

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND
TUESDAY, June 21, 2022 AT 9:00AM**

1. CALL TO ORDER

Chair Shaw called the meeting to order at 9:20a.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; Karyn Sashi of City of Hollywood Department of Construction and Management; Keith Reynolds and Rosa Limas of Segal Marco; and Ron Cohen of Lorium Law.

A. June 21, 2022 Regular Board Meeting Agenda

MOTION made by Trustee D. Keller, seconded by Trustee Strauss, to adopt the June 21, 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. May 24, 2022 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 Strauss, seconded by Trustee D. Keller, 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. Actuarial Valuation as of October 1, 2021

Ms. Bailey noted that at an Informational Session held on June 16, 2022, the Actuary presented the Actuarial Valuation Report as of October 1, 2021. She noted that at the session, the Actuary was asked to provide a report with a 7.0% investment return rate assumption. She stated that the Actuary advised that, if the investment return rate assumption was lowered from 7.3% to 7.0%, the Required Employer Contributions for FYE 9/30/2023 would be \$25,505,646, if paid in Full on 10/1/2022. She also stated that the Actuary advised that the Supplemental Pension Distribution Payment for FYE 9/30/2021 would be \$7,578,907.

Mr. Cohen advised the Board that since they did not have the updated valuation report at the meeting, there were three possible actions that the Board could take: 1) No action until an updated Actuary Report was available; 2) approve the proposed investment return rate assumption, authorize the Executive Director to notify the City of the expected Annual Employer Contribution, and then approve the Actuarial Valuation Report at a later date; or 3) approve the proposed investment return rate assumption and approve the updated Actuarial Valuation Report that would result from the new 7.0% investment return rate assumption.

MOTION made by Trustee D. Keller, seconded by Trustee Armand, to approve an investment return rate assumption of 7.0% effective October 1, 2021. Trustee Armand noted that even with a decrease in the investment return rate assumption, the employer contribution would be decreasing in Fiscal Year 2023 by over \$2 million and requested that that be reflected in the communication to the City. Trustee Strauss noted that the lower investment return rate assumption would lower the funded ratio of the Plan. Trustee G. Keller and Trustee D. Keller thanked Trustees and expressed the City's appreciation that Trustees lowered the investment return rate assumption in a slow and measured way over the years that created less of an impact on the City during difficult years. Trustee Shaw thanked Trustees, the City, the Investment Consultant, Attorney and Actuary.

In a roll call vote of the members present, all members voted in favor. **Motion** passed 6-0.

MOTION made by Trustee D. Keller, seconded by Trustee Strauss, as amended, to approve an Actuarial Valuation Report as of October 1, 2021, resulting from the new 7.0% investment return rate assumption, including an employer contribution for the fiscal year ending September 30, 2023 of \$25,505,646, with a supplemental pension distribution payment of \$7,578,907 and a request that the Actuary add a comment to the valuation report regarding the subsequent event of the payment in full of the settlement agreement. In a roll call vote of the members present, all members voted in favor. **Motion** passed 6-0.

Trustee Shaw noted that lowering the investment return rate assumption would have an impact on the payment of the settlement agreement. Ms. Bailey noted that the change resulted in an approximate overpayment by the City of \$13,000. Trustee G. Keller requested that the overpayment be documented.

Ms. Bailey requested that the Board consider Agenda Item 7B. before 4B. as the pension office renovation was a major component of the Proposed Budget.

7. EXECUTIVE DIRECTOR'S REPORT

B. Pension Office Renovation

Ms. Sashi introduced Dana Nelson and advised that he would be overseeing the renovation. She advised the Board that the 100% drawings were almost complete with only a few minor comments remaining before going to permitting in July. Ms. Sashi provided the Board with a cost estimate of \$741,288.25 for budgeting purposes only, which included permitting, renovation, furniture, fixtures and equipment, as well as contingencies. Ms. Sashi noted that there was a significant increase in the cost of construction materials.

Trustees thanked Ms. Sashi and DCM for their work on the renovation project. In response to a question, Ms. Sashi advised that she estimated that contracting process would take approximately two months.

MOTION made by Trustee Strauss, seconded by Trustee Armand, to allow DCM to bid the contract and take all the necessary steps up to the awarding of a contract. In a roll call vote of the members present, the **Motion** passed 6-0.

4. FINANCIAL

B. Proposed Budget for Fiscal Year 2023

Ms. Bailey provided the Board with the proposed budget for fiscal year 2023. She advised that the proposed modification of \$672,800 to the Capital Budget represented the net budget cost of the pension office renovation. She advised that overall budget request was \$3,986,327, a decrease of 2%. She noted that the expenses paid by the fund was budgeted to increase by 10%. She advised that the largest increases were due to the restoring the investment administrative expenses, an increase in insurance, and an increase in the maintenance costs of the new building.

MOTION made by Trustee D. Keller, seconded by Trustee G. Keller, to approve the Operating Budget and Revised Capital Budget. In a roll call vote of the members present, all members voted in favor. **Motion** passed 6-0.

C. Ms. Bailey provided the Board with the December 2021 Final and May 2022 Draft Financial Operations and Investment Summaries. She also provided the Budget Variance Report as of May 31, 2022.

5. INVESTMENT (Keith Reynolds – Segal Marco)

C. SMID Value Transition Manager Report

Ms. Limas presented the Transition Manager Pre-Trade Cost Analysis Review outlining the cost, recommended execution type and any illiquidity risks. She noted that EARNEST advised that they could liquidate the legacy portfolio, but they would not be able to furnish the level of transparency requested. She reviewed the pre-trade cost estimates from BTIG, Loop Capital, Macquarie and State Street.

MOTION made by Trustee D. Keller, seconded by Trustee Armand, as amended, to ask the Attorney to review contracts of all four transition managers to create a Transition Panel and to focus on BTIG for the TSW Transaction and if there is an issue with BTIG, to have State Street as a backup. This motion was withdrawn.

MOTION made by Trustee D. Keller, seconded by Trustee Armand, to ask the Attorney to work on contracts with BTIG and State Street, with BTIG for this transition and, if not successful, to move on to State Street. In a roll call vote of the members present, all members voted in favor. **Motion** passed 6-0.

MOTION made by Trustee D. Keller, seconded by Trustee Armand, to ask the Attorney to move forward with the other two firms to have a Transition Panel. In response to questions, Ms. Limas confirmed that the recommendation for the transition panel included Loop and that there would be no cost to the funds for including any managers in the panel. She noted that the costs would only apply at the time the Board requested that a manager undertake a transition. In a roll call vote of the members present, all members voted in favor. **Motion** passed 6-0.

A. April 2022 Flash Performance Report

Mr. Reynolds provided the Board with the Flash Performance Report for April 2022. He noted that the Fund's market value of assets as of April 30, 2022, decreased to \$426.4 million. He also noted that the estimated return for the Fund was down 4.6% net of fees for the month of April 2022, and down 3.5% net of fees for the fiscal year to date.

B. Fourth Quarter Performance Review

Mr. Reynolds reported the Fund's performance for the quarter ended December 31, 2021. He noted that the assets available for investments were \$475.2 million and performance was 4.9% net of fees for the quarter. He noted that for the one-year period the Fund returned 15.5%.

Trustees Shaw requested a presentation on the Fund's transition into private markets and other alternative investments to determine the impact on the Fund resulting from the transition.

D. 2022 Work Plan

Mr. Reynolds provided the Board with the 2022 Work Plan.

Trustee Shaw congratulated Ms. Limas and Mr. Reynolds on their promotions to Vice President.

6. LEGAL (Ron Cohen – Lorium Law)

A. Legal Updates

Mr. Cohen advised that he had received the EARNEST Partners Documents. He noted that the documents were extensive but that it was a comingled fund, similar to the Loomis Sayles investment. He noted that some of the work related to this type of investment had already been done when the Loomis investment was made.

Mr. Cohen advised that confidentiality remains an outstanding issue with the Neuberger Berman contract. He noted that he received proposed new language just before the meeting and while he had not yet reviewed the proposed language, he believes it will be okay.

- B. Resolution Approving and Adopting Nationwide Financial Services, Inc. Non-Standardized Governmental 401(a) Pre-Approved Plan.

Mr. Cohen advised that the IRS required employers with qualified pre-approved plans to restate their plan documents every six years. He noted that this was the plan that covered the Pension Office staff. He requested that the Board approve the proposed resolution.

MOTION made by Trustee G. Keller, seconded by Trustee Strauss, to approve the resolution approving and adopting Nationwide Financial Services, Inc. Non-Standardized Governmental 401(a) Pre-Approved Plan. In a roll call vote of the members present, all members voted in favor. **Motion** passed 6-0.

- C. 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.

7. EXECUTIVE DIRECTOR'S REPORT

- A. City Commission Communication

Ms. Bailey provided the City Commission Communication for the months of May and June 2022. The Board requested that the communication include notification to the City that the Board had lowered the Investment Return Rate Assumption and that the report be updated to reflect the exact numbers in the updated valuation report once received.

- B. Pension Office Renovation

This Agenda Item was addressed after Agenda Item 4A above.

- C. CPMS Update

Ms. Bailey advised that the Fund had received the Round 2 Data which included member demographic and employment data through May 31, 2022. She advised that the data was successfully loaded by PTG into CPMS. She stated that the Fund staff now have access to the CPMS test environment and user acceptance testing has begun. Trustee Shaw questioned the impact of the possible outsourcing of payroll. Trustee D. Keller advised that the possibility of outsourcing payroll was in the early stages of discussion, and the City have not yet considered the impact or reached a decision. He advised that he would come back with more information at a later date. Ms. Bailey advised that the Fund had extracted all information necessary from the Millennium and Oracle Systems through May 2022. She advised that the biweekly payroll feed to be used after the system goes live, was currently being developed and that if there were a change, that feed might have to be redesigned.

- D. Communications from the Executive Director

- Ms. Bailey advised that only one 2021 life certificate remained outstanding. She advised that 137 of the 2022 life certificates remained outstanding and that a second round of requests had been sent out to members.
- Ms. Bailey advised that 29 distributions remained for the FY2012 13th Check Settlement totaling \$163,628.25.
- Ms. Bailey advised that a member's disability application was ready for consideration by the Board and requested that the Board hold a Special meeting for an initial hearing of the application. She noted that there was a 10-day minimum requirement to provide the Board with discovery and presentation evidence. She requested that the Board waive that minimum requirement.

MOTION made by Trustee Armand, seconded by Trustee D. Keller, that the Executive Director be allowed to waive the 10-day requirement so that the Board can meet on Friday, June 24th to discuss the disability application. In a roll call vote of the members present, all members voted in favor. **Motion** passed 6-0.

- 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 G. Keller thanked the Board and staff for how far things have come in the last few years. Trustee Strauss commented on the Supplemental Pension Distribution and asked when communications would be sent out to the members. Ms. Bailey advised that she hoped to have the individual distributions to be approved at the June 24th Special meeting and that communication to eligible retirees and beneficiaries, and payments would be expected in July.

10. ADJOURNMENT

MOTION made by Trustee Armand, seconded by Trustee D. Keller, to adjourn the meeting. In a voice vote by the members present, **Motion** passed 6-0. The meeting adjourned at 11:45a.m.



Phyllis Shaw, Chair

11 August 2022

Date