

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

February 20, 2015

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, February 20, 2015, 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; M. Pollak; P. Laskowski and V. Szeto

Also present were Rhonda Cavagnaro & Joseph White, Saxena White; Clement Johns, GSK; John McCann & Brendon Vavrica of Thistle Asset Consulting; Janna Hamilton of Garcia Hamilton; Henry Renard, Adrian Sancho, John Rochford & Robert Maddock, III of Inverness Counsel; Steve Cypen, Board Attorney and Dave Williams, Plan Administrator.

PUBLIC COMMENT

No public comments presented

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 31, 2014 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the January 30, 2015 pension board meeting. Mr. Laskowski made a motion to approve the Minutes of the January 30, 2015 pension board meeting, which was seconded by Mr. O'Brien. All board members voted yes.

ATTORNEY'S REPORT

Mr. Cypen read into the record a status report from Robert Friedman of Holland & Knight:
"I'm pleased to provide this status report concerning the Hollywood Police Pension IRS determination letter. The Pension applied for a determination letter in Jan. 2009 in the first Cycle C application period. However, because of an ongoing IRS review of DROP plans, a determination letter has not been received yet. Recently, the IRS indicated that it may be moving forward with a resolution for plans with DROPS but we are still waiting for a determination on this Pension. If the letter is received before Jan. 31, 2016, we will apply for a new IRS determination in the Cycle E application period which ends on the same date".

Mr. Cypen presented the Supreme Court of Florida ruling re: Case # SC14-1538. Further Mr. Cypen indicated that he is requesting a shade meeting on March 27, 2015 at 10:30 AM, pursuant to 286.011(8) Florida Statutes.

ADMINISTRATIVE REPORT

No formal report presented

INDEPENDENT AUDIT PRESENTATION

Financial Statements September 30, 2014 - 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, 2014 and 2013 by \$251,192,893 and \$238,172,878, respectively (reported as net position restricted for pension). Net position represents funds available to pay current and future benefit payments. The increases of \$13,020,015 and \$9,897,145 of the respective years have resulted primarily from the changes in the fair value of the Fund's investments.
- For the fiscal year ended September 30, 2014, liabilities decreased by \$1,737,622 (or 39.5%) primarily due to a decrease in benefits payable.
- For the fiscal year ended September 30, 2014, employer (City) contributions to the Fund increased \$1,635,215 (or 17.1%) based on the actuarial calculation. Actual employer contributions were \$11,209,547 and \$9,573,932 for 2014 and 2013, respectively.
- For the fiscal year ended September 30, 2014, state contributions to the Fund increased \$19,607 (or 1.6%). Actual state contributions were \$1,269,750 for 2014.
- For the fiscal year ended September 30, 2014, employee contributions including buybacks increased by \$45,078 (or 3.4%). Actual employee contributions and buybacks were \$1,369,100 and \$1,324,022 for 2014 and 2013, respectively.

Plan Highlights

For the fiscal year ended September 30, 2014, the return of the portfolio, net of fees was 9.92% for the trailing year and ranked in the top 45th percentile. Actual net investment income in 2014 was \$23,583,464 compared with a net investment income of \$22,575,835 in 2013.

Statements of Plan Net Position

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

	2014	2013 Restated	2012 Restated
Cash and cash equivalents	\$ 3,051,193	\$ 3,692,603	\$ 6,534,757
Receivables	3,911,414	3,174,345	3,517,337
Prepaid expenses	-	25,728	-
Investments	246,888,581	235,676,119	222,706,385
Total assets	253,851,188	242,568,795	232,758,479
Liabilities	2,658,295	4,395,917	4,482,746
<u>Net position held in trust for pension benefits</u>	<u>\$215,192,893</u>	<u>\$ 238,172,878</u>	<u>\$ 228,275,733</u>

Statements of Changes in Plan Net Position

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

	2014	2013 Restated	2012 Restated
Additions:			
Contributions			
City	\$ 11,209,547	\$ 9,573,932	\$ 9,068,274
Employee	1,341,148	1,324,022	1,364,978
State	1,269,750	1,250,143	1,111,640
Buybacks	27,952	-	11,744
Total	13,848,397	12,148,097	11,556,636
Net investment income	22,976,304	22,575,835	34,587,880
Total additions	36,824,701	34,723,932	46,144,516
Deductions:			
Benefits paid	22,993,671	23,924,413	18,313,902
Participants' contributions refunded	126,781	241,759	212,915
Administrative expenses	684,234	660,615	573,221
Total deductions	23,804,686	24,826,787	19,100,038
Net increase (decrease)	13,020,015	9,897,145	27,044,478
Net position held in trust for pension benefits at beginning of year	238,172,878	228,275,733	201,231,255
Net position held in trust for pension benefits at end of year	\$ 251,192,893	\$ 238,172,878	\$ 228,275,733

Asset Allocation

At the end of the fiscal year September 30, 2014, the domestic equity portion comprised 51.9% (\$129,725,201) of the total portfolio. The allocation to fixed income securities was 39.2% (\$98,024,996), while cash and cash equivalents comprised 1.2% (\$3,051,193). The portion allocated to international equity was 1.1% (\$2,656,568). The allocation to real estate was 6.6% (\$16,481,816).

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

	2014	2013
Domestic equity	50%	50%
Fixed income	39%	46%
Cash	4%	4%
Real estate	7%	7%
International equity	0%	0%
Other	0%	0%

GASB 67 reporting requirements were reviewed by Mr. Johns, It was reported that the Plan's net position as a percentage of total liability was valued at 65.08%.

Finally Investment and Administrative expense ratio was reviewed. Mr. Johns reflected that the Plan's expenses are very reasonable. The Administrative expenses were valued at 0.27% for 2014, compared to 0.28% in 2013.

Mr. Szeto made a motion to accept the Financial Statements for the Plan for September 30, 2014, which was seconded by Mr. O'Brien. All board members voted yes.

NEW BUSINESS

A. Stratasys, Proposed Litigation

Mr. Joseph White and Ms. Rhonda Cavagnaro appeared before the Board to seek engagement for litigation against Stratasys. Before doing so, Mr. White introduced Ms. Cavagnaro to the Board. In part, Ms. Cavagnaro began her career serving public pensions as Assistant General Counsel at the New York City Employees' Retirement System (NYCERS). Ms. Cavagnaro last served as the Assistant CEO for the Santa Barbara County Employee's Retirement System (SBCERS), where under the general direction of the CEO and Board of Trustees, she oversaw the day to day operations of the System. The Board welcomed Ms. Cavagnaro and wished her well.

Mr. White presented and reviewed a memorandum prepared for the Board which summarized and discussed securities fraud claims that is being asserted against Stratasys, Ltd. ("Stratasys" or the "Company") and certain members of its senior management team.

Mr. White advised a securities fraud class action can be filed in the United States District Court for the Eastern District of New York on behalf of purchasers of the Company's common stock during the period from June 20, 2013 through February 2, 2015 (the "Proposed Class Period") and would charge Defendants with violations of the Securities Exchange Act of 1934.

Mr. White reflected that our Plan purchased Stratasys shares during the Proposed Class Period and has sustained an estimated loss of over \$110,000. Based on publicly-available information concerning the potential allegations against the Company and its executives, Mr. White believes a securities case against Stratasys is warranted.

After a company background was provided, Mr. White indicated that the Complaint would allege that throughout the Class Period, Stratasys repeatedly misrepresented the true demand for MakerBot's products. In fact, demand for MakerBot products was so low that the Company was forced to take a large write-down for goodwill impairment less than two years after completing the acquisition. As a result, the Company's statements about its business and prospects were false and misleading at all times during the Class Period.

Mr. White stated that currently, there are securities class action complaints on file; however, those complaints have class periods that start on May 9, 2014. Our Plan purchased a portion of its Stratasys shares prior to the currently filed class periods and thus Saxena White recommends that our Plan file a new complaint with our Proposed Class Period to ensure that all of our losses are protected.

After considering the foregoing, Mr. Szeto made a motion to formally engage Saxena White in the Stratasys Matter. This motion was seconded by Mrs. Marano.

B. EnTrust Capital – David Strauss

Mr. Strauss outlined information he received on the EnTrust Activist Fund. Mr. Strauss reflected that this type of investment may be beneficial to the Plan. Mr. McCann & Mr. Vavrica will research further for due diligence purposes and report back to the Board.

C. LC Cap Value Search – John McCann

Mr. McCann & Mr. Vavrica reviewed the results of their LC Value Search. The incoming manager(s) will replace Buckhead Capital. After discussing in detail, Mr. Pollak made a motion to interview the managers cited below. The motion was seconded by Mr. Szeto. All board members voted yes.

WELLS CAPITAL CEREDEX BRC SNOW CAPITAL

A special meeting will be held on March 19, 2015.

QUARTERLY INVESTMENT PRESENTATIONS

Garcia Hamilton and Associates

Mrs. Hamilton appeared before the Board and discussed the investment return for the Equity and Fixed Income Accounts.

Mrs. Hamilton advised for the quarter that ended December 31, 2014, the equity portfolio returned 5.9% for the equities, which outperformed the Russell 1000 Growth Index and the S&P 500. For the last twelve months, equities returned 11.9%, which lagged the benchmarks cited. On a three and five year basis, the GHA Equity portfolio returned 17.6% and 13.8% respectively.

A detailed market review was provided to the Board by Mrs. Hamilton. Stock prices plunged and recovered twice during the three month period, finishing 4.9% higher for the fourth quarter. As the Federal Reserve concluded its bond purchases, investors reacted to every Federal Reserve Governor comment related to the timing and pace of an increase in the federal funds rate. Declining commodity prices, crude oil in particular, suggest little global economic improvement. Sharp declines in October were quickly erased, with the S&P 500 Index rallying 13.1% from an intraday October low to close the quarter with overall gains of 4.9% including dividends. Small cap stocks, measured by the Russell 2000 Index, jumped 9.7% for the quarter, with dividends. Style was not a significant factor in performance this quarter, with Growth and Value stocks posting similar gains across capitalization ranges. Declining Energy stocks were prominent in the quarter. Falling crude oil and natural gas prices reflected rising supply from horizontal drilling techniques, sliding demand due to the economy and efficiency improvements, and a determination by Saudi Arabia to hold share. Upstream and financially-levered companies were hit hardest. Reverberations through the global economy are possible. Sectors benefiting from lower energy prices generally outperformed. A large exposure to Airline stocks boosted the Industrial sector of the Russell 1000 Growth Index. Consumer Discretionary and Consumer Staples companies are anticipated to experience better demand from financially-stretched consumers. Utilities will incur lower input costs, but also attracted investors due to declining interest rates. The account was valued at \$34,440,880.69 as of December 31, 2014.

Mrs. Hamilton reminded the Board that the GHA goal is to outperform the benchmarks, net of fees, over a full market cycle using a high quality strategy with less risk and low turnover. Superior and consistent investment results come from core principles: Preserve Principal, Maintain Liquidity and Provide High Current Income.

Mrs. Hamilton indicated that for the quarter that ended December 31, 2014, the fixed income portfolio returned 1.5%, which outperformed the Barclays Capital Intermediate Aggregate benchmark return of 1.2%. On a one year basis, the fixed income portfolio returned 5.6% vs. the benchmark return of 4.1%. Since the portfolio inception date of June 30, 2011, the fixed income return was 4.9%, compared to the benchmark return of 2.8%. The account was valued at 12,953,106.48 as of December 31, 2014.

Inverness Counsel, Inc.

Mr. Maddock and Mr. Rochford provided the following investment outlook:

Positive - Healthy balance sheets and lower debt service costs paving way for loan growth. Resurgence in manufacturing aided by declining commodity prices and other factors. Lower fuel and agricultural prices could be a tailwind for the consumer and some companies. Housing recovery has room to grow, first time home buyers are the key. Multiple foreign central banks remain committed to low interest rates.

Negative - Worldwide economic growth remains tepid, deflation becoming more of a concern. Geopolitical concerns continue to impede market growth. Uncertainty driven by continued gridlock in Washington, DC. Future profits may be pressured by rising employment costs and taxes. We expect volatility to remain elevated in both the equity and fixed income markets.

Inverness Counsel representatives remain optimistic on the U.S. economy in the long term.

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Mr. Maddock advised for the quarter that ended December 31, 2014 the equity portfolio returned 3.68% for the equities, compared to the S&P 500 which returned 4.93%. For the last twelve months, the account returned 12.41% for the equities, which lagged the benchmark cited. On a longer term basis of 3 years, the account returned 21.27% for the equities, which outpaced the benchmark by 86 basis points. The account was valued at \$45,677,000 as of December 31, 2014.

Mr. Rochford indicated that for the quarter that ended December 31, 2014, the fixed income portfolio returned 1.04%, compared to the Broad Fixed & Intermediate Fixed Benchmark of 1.35%. For the last twelve months, the fixed portfolio returned 4.11% compared to the same policy return of 4.56%. On a longer term basis of 3 years, the account returned 2.70%, in comparison to the policy return 2.40%. The account was valued at \$88,647,000 as of December 31, 2014.

Thistle Asset Consulting

Mr. John McCann presented the December 31, 2014 investment report. Mr. McCann advised that as of December 31, 2014 the system had 53.1% in equities, 38.2% in fixed income, and the balance in cash. As of December 31, 2014, Inverness Counsel held 51.8% of the portfolio, Garcia Hamilton had 17.7%, Eagle had 7.4%, Rhumblin had 8.5%, Buckhead had 7.4%, American Realty had 3.0%, Intercontinental Realty had 3.3% and the Israel Bonds were at 0.3%. The total assets were valued at \$267,339,000. For the quarter, Mr. McCann stated that the total fund returned was 3.33% vs. 3.64% compared to the benchmark. The total fund returned 7.94% v. 8.46% for the last year. For the longer term (*five year period*), the total fund returned 9.39%, which exceeds the assumption rate of return for investment earnings. An overview of the managers was provided to the Board to consider.

OPEN DISCUSSION

No discussion ensued.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 12:05 PM.

The next scheduled special meeting is March 19, 2015 at 10:00 AM.

The next scheduled meeting is March 27, 2015 at 10:30 AM.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson