

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

January 27, 2017

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, January 27, 2017, at 10:45 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT:

D. Strauss, Chairman, C. Marano, Secretary, R. Brickman and R. Wise

Excused Absence: C. O'Brien, V. Szeto and P. Laskowski

Also present were Kee Eng, City of Hollywood; Mark A. Guariglia & Bryan Schneider - EntrustPermal; Ed Rick, Eagle Asset Management; John McCann - AndCo Consulting; Stuart Kaufman, Legal Counsel - Klausner, Kaufman, Jensen & Levinson; David M. Williams, Plan Administrator.

Earl Mitchell, Frank Hogan, Frank McGarry, Lance Moore, Robert Schiano, Larry Bernstein, Norris Redding, Lyle Bien, Mark Ruggles and Robert Schiano.

PUBLIC COMMENT

Mr. Robert Schiano appeared before the Board and commented on two items:

1. Mr. Schiano feels that the supplemental distribution should be paid to members based on time accrued prior to the referendum. He cited the "cola" as an example where members are receiving credit based on years of service through the date of the referendum. Mr. Schiano felt this same application should be considered and applied. Mr. Kaufman cited the supplemental distribution section of the ordinance, but suggested the Board consider a legal opinion on this matter. Mrs. Marano made a motion for Mr. Kaufman to consider Mr. Schiano's points cited and prepare a legal opinion. This motion was seconded by Mr. Brickman. All board members voted yes. Mr. Kaufman will make every effort to prepare a response for the next meeting.

2. Mr. Schiano is concerned with the extremely long delay by the Florida Supreme Court's decision in the matter of Headly v. City of Miami. He is concerned that if he separates service prior to the decision being made, he could not be made whole if the court finds for Headly and reverses the action taken by the City of Miami, which directly correlates to our pending lawsuit against the City of Hollywood - Financial Urgency action. Mr. Kaufman said everything rests on the courts findings.

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 16, 2016 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the December 16, 2016 pension board meeting. Mr. Brickman made a motion to approve the Minutes of the December 16, 2016 pension board meeting, which was seconded by Mrs. Marano. All board members voted yes.

ATTORNEY'S REPORT

Mr. Kaufman released the R-PRB Rules for the Trustees to review and comment at an upcoming meeting. Mr. Strauss asked if article 2.1 Eligibility to Participate would apply to Members: Bien, Redding and Ruggles. After a brief review, Mr. Kaufman felt it could be interpreted as such. Cited members could complete an application if they wish the Board to consider.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

FEE NOTICE: The Fee notice to members is in draft form and is awaiting the formula that will be applied on a monthly basis. Once received from the actuary, it will be reviewed by Mr. Kaufman to ensure legal correctness and released. IT has been advised of the programing change as well.

AUDIT UPDATE: BDO has received all of the normal documents and back up. Representatives have been in touch with the city for payroll and membership testing. Mr. Williams is awaiting the fieldwork date(s) to be established.

TRUSTEE NOMINATION/ELECTION: Mr. Williams reflected a notice of self-nomination and notice of election was sent out to all active members to consider. The seats currently held by Mr. Strauss, Mr. Szeto and Mr. O'Brien are open in March 2017.

DROP/PRB Loans: Mr. Williams cited the respective member's loan requests. He outlined that each member has the funds in his/her personal DROP/PRB account to cover the loans 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 presented. This motion was seconded by Mrs. Marano. All board members voted yes.

HONOR: Mr. Williams felt that Mr. Cypen should formally be recognized for all his service to this plan. The Board by consensus agreed and asked Mr. Williams to proceed accordingly.

QUARTERLY INVESTMENT PRESENTATIONS

ENTRUST

Mr. Mark A. Guariglia & Mr. Bryan Schneider of EntrustPermal appeared before the Board to provide an investment update. It was reported that the account was valued at \$4,786,052. as of December 31, 2016. Since the inception date was July 31, 2015 the net rate of return for the was valued at -4.28%. This is relatively a short-term horizon and over the longer term, performance will continue to improve.

The representatives reminded the Trustees that EnTrustPermal is one of the world's largest global hedge fund businesses. That EnTrustPermal leverages its position as a global top five hedge fund investor to negotiate even lower fees and better terms with our underlying managers on behalf of our investors.

Activist strategies range from “constructivism,” where the activist managers work collaboratively with the company’s management team, to “aggressive activism,” where managers employ a variety of hostile techniques that include replacing management teams and boards.

The following chart outlines the EnTrustGlobal Activist Fund SPC Allocation:

	Percentage of GAF	Initial Investment
Blue Harbour Active Ownership Partners (ERISA) Ltd	11.73%	Nov-13
Cevian Capital II Ltd	11.08%	Jan-14
Corvex Offshore II Ltd	6.40%	Nov-13
JANA Offshore Partners Ltd	7.30%	Nov-13
Pershing Square International Ltd	10.04%	Nov-13
Red Mountain Partners LP	5.13%	Nov-13
Third Point Offshore Fund Ltd	11.61%	Mar-14
Tosca Opportunity	14.24%	Jan-14
Triam Partners (ERISA) Ltd	10.82%	Nov-13
ValueAct Capital International I LP	11.64%	Nov-13
TOTAL	100.00%	
Average Manager Allocation	10.00%	

EAGLE ASSET MANAGEMENT

Mr. Rick began his presentation by introducing himself to the Board and explaining the small cap mandate for the benefit of Mr. Wise.

Mr. Rick appeared before the Board and stated the market value of Eagle Account was at \$23,829,029 as of December 31, 2016. Since inception (01-08-03) the Eagle Small Cap Account realized an annualized gross return of 12.02%, compared to the Russell 2000 of 10.72%.

For the quarter ending December 31, 2016, Eagle Small Cap Account returned 7.00%, compared to 8.83% for the Russell 2000. On a one year rolling basis, the portfolio returned 22.55% compared to the benchmark of 21.31%. The 3 & 5 Year returns were valued at 9.85% & 15.24% in comparison to the benchmark returns of 6.74% & 14.46% respectively.

Mr. Rick provided a market overview: The market saw a difficult start to the year as falling oil prices, fears of faltering growth, and a sharp depreciation of China’s currency slammed the value end of the market. The pain was surprisingly short-lived and from March to December it was generally a value led market.

Contributors to relative performance: Health Care - Healthcare outperformed this quarter due to selection effect. Biotechnology and pharmaceuticals holdings outperformed while being underweight the index.

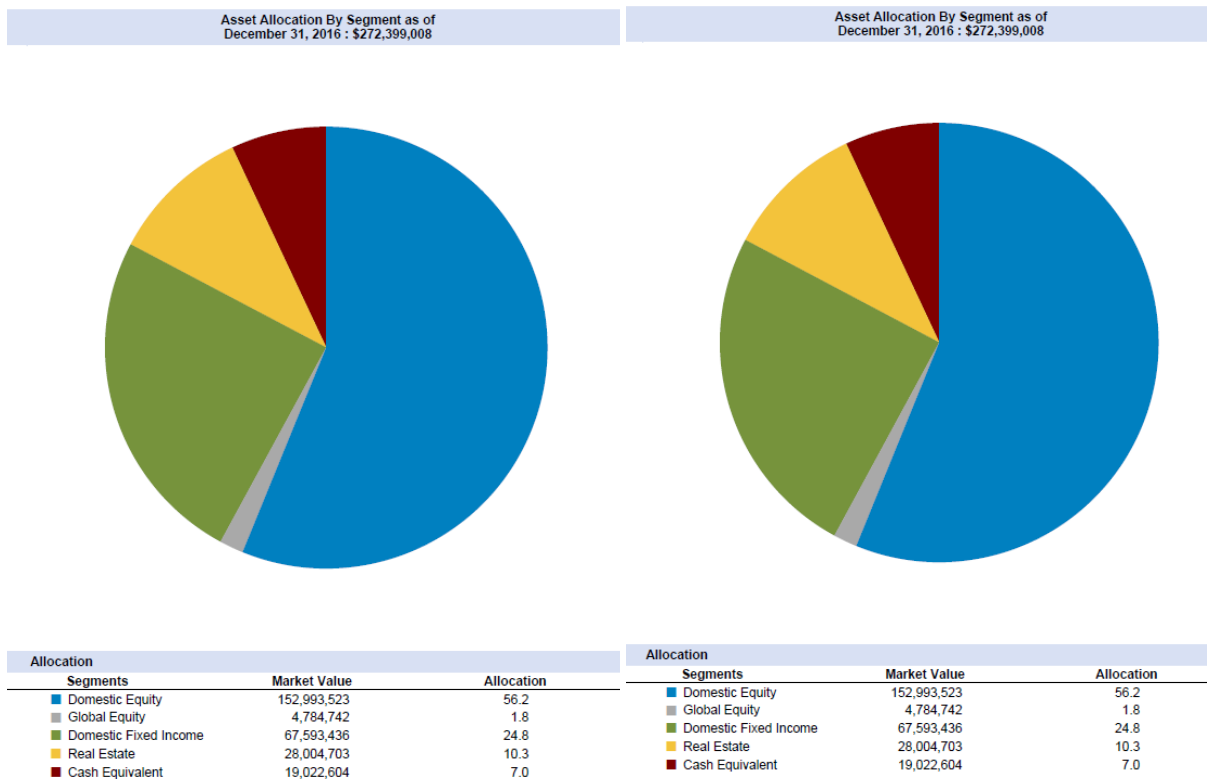
Detractors from relative performance: Real Estate - Eagle continues to find growth utilities and growth REITs to be the most attractive, since the yield, not future opportunities dominate total valuations in these spaces.

ANDCO CONSULTING

Mr. McCann announced the new name of his firm is AndCo Consulting.

Mr. McCann reported that as of December 31, 2016, the portfolio was valued at \$272,399,008. The total fund return on a gross basis was 1.86%. That return ranked the Plan in the 13th percentile of the investment universe (on a gross basis). The benchmark was outpaced the portfolio with a return of 2.00%. Mr. McCann advised - All Public Plans Total Fund Median return was 0.82%. As this was the first quarter in the fiscal year, no report was required. Longer term results were also outlined on a 1 (8.80%), 3 (6.19%) and 5 (8.97%) year basis. The returns for those periods cited ranked the Plan in the 12th, 4th and 27th percentile respectively.

Mr. McCann continued his presentation by providing a breakdown of each manager.



Mr. McCann reflected that Garcia Hamilton is exiting the equity investment market. A letter was highlighted from Mrs. Janna Hamilton confirming same. Mr. McCann will prepare a formal search for the Board to consider. Passive and Active management will be considered.

EARL MITCHELL – REQUEST FOR HEARING (Tabled from October 28, 2016)

Mr. Mitchell announced that he would like to defer his appearance today, as there was only four Trustees present. The Board agreed and this matter was tabled.

SUPPLEMENTAL DISTRIBUTION

Mr. Williams presented the Trustees the supplemental distribution report by Mr. Jose Fernandez of Cavanaugh Macdonald, dated January 23, 2017.

The distribution is based on Section 33.136(N) of the plan document. It is triggered if asset returns are in excess of 8% for the year ended September 30. The Supplemental Distribution will not be made using excess investment gains. The Supplemental Distribution will be funded in accordance with the State of Florida - Bureau of Local Retirement Systems requirements.

As determined by the Board, the amount distributed is equal to the return in excess of the assumed rate (not to exceed 2%) multiplied by the present value of the liability for retirees and beneficiaries subject to the limitation that it cannot exceed the actual dollar amount of the excess return. The actual asset return rate of 9.55% (net of investment management expenses) reported to us by the investment monitor for the year ending September 30, 2016 represents a total of 1.55% in excess of the assumed rate of 8%. Based on the method used by the System's investment monitor for the previous distributions, we have calculated the distribution amount of \$1,981,202 for the 2016 Plan year. The calculation is detailed in the table below.

(a)	Return in excess of 8% (maximum of 2%)	1.55%
(b)	Dollar amount of excess return	\$1,981,202
(c)	Present value of Retiree and Beneficiary Liability*	\$279,080,117
(d)	(a) x (c)	\$4,325,742
(e)	Distribution Amount [Lesser of (b) or (d)]	\$1,981,202

On Behalf of the Board, Mr. Williams sought and received Mr. Kaufman's support in the release of the funds. Mr. Williams also felt that due to the city's position to claw back the funds, that a notice of transparency should also be included in the letters to all the entitled members. Mr. Kaufman agreed with that position, but felt that was highly unlikely to occur.

Mr. Strauss cited his displeasure with the unfunded liability being raised over the release of these funds.

Mr. Brickman made a motion to approve the foregoing based on compliance with all applicable ordinances and laws for an April 1, 2017 distribution. Mrs. Marano seconded the motion. All board members voted yes. Mr. Williams advised a formal request for payment to wit: in the form of a Warrant will follow for final approval to the custodian.

OPEN DISCUSSION

Mr. Williams cited the required disclosures are being updated as the reports are received. They may be viewed at: <http://hollywoodpensionfund.com/modules/stateDocs/index.asp>

MEETING ADJOURNED

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

The next scheduled meeting is February 17, 2017 at 10:30 AM.

Respectfully submitted,

C. Marano, Secretary

APPROVED:

D. Strauss, Chairperson