

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

February 22, 2013

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, February 22, 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, R. Brickman, L. Wiener, C. O'Brien, V. Szeto and P. Laskowski.

Also present were Kee Eng, City of Hollywood; Clement Johns, Goldstein Schechter Koch; John McCann & Brendon Vavrica of Thistle Asset Consulting; Janna Hamilton of Garcia Hamilton; Robert Maddock, III of Inverness Counsel; Steve Cypen & Alison Bieler, Board Attorneys and Dave 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 JANUARY 25, 2013 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the January 25, 2013 pension board meeting. Mr. Szeto made a motion to approve the Minutes of the January 25, 2013 pension board meeting, which was seconded by Mr. O'Brien. All board members voted yes.

ATTORNEY'S REPORT

Mr. Cypen indicated that he had no update on the pending litigation against the city, but it is proceeding through the system.

Mr. Cypen highlighted the settlement in the Bank of America Derivative Litigation Case brought in part by the Board of Trustee. The settlement was valued at 62.5 million and the thought is the funds will raise the value of the stock for all shareholders.

Mr. Cypen advised that he is monitoring potential legal action against the Board by the City of Hollywood. Mr. Cypen reflected the action relates to a Coordination of Benefits Issue and a DROP Entry Issue. Mr. Cypen advised the Issues were withdrawn at this juncture.

NEW BUSINESS

Mr. Williams reported that open nominations were held for (3) three seats on the Board. At the close of self nominations, only the incumbents filed (David Strauss, Chris O'Brien and Van Szeto). As such, no election was required and the members were reappointed to the Board for a two year term. The City Clerk was advised accordingly.

Hollywood Police Officers' Retirement Board - Minutes

February 22, 2013

Page 2

ADMINISTRATIVE REPORT

Mr. Williams advised the Board of recent public records requests received.

Mr. Williams indicated that he followed up with Mr. Doug Beckendorf with regard to the distribution of the 13th check. Mr. Beckendorf advised his review was completed and it was pending review of a hire authority. Mr. Beckendorf would not advise his findings.

Mr. Williams advised the install of the new Wall of Honor was underway and would be completed shortly.

INDEPENDENT AUDIT PRESENTATION

Financial Statements September 30, 2012 - Goldstein Schechter Koch

Mr. Clement Johns, Goldstein Schechter Koch appeared before the Board. Mr. Johns stated that his firm has issued a clean unqualified opinion on the *pension system*, as well as the *DROP & Share Plans*.

Mr. Johns provided a detailed report to the Board to consider. The following are the highlights of the report:

- The Fund's assets exceeded its liabilities at the close of fiscal years ended September 30, 2012 and 2011 by \$173,635,358 and \$152,489,252, respectively (reported as net assets held in trust for pension benefits). Net assets are held in trust to meet future benefit payments. The increase of \$21,146,106 and the decrease of \$8,373,087, of the respective years have resulted primarily from the changes in the fair value of the Fund's investments due to volatile financial markets.

- Receivables at September 30, 2012 increased by \$1,152,395 (or 77.32%) primarily due to an increase in State contributions receivable.

Receivables at September 30, 2011 increased by \$41,432 (or 2.86%) primarily due to an increase in City contributions receivable.

- For the fiscal year ended September 30, 2012, liabilities increased by \$7,490,167 (or 14.76%) primarily due to an increase in the Deferred Retirement Option Plan Payable and prepaid City contributions for the fiscal year ended September 30, 2013 received in advance.

For the fiscal year ended September 30, 2011, liabilities increased by \$7,706,590 (or 17.90%) primarily due to an increase in the Deferred Retirement Option Plan Payable and prepaid City contributions for the fiscal year ended September 30, 2012 received in advance.

- For the fiscal year ended September 30, 2012, employer (City) contributions to the Fund decreased \$2,849,051 (or 23.91%) based on the actuarial calculation. Actual employer contributions were \$9,068,274 and \$11,917,325 for 2012 and 2011, respectively.

For the fiscal year ended September 30, 2011, employer (City) contributions to the Fund increased \$547,525 (or 4.82%) based on the actuarial calculation. Actual employer contributions were \$11,917,325 and \$11,369,800 for 2011 and 2010, respectively.

Hollywood Police Officers' Retirement Board - Minutes

February 22, 2013

Page 3

- For the fiscal year ended September 30, 2012, state contributions to the Fund increased \$58,755 (or 5.6%). Actual state contributions were \$1,111,640 and \$1,052,885 for 2012 and 2011, respectively.

For the fiscal year ended September 30, 2011, state contributions to the Fund decreased \$49,095 (or 4.46%). Actual state contributions were \$1,052,885 and \$1,101,980 for 2011 and 2010, respectively.

- For the fiscal year ended September 30, 2012, employee contributions including buybacks decreased by \$329,821 (or 19.33%). Actual employee contributions and buybacks were \$1,364,978 and \$11,744 and \$1,592,450 and \$114,093, for 2012 and 2011, respectively. Employee contributions have fluctuated from year to year, based on the number of active members and changes in the rate of employee contributions.

For the fiscal year ended September 30, 2011, employee contributions including buybacks increased by \$73,259 (or 4.49%). Actual employee contributions and buybacks were \$1,592,450 and \$114,093 and \$1,586,857 and \$46,427, for 2011 and 2010, respectively. Employee contributions have fluctuated from year to year, based on the number of active members and changes in the rate of employee contributions.

- For the fiscal year ended September 30, 2012, net investment income increased by \$31,846,197. Actual results were \$29,172,204 and (\$2,282,216) of net appreciation (depreciation) in fair value of investments for 2012 and 2011, respectively, and \$6,392,846 and \$5,781,480 of income from interest and dividends for 2012 and 2011, respectively. Deferred Retirement Option Plan participants' earnings were \$3,701,275 and \$3,434,750 for 2012 and 2011, respectively.
- For the fiscal year ended September 30, 2012, benefit payments and participants' contributions refunded decreased by \$895,657 (or 4.14%).

Plan Highlights

For the fiscal year ended September 30, 2012, the return of the portfolio, net of fees was 17.16% for the trailing year and ranked in the top 64th percentile. Actual net investment income in 2012 was \$30,886,605 compared with a net investment loss of \$959,592 in 2011.

For the fiscal year ended September 30, 2011, the return of the portfolio, net of fees was 1.21% for the trailing year and ranked in the top 71st percentile. Actual net investment loss in 2011 was \$959,592 compared with net investment income of \$14,340,271 in 2010.

Overview of the Financial Statements

The basic financial statements include the Statements of Plan Net Assets and Statements of Changes in Plan Net Assets and Notes to the Financial Statements. The Fund also includes in this report additional information to supplement the financial statements.

The Fund presents two types of required supplementary schedules, which provide historical trend information about the Fund's funding. The two types of schedules include a schedule of funding progress and a schedule of contributions by employer and other contributing entity.

Hollywood Police Officers' Retirement Board - Minutes

February 22, 2013

Page 4

The Fund prepares its financial statements on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America. These statements provide information about the Fund's overall financial status.

Description of the Financial Statements

The *Statement of Plan Net Assets* presents information that includes all of the Fund's assets and liabilities, with the balance representing the Net Assets Held in Trust for Pension Benefits. It is a snapshot of the financial position of the Fund at that specific point in time and reflects the resources available to pay employees, retirees and beneficiaries at that point in time.

The *Statement of Changes in Plan Net Assets* reports how the Fund's net assets changed during the fiscal year. The additions and deductions to net assets are summarized in this statement. The additions include contributions to the retirement plans from employer, state and employees and net investment income (loss), which include interest, dividends, investment expenses, and the net appreciation or depreciation in the fair value of investments. The deductions include benefit payments, refunds of member contributions, and administrative expenses.

The *Notes to the Financial Statements* are presented to provide the information necessary for a full understanding of the financial statements. They include additional information not readily evident in the statements themselves such as a description of the Fund, contributions, significant accounting policies, funding policy, and investment risk disclosure.

There are also two *Required Supplementary Schedules* included in this report as required by the Governmental Accounting Standards Board. The *Schedule of Funding Progress* presents historical trend information about the actuarially determined funded status of the Fund from a long-term, ongoing plan perspective, and the progress made in accumulating sufficient assets to fund benefit payments as they become due.

The *Schedule of Employer and Other Contributing Entity* presents historical trend information about the annual required contributions of employers and percentage of such contributions in relation to actuarially determined requirements for the years presented.

Additional information is presented as part of *Other Supplementary Schedules*. This section is not required but management has chosen to include it. It includes *Combining Statements of Net Assets, and Combining Statements of Changes in Net Assets, Schedules of Investment Expenses and Administrative Expenses*. The *Combining Statement of Net Assets and Combining Statements of Changes in Net Assets* reflects a reporting column for the assets, liabilities and the activities in the Share Plan. *Schedule of Investment Expenses* presents the expenses incurred in managing and monitoring the investments of the Fund and include financial management, consultant, and custodial fees. The *Schedule of Administrative Expenses* presents the expenses incurred in the administration of the Fund.

Statements of Plan Net Assets

Hollywood Police Officers' Retirement Board - Minutes
February 22, 2013
Page 5

The table below reflects condensed comparative statements of plan net assets demonstrates the investment position of the Fund as of September 30:

	2012	2011	2010
Cash and cash equivalents	\$ 6,534,757	\$ 4,759,663	\$ 3,631,033
Receivables	2,642,850	1,490,455	1,449,023
Investments	222,706,385	196,997,601	198,834,160
Total assets	231,883,992	203,247,719	203,914,216
Liabilities	58,248,634	50,758,467	43,051,877
<u>Net assets held in trust for pension benefits</u>	\$173,635,358	\$ 152,489,252	\$ 160,862,339

Statements of Changes in Plan Net Assets

The table below reflects a condensed comparative statements summarizing the changes in net assets and reflects the activities of the Fund for the fiscal years ended September 30:

	2012	2011	2010
Additions:			
Contributions			
City	\$ 9,068,274	\$ 11,917,325	\$ 11,369,800
Employee	1,364,978	1,592,450	1,586,857
State	1,111,640	1,052,885	1,101,980
Buybacks	11,744	114,093	46,427
Total	11,556,636	14,676,753	14,105,064
Net investment income (loss)	30,886,605	(959,592)	14,340,271
Total additions	42,443,241	13,717,161	28,445,335
Deductions:			
Benefits paid	20,510,999	21,599,662	18,192,676
Participants' contributions refunded	212,915	19,909	171,423
Administrative expenses	573,221	470,677	377,636
Total deductions	21,297,135	22,090,248	18,741,735
Net increase (decrease)	21,146,106	(8,373,087)	9,703,600
Net assets held in trust for pension benefits			
at beginning of year	152,489,252	160,862,339	151,158,739
Net assets held in trust for pension benefits			
at end of year	\$173,635,358	\$152,489,252	\$160,862,339

The Fund's investment activities, measured as of the end of any month, quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. Actual returns for fiscal year 2012 increased from those of fiscal years ended September 30, 2011 and 2010.

The benefit payments are a function of changing payments to retirees, their beneficiary (if the retiree is deceased) and new retirements during the period.

Hollywood Police Officers' Retirement Board - Minutes

February 22, 2013

Page 6

Asset Allocation

At the end of the fiscal year September 30, 2012, the domestic equity portion comprised 51.03% (\$116,987,549) of the total portfolio. The allocation to fixed income securities was 45.15% (\$103,495,991), while cash and cash equivalents comprised 2.85% (\$6,534,757). The portion allocated to international equity was 0.97% (\$2,222,845).

At the end of the fiscal year September 30, 2011, the domestic equity portion comprised 46.56% (\$93,942,301) of the total portfolio. The allocation to fixed income securities was 50.43% (\$101,743,028), while cash and cash equivalents comprised 2.36% (\$4,759,663). The portion allocated to international equity was 0.65% (\$1,312,272).

The target asset allocation was as follows as of September 30:

	2012	2011
Domestic equity	50%	50%
Fixed income	46%	46%
Cash	4%	4%
International equity	0%	0%
Other	0%	0%

Mr. O'Brien made a motion to accept the Financial Statements for the Plan, for September 30, 2012, which was seconded by Mr. Szeto. All board members voted yes.

QUARTERLY INVESTMENT REPORTS

Garcia Hamilton and Associates

Mrs. Hamilton appeared before the Board and discussed the investment return for the Equity and Fixed Income Accounts. The investment philosophy was discussed, as well as the market and the portfolio. Both fixed and equity market commentary was presented to the Board to consider.

Mrs. Hamilton advised for the quarter that ended December 31, 2012, the equity portfolio returned -2.4% for the equities, compared to the Russell 1000 Growth Index - 1.3%. For the last twelve months, the account returned 12.9% for the equities, in comparison to the Russell 1000 Growth Index of 15.3%. On a longer term basis of 5 years, the account returned 2.3% for the equities, in comparison to the Russell 1000 Growth Index of 3.1%. The account was valued at \$24,653,484 as of December 31, 2012.

Mrs. Hamilton indicated that for the quarter that ended December 31, 2012, the fixed income portfolio returned 1.0%, compared to the Barclays Capital Intermediate Aggregate of 0.2%. On a rolling 12 month basis, portfolio returned 9.3%, compared to the Barclays Capital Intermediate Aggregate of 3.6%. Since the portfolio inception date of June 30, 2011, the fixed income return was 7.0%, compared to the Barclays Capital Intermediate Aggregate of 4.5%.

Inverness Counsel

Mr. Maddock appeared before the Board and discussed the investment return for the Equity and Fixed Income Accounts.

Hollywood Police Officers' Retirement Board - Minutes

February 22, 2013

Page 7

Mr. Maddock advised for the quarter that ended December 31, 2012, the equity portion of the portfolio returned -1.08%, compared to the S&P 500 benchmark return of -0.38%. For the last twelve months, the equities account returned 16.81%, in comparison to the S&P 500 return of 16.00%. On a longer term basis of 3 years, the account returned 9.19% for the equities, in comparison to the S&P 500 return of 10.87%. The equity account was valued at \$47,512,000 as of December 31, 2012.

Mr. Maddock indicated that for the quarter that ended December 31, 2012, the fixed income portfolio returned 0.25%, compared to the benchmark of 0.36%. For the last twelve months, the account returned 5.40%, in comparison to the benchmark of 4.36%. On a longer term basis of 5 years, the account returned 6.79% in comparison to the benchmark return of 5.62%. The fixed income account was valued at \$90,845,000 as of December 31, 2012.

Mr. Maddock provided an investment market overview & outlook.

Thistle Asset Consulting

Mr. McCann advised that as of December 31, 2012 the system had 50.6% in equities, 44.2% in fixed income, and the balance is held in cash. As of December 31, 2012, Inverness Counsel (Large Cap Core & Fixed) held 63.1% of the portfolio, Garcia Hamilton (Large Cap Growth & Fixed Income) had 15.6%, Eagle had 5.8% (Small Cap Core), Rhumblin (Mid Cap 400 Index) had 7.2%, Buckhead (Large Cap Value) had 7.7%, and the Israel Bonds were at 0.5%. The total assets were valued at \$235,946,000.

For the quarter, Mr. McCann stated that the total fund returned -0.11% vs. 0.45% compared to the target index. For the rolling one-year period, the fund return was 9.91% (net) vs. 10.24%. For the three-year period, the fund return was 7.81% (net) vs. 8.77%. In the longer term (*five year period*), the fund returned 3.28% vs. 3.87%.

A snapshot of the portfolio's value was provided by Mr. McCann. It was reported that value as of February 20, 2013 was \$238,946,000, which is an increase of \$2,9 million since December 31, 2012.

OPEN DISCUSSION

No discussion ensued

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:53 A.M.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson