

**HOLLYWOOD POLICE OFFICERS' RETIREMENT SYSTEM**  
**Office of Retirement**  
**4205 Hollywood Blvd., Suite 4**  
**Hollywood, Florida 33021**

**January 25, 2013**

**MINUTES**

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, January 25, 2013, at 10:30 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

**PRESENT:**

D. Strauss, Chairman, C. Marano, Secretary, C. O'Brien, R. Brickman, L. Wiener, P. Laskowski and V. Szeto

Also present were Kee Eng, City of Hollywood; Alan Ashworth, Eagle Asset Management; John McCann, Thistle Asset; Todd Green, Board Actuary (Attended Telephonically); Steve Cypen, Board Attorney; David M. Williams, Plan Administrator.

**READING OF THE WARRANTS**

The warrants since the last meeting were reviewed and executed by the Board of Trustees.

**APPROVAL OF THE MINUTES OF THE DECEMBER 21, 2012 MEETING**

Mr. Strauss asked if there were any additions or corrections to the Minutes of the December 21, 2012 pension board meeting. Mr. O'Brien made a motion to approve the Minutes of the December 21, 2012 pension board meeting, which was seconded by Mr. Szeto. All board members voted yes.

**ATTORNEY'S REPORT**

Mr. Cypen briefly updated the Board on its pending litigation, by informing them that the legal issues sanctioned were up to date.

Mr. Cypen cited the Florida Supreme Court Ruling in the FRS Matter.

Mr. Cypen advised that pension legislation is expected with regard to the use of Chapter 175/185.

**ACTUARY REPORT**

Mr. Green presented a summary report about the DROP vs. the Backdrop. Mr. Green outlined the mechanics of the Backdrop, and compared it to the Traditional DROP. The overall purpose of the report was to determine if there was a savings/or a cost reduction to the City of Hollywood by implementing the Backdrop. City representatives advised that the Backdrop would save the city money over the Traditional DROP. An illustration by Mr. Green revealed otherwise. The city's net cost actually increased under the Backdrop example, when compared to the Traditional DROP. The report will be made part of this document.

**ADMINISTRATIVE REPORT**

Mr. Williams presented the Administrative Report to the Board.

DROP ENTRY: Mr. Williams indicated that Mr. Mark Ruggles completed all the required documents to enter the DROP on January 14, 2013. Entry is being made based on years of service. Mr. Williams reminded the Board that Mr. Ruggles was one of the members eligible for retirement (based on age) prior to the effective date of the current ordinance. Mr. Williams advised that Mr. Ruggles DROP paperwork was actually submitted to the city on September 30, 2011, prior to the current ordinance being enacted. Mr. Szeto made a motion to approve the DROP entry as noted, which was seconded by Mr. O'Brien. All board members voted yes.

DROP LOANS: Mr. Williams cited the respective member's loan requests. Mr. Williams outlined that the members have the funds in their personal DROP accounts to cover the loans and they have all been participants in the DROP plan for the required amount of time. No conflict exists with the 12-month rule. Mrs. Marano made a motion to approve the DROP loans as noted, which was seconded by Mr. Szeto. All board members voted yes.

SUPPLEMENTAL DISTRIBUTION: Mr. Williams presented material related to the division of the Supplemental Distribution for the Board to review and consider. Mr. Williams also provided copies of a series of written communications related to a prior distribution that was made. The letters were between Mr. Doug Beckendorf, State Actuary (State of Florida - Dept of Mgt. Svc's) and our Board Actuary, Mr. Jose Fernandez. The end effect was that Mr. Beckendorf agreed with the action of the Board, which resulted in the distribution of a supplemental payment. Mr. Williams suggested that due to the last state inquiry, it may be best for the Board to advise Mr. Beckendorf, that a similar circumstance has arisen for the current fiscal year and to have him reaffirm his opinion that the procedure remains correct. Mr. Cypen advised that a reaffirmation would be prudent. The Trustees discussed the matter and agreed by consensus to seek Mr. Beckendorf's position. This matter was tabled, pending the response of Mr. Doug Beckendorf.

#### QUARTERLY PRESENTATION BY EAGLE ASSET MANAGEMENT

Mr. Alan Ashworth appeared before the Board and stated the market value of Eagle Account was at \$13,768,546 as of December 31, 2012. Since inception (01-08-03) the Eagle Small Cap Account realized an annualized gross return of 9.74%, compared to the Russell 2000 of 9.55%. For the quarter ending December 31, 2012, Eagle Small Cap Account returned 2.02%, compared to 1.85% for the Russell 2000. The 3 & 5 Year returns were valued at 12.06% & 2.76% in comparison to the benchmark returns of 12.25% & 3.56% respectively.

Mr. Alan Ashworth provided a market overview. Contributors for the quarter were in the healthcare & financial sectors. Detractors from performance were noted to be industrials & energy.

Mr. Cypen asked Mr. Ashworth to remove the footer notice on the report that read: Not for Public Distribution.

#### INVESTMENT UPDATE BY THISTLE ASSET CONSULTING

As Mr. McCann was in attendance, Mrs. Marano made a motion to amend the Agenda by adding investment update from Thistle Asset Consulting. This motion was seconded by Mr. Szeto. All board members voted yes. Mr. McCann thanked the Board for adding him to the agenda. Mr. McCann provided an updated market value to the Board. As of January 23, 2013, the Fund was valued at \$238,170,000.

OPEN DISCUSSION

Mr. Williams indicated that the Wall of Honor located in the police department lobby was in need of expansion. Mr. Williams asked the representatives from EDCO to provide an updated look that would also increase our ability to add names for the future. As the project is located in the lobby of the police department, Mr. Williams indicated that he reviewed the new design with Chief Wagner, who concurred with the undertaking. The design was presented to the Board to consider along with the cost of \$6,325.00. After reviewing the proposal, Mr. Brickman made a motion to accept and approve the project. The motion was seconded by Mr. Laskowski. All board members voted yes.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:25 A.M.

The next scheduled meeting is February 22, 2013 at 10:30 AM.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson

ATTACHED TO MINUTES

01-25-2013



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# Hollywood Police Officers' Retirement System DROP & Backdrop Discussion

**January 25, 2013**



# Summary of Backdrop Option



- Member chooses whether to Backdrop at end of his employment and after reaching normal retirement date
- Member can choose to Backdrop to any date on or after normal retirement date (Backdrop date)
- Backdrop benefit
  - Based on service and pay at Backdrop date
  - Lump sum without interest for benefit from Backdrop date to end of employment
  - Benefit calculated at Backdrop date payable annually from end of employment on

# Summary of Backdrop Option (Continued)



- Member makes employee contributions up to end of employment
- Instead of Backdrop member can choose regular benefit based on service and pay at end of employment

# Backdrop Option Illustration



- Age at end of employment = 53
- Service at end of employment = 28 years
- Member Backdrops 3 years to age 50 and 25 years of service (Backdrop date)
- Backdrop benefit based on member's service (25 years) and pay at age 50
- Member receives lump sum equal to 3 years of Backdrop benefit without interest
- From age 53 on, member receives annuity based on benefit calculated at age 50

# Backdrop Option Illustration (Continued)



- Member made contributions all the way up to termination of employment at age 53, even though benefit based on service and pay at age 50
- Instead of Backdrop, member could elect benefit based on service (28 years) and pay at end of employment at age 53





# DROP vs. Backdrop Costs

- DROP and Backdrop provide similar benefits
  - Benefit to member who DROPS at age 50 with 25 years of service is the same as benefit to member who at age 53 and 28 years of service Backdrops to age 50 with 25 years of service
- Differences DROP and Backdrop
  - With DROP, member contributions stop earlier (when member enters DROP, not when member ends employment)
  - DROP account accumulates, while Backdrop pays one time lump sum

# DROP vs. Backdrop Costs (Continued)



- The number of years the City has to pay for Backdrop is greater than for DROP
  - DROP benefit funded from hire age to point member 'retires' (enters DROP), although still working
  - Backdrop benefit funded from hire age to end of employment
- Since City has more years over which to spread costs of Backdrop, each annual City contribution for Backdrop expected to be less, but the City will be paying for more years

# DROP vs. Backdrop Costs Illustration



	Officer			
	A	B	C	D
	<u>DROP</u>	<u>DROP</u>	<u>Backdrop</u>	<u>No Backdrop</u>
Service at DROP/Backdrop date ( <b>Years to fund pension benefit</b> )	22	25	28	28
Age at DROP/Backdrop date	47	50	53	53
Age at service termination	53	53	53	53
DROP/Backdrop years	6	3	3	3
Pay at hire	35,000	35,000	35,000	35,000
Pay at DROP/Backdrop date	75,000	82,000	90,000	90,000
Annual benefit at DROP/Backdrop date	48,000	57,400	57,400 <sup>1</sup>	68,400
<b>Cost to the City</b>				
Value of annual benefit at DROP/Backdrop date	714,672	832,735	808,177	963,029
Backdrop lump sum	0	0	172,200	0
Total value of benefit at DROP/Backdrop date	714,672	832,735	980,377	963,029
Employee contributions 9.25% of pay from hire to DROP/Backdrop date	(112,000)	(135,000)	(162,000)	(162,000)
Net cost of benefit to City	602,672	697,735	818,377	801,029
Annual City contributions from member's hire to DROP/Backdrop date	10,900	9,500	8,600	8,400
Total City contributions throughout member's career	239,800	237,500	240,800	235,200
<b>Benefit to the Member</b>				
Lump sum DROP and Backdrop	288,000	172,000	172,000	0
Total annual benefits	1,248,000	1,492,400	1,492,400	1,778,400
Lump sum plus total annual benefits	1,536,000	1,664,400	1,664,400	1,778,400
Employee contributions 9.25% of pay from hire to DROP/Backdrop date	(112,000)	(135,000)	(162,000)	(162,000)
Total benefit net of member contributions	1,424,000	1,529,400	1,502,400	1,616,400

<sup>1</sup> Backdrop benefit calculated as if member had retired at age 50 with 25 years of service.