

**MINUTES
REGULAR PENSION BOARD MEETING
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND
TUESDAY, JANUARY 24, 2023 AT 9:00AM**

1. CALL TO ORDER

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

2. ROLL CALL AND PLEDGE OF ALLEGIANCE

Board Members present: Chair Phyllis Shaw, Vice Chair George Keller. Secretary Robert Strauss, Barbara Armand, Jeffrey Greene (electronically), Charles Howell (electronically), and David Keller. Also present: Executive Director Christine Bailey; Keith Reynolds, Rosa Limas, and Felicia Ewell of Segal Marco; and Ronald Cohen of Lorium Law.

A. January 24, 2023 Regular Board Meeting Agenda

MOTION made by Trustee D. Keller, seconded by Trustee Strauss, to adopt the January 24, 2023 Regular Board Meeting Agenda. In a voice vote of the members present, all members voted in favor. **Motion** passed 7-0.

3. CONSENT AGENDA

- A. December 13, 2022 Annual 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 G. Keller, to approve Consent Agenda Items 3a through 3c. In a voice vote of the members present, all members voted in favor. **Motion** passed 7-0.

4. FINANCIAL

A. Ms. Bailey provided the Board with the Final September 30, 2022 and the December 31, 2022 Preliminary Financial Operations and Investment Summaries. Ms. Bailey also provided the Budget Variance Report as of December 31, 2022.

5. INVESTMENT (Felicia Ewell – Segal Marco)

A. November 2022 Flash Performance Report

Mr. Reynolds provided the Board with the Flash Performance Report for November 2022. He noted that the Fund's market value of assets as of November 30, 2022 increased to \$430.7 million. He also noted that the estimated return for the Fund was up 4.1% net of fees for the month of November 2022 and up 6.6% net of fees for the fiscal year to date.

B. Third Quarter Performance Review

Mr. Reynolds reported the Fund's performance for the quarter ended September 30, 2022. He noted that the assets available for investments were \$384.5 million and performance was down 2.6% for the quarter. He noted that for the one-year period, the Fund's return was down 9.6% net of fees. He noted that the Fund's benchmark was down 14.5%. He noted the difference in the returns from the Flash report to the Final report was due to added returns from the private markets.

Mr. Reynolds noted that the Board's investment goal of protecting the assets in a down market was successful as evidenced by the returns. He noted that among retirement plans of similar sized assets and with similar equity allocations, the Fund's return was in the top percentile of performer for the quarter ended September 30, 2022, and in the top decile for the calendar year to date, as well as the one- and three-year periods. He noted that the Fund was in the top quartile of performers in the five-, seven-, and ten-year periods.

Trustee G. Keller thanks Segal for their guidance and input in preparing for the market downturn. In response to a question from Trustee G. Keller, Mr. Reynolds advised that the markets could already be in recession based on the mixed indicators. He advised that Segal's research team was forecasting a small and shallow recession. Trustee G. Keller stated that there have been concerns about a recession and its impact on the Fund, its funding levels, the contribution levels, and its impact on the upcoming budget

process. He noted that the good news would help to alleviate those concerns. Mr. Reynolds noted that the Fund had exceeded its expected rate of return in the long term.

Trustee D. Keller inquired about the downturn and its impact on rebalancing. Mr. Reynolds noted that the investments did not need major rebalancing. He also noted that the alternatives allocation was set up in a way that ensured that a decline in the public markets would not result in the Fund being forced to sell the private market investments. He advised that if there was a need for rebalancing and Segal felt strongly about not rebalancing, the decision would be brought to the Board for approval.

C. SMID Value Transition Update

Ms. Limas advised that the TSW Transition went well. She advised that the cost was approximately 10.7 basis points which fell below their pre-trade estimate of 12.13 basis points. She noted that 4.5% of the assets were transferred in kind from the legacy portfolio to the target portfolio, resulting in no cost to the Fund on 1.4 million in assets. She noted that all trades settled on January 9, 2023. She advised that the total investment in Earnest was approximately \$17.3 million. She noted that there were no operational issues with the transfer.

Trustee Shaw thanked Segal for managing the project and noted that the project was seamless to the Board. Mr. Reynolds noted that a part of the success was the Board's willingness to be flexible through the process.

D. Custodian Fees Update

Ms. Limas advised that Principal had agreed to a 5-year fee lock-in. She advised that Mr. Cohen raised concerns about language added to the agreement regarding legal costs. She advised that she worked with Mr. Cohen on preferred language. Mr. Cohen noted that the agreement to pay attorney's fees were open-ended and included entitlement to fees. He advised that he requested alternative language limiting the liability. Mr. Cohen noted that he received an email during the meeting which appeared to accept the preferred language. Ms. Limas advised that it appeared that the concerning language had been removed. Mr. Cohen stated that he would report further at the next meeting.

E. 2023 Work Plan

Mr. Reynolds provided the Board with the 2023 Work Plan. He reviewed the investment topics that Segal recommended the Board consider in the coming year.

6. LEGAL (Ron Cohen – Lorium Law)

A. Legal Update

Mr. Cohen noted that the Principal contract was addressed earlier. He noted that with the construction contract, aside from some minor corrections, all the terms had been agreed upon. He noted that the Fund was relying on the Department of Design and Construction Management and the City Attorney, for the review of the Agreement on behalf of the Fund.

Mr. Cohen advised that one of two agreements with GTJZ was complete. He noted that the contract extension had been signed. He advised that the work on assistance with the Member self-service awaited a review with Ms. Bailey. With regard to the Segal contract, he noted that he received a response from Segal late yesterday and would be reviewing the response after the meeting.

B. Proposed Ordinance regarding CRA Employment

Mr. Cohen advised that he and Ms. Bailey had drafted a letter to the City regarding the language for a proposed change to the ordinance. He highlighted the concerns provided by Trustees and staff after the last meeting. The concerns were:

- To note to the City that the language only addressed City employees being allowed to purchase service credit for previous employment with the CRA and did not allow

present CRA employees to become members of COHERF or to purchase service credit; that would require a separate ordinance change.

- That there was a fixed cost to the employee and that there was no fixed time of payment, and differed greatly from the value of the benefit and the cost to the Fund. Further, there were members of COHERF that were paying, or have paid, 9% contributions during periods of employment; and that consideration be given to having CRA employees purchasing service credit pay the contribution rate of 9% for those periods of time.
- That the actuarial value of the benefit should be determined and address how the additional cost would be paid without burdening the current members.
- That the language would allow any former CRA employees who became employed by the City to purchase service credit for their former employment with the CRA which would be increasingly difficult administratively and consideration should be given to the establishment of a window period if not to purchase, to at least submit a letter of intent to purchase.
- That the benefit being granted with the purchase of the credited service be specified in the ordinance.

The Board discussed the draft letter. They asked that the letter to the City include the following recommendations regarding the proposed ordinance.

- A maximum payment period.
- Identification of the payment sources of the actuarial benefit costs.
- A limiting definition of the eligible individuals.
- Clarification of the partial or total purchase of service credit.
- Clarification of the ability or inability of COHERF retirees purchasing prior CRA Service credit.
- Allowing CRA Employees to join COHERF and purchase service credit with the passage of the ordinance.

MOTION made by Trustee G. Keller, seconded by Trustee D. Keller, to express to the City that if the City were to pass an ordinance to allow CRA members to purchase time that the Board's preferred route would be to allow current CRA employees to become members of the Plan at the time the ordinance passes. The Board discussed the motion.

Ms. Bailey noted that the Board's discussion was extensive and requested that she be allowed to work with Mr. Cohen to put together the concerns and the recommendation of the Board and bring it back to the Board for further discussion at the next meeting or at a special meeting.

Trustee G. Keller expressed a concern that this motion, if not address, would linger undecided and might adversely affect certain CRA members. Mr. G Keller withdrawn his motion, and Mr. D. Keller agreed. Trustees requested a special meeting to address this issue.

C. Executive Director's Evaluation

Mr. Cohen provided Trustees with the Executive Director's 2023 Evaluation Forms and requested that they be completed and return to him. Mr. Cohen noted that until the evaluation was complete, any discussion with Ms. Bailey about her performance must be held at a public meeting. Mr. Cohen requested that the forms be send back to him or to the Pension Office at least one week before the next regular meeting.

7. EXECUTIVE DIRECTOR'S REPORT

A. City Commission Communication

The Board received the City Commission Communication. Trustees requested that information on the fiscal year investment return be added to the communication.

B. Pension Office Renovation

Ms. Bailey advised that all the contract terms have been agreed to and with a few minor corrections, the contract would be ready for signature. She noted that the Department of Design and Construction Management (DCM) and Vercetti would have a kickoff meeting shortly.

C. CPMS Update

Ms. Bailey advised that the CPMS project is in its final phase of design. She noted that the anticipated go-live date remained April 24, 2023. She advised that the demands of the CPMS project, along with the other administrative operations, have resulted in a slower response time to member requests.

D. Communications from the Executive Director

- Ms. Bailey advised that 24 of the 2022 life certificates remained outstanding. She advised that a final letter had been sent to these members notifying them of the discontinuation of benefits in February if the certificates were not returned. She also advises that the 2023 Life Certificates would be mailed to retirees shortly.
- Ms. Bailey advised that 29 distributions remained for the FY2012 13th Check Settlement totaling \$161,035.52.
- Ms. Bailey advised that 4 distributions remained for the FY2021 13th Check Settlement totaling \$33,906.61.
- Ms. Bailey provided the Board with the DROP Participant List.

Trustee Shaw requested a list of Fund accomplishments for 2022 and goals for 2023.

8. **PUBLIC COMMENTS**

There were no public comments.

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

Trustee Armand noted that she had reviewed the new system and that she had heard a member complaint. She was pleased that the new system was able to allow staff to address the issue quickly, even from the test system. Trustee Strauss noted his appreciation for the educational opportunities offered by the Board including Koried and FPPTA. He encouraged the participation of any stakeholder who had questions about the fund operations.

Trustee G. Keller noted the importance of providing information to the Commission and encouraging their interest in the operations and status of the Fund. Trustee Shaw suggested that the Fund reach out to the Commissioner to provide information on the Fund.

10. **ADJOURNMENT**

MOTION made by Trustee Greene, seconded by Trustee Strauss, to adjourn the meeting. In a voice vote by the members present, **Motion** passed 7-0. The meeting adjourned at 12:05p.m.



Phyllis Shaw, Chair

3 March 2023

Date