

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

June 30, 2017
10:30 AM

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, June 30, 2017, at 10:35 AM, in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT: D. Strauss, Chairman, C. Marano, Secretary, C. Boyd, V. Szeto, R. Brickman and P. Laskowski.

Excused Absence: R. Wise.

Also present were Tim Flasher; Michael Whiting; Julio E. Gonzalez, Jr., Attorney for Mr. Whiting; Kee Eng, City of Hollywood; Stuart Kaufman, Klausner, Kaufman, Jensen and Levinson; Janna Hamilton, Garcia Hamilton; Bryan Schneider & Mark Guariglia, EnTrust Permal; and David M. Williams, Plan Administrator.

PUBLIC COMMENT

Mr. Flasher came before the Board to discuss the possibility of his pension being reclassified as a disability due to his medical condition that he indicated pre-dated his entry into the DROP in 2008.

Mr. Kaufman reflected that Mr. Flasher voluntarily entered DROP which effectively made him a service retiree. The ordinance cites a member is an employee in active service. The ordinance provides that "members" may receive a disability retirement. Mr. Flasher does not meet that definition for disability. Further a member who enters DROP is deemed a retiree under Florida law. Mr. Kaufman suggested that Mr. Flasher pursue his tax status with a tax advisor. The Trustees wished Mr. Flasher well and he departed.

INFORMAL DISABILITY HEARING – Mr. Michael Whiting

Mr. Kaufman indicated that this is a continuation of the Informal Hearing from September 22, 2016. The matter was tabled to allow the member additional time to recover as recommended by the reviewers (IME'S) and accepted by Mr. Whiting and his counsel. Mr. Kaufman indicated that permanency is one of the outstanding issues and it has yet to have been met. Mr. Kaufman offered Mr. Whiting and his counsel the opportunity to address the Board and this matter.

Mr. Gonzalez reflected that Mr. Whiting's condition has not changed since the last meeting. Mr. Gonzalez reflected that Mr. Whiting wants to remain in the light duty position and has cooperated fully with the Chief of Police by applying for disability in order to attain his current position on a permanent basis.

The Board members discussed the fact that Mr. Whiting was mandated by the Chief of Police to apply for disability, and he (Mr. Whiting) must be found disabled for the Chief (or another authority) to consider granting him the light duty position. There is no guarantee he will be retained by the city. A Trustee opined that this procedure was placing the cart before the horse.

Mr. Kaufman reflected that under usual circumstances the agency is asked if there is a position available for the member based on his condition(s). That question was in fact posed by the administrator and no commitment was made by the Chief of Police. If there was such a position, the member is providing usual and efficient service to the city and there is no reason to entertain or apply for disability. It was mentioned that this was the first case known whereas the Chief of Police mandated the member to apply for disability before considering if there is a position available. Mr. Kaufman mentioned an unusual provision in the ordinance.

In conclusion, the Board learned that Mr. Whiting did not wish to go out on disability, that he simply applied to satisfy the requirement cited and to cooperate with the Chief of Police.

Mr. Kaufman suggested that in lieu of a formal vote of the Board, he (Mr. Kaufman) and Mr. Gonzalez meet with the Chief of Police to discuss this matter. The Board asked Mr. Whiting if he would agree to that course of action, which Mr. Whiting and Mr. Gonzalez agreed to.

Matter tabled at this juncture.

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 JUNE 15, 2017 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of June 15, 2017. Mr. Laskowski made a motion to approve the Minutes of June 15, 2017 which was seconded by Mr. Szeto. All board members voted yes.

