Benefits of Joseph Bowman.

I have enclosed a request for public comment form. If you would like to address the Board of Trustees on this agenda item, please complete the attached Public Comment Form and return it to this office by March 22nd at 9:00am. This meeting will be held in person. If you would like to address the Board and are unable to attend in person, please let me know and we will make arrangements for you to connect electronically to the meeting.

If you have any questions or require any additional information, please let me know.

Christine Bailey
Executive Director
City of Hollywood Employees' Retirement Fund
Ph: (954) 921-3333

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Christine Bailey

From: Duane B <d.bowman@q.com>
Sent: Monday, March 21, 2022 1:51 AM
To: Christine Bailey
Subject: [EXT]RE: City of Hollywood Employees Retirement Fund Meeting of the Board of Trustees, March 22, 2022 Agenda Item 6B

Ms. Bailey,

I haven't been informed whether the request to the Board to postpone actions on the matter has been granted but whether or not actions are postponed I ask that the following be provided to all the Board Members in advance of the upcoming meeting.

If the Board intends to proceed with Agenda Item 6 a-c at the March 22nd Board meeting, I will phone in as a remote attendee and would like to have the following read into the minutes of that Board meeting as my public comment:

Public comment made by
Duane Bowman
2131 Little Applegate Rd.
Jacksonville, Oregon 97530
Ph 541 899-7264
On behalf of Joseph L. Bowman, deceased

To City of Hollywood Pension Board

On October 24, 2021 we presented a written Petition on the matter of the Retirement and Beneficiary Treatment of Joseph Bowman, deceased. In that Petition we expressing confusion on facts and appropriate actions regarding the alleged overpayment of monthly pension amounts to the deceased.

Six months have passed and on March 17th we received notice, along with a long and detailed City Attorney prepared document, that the matter would be again brought before the pension Board for their consideration and possible action on the 22nd of March.

It was our expectation, following the previous Board meeting in 2021, where we were invited to make comment, that during the past 6 months the City Attorney was investigating the matters raised in our petition and would be offering insights and analysis of those as they related to the matter of whether an overpayment indeed occurred. A cursory look at the document compiled and provided by the City Attorney and provided to us on March 17th shows this was not done.

Instead, the City Attorney states he was directed, either by the Board or Ms. Bailey, to simply ASSUME away the major relevant matters raised in our initial Petition and not to do ANY investigation of the PERTINENT POINTS we raised in that Petition. The City Attorney's work product included a disclaimer at its very start stating that his work was based solely on assumptions that he had not verified and reflected only directions to him on how to proceed. That DISCLAIMER regarding the nature and validity of his findings was an integral part of the documents he prepared. Being based totally on UNSUBSTANTIATED assumptions we consider the City Attorney prepared document NON-RESPONSIVE to our petition and to the matter of the alleged overpayment of pension benefits to the deceased.

Now we are being asked to make relevant commentary on the extensive citations and opinions as presented by the City Attorney. Not only to review and comment, but to do so in only 3 business days on documents it took the City Attorney

6 months to assemble. We believe it should be obvious that is inadequate notice to allow us to prepare a response to the materials provided. Providing us with these documents 3 business days prior to the date when you expect us to be heard on the matter is unreasonable.

So I am making the following requests for Pension Board action and asking to receive your response of agreement by end of day on March 22nd :

In order to bring this matter to a resolution in the timeliest, most direct and least burdensome manner for everyone,

- 1) We ask that Board action on the matter at hand be postponed at least until the questions and clarifications we'll be requesting have achieved responses,
- 2) We ask that the Board direct Ms. Bailey, along with whoever she may need to involve, to promptly respond in writing to written questions we will provide regarding the City Attorney's assumptions and similar relevant points,
- 3) We ask that responses provided by Ms. Bailey be complete and include requested documents and/or full extractions made directly from Pension Plan documents in effect when and under which the deceased retired, and
- 4) We ask that should Ms. Bailey encounter evidence contradicting initial Pension fund opinions she may have been led to believe relating to Pension overpayments during the review of the above referenced Pension documents that that evidence be revealed both to us and to the Pension Board whether or not it was specifically requested.

We ask the above in a true effort to get to a fact based conclusion in full sunlight and with mutual understandability of the relevant facts by all parties. The most important thing here is not to "win" or "lose" but to complete a thorough review so reasonable people will have all the same facts in front of them and with those will be able to reach a logical and reasonable agreement on how to proceed. We regret that the initial fact finding was not done and hope the Board will act to ensure that, with our participation, that deficiency is rectified.

Without the actual facts in hand and with the directions given to the City Attorney regarding just accepting unverified assumptions the horse is being placed ahead of the cart. Lets work together to fix that.

Thank You to the Pension Board for your consideration and we look forward to your positive agreement to the fact-finding actions and subsequent disclosures presented above.

Sincerely,
Duane Bowman
On behalf of Joseph Bowman, deceased

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

AGENDA ITEM 7.A.

EXECUTIVE DIRECTOR'S REPORT

CITY COMMISSION COMMUNICATION



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

CITY COMMISSION COMMUNICATION

March 2022

The following information is provided to the City Commission for informational purposes only.

BOARD OF TRUSTEES*

Phyllis Shaw – Chair

Robert Strauss – Secretary

Charles Howell

George Keller – Vice Chair

Barbara Armand

David Keller

*One citizen member position on the Board of Trustees is vacant. This member is appointed by, and serves at the pleasure of the City Commission; must be a resident of the City; and cannot be identified with the City government.

Six Trustees attended the February 22, 2022 Regular Meeting of the Board of Trustees.

ITEMS OF INTEREST TO THE CITY COMMISSION

- The estimated value of the Fund's assets available for investments on January 31, 2021 were \$xxx.x million, up/down x.x% net of fees for the month ended January 31, 2022 and up/down x.x% for the fiscal year to date.
- The Funded Ratio (the value of the actuarial assets divided by the actuarial accrued liability) is 63.3% as of October 1, 2020, up from 60.3% as of October 1, 2019.
- The Board approved the transfer of assets from Thompson, Seigel and Walmsley to Northern Trust Equity Index Fund.
- The Board adopted an Arbitration Policy to not enter into any agreements which require arbitration of disputes.
- The Board approved the eligibility for restoration of two employees of the Broward Sheriff's Office who retained the benefits of City of Hollywood Employees for pension purposes.
- The Fund is involved in a lawsuit related to the death benefit of a deceased retiree, in which with more than one party claimed the benefit. The Circuit Court, Appellate Division has denied the Plaintiff's Petition of Writ of Certiorari. The litigation may continue as the Plaintiff may attempt further action.

UPCOMING PENSION EDUCATIONAL OPPORTUNITIES FOR CITY COMMISSION

- | | |
|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| • National Conference on Public Employee Retirement Systems
May 22 – May 25, 2022
Washington, D. C. | • Florida Public Pension Trustees Association Annual Conference
June 26 – June 29, 2022
Renaissance, Orlando |
|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|

MEETING SCHEDULE 2022

<u>Dates</u>	<u>Time</u>	<u>Location</u>	<u>Dates</u>	<u>Time</u>	<u>Location</u>
April 26, 2022	9:00am-12:00pm	City Hall, Room 219	August 23, 2022	9:00am-12:00pm	City Hall, Room 219
May 24, 2022	9:00am-12:00pm	City Hall, Room 219	September 27, 2022	9:00am-12:00pm	City Hall, Room 219
June 21, 2022	9:00am-12:00pm	City Hall, Room 219	November 15, 2022	9:00am-12:00pm	City Hall, Room 219
July 26, 2022	9:00am-12:00pm	City Hall, Room 219	December 13, 2022	9:00am-12:00pm	City Hall, Room 219

*** Please Take Careful Note: Meetings of the Board of Trustees, as well as, the time and location of these meetings may be adjusted prior to the meeting.**

Please be advised that the Next Regular Meeting of the Board of Trustees will be held on Tuesday, April 26, 2022 at 9:00am. This meeting is expected to be held in person.