

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

July 29, 2016
10:30 AM

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, July 29, 2016, at 10:36 AM, in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT: R. Brickman, Acting Chair, P. Laskowski, Chris O'Brien and V. Szeto.

Excused Absence: D. Strauss, C. Marano & M. Pollak

Also present were Melvin Standley, Assistant City Manager – City of Hollywood; Kee Eng, Finance Department - City of Hollywood; Ed Rick, Eagle Asset; David M. Williams, Plan Administrator. Jose Fernandez, Cavanaugh Macdonald (via conference call). Julie Lind, Rhumblin Advisors (via conference call).

PUBLIC COMMENT

Mr. Melvin Standley, Assistant City Manager – City of Hollywood addressed the Board by stating that there has been a lack of communication on the city's part with all the pension plans. Mr. Standley also cited a letter from City Manager – Ishmael, dated July 22, 2016.¹ Mr. Standley stated that he or Mr. George Keller would play a more active role on behalf of the city going forward. Mr. Standley reflected the 2016-17 Budget year is dismal. He then went on to say that the city reserves are holding steady at the recommended amount. Mr. Standley felt that the promises of the past may not be sustainable. He said those promises were not limited to the pension plans but also health insurance costs. Mr. Standley indicated that the city's unfunded liability for health insurance is more than all the cities in Broward County. Mr. Williams advised that those promises he (Mr. Standley) referred to were based on collective bargaining agreements crafted over 20-30 years. The city was a willing party to those agreements. Mr. Brickman stated that this Board follows the ordinance that was based on those agreements.

Mr. Brickman stated that in terms of listening, the Board has always been willing to listen and act upon the city's input. The "Fresh Start in 2001" and the fact an "Actuary Report was not completed at the city manager's request in 2002" were examples given. Regrettably, those requests turned out to cost the city more money over time.

The senior buyout was another example that saved the city on the payroll side, but cost the city on the pension side and adds a million dollars each year to the funding cost. City administrative decisions in the past have played a role in where we are today, and should not be discounted or glossed over. Mr. Standley indicated that he understood but this is a starting point. Mr. Brickman advised that the Board continues to welcome the city's input as the stakeholder to this Plan, but the city representatives must understand the fiduciary duty of the Trustees as well.

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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 20, 2016 & JUNE 24, 2016 MEETING

Mr. Brickman asked if there were any additions or corrections to the Minutes of the May 20, 2016 and/or June 24, 2016 pension board meetings. Mr. Laskowski made a motion to approve the Minutes cited, which was seconded by Mr. Szeto. All board members voted yes.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

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. After considering the foregoing, Mr. O'Brien made the motion to approve, which was seconded by Mr. Szeto. All board members voted yes.

R-PRB Approval: Mr. Williams cited the entry date, benefit and option selected by the Members cited below:

- Karen Zorsky
- Blaine Howard

Mr. Szeto made the motion to approve, which was seconded by Mr. O'Brien. All board members voted yes.

DROP Approval: Mr. Williams cited the entry date, benefit and option selected by the Member cited below:

- Norris Redding

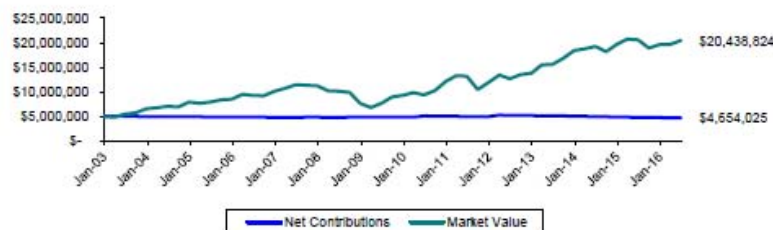
Mr. Williams advised that Mr. Redding was eligible for the drop prior to the referendum based on age. Further that the drop forms was filed with the City of Hollywood HR Department in the usual manner. No push back was received and the forms were accepted. Finally when Mr. Williams was researching the civil case currently in the 4th DCA, it was learned that there was a court order in place stopping payroll deductions. The city was alerted to this as well. Mr. O'Brien made the motion to approve, which was seconded by Mr. Laskowski. All board members voted yes.

Return of Pension Contributions: Mr. Williams outlined the requests of Mr. Armando Rodriguez and Mr. Mark Ruggles for the return of their pension contributions. Member Armando separated service on May 13, 2016. Mr. Mark Ruggles' contributions were as a result of the city failing to stop making a payroll deduction after he entered the drop. After considering the issues outlined, Mr. Laskowski made the motion to approve the foregoing, which was seconded by Mr. Szeto. All board members voted yes.

QUARTERLY PRESENTATION BY EAGLE ASSET MANAGEMENT

Mr. Rick appeared before the Board and stated the market value of Eagle Account was at \$20,438,824 as of June 30, 2016. Since inception (01-08-03) the Eagle Small Cap Account realized an annualized gross return of 11.19% vs. 9.74% for the benchmark. For the quarter ending June 30, 2016, Eagle Small Cap Account returned 4.32%, compared to 3.79% for the Russell 2000.

On a one year rolling basis, the portfolio returned 0.23% compared to the benchmark of -6.73%. The 3 & 5 Year returns were valued at 10.36% & 9.47% in comparison to the benchmark returns of 9.50% & 8.35% respectively.



| Activity | |
|-----------------------------|---------------------|
| Initial Value | \$5,000,000 |
| Net Deposits (Withdrawals) | \$(345,975) |
| Income | \$2,076,176 |
| Appreciation (Depreciation) | \$13,708,622 |
| Total Market Value | \$20,438,824 |

Mr. Rick provided a market & portfolio overview as follows:

Contributors to relative performance

Financials: We outperformed due to strong stock selection within REITs and banks while maintaining a slight underweight position vs. that of the index. Outperformance within REITs includes top contributor, Cyrus One.

Health Care: Outperformance came from biotechnology and pharmaceuticals. Outperformance was due to strong stock selection, including two of the portfolios top contributors, Anacor and Sagent Pharmaceuticals.

Detractors from relative performance

Information Technology: The portfolio underperformed within Information Technology on the basis of stock selection. An overweight to the IT Services industry was a negative to the portfolio, as the industry traded down throughout the quarter.

Consumer Staples: The portfolio underperformed due to stock selection, our holdings failed to keep pace with the benchmark.

Market Report: The second quarter marked a very volatile quarter in terms of both the market and inter-sector movements.

The second quarter was once again a “value” quarter, with value beating growth (4.3% versus 3.2%) leading for a 7% gap in value/growth performance YTD. Given the drop in interest rates that occurred during the quarter it is somewhat surprising that value outperformed. Equities quickly recovered from the Brexit news, but the yield on 10 year Treasuries is near an all-time low at 1.4%. Materials, telecommunication services, and utilities were all up over 10% for the quarter.

QUARTERLY PRESENTATION BY RHUMLINE

Ms. Julie Lind joined the meeting via conference call to review the June 30, 2016 report for the S&P 400 Mid Cap Index Fund. It was reported that since the inception of the portfolio the return was 17.76%. Over the last 3 & 5 year period, the portfolio returned 10.51% and 10.53% respectively. The 2016 returns through June 30, 2016 was valued at 7.83%. With the net investment of \$9.6 million the market value exceeds 24 million as of June 30, 2016. Sector returns and weights were reviewed to ensure compliance with the index.

Ms. Lind provided a brief firm update.

- Assets under management: \$35.4 Billion
- Diversified client base:
- 84 Public Funds: 169 Accounts/\$22.3 Billion.
- 35 Corporate/ERISA: 62 Accounts/\$6.8 Billion.
- 40 Endowments/Foundations: 80 Accounts/\$1.8 Billion.
- 30 Taft-Hartley: 59 Accounts/\$2.6 Billion.
- 1 Sub-Advisory: 6 Accounts/\$1.9 Billion.

OPEN BOARD DISCUSSION

Actuary Report – Follow-Up: Mr. Jose Fernandez, Board Actuary from Cavanaugh Macdonald joined the meeting via conference call. Mr. Fernandez recapped the alternative method to pre-fund the supplemental distribution. Mr. Fernandez advised that the Board approved the valuation report presented at June 24 meeting with 13th check pre-funding to provide the city time to prepare fiscal year 2017 budget. However, timing and amount of future 13th check distributions are impossible to predict with certainty. At the June meeting the Board discussed possible alternatives to method to pre-fund 13th check. The Board asked Mr. Fernandez to further review the method and report back at July 29th. No one knows when future asset return will exceed 8% and trigger a 13th check payment. Using the plan's capital market assumptions and asset allocation, Mr. Fernandez generated 1,000 100-year random scenarios to estimate the distribution of future returns over 8%. Mr. Fernandez also estimated the projected liabilities for the closed group eligible for the 13th check. Based on the asset return scenarios and the projected assets and liabilities Mr. Fernandez estimated the value of future 13th check payments

The estimated value of future 13th check payments is approximately \$23.8 million increase in the plan's unfunded liability. Total cost impact for FY 2017 is \$1.9 million, increasing 3.5% per year for 20 years. City cost impact for FY 2017 is approximately \$362,000 net of estimated state distribution of \$1.3 million (assumes city lump sum payment of \$4.1 million as required by state for 2014 & 2015 13th check payments). Cost impact for FY 2017 of prior method was \$2.5 million in total and \$1.2 million for city net of state distribution.

Currently, State of Florida withholding the System's premium tax distributions for 2014 of \$1,308,509 pending resolution of issues related to the supplemental distribution (13th check).

According to the State's October 2, 2015 letter, the distribution of premium tax moneys requires:

The pre-funding of future 13th check distributions, and the lump sum payment to the System of the 2014 and 2015 13th check distributions of \$1.9 million and \$2.2 million, respectively. With the pre-funding of the 13th check we have assumed State distributions will be available to offset the city's contribution requirement for the 2016/2017 fiscal year, assuming the city makes additional State required contribution of \$4.1 million for the 2014 and 2015 13th check distributions.

| | Fiscal Year 2015/2016 Contribution | Fiscal Year 2016/2017 Contribution | | | |
|--|------------------------------------|------------------------------------|-------------------------------------|--|--|
| | 10/1/2014 Valuation | 10/1/2015 Valuation No Changes | 10/1/2015 Valuation Benefit Changes | Pre-funding Supp. Distribution / No State Moneys | Pre-funding Supp. Distribution / With State Moneys * |
| | (1) | (2) | (3) | (4) | (5) |
| Required City/State Contribution | \$14,376,618 | \$15,353,074 | \$15,786,413 | \$17,725,179 | \$17,457,305 |
| State Contribution | \$0 | \$0 | \$0 | \$0 | \$1,308,509 |
| Required City Contribution | \$14,376,618 | \$15,353,074 | \$15,786,413 | \$17,725,179 | \$16,148,796 |
| Increase in Required City Contribution vs. Previous Column | | \$976,456 | \$433,339 | \$1,938,766 | (\$1,576,383) |

The pre-funding of the supplemental distribution (13th check) increases the plan's unfunded liability by \$23.8 million. The increase in the plan's unfunded liability is amortized over a 20 year period.

* Assumes \$1,308,509 of State money will be received and used to offset the City's contribution. According to the State's October 2, 2015 letter this would require that the City also deposit a lump sum payment of approximately \$4.1 million for the total 2014 and 2015 Supplemental Distributions. Also, assumes 30-year amortization payment for 2014 and 2015 13th check distributions will be eliminated. Net increase in City contribution for FY 2017 to pre-fund 13th check is approximately \$362,000.

The following is a summary of city contribution requirements with and without the city lump sum payment of \$4.1 Million (as required by State 10/2/2015 Letter).

| | | With City Lump Sum Payment of \$4.1 Million (State Compliant) | Without City Lump Sum Payment of \$4.1 Million (Not State Compliant) |
|-----|---|---|--|
| (1) | City lump sum payment to meet State requirement 10/2/2015 letter | \$4,104,375 | \$0 |
| (2) | Unpaid City contribution as of June 1, 2016 for installment payments for 30-year amortization of 13 th check distributions | \$441,042 ¹ | \$569,982 ² |
| (3) | Release of August 2015 (\$1,308,509) and estimated August 2016 (\$1,308,509) State premium tax distributions | \$2,617,018 | \$0 |
| (4) | Due from City before fiscal year 2017 contribution [(1) + (2) - (3)] | \$1,928,399 | \$569,982 |
| | City/State Contribution Requirement for fiscal year 2017 with 13 th check pre-funding | | |
| (5) | Required City/State contribution | \$17,457,305 | \$17,725,179 |
| (6) | Estimated State contribution August 2017 | \$1,308,509 | \$0 |
| (7) | City contribution for fiscal year 2017 [(5) - (6)] | \$16,148,796 | \$17,725,179 |
| (8) | Total City contribution [(4) + (7)] | \$18,077,195 | \$18,295,161 |

¹ Installment payments for fiscal years 2015 and 2016 with annual 8% interest for 30-year amortization of 13th check distribution in 2013.

² Installment payments for fiscal years 2015 and 2016 with annual 8% interest for 30-year amortization of 13th check distribution in 2013 and for 13th check distribution in 2014 (payment due only for fiscal year 2016).

Amounts may require interest adjustment depending on payment date and adjustments for actual State distributions in 2016 and 2017.

Mr. Fernandez recapped by saying if city pays lump sum payment of \$4.1 million, the city complies with state requirements. City receives future premium tax distributions (about \$1.3 million per year) to reduce pension costs. Total city contribution (including \$4.1 million lump sum) to comply through fiscal year 2017 is \$18.1 million.

If the city does not pay lump sum payment of \$4.1 million. City does not comply with state requirements. City does not receive future premium tax distributions (loss to the city of about \$1.3 million per year). City still has to pay \$18.3 million in contributions through fiscal year 2017. The cost to the city through fiscal year 2017 to pay the lump sum and comply with the State is approximately \$200,000 less than if the city does not pay lump sum and loses future state moneys. By complying with the state, future city costs will be reduced by state premium tax distributions (currently about \$1.3 million per year).

Mr. Fernandez advised that representatives of the state have verbally agreed to the methods described but had additional questions. Mr. Brickman asked Mr. Fernandez to move forward with the state and report back with his findings to the Board on August 19th. Mr. Brickman also asked Mr. Standley & Mr. Eng if they understood the cost to the city through fiscal year 2017 to pay the lump sum and comply with the State is approximately \$200,000 less than if the city does not pay lump sum and loses future state moneys. Mr. Standley & Mr. Eng acknowledged the foregoing. A copy of the report was also provided to Mr. Standley & Mr. Eng.

Notice of Initiation of Conflict Resolution: Mr. Williams cited a letter date July 11, 2016 for the members to acquaint themselves with. A copy of the letter was also placed on the web site for the membership to be aware of at:

http://hollywoodpensionfund.com/pdf/sharpscan_hollywoodfl_org_20160711_111412.pdf#zoom=100

Membership Surveys: Mr. Williams cited that as a result of recent benefit communication conference he attended, he launched a new electronic survey process. When Members are provided service, a survey will be sent to them via e-mail to gauge their satisfaction with the services provided. The results are immediate and will be shared by Mr. Williams with the Board. The responses received to date were provided as follows:

In terms of your most recent Interaction -
How would you rate the courtesy and respect you received from our staff?

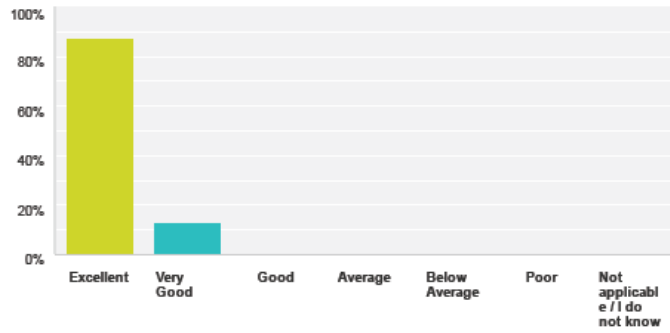
Answered: 8 Skipped: 0



| Answer Choices | Responses |
|--------------------------------|-----------|
| Excellent | 100.00% 8 |
| Very Good | 0.00% 0 |
| Good | 0.00% 0 |
| Average | 0.00% 0 |
| Below Average | 0.00% 0 |
| Poor | 0.00% 0 |
| Not applicable / I do not know | 0.00% 0 |
| Total | 8 |

**In terms of your most recent Interaction -
 How would you rate the accuracy of the
 reports and documents received from our
 staff?**

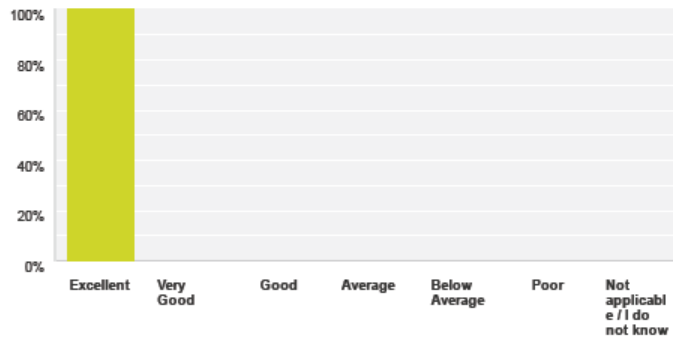
Answered: 8 Skipped: 0



| Answer Choices | Responses |
|--------------------------------|-----------|
| Excellent | 87.50% 7 |
| Very Good | 12.50% 1 |
| Good | 0.00% 0 |
| Average | 0.00% 0 |
| Below Average | 0.00% 0 |
| Poor | 0.00% 0 |
| Not applicable / I do not know | 0.00% 0 |
| Total | 8 |

**In terms of your most recent Interaction -
 How does the staff listen to you and
 understand your needs?**

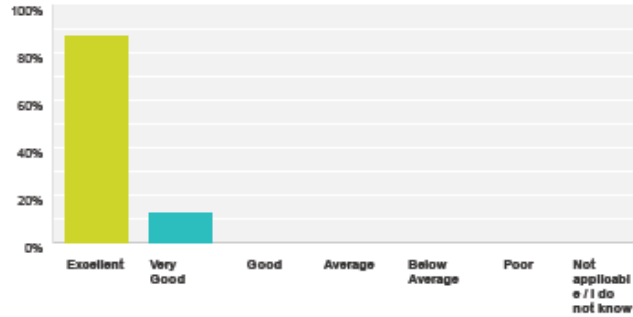
Answered: 8 Skipped: 0



| Answer Choices | Responses |
|--------------------------------|-----------|
| Excellent | 100.00% 8 |
| Very Good | 0.00% 0 |
| Good | 0.00% 0 |
| Average | 0.00% 0 |
| Below Average | 0.00% 0 |
| Poor | 0.00% 0 |
| Not applicable / I do not know | 0.00% 0 |
| Total | 8 |

In your most recent Interaction - How would you rate the staff in terms of being responsive to your requests and completing your objectives in a timely manner?

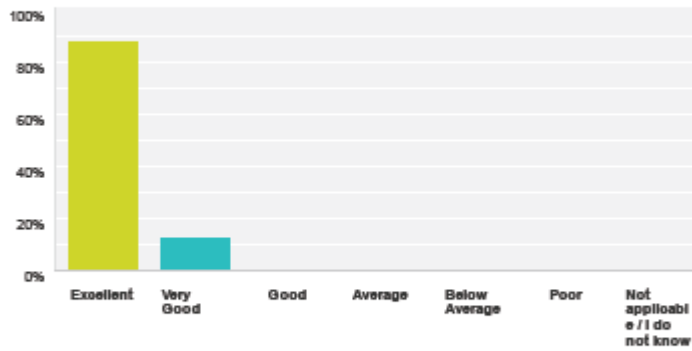
Answered: 8 Skipped: 0



| Answer Choices | Responses |
|--------------------------------|-----------|
| Excellent | 87.50% 7 |
| Very Good | 12.50% 1 |
| Good | 0.00% 0 |
| Average | 0.00% 0 |
| Below Average | 0.00% 0 |
| Poor | 0.00% 0 |
| Not applicable / I do not know | 0.00% 0 |
| Total | 8 |

In terms of your most recent Interaction - How would you rate the staff knowledge about the pension system?

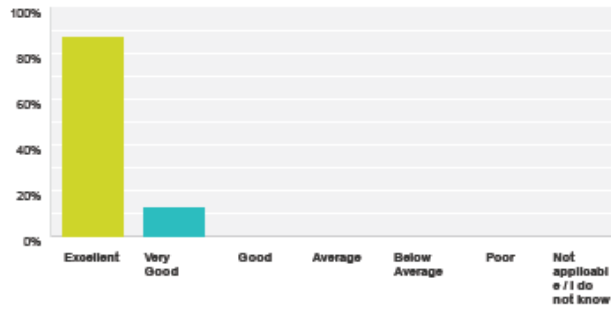
Answered: 8 Skipped: 0



| Answer Choices | Responses |
|--------------------------------|-----------|
| Excellent | 87.50% 7 |
| Very Good | 12.50% 1 |
| Good | 0.00% 0 |
| Average | 0.00% 0 |
| Below Average | 0.00% 0 |
| Poor | 0.00% 0 |
| Not applicable / I do not know | 0.00% 0 |
| Total | 8 |

In your most recent Interaction - How would you rate the staff in terms of solving your problems?

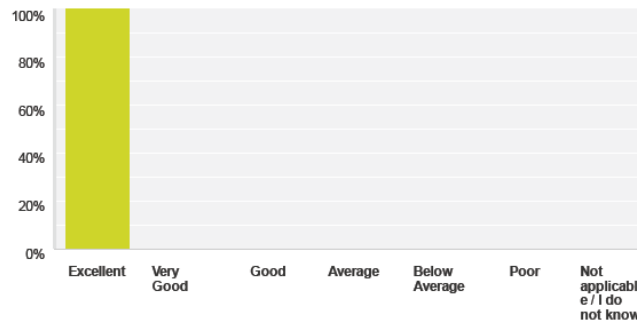
Answered: 8 Skipped: 0



| Answer Choices | Responses |
|--------------------------------|-----------|
| Excellent | 87.50% 7 |
| Very Good | 12.50% 1 |
| Good | 0.00% 0 |
| Average | 0.00% 0 |
| Below Average | 0.00% 0 |
| Poor | 0.00% 0 |
| Not applicable / I do not know | 0.00% 0 |
| Total | 8 |

In terms of your most recent Interaction - How would you rate the overall performance of our staff?

Answered: 8 Skipped: 0



| Answer Choices | Responses |
|--------------------------------|-----------|
| Excellent | 100.00% 8 |
| Very Good | 0.00% 0 |
| Good | 0.00% 0 |
| Average | 0.00% 0 |
| Below Average | 0.00% 0 |
| Poor | 0.00% 0 |
| Not applicable / I do not know | 0.00% 0 |
| Total | 8 |

Your comments are welcomed. Please provide your name and contact information if further assistance is required.

Answered: 4 Skipped: 4

The last section cited solicits individual comments from the members as well. This new process will save in administration time, IT time, printing cost and postage cost.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:51 AM.

Respectfully submitted,

C. Marano, Secretary

APPROVED:

D. Strauss, Chairman