ATTORNEY'S REPORT

- PERC – Update: Mr. Kaufman advised an extension was granted to July 7, 2017.
- Mediation – Update: A public meeting was held and Mr. Klausner floated some ideas for the city to consider regarding drop rate of return and the supplemental distribution. The city seemed agreeable and a future meeting was set up to discuss further and to develop framework.
- Cyber Liability Insurance: Mr. Kaufman advised that Mr. Williams sought quotes for cyber insurance. The insurance is reasonable and worthwhile in the unlikely event of a cyber incident(s) to include extortion and/or identity theft. Mr. Kaufman stated his firm is pursuing coverage as well. Mr. Brickman made a motion to bind coverage for a 2 million policy at an annual cost of \$2,664.29 as quoted by Brown & Brown. Motion was seconded by Mr. Laskowski. All Trustees voted yes.
- Legislative Update:
 - Public records pre-suit written notice – SB 80 (Chapter No. 2017-21)
http://laws.flrules.org/files/Ch_2017-021.pdf
 - Public records exemption for retired firefighters – SB 1108 (Chapter No. 2017-96)
<http://laws.flrules.org/2017/96>
 - Disabled public safety property tax exemption – HB 455 (Chapter 2017-105)
<http://laws.flrules.org/2017/105>
 - Proposed additional \$25,000 homestead exemption – HB 7107 (Chapter No. 2017-35)
http://laws.flrules.org/files/Ch_2017-035.pdf

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. Mr. Laskowski made a motion to approve the loans as noted, which was seconded by Mrs. Marano. All board members present voted yes.

ACTUARIAL VALUATION PRESENTATION OCTOBER 1, 2016

Mr. Williams reported that Mr. Brinkman responded negatively regarding the Board's effort to resolve the 185-issue caused by the city.

Mr. Brinkman stated in an e-mail on June 27, 2017: *"After reviewing relevant correspondence and applicable statutory provisions for the Hollywood Police Officers' Retirement System, the Department of Management Services has determined that the requirements for compliance set forth in the October 2015 letter remain in effect."*

Mr. Williams reported that due to the foregoing, the valuation report approved by the Board of Trustees on May 19, 2017, will not have to be restated and will be sent to the state and the city accordingly.

\$17,760,208 is the required City contribution for FY 2018 if paid in a lump sum on October 1. This is just for the FY 2018 required City contribution and doesn't include the additional \$4,104,375 lump sum payment for the 2014 and 2015 supplemental distributions as required by the state. The \$17,760,208 also assumes the plan will be state compliant and will receive an additional \$1,375,501 in Chapter 185 monies for FY 2018.

In closing Mr. Williams also reported the valuation will also be placed on the required disclosure page.

QUARTERLY INVESTMENT REPORT

Garcia Hamilton

Mrs. Hamilton reported the equity account has been successfully closed. She thanked the Board for allowing GHA to serve the Plan as their Growth Equity Manager for the last 17 years.

Mrs. Hamilton provided a market review by citing the following:

Stocks rose sharply during the quarter on investor expectations for accelerating economic activity. For the quarter, the S&P 500 Index increased 6.1% including dividends. The Russell 1000 Growth Index rose 8.9%.

The Trump administration reiterated promises of reduced tax rates, relaxed regulatory burdens, and continued employment gains. The U.S. Federal Reserve's third rate hike reinforced a narrative of brighter economic growth. Contrary to this narrative, the yield curve flattened and the U.S. dollar generally weakened.

Earnings improvements come against easy comparisons, though estimate cuts continue. First quarter earnings have been reduced nearly 4.0%, leaving growth of 9.1% against year ago levels. Full year 2017 estimates are expected to be up 11.0%, yet these expectations are down from 12.2% three months earlier.

In terms of the portfolio Mrs. Hamilton reported:

The portfolio gained 7.4% in the quarter as of March 31, 2017, the benchmark Russell 1000 Growth Index return was 8.9%. The one, three and five-year returns all exceeded the assumption, but underperformed the benchmark cited. The equity portfolio was valued at 39,771,431.15 as of March 31, 2017.

The fixed income portfolio returned 0.7% for the quarter ending March 31, 2017. That return was in line with the Barclays Capital benchmark return for the same period. The fixed income portfolio was valued at 13,640,417.12 as of March 31, 2017.

EnTrustPermal

Mr. Bryan Schneider & Mr. Mark Guariglia of EnTrust Permal appeared before the Board to provide a portfolio update on the Global Activist Fund.

The portfolio net cumulative performance was 0.08% for the period of August 1, 2015 through May 31, 2017. The account balance is valued at \$5,003,939.00. A net gain was reported \$3,939.00. The representatives reported a rebound from the initial investment.

Mr. Bryan Schneider asked the Board to consider an additional investment vehicle entitled: Special Opportunities Funds IV. This is a relatively short-term investment of 2-5 years. Past programs of this nature were very successful.

The launch is anticipated in Q3 2017. After hearing the presentation, the Board asked Mr. Williams to have Mr. McCann review and consider.

OPEN BOARD DISCUSSION

Mr. Kaufman discussed and reviewed a litigation report from Saxena White relating to HD Supply Group, Inc. This memorandum, prepared for our Plan summarized and discussed securities fraud claims that can be asserted against HD Supply Holdings, Inc. and certain members of its senior management team on behalf of purchasers of the Company's common stock during the period of December 6, 2016 through June 5, 2017. This action involves an alleged fraudulent and illegal scheme by HD Supply's senior executives to artificially inflate the Company's price stock by issuing false and misleading guidance and hiding critical information from investors.

On March 6, 2017, HD Supply's President, CEO, and Chairman of the Board, Joseph DeAngelo, began selling a substantial amount of his HD Supply shares. In a five-day period, DeAngelo, trading on inside information, disposed of approximately 80% of his shares.

At the time, DeAngelo knew that HD Supply's first quarter earnings would be lackluster, the Company's FM segment was facing significant obstacles and in desperate need of a capital infusion, and that the Company was divesting its Waterworks business unit. Retail investors were not privy to this information until June 6, 2017. HD Supply's share price declined \$7.24, or 17.5%, from a close of \$41.27 per share on June 5, 2017 to a close of \$34.03 per share on June 6, 2017.

In calculating a client's losses, Saxena White primarily uses the LIFO methodology¹. During the Proposed Class Period, The Plan was a substantial net purchaser of HD Supply common stock, having purchased 30,100 shares at a cost of \$1.3 million while selling none. Thus, the System retained every single share it purchased during the Proposed Class Period through the alleged corrective disclosures. As a result of its trading activity in HD Supply securities during the Class Period, Hollywood Police has sustained an estimated loss of over \$300,000 on a LIFO basis.

Subsequent to the end of the Proposed Class Period, the Plan sold-out of its entire position of HD Supply common stock. From June 12, 2017 through June 26, 2017, starting the first week after the alleged corrective disclosures, the Plan sold its entire 30,100 share position in HD Supply for proceeds of ~\$970,000, thus locking in its loss of over \$300,000.

¹ In order to properly assess whether it would be prudent for Hollywood Police to move for appointment as lead plaintiff in this litigation, it is necessary to calculate the losses that Hollywood Police has suffered from its investments in HD Supply's securities. While the securities laws require that a lead plaintiff movant file a certification containing a list of transactions in the underlying securities, the laws do not provide a specific method for calculating a financial loss. Two competing methodologies have emerged as the principle loss calculation methodologies, the "FIFO" (first-in, first-out) and "LIFO" (last-in, last-out) methods. Historically, the FIFO method was commonly used and accepted by courts; however, most courts in recent cases have adopted the LIFO methodology in conducting their lead plaintiff evaluations.

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Mr. Kaufman recommended the Board consider pursuing the matter and authorize Saxena White to file a complaint against HD Supply on the System's behalf and seek lead plaintiff status. Further to authorize the Chairman to execute any and all required documents. Mr. Kaufman disclosed his firm's role and participation in this action as well as co-counsel.

Mr. Brickman placed the foregoing in the form of a motion, which was seconded by Mr. Szeto. All Trustees voted yes.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:34 AM.

Respectfully submitted,

C. Marano, Secretary

APPROVED:

D. Strauss, Chairman