

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

June 26, 2015

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, June 26, 2015, at 10:33 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT:

D. Strauss, Chairman; C. O'Brien; M. Pollak; R. Brickman

Also present were Kee Eng, City of Hollywood; Janna Hamilton of Garcia Hamilton; David Griffin & Deneen Bingham, Snow Capital and Dave Williams, Plan Administrator.

S. Cypen and B. Vavrica appeared telephonically.

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 MAY 22, 2015 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the May 22, 2015 pension board meeting. Mr. O'Brien made a motion to approve the Minutes of the May 22, 2015 pension board meeting, which was seconded by Mr. Brickman. All board members voted yes.

ATTORNEY'S REPORT

Mr. Cypen appeared telephonically to respond to an inquiry by Mr. Pollak. It was conveyed by Mr. Pollak that the City of Hollywood was considering litigation against the Board due to the supplemental distribution. Mr. Pollak asked what his personal exposure was in terms of litigation brought against the Board of Trustees. Mr. Cypen reflected that no Trustee is exposed personally to this proposed action.

ADMINISTRATIVE REPORT

Administrative Expense Budget: Mr. Williams outlined the new Administrative Expense Budget provision. New Sections 175.061(8) and 185.05(8) require that all firefighter and police Boards of Trustees shall provide a detailed accounting report and operate under an administrative expense budget. A copy of the budget shall be provided to the plan sponsor and made available to plan members before the beginning of the fiscal year. If the Board amends the administrative expense budget, the Board must provide a copy of the amended budget to the plan sponsor and make available a copy of the amended budget to plan members. For plans that use a September 30 - October 1 fiscal year, the new administrative expense budget must be prepared and made available prior to October 1, 2015. Mr. Williams presented an Administrative Expense Budget based on the expenses reported in the financial statements of September 30, 2014 for the Board to consider. Mr. Williams advised that there was one additional line item added entitled "Special Counsel" in the amount of \$250,000.00. This was in line and in response to what Mr. Lalla advised at the June 22, 2015 commission meeting that he budgeted for the next fiscal year for litigation against this Board. Mr. Williams indicated that unlike the city, our goal is to always come in below budget. It is not a use or lose it budget. Mr. Williams stated that 100 basis points of expense is considered reasonable in the industry. The proposed budget is estimated at 48 basis points which is based on \$251,415,000 which was the September 30, 2014 balance of the System. Mr. Brickman made a motion to approve the 2015/16 Administrative Expense Budget as presented, which was seconded by Mr. O'Brien. All board members voted yes.

Web Update: Mr. Williams announced that the Administrative Expense Budget along with all other required reporting will be posted to the web site. A new page is being created entitled "Disclosures". Once completed and approved for legal content, the link will be provided to the city for public posting as well. Mr. Williams expects this project to be completed prior to the next meeting.

DROP/PRB Loans: Mr. Williams cited the respective member(s) loan request. He outlined that each member(s) have the funds in his/her personal DROP/PRB account to cover the loan(s) and he/she has been a participant in the DROP/PRB plan for the required amount of time. No conflict exists with the 12-month rule. Mr. Brickman made a motion to approve the loans as noted, which was seconded by Mr. O'Brien. All board members present voted yes.

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. Before doing so, Mrs. Hamilton proudly announced that Garcia Hamilton and Associates was named Fixed Income Manager of the Year for 2015, which is the second year in a row. The Board congratulated Mrs. Hamilton and told her to keep up the great work!

Mrs. Hamilton advised for the quarter that ended March 31, 2015, the equity portfolio returned 2.7% for the equities, which underperformed the Russell 1000 Growth Index, but beat the S&P 500 by 170 basis points. For the last twelve months, equities returned 16.9%, which exceeded both of the benchmarks cited. On five year basis, the GHA Equity portfolio returned 13.8%. Since the portfolio inception date of February 9, 2000, the equity return was 4.2%, compared to the Russell 1000 Growth Index return of 2.4%.

A detailed market review was provided to the Board by Mrs. Hamilton. Stock prices traded in a narrow range during the first quarter, with the S&P 500 Index grinding 1.0% higher, including dividends.

Investors fixated on every hint from the U.S. Federal Reserve as to the timing of an initial interest rate hike. Economic data was universally soft, save for the controversial unemployment rate. Commodity prices, including crude oil, declined further, reflecting excess supplies and sluggish demand.

Forward projections for S&P 500 Index earnings were trimmed steadily, largely due to a strengthening U.S. dollar and reduced Energy sector profits. Full year 2015 earnings now look to increase just 3%. First quarter 2015 earnings are estimated to have declined 1%, the first year-to-year decline since the financial crisis of 2008-09. Higher risk areas were favored during the first quarter. Small cap stocks, measured by the Russell 2000 Index, jumped 4.3% as investors sought companies with minimal foreign exchange exposure. Low quality stocks, rated "C" by S&P's Earnings and Dividend Quality Ranking posted top returns across all market capitalizations. The S&P Biotechnology Index gained 21.1% as hopes intensified for pending product approvals. Since the March 2009 stock market bottom, risk factors and sector rotation have dictated returns more than individual company fundamentals. By our research, quality was the most predictive factor this quarter, with low quality stocks outperforming high quality stocks. Earnings were seemingly irrelevant to performance: 68% of the outperforming "C" rated stocks in the Russell 3000 Index stocks are unprofitable or experiencing declining profits. On average, "C" rated stocks in the broad Russell 3000 Index gained 7.9% during the first quarter. Growth styles outperformed Value styles this quarter across capitalization ranges. Much of the difference can be ascribed to a greater exposure among Value-oriented indices to a lagging financial sector. The account was valued at \$35,308,016.86 as of March 31, 2015.

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 March 31, 2015, the fixed income portfolio returned 1.8%, which outperformed the Barclays Capital Intermediate Aggregate benchmark return of 1.3%. On a one year basis, the fixed income portfolio returned 5.6% vs. the benchmark return of 4.2%.

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Since the portfolio inception date of June 30, 2011, the fixed income return was 5.1%, compared to the benchmark return of 3.0%. The account was valued at 13,172,108.12 as of March 31, 2015.

Snow Capital

Mrs. Bingham appeared before the Board and introduced Mr. David Griffin as the new Regional Institutional Sales Director with Snow Capital. Mrs. Bingham reflected the transition, overseen by Board Administration was virtually seamless. The Representatives conveyed their desire to outperform and continue to build the Board's confidence in their investment process.

Thistle Asset Consulting

Mr. Vavrica appeared telephonically to address the Investment Policy and to formally seek approval on funding of EnTrust.

Mr. Williams indicated a motion was in order to amend the Agenda and add Investment Policy Revision. Mr. O'Brien placed the foregoing in the form of a motion, which was seconded by Mr. Brickman. All board members voted yes.

Investment Policy Revision: Mr. Vavrica reviewed the changes to the policy as a result of the addition to EnTrust to our investment line-up. Mr. Vavrica reflected that the changes were reviewed and approved by Mr. Cypen for legal compliance. After an exchange of communication by all, Mr. Brickman made the motion to adopt the latest amendment, which was seconded by Mr. O'Brien. All board members voted yes. Filing with the State of Florida and the City of Hollywood will follow accordingly.

Funding of EnTrust: The target amount for the initial investment is 5 million. Mr. Vavrica reflected that the Wells and Snow transition was complete. Based on his notes, the Board was desirous to fund EnTrust with proceeds from the managers cited, 2.5 million from each manager. Mr. Williams asked the Board for formal approval.

Mr. O'Brien made the motion to move 2.5 million dollars from Snow and Wells to fund the new EnTrust account as soon as practical, which was seconded by Mr. Brickman. All board members voted yes.

OPEN DISCUSSION

Mr. Pollak felt that mediation would be his preferred course of action in lieu of litigation on the supplemental distribution issue. Trustees opined their respective positions.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:16 AM.

The next scheduled meeting is July 31, 2015 at 10:30 AM.

Respectfully submitted,

C. Marano, Secretary

APPROVED:

D. Strauss, Chairperson