

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

November 22, 2019

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, November 22, 2019, at 10:34 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT:

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

Also present were Justin Schweighardt (Active Member); Laurette Jean, City of Hollywood; John McCann, AndCo Consulting; Janna Hamilton, Garcia Hamilton; Robert Maddock, Henry Renard & Adrian Sancho, Inverness Counsel; Stuart Kaufman, Legal Counsel - Klausner, Kaufman, Jensen & Levinson and Dave Williams, Plan Administrator.

PUBLIC COMMENT

No Comments.

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 October 25, 2019 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the October 25, 2019 pension board meeting. Mr. Brickman made a motion to approve the Minutes of the October 25, 2019 pension board meeting, which was seconded by Mr. Szeto. All board members voted yes.

ATTORNEY'S REPORT

COVETRUS, INC: Mr. Kaufman updated the Board on the matter of Covetrus litigation. Mr. Kaufman reminded the Board background on the case. Mr. Kaufman cited that Saxena White had a conference call between our plan representative (Dave Williams) and representative(s) with the Pembroke Pines Police and Fire Plan. Representatives discussed and agreed to move forward in this matter and seek a joint lead plaintiff status. Mr. Laskowski made a motion to confirm and proceed to move forward with Pembroke Pines Police and Fire and seek lead plaintiff status. This motion was seconded by Mr. Boyd. All board members voted yes.

HD SUPPLY: Mr. Kaufman advised that a 2nd mediation session resulted in a proposed settlement in the case. Mr. Kaufman outlined the proposal set forth. Members felt the settlement was reasonable and would be prudent to accept. Mr. Brickman made the motion to ratify the settlement agreement, which was seconded by Mr. Szeto. All board members voted yes.

CORRECTIONS MATTER: Mr. Kaufman reported that a response to order to show cause and other supporting documents were filed in this matter. Oral Argument was also requested should the need arise.

The documents file may be viewed on-line at:

<http://hollywoodpensionfund.com/docs/announcements/Response%20To%20Rule%20To%20Show%20Cause.pdf>

<http://hollywoodpensionfund.com/docs/announcements/Appendix.pdf>

<http://hollywoodpensionfund.com/docs/announcements/Request%20For%20Oral%20Argument.pdf>

ADMINISTRATIVE REPORT

RETURN OF PENSION CONTRIBUTION: Mr. Williams provided the request of former member Catlin Giffen who asked for a refund of pension contributions. Motion to approve by Mr. Szeto, seconded by Mrs. Marano. All board members present voted yes.

DROP Loans: Mr. Williams cited the respective member's loan requests. He outlined that each member has the funds in his/her personal DROP account to cover the loans and he/she has been a participant in the DROP 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. Laskowski. All board members present voted yes.

185 FUNDS: Mr. Williams explained that the 185 funds (in the amount of \$7,379,064.33) were received by the city on October 21, 2019 and accepted by the Mayor on October 22, 2019. From that amount, the city prepaid \$5,643,226.46 to the Plan in order to have the funds released by the State of Florida - Division of Retirement during fiscal year 2018/2019. The balance of \$1,735,837.87 is pending transfer from the city to the Plan. Mr. Williams will monitor accordingly.

NOTICE OF PASSING: Mr. Williams sadly noted the passing of retiree Billy Brantley and provided back-up material on the transition to the widow benefit. Mr. Williams noted another member taken too soon.

To learn more:

<https://www.hollowayfuneralhomefl.com/notices/Billy-Brantley>

2020 DROP & RMD: Mr. Williams provided a spreadsheet of the 2020 DROP & RMD distributions. Warrant was reviewed and executed.

RESTORATION UPDATE: Mr. Williams explained to the Board that the actuary has been working diligently on the recalculations. Each respective member is affected differently, which is time consuming. Mr. Williams was hopeful that he would have the report for each member for the December meeting. Mr. Williams provided a draft letter from the actuary outlining a restoration of benefits for a member for the Board to consider. After reviewing same, the Board asked to breakdown any retroactive amounts (DROP/Direct Payment) and ensure the actuary is funding over 30 years.

ASSUMPTION ARTICLE: Mr. Williams circulated an article from Pension & Investments dated September 30, 2019 relating to public pension plans and assumption rates. Mr. Williams cited the letter of September 27, 2019 from Joseph Edmonds, Actuary – Florida Division of Retirement asking the Board to review the assumption rate. With the foregoing being said, Mr. Williams noted the annual long-term investment return dating back to 1992 is 7.99%¹.

¹ Gross Return

Mr. Williams closed by saying the plan sponsor should also be a party to the discussion and provide input along with the actuary.

2020 THRESHOLD LIMITS: For informational purposes, Mr. Williams distributed the IRS limits for 2020. Provided by GRS Consulting.

Limits may be viewed on-line:

<https://grsconsulting.com/wp-content/uploads/2019/11/Alert-IRS-Limits-2020-Final.pdf>

QUARTERLY INVESTMENT PRESENTATIONS

Garcia Hamilton and Associates

Mrs. Hamilton began her presentation by discussing the fixed income market review. At the September Federal Open Market Committee meeting, the Committee voted 7-3 in favor of cutting the fed funds rate target range by 25 basis points to 1.75-2.00%. Although the decision to lower rates for the second time in as many meetings was widely expected, the absence of a commitment to additional future policy easing was not. The median projections from Fed officials indicated no additional cuts this year or next while the markets were pricing in multiple cuts over the next twelve months.

The Committee was most likely encouraged by the firming of inflation data and thawing of trade tensions, two areas which have been of concern. Core CPI exceeded expectations by reaching its highest level since July 2018 at 2.4%, and a meeting of top U.S. and China trade officials was scheduled for October following the de-escalation of tariffs by both countries.

For the quarter, the 10-year Treasury yield fell 33 basis points to 1.67%. The 2-year yield finished the quarter 12 basis points lower at 1.62% while the yield of the 30-year Treasury declined by 41 basis points to 2.12%. These moves caused the 2-30-year yield spread to flatten by 29 basis points to 50 basis points.

With the decline in rates, the bond market posted a positive return this quarter with a return of 2.27% for the Bloomberg Barclays U.S. Aggregate Index.

Spread product was in favor this quarter as all four spread sectors posted a positive excess return. The leader was the agency sector with an excess return of 56 basis points. The asset-backed securities sector and mortgage-backed securities sector followed with 21 basis points and 6 basis points of excess return, respectively. The laggard was the corporate sector with an excess return of 4 basis points. Thus, the Bloomberg Barclays U.S. Aggregate Index had an excess return of 5 basis points this quarter.

Despite the updated projections from the FOMC indicating otherwise, fed funds futures implied probabilities are still indicating a strong probability of additional rate cuts. We see the decline in rates this year as a severe overreaction and disagree with the notion that a recession is imminent because money supply is expanding rapidly, consumer confidence and small business optimism are high, and the labor market is very healthy. Therefore, rates have the bias to move higher as the economy continues to grow and exceed market expectations.

For the quarter ending September 30, 2019 the portfolio returned 6.83%². On the three-year basis the portfolio returned 2.56% which beat the benchmark by 17 basis points. On the five-year basis the portfolio returned 3.14% which beat the benchmark by 40 basis points. Since inception of June 30, 2019, the portfolio returned 3.75% which beat the benchmark by 105 basis points.

² Gross Basis

CHANGE IN PORTFOLIO

Portfolio Value on 06-30-11	6,960,312.96
Accrued Interest	143,414.63
Net Additions/Withdrawals	19,829,969.05
Realized Gains/Losses	-42,451.49
Unrealized Gains/Losses	604,261.73
Income Received	3,645,561.57
Change in Accrued Interest	-9,363.28
Portfolio Value on 09-30-19	30,997,653.82
Accrued Interest	134,051.35
	31,131,705.17

Inverness Counsel, Inc.

Mr. Sancho and Mr. Maddock provided the following equity and fixed income market review: The current growth phase following the Great Recession of 2009 is officially the longest in U.S. post-WWII history, driving fears that a recession is looming. The expectations of market participants are not excessively optimistic, as often tends to occur at peaks. Bearish vs. Bullish sentiment readings have declined back to multi-year lows. In 2019, the Fed has lowered rates by 75 basis points. In the last 30 years, anytime the Fed has cut rates by more than 75 basis points consecutively, a recession has followed.

The current 10-Year U.S. Treasury bond yield of ~2% is low by historical standards and may have reached a cycle high of 3.24% last November... Meanwhile the entire German and Japanese 1-10-year yield curves are below 0%. Foreign debt with negative yields hit a new record high of \$17 trillion this summer, or roughly 43% of the global (ex-US) investment grade bonds.

From 1971-2007, the 10-year U.S. Treasury yield consistently exceeded the S&P 500's dividend yield. Since the Great Recession, the opposite has been true in a handful of pessimistic times. After a double digit 1st quarter return, as we experienced in 1Q of 2019, the S&P has increased 10.7% on average over the next three quarters – we are now up 6%.

Consumer Strength – Accounts for 70% of the U.S. economy, benefiting from full employment, appreciating home values, and higher wages.

Stock Valuations – Stock valuations are only modestly above multi-decade averages and artificially low interest rates further increase the attractiveness of equity returns.

Technological Innovation – Continues to accelerate, lowering costs, increasing efficiency, and providing competitive advantages.

Interest Rates – Fed cuts rates again, providing additional stimulus as individuals, corporations, and municipalities take advantage of re-financing opportunities.

Tariff Wars – Although progress has been made, negotiations with China are moving slowly.

Earnings Growth – Has slowed in 2019, pressured by trade issues, currency and rising costs.

Global Economy – Weakness - primarily in Europe, China and Japan, with some recent stabilization.

Stock Volatility – Two sharp equity market corrections in 2018 shook investor confidence.

Outlook – Inverness does not forecast a recession in the near-term based on current economic data.

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Mr. Sancho advised for the quarter that ended September 30, 2019 the equity portfolio returned 1.28% which ranked in the 54th percentile. For the last twelve months, the account returned 4.13% for the equities, ranking in the 39th percentile.

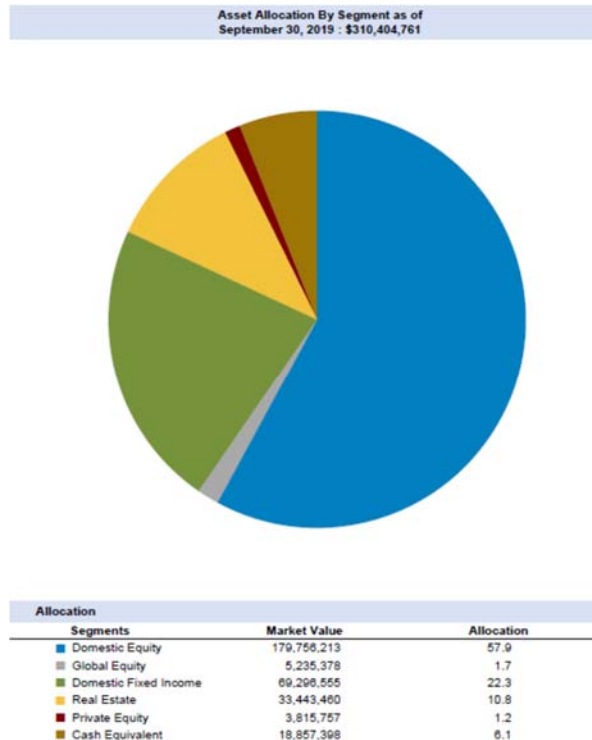
On a longer-term basis of 3 years, the account returned 14.36% ranking in the 28th percentile. The account was valued at \$53,462,425.00 as of September 30, 2019.

Mr. Maddock indicated that for the quarter that ended September 30, 2019, the fixed income portfolio returned 1.65%, compared to the Benchmark of 2.00%. For the last twelve months, the fixed portfolio returned 9.77% compared to the same policy return of 9.74%. On a longer-term basis of 5 years, the account returned 3.32%, in comparison to the policy return 3.14%. The account was valued at \$29,438,603 as of September 30, 2019.

AndCo Consulting

Mr. McