

MINUTES
REGULAR PENSION BOARD MEETING
CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND
TUESDAY, SEPTEMBER 22, 2020 AT 9:00AM

1. CALL TO ORDER

Chair Shaw called the meeting to order at 9:05a.m.

2. ROLL CALL AND PLEDGE OF ALLEGIANCE

All attendees participated telephonically. Board Members: Chair Phyllis Shaw (exited at 9:55am, rejoined at 11:35am), Vice Chair George Keller (joined 9:07am), Secretary Robert Strauss, Christopher Cassidy, Jeffrey Greene (joined at 9:06am), Charles Howell, and Adam Reichbach (exited at 1:00pm). Also present: Executive Director Christine Bailey; Keith Reynolds, Felicia Ewell and Francois Otieno of Segal Marco; and Ronald Cohen of Rice Pugatch Robinson Storfer & Cohen.

a. September 22, 2020 Regular Board Meeting Agenda

MOTION made by Trustee Cassidy, seconded by Trustee Greene, to adopt the September 22, 2020 Regular Board Meeting Agenda. In a voice vote of the members present, all members voted in favor. **Motion** passed 6-0.

3. CONSENT AGENDA

- a. August 25, 2020 Regular Meeting Minutes
- b. Ratification of Distributions (Contributions and DROP) and Plan Expenses
- c. Approval/Ratification of New Retirements/DROP/Vested/Death Annuities

MOTION made by Trustee Greene, seconded by Trustee Strauss, to approve Consent Agenda Items 3a through 3c. In a voice vote of the members present, all members voted in favor. **Motion** passed 6-0.

4. FINANCIAL

- a. Mr. Amrose reviewed the assumptions for the Actuarial Valuation Report as of October 1, 2020. He noted three particular assumptions: the mortality assumption, the assumed investment rate of return, and the amortization period. He noted that the Plan was mandated to change the mortality table used in its valuations which would result in an approximate decrease of \$1 million in actuarially determined contributions.

Mr. Amrose advised that a net return of 7.00% was more in line with forecasts of the investment consultants that GRS used. He stated that if the return assumption was too high, it will increase the Plan's unfunded liability. He also stated that a reduction in the investment return assumption to 7.00% would result in an approximate increase of \$1.4 million in actuarially determined contributions.

Mr. Amrose noted that GRS recommended that the Plan decrease the amortization period to 20 years by reducing the amortization by one year for each valuation going forward. He asked the Board to provide direction for how to proceed with these assumptions for the 2020 valuation.

Trustee Cassidy inquired about a cost neutral option. Mr. Amrose responded that while it was not projected for this discussion, he anticipated that the approximate investment return assumption that would be cost neutral would be approximately 7.30% to 7.35%.

In response to a question, Mr. Amrose explained the impact of the assumption changes on the unfunded actuarial liability and the funded ratio. Mr. Amrose also confirmed that the changes to the mortality table were mandatory and would have to be adopted in the October 1, 2020 valuation. He noted that the new tables reflected a decrease in the life expectancy of retirees.

MOTION made by Trustee Strauss, seconded by Trustee Cassidy, to follow the Actuary's recommendation to lowering the assumption rate to 7.3% and lowering the 30-year amortization period to a 29-year duration, including the new mandated mortality assumptions. In response to a question regarding the timing of the decrease in the

assumption rate and the decrease in the amortization period from 30 years to 20 years, Trustee Strauss advised that the motion was specific to the October 1, 2020 valuation. After discussion the Motion was amended by Trustee Straus, and the amendment was accepted by Trustee Cassidy to:

MOTION made by Trustee Strauss, seconded by Trustee Cassidy, to follow the Actuary's recommendation to decrease the assumption rate to 7.3% and lower the 30-year amortization period to a 25-year duration by reducing the amortization period by one year, each year, including the new mandated mortality table. In a roll call vote of the members present, all members voted in favor. **Motion** passed 7-0.

Chair Shaw exited the meeting after which Vice Chair Keller, chaired the meeting.

Mr. Amrose advised the Board that there were two additional items. He noted that the 2019 valuation report included a \$12 million contribution shortfall in employer contribution related the City's exclusion of the prefunding of the SPD from FY2015 through FY2019. He noted that the City agreed to pay the prefunding over a five year period. He advised that based on a 7.5% assumed interest rate over a 5-year amortization, the first annual payment would be \$3.086 million, if paid on October 1, 2020. He noted that the City had made a payment of \$2.4 million toward that first payment, leaving a shortfall of \$572,000.

Mr. Amrose stated that it appeared that the City's FY2020 contributions were paid based on the FY2018 Valuation Report, and not the Impact Statement provided for the Restoration Ordinance in June 2019. He noted that, based on Florida Statute, the ordinance must be funded in the fiscal year after it is passed which was the fiscal year starting October 1, 2019. He noted the shortfall in the payment was \$4.662 million if paid on September 30, 2020.

- b. Ms. Bailey advised that the Preliminary August 31, 2020 Summary was incorrect and that she would provide the Board with an updated August 31, 2020 Summary. She also provided the Budget Variance Report as of August 31, 2020.
- c. Ms. Bailey provided the Board with the Proposed Budget for Fiscal Year 2021. She highlighted significant changes to the budget which included a decrease in the investment fees paid directly to managers, an increase in the personnel expenses, an increase in the investment fees paid indirectly to managers, and an increase in the Plan's contingency reserves.

In response to questions, Ms. Bailey advised that most of the variance in budgeted to actual expenditures were related to investment fees due to the incentive fee structures of some managers. She noted that most of the difference would not carryover to FY2021, only the costs incurred in Fiscal Year 2020 would be accrued and carried over into the next fiscal year. She also noted that the actuary would use the actual expenditures for FY2020 in his FY2020 Valuation.

Ms. Bailey noted that the majority of the increase in the Budget was due to anticipated investment expenses, new computer system, and relocation of the Pension Office.

MOTION made by Trustee Greene, seconded by Trustee Reichbach, to adopt the Fiscal Year 2021 Proposed Budget. In a roll call vote of the members present, **Motion** passed 5-1. Trustee Shaw exited the meeting and Trustee Cassidy opposed the motion.

5. INVESTMENT (Keith Reynolds – Segal Marco)

- a. August 2020 Flash Performance Report

Mr. Reynolds provided the Board with the Flash Performance Report for August 2020. He noted that not all managers had reported their performance. He noted that the Fund's market value of assets as of August 31, 2020 increased to \$351 million, up 3.04% for the month of August, and up 7.47% for the fiscal year to date. Mr. Reynolds noted that this return was expected to be higher as the private market returns were not included in the Flash Report. He also noted that Loomis Sayles was funded in August and RBC had been funded in September.

- b. Investment Policy Update
Mr. Reynolds provided the Board with the final amended Investment Policy Statement, including the updates resulting from the ALM study.

MOTION made by Trustee Cassidy, seconded by Trustee Greene, to approve the new Investment Policy Statement. In a roll call vote of the members present, all members voted in favor. **Motion** passed 6-0.

- c. Emerging Manager Program
Mr. Otieno presented the Diversity Investing Initiative and the proposed Emerging Manager Program, including its potential benefits. He recommended that the Board establish a program of direct investments with an initial goal of 7.5% or approximately \$25 million. He noted that the IPS would need to be updated. He also noted that the new program would be utilized to generate 2021 investment ideas and that the program would be evaluated annually.

In response to questions, Mr. Otieno noted that the assets would be invested by emerging managers but they could be invested in non-emerging manager assets. It was noted that 7.5% was not a target but a desired level of participation.

MOTION made by Trustee Cassidy, seconded by Trustee Strauss, to establish an Emerging Manager Program with an initial goal of 7.5% of Plan Assets. In a roll call vote of the members present, all members voted in favor. **Motion** passed 6-0.

- d. Work Plan 2020
Mr. Reynolds provided the Board with the 2020 Work Plan.
- e. Board Insurance Update
Ms. Bailey provided the Board with the comparison costs of the FY2020 and the FY2021 insurance coverages. She also provided the Board with the 2020 proposed renewal of the Commercial Liability and Umbrella Insurance Packages.

MOTION made by Trustee Cassidy, seconded by Trustee Howell, to approve the Commercial Package and Umbrella as indicated in the backup for Agenda Item 5e, In a roll call vote of the members present, all members voted in favor. **Motion** passed 7-0.

6. LEGAL (Ron Cohen – Rice Pugatch Robinson Storfer & Cohen)

- a. Disability Application – Ifatunbi Adefunmi
Mr. Cohen advised the Board that in response to a request from Ms. Bailey, he reviewed the disability application of Ms. Adefunmi. He summarized the processing of previous applications by Ms. Adefunmi. He advised that he reviewed the ordinance regarding disability applications and concluded that only retirees or employees were eligible to file disability applications. Since Ms. Adefunmi was neither a retiree nor an employee, he recommended that the application not be processed.

MOTION made by Trustee Keller, seconded by Trustee Greene, as amended, to, after the review and recommendation the Board's Attorney, not to process the application of Ifatunbi Adefunmi as she was not a member at the time of the application. In a roll call vote of the members present, all members voted in favor. **Motion** passed 7-0.

- b. Update on Member Request – Stephanie Szeto
Mr. Cohen reviewed the member request and the circumstances that initiated her request. He advised that the current ordinance did not permit retroactive participation in the DROP. He therefore recommended that the Board not allow Ms. Szeto, or others similarly situated, to enter the DROP. He noted that any amendment to the ordinance would have to be made by the City and cannot be made by the Board administratively.

MOTION made by Trustee Cassidy, seconded by Trustee Keller, to extend the meeting for 1:00p.m. In a voice vote of the members present, all members voted in favor. **Motion** passed 7-0.

Ms. Szeto provided comment on her request. Mr. Cohen noted that if the Board allowed these two member to DROP, the Board could be sued. Additionally, if the Board took action based on the assumption that the ordinance was void, that would allow others affected by the benefit changes, to petition the Board to regain those benefits. It was noted that any correction that may be necessary should be done through the ordinance processes.

Trustees requested that Ms. Cohen and Ms. Bailey research how the Police Board's ruling allowed the member to DROP, how and why the Plan's position was different from that, and how many members would be affected. Trustees also asked that the City Attorney be provided with documentation on the matter, and requested the City's position on the matter.

c. Update on Investment Contracts

Mr. Cohen advised that the Blue Ocean contract and side letter were complete.

d. Board Meeting requirements

Mr. Cohen noted that there were no extensions of virtual meetings beyond September 30, 2020 at the time of the meeting.

MOTION made by Trustee Keller, seconded by Trustee Cassidy, to extend the meeting for 1:30p.m. In a voice vote of the members present, all members voted in favor. **Motion** passed 6-0. Trustee Reichbach exited the meeting.

7. EXECUTIVE DIRECTOR'S REPORT

a. City Commission Communication

The Board received the City Commission Communication. The Board requested that the most current information available be provided in the communication.

b. Proposed Employee Election Process

Ms. Bailey provided the Board with the proposed election process for an Employee Trustee. She advised the Board that certain dates in the timeline were incorrect and an updated memorandum would be provided to the Board. She noted that the date of the Declaration of Election Results should be February 3, 2021, the date that the Challenge of the Election Results closes should be February 18, 2021 the date that the Response to Challenge of Election Results closes should be March 4, 2021, and the date after which the Board Addresses Challenge to Election Results should be March 4, 2021.

MOTION made by Trustee Keller, seconded by Trustee Cassidy, to accept the timeline for the election of Employee Trustee, as amended. In a voice vote of the members present, all members voted in favor. **Motion** passed 6-0.

c. Board Meeting Schedule – October 27, 2020.

Ms. Bailey requested that the Board to reschedule the October 27th Meeting of the Board of Trustees to 9:00am should the Governor extend the waiver of the physical presence of a quorum beyond the current September 30th expiration.

MOTION made and amended by Trustee Cassidy, seconded by Trustee Keller, to change the meeting time to 9:00am should the Governor extend the allowance for virtual meetings for the October and December Regular Meetings. In a voice vote of the members present, all members voted in favor. **Motion** passed 6-0.

d. Relocation Discussion

Ms. Bailey requested Trustee input in the selection and spacing of a new location for the Pension Office. Trustees agreed that any new location should meet all the anticipated needs of the Plan. The Board also requested that purchasing office space be considered as an option.

e. Personnel Considerations

Ms. Bailey advised the Board that she had completed the staff evaluations and that both employees consistently exceeded her expectations in a difficult year that included a large backlog of DROP Participants to be processed, the first audit after the transition of the

financial operations of the Plan from the City, while maintaining member services in the current environment. She requested salary increases for both employees, based on their passed performance, as well as the increases performance expectations which will result from the Plan's FY2021 Goals.

Trustees discussed the recommendation and noted that the staffs' current descriptions and titles may not in line with the work the staff were actually performing. The Board requested a comparative survey of the pension industry to include titles, salary ranges, tenure and duties, which would be more in line with the work the staff performed.

f. Communications from the Executive Director

- Ms. Bailey advised the Board that 62 retirees had not yet returned their 2020 Life Certificates to date.
- Ms. Bailey advised the Board that 36 distributions remained for the FY2012 13th Check Settlement totaling \$214,730.88. Ms. Bailey provided the Board with the list of pending distributions and their current statuses.
- Ms. Bailey advised that the RFP for the Comprehensive Pension Management System has been issued and distributed to vendors and other who have requested it. She noted that proposals were due on October 1st at 2:00pm.
- Ms. Bailey noted that current refund policy allow the Plan to automatically refund former non-vested members without an application. She advised that, after discussion with Mr. Cohen, the ordinance requires a former member to apply for the refund and therefore it could not be automatically distributed and therefore the policy of automatic refunds had been discontinued. She noted that the Plan would accrue the refunds due to members.
- 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**

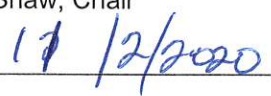
Trustee Cassidy thanked the staff of the Pension Office and requested that the compensation survey include tenure, titles, ranges and duties.

10. **ADJOURNMENT**

MOTION made by Trustee Keller, seconded by Trustee Greene, to adjourn the meeting. In a voice vote by the members present, all members voted in favor. **Motion** passed 6-0. The meeting adjourned at 1:30p.m.



Phyllis Shaw, Chair



Date