

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

June 28, 2019

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, June 28, 2019, at 10:33 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT:

D. Strauss - Chairman, C. Marano - Secretary, P. Laskowski, R. Brickman, C. Boyd , R. Wise & V. Szeto.

Also present were Laurette Jean, Budget Division Director, City of Hollywood; Jeff Marano, Retired Member; Gregg Rossman, Attorney; Robert Klausner & Anna Klausner Parish, Legal Counsel - Klausner, Kaufman, Jensen & Levinson; David M. Williams, Plan Administrator.

PUBLIC COMMENT

Mr. Marano recapped the ordinance transition and provided accolades to staff involved. Mr. Marano thanked Mr. Keller for making the coordination of benefits for GE members a reality.

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 17, 2019 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the May 17, 2019 pension board meeting. Mr. Laskowski made a motion to approve the Minutes of the May 17, 2019 pension board meeting, which was seconded by Mr. Szeto. All board members voted yes.

ATTORNEY'S REPORT

- Corrections Inquiry - Mr. Klausner advised the Board, on the request of Mr. Steven Sparkman and others similarly situated (the applicants) to reclassify time served as a city of Hollywood corrections officer from the General Employee Retirement System to the City of Hollywood Police Retirement System credit. For the reasons which follow, that request is denied.

The applicants all were originally hired as corrections officers for the City of Hollywood Police Department. They were all certified as corrections officers pursuant to Chapter 943, Fla. Stat. Their assigned duties were primarily custody and transportation of inmates in the City jail. The applicants did have the authority to wear a firearm and did have authority to apprehend any escaped prisoner.

Following a period of service in the City jail, the applicants returned to the police academy and received certification as a law enforcement officer. Following this certification, the applicants were hired as police officers and enrolled in this Plan.

The terms of the Plan and the Section 185.02 limit membership in this Plan to "police officers." See, 185.02(16), Fla. Stat. and 33.126, Hollywood City Code.

The term "police officer" was essentially unchanged between the original adoption of Chapter 185 in 1953 and the addition of the certification requirement in 1991. See Chapter 91-45, Laws of Florida 1991. This addition is significant.

In *Headley v. Sharpe*, 138 So. 2d 536 (Fla. 3d DCA 1962), the Third District Court of Appeal found that the job description for corrections personnel in the city of Miami Police Department met the then applicable definition of police officer for pension purposes. That changed however, in 1970 when the same court determined that differing job descriptions within the police department led to approval of different pay classifications for persons in the police department corrections division, even though the corrections personnel were classified as police officers. See, *City of Miami v. Rumpf*, 235 So. 2d 341 (Fla. 3d DCA 1970). This evolutionary process ended with *City of Miami v. Musial*, 291 So. 2d 77 (Fla. 3d DCA 1974) when the same court denied a transfer from the City's General Employee Retirement plan to the fire and police plan because of the different training for persons in records and identification from those who were police officers, even though the employees all had a police classification. Significantly, the court also noted that a multi-year delay in requesting reclassification constituted a waiver of any potential misclassification.

The applicant have all been police officers for some years. Had they been corrections officers in 1962, the *Headley v. Sharpe* precedent would have applied. However, the passage of time since the applicants were classified from corrections to police and the development of separate certification pathways for corrections and police in Florida support the conclusion that the applicants request must be denied. While the Board values their service as corrections officers, the language of 185.02 and 33.126 controls.

Accordingly, Mr. Klausner's opinion was that the applicants request for reclassification of their corrections service be denied.

After considering the foregoing and allowing for public input, Mr. Brickman made the motion to deny based on the legal issues outlined. Mr. Wise seconded the motion. All board members voted yes.

Copies will be sent to all known affected members who have a right to appeal. Also noted that the affected members will be able to participate in the GE Plan and DROP due to the restoration of benefits.

- Lafrance Matter - Mr. Klausner advised a second Independent Medical Examination (IME) has been scheduled for July 5th.
- DROP status members eligible by age prior to 10-01-2011 and entered DROP by years of service post 10-01-2011 - Mr. Klausner opined members were eligible to DROP based on age pre-referendum. The matter has been settled by behavior. The city has stopped contributions. Members in question should remain status quo.
- Restoration of Benefits – Retired prior to restoration ordinance (pre-post waiver). Active personnel (pre-post waiver). - Mr. Klausner spoke to the City of Miami case where the Board reinstated an ordinance and the 3rd DCA reversed the Board action. As such Mr. Klausner cannot give a definitive decision.

On the matter of the waiver, Mr. Klausner stated the union can enter into a waiver. But the union lacks the ability to constrain a member who was eligible to retire or senior management (pension members outside of the collective bargaining agreement).

Mr. Rossman stated that in the Miami case, the court said the Board had no authority. This is different here in Hollywood as the prior referendum ordinance language has been wiped out. Mr. Rossman reflected if the Board does not restore, affected members will bring a lawsuit against the Board. If the Board restores, they take "a chance" of being sued by the city. Mr. Klausner has fears of overstepping authority and may require judicial interpretation. Mr. Klausner said the Board can approve, but not pay it until further Board action.

Mr. Strauss reminded all present that Mr. Kaufman cited the Headley Case in the case of Mr. Bien and those similarly situated.

Discussion ensued about ethics forms being completed by Mr. Strauss and Mr. Szeto.

By consensus of all present there were two distinct groups. Active/Retired members pre-waiver and retired members post waiver. After further discussion the following motions were made.

Motion by Mr. Brickman to treat all members eligible active/retired pre-waiver based on Headley; however, do not begin to pay until further direction of the Board. This motion was seconded by Mr. Laskowski.

Voice Vote: D. Strauss - Did not vote – form 8 will follow
C. Marano – Yes
P. Laskowski – Yes
R. Brickman – Yes
C. Boyd – Yes
R. Wise – Yes
V. Szeto – Did not vote – form 8 will follow
Motion passed 5 – yes, 0 – No and 2 – Abstained

Motion by Mr. Laskowski to treat all eligible post-waiver retired members as Group One Members pursuant to the restoration ordinance; however, do not begin to pay until further direction of the Board. This motion was seconded by Mr. Boyd.

Voice Vote: D. Strauss - Yes
C. Marano – Yes
P. Laskowski – Yes
R. Brickman – Yes
C. Boyd – Yes
R. Wise – Yes
V. Szeto – Yes
Motion passed 7-0

- DROP Rules Update – Mr. Klausner advised the updates are being made. When complete, he will bring before the Board.
- SPD Update – Actuary is completing, and Mr. Klausner will provide a legal review upon receipt.

- Jump Start Duration for restored members – Mr. Williams asked Mr. Klausner the duration the members should be afforded to participate. Mr. Klausner felt one year from the date of the restoration ordinance was passed would be reasonable.
- GE Ordinance Review – Application to DROP members who have coordination of Benefits – Mr. Klausner reflected police pension members who had prior GE employment with the city is now being restored. GE DROP rollovers will follow at the end of the GE Drop participation period.

ADMINISTRATIVE REPORT

INVERNESS COUNSEL CONTRACT – Mr. Williams cited the Minutes of April 26, 2019 where Mr. Sancho & Mr. Bray of Inverness Counsel spoke to the Board about a proposed fee restructure. Current blended rate is 40 bps, the proposed blended rate is 37 bps effective July 1, 2019. Based on that Inverness proposal a new investment advisory agreement followed.

EXISTING CONTRACT STATES:

10. Manager shall receive a fee of 0.40 basis points (excluding cash) on all assets under management ("Fee"). The Fee shall be payable quarterly based on the Value of the Account as of the last day of the quarter. The Fee shall be paid by Board within a reasonable time. If at any time Manager agrees with another client (excluding City of Miami Beach Firemen's Relief & Pension Fund; City of Miami Beach Police Relief and Pension Fund; City Pension Fund for Firefighters and Police Officers in the City of Miami Beach; City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines; and Miami Beach FOP Insurance Trust Fund) to provide services comparable to those hereunder, and if such other agreement requires payment of fees in any respect lower than those required hereunder, then Manager agrees that fees required hereunder shall automatically be reduced to the level required

FIRST DRAFT OF PROPOSED CONTRACT

Manager shall receive a fee calculated in accordance with the attached fee schedule for each category of assets under management.

Annual Fee Schedule (bps)*		
Assets Under Management	Equity	Fixed Income
\$0 – \$50 Million	0.55%	0.20%
\$50 – \$100 Million	0.50%	0.15%
\$100 – \$200 Million	0.45%	0.125%
> \$200 Million	0.40%	0.10%

SECOND DRAFT OF PROPOSED CONTRACT

Manager shall receive a fee based on an annual rate of 37 bps (0.37%) of assets under management.

ASSETS BASED ON A MV OF \$88,289,375 ie. AFTER MONEY GOING TO GHA AND TOQUEVILLE.

COMPARISON OF CURRENT FEE (No charge cash) AND FIRST DRAFT OF PROPOSED (Charging for cash) \$333,097 VS. \$360,874 AN INCREASE OF \$27,777.

COMPARISON OF CURRENT FEE (No charge cash) AND SECOND DRAFT OF PROPOSED (Charging for cash) \$333,097 VS. \$326,671 A DECREASE OF \$6,426.

COMPARISON OF CURRENT FEE (No charge cash) AND SECOND DRAFT OF PROPOSED (But no charge cash – not part of Inverness Counsel proposal) \$333,097 VS. \$308,115 A DECREASE OF \$24,982.

Mr. Williams reflected that Inverness Counsel reduced the fee from 40 bps to 37 bps but is now charging a fee for holding the cash. Inverness Counsel's position is that they are actively managing the cash therefore a fee is appropriate.

Mr. Brickman made the motion to accept the new proposed fee effective July 1, 2019 and to authorize the administrator to open a separate R&D Account to hold the cash for pension plan payments if deemed appropriate. Mr. Szeto seconded the motion. All members voted yes.

ADAMS TRANSITION - Mr. Williams reflected that when agreements are developed, it is difficult to foresee all the possible scenarios that arise. Mr. Adams signed and returned the required form to transition from RPRB to DROP. In the transition of Tony Adams from RPRB to DROP, it was determined he would not be eligible to DROP until October of 2020. As such Mr. Williams restarted Mr. Adams' contributions to the Plan and worked out what was owed to the Plan since his entry into the RPRB¹. After exhausting his Share Account for repayment, Mr. Adams still owes the Plan \$45,390.88. Mr. Adams is proposing his payment be deferred and accrue interest until his DROP entry. At that juncture, his account will remain in a negative position until such time as the DROP payments exceed the negative balance owed. Based on the assumption rate, Mr. Adams will owe the Plan \$51,602.96 when he enters the DROP². Mr. Klausner felt that this was a very unique case and that an agreement will be created for the member to execute and return. Mr. Laskowski made a motion to approve payment at the time the member enters the DROP based on the assumed rate of return accruing and the member signs the agreement to be authored by Mr. Klausner. This motion was seconded by Mr. Szeto. All board members voted yes.

STATE REPORT - Mr. Williams advised the Annual Report has been completed and filed by representatives of Kabat, Schertzer, De La Torre, Taraboulos & Co., LLC.

FORM 1 – Mr. Williams reported all Form 1's were received by the Supervisor of Elections.

PENSION PHYSICALS – Mr. Williams advised that Dr. Reines' office merged with another company. Dr. Reines will still be conducting the pension physicals. Mr. Klausner opined an agreement would be appropriate.

RETIREE DEATHS – Mr. Williams noted the loss of V. Fazio and B. Boulton and the subsequent widow conversion. Back-up provided to Trustees.

WELLS FARGO – Mr. Williams provided a notice of appointment of Nico Marais as the CEO of Wells Fargo Asset Management (WFAM) dated June 10, 2019.

¹ Contributions and Loan(s)

² Based on report by actuary

NEW BUSINESS

2019/20 Administrative Expense Budget - Mr. Williams outlined the Administrative Expense Budget provision. 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 1st. Mr. Williams presented an Administrative Expense Budget based on the expenses reported in the financial statements of September 30, 2018 for the Board to consider. Mr. Williams stated that 100 basis points of expense is considered reasonable in the industry. The proposed budget is estimated at 34 basis points which is based on the September 30, 2018 balance of the System, so he believes it is extremely reasonable. After review and discussion, Mr. Brickman made a motion to approve the 2019/20 Administrative Expense Budget as presented, which was seconded by Mrs. Marano. All board members voted yes.

May be viewed on-line at:

http://hollywoodpensionfund.com/docs_state/AnnualBudget/2019-20%20Hollywood%20Police%20Pension%20Adm%20Expense%20Budget%20approved%2006-28-2019.pdf#zoom=100

DROP Loan Interest Charge – Mr. Strauss indicated that he feels it would be prudent to charge the assumed rate of return, vs. the current published Fed Rate. Mr. Brickman differed and felt the current rate was reasonable. Mr. Laskowski opined that at a recent educational meeting he attended, the rate of return on loans was raised and charging the assumed rate would be reasonable and would insulate the Board from potential criticism from the city. Mr. Klausner added that the fire pension plan has eliminated loans completely, so police pension members should be fine with the adjustment. Motion by Mr. Laskowski to begin charging the assumed rate of return on any and all future DROP Loans. Motion seconded by Mr. Strauss. Motion passed 6-1 with Mr. Brickman voting - No.

ENTRUST INVESTMENT REPORT

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 \$5,247,103 as of April 30, 2019. With an inception date of July 31, 2015, the net rate of return was valued at 4.21%.

The representatives reminded the Board that 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. Activist investors identify companies whose valuations do not reflect their intrinsic value and develop robust plans to unlock shareholder value through a variety of ways: Operational Improvements, Capital Allocation, Corporate Transactions and Management/Board (recruitment, structuring, composition and communication).

The following chart outlines the EnTrustGlobal Activist Fund SPC Allocation:

Account Summary		
Contribution	8/1/2015	\$5,000,000
Total Contribution		\$5,000,000
Balance	4/30/2019	\$5,247,103
Net Profits Generated By EnTrust Global		\$247,103

The EnTrust Global Special Opportunities Funds (the "Funds") are comprised exclusively of co-investments, which target high-conviction ideas that are a result of market dislocations and/or involve manager led catalysts.

Opportunities involve an element of influence vis-à-vis the target situation. Active engagement and insight with respect to investment provides level of transparency and control. Allows investors to allocate and commit capital now to take advantage of future market dislocations. Funds do not have any predetermined exposure by asset class, sector, strategy, or geography. Target range of ~30+ investments with an expected average position size of ~2%~6%. Diversified collection of idiosyncratic investments captures attractive opportunities in any given market environment. EnTrust Global launched the initial class of Special Opportunities Fund IV ("Fund IV" or the "Fund") in Q1 2018. Funds employ a committed capital and drawdown structure, charging fees only on invested capital. Allows for quick execution. Enables investors to reserve liquidity for potential dislocation opportunities; solves the systemic problem of "Institutional Paralysis". The Special Opportunities Funds earn a "liquidity premium" by taking advantage of the lack of 2-5 year institutional capital.

Account Summary		
Committed Capital	3/1/2018	\$5,400,000
Called Capital		\$2,527,880
Uncalled Capital		\$2,872,120
Capital Balance*		4/30/2019 \$5,550,189
Net Profits Generated by EnTrust Global		\$150,189

OPEN DISCUSSION

No discussion ensued.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 12:30 P.M.

The next scheduled meeting is July 26, 2019 at 10:30 A.M.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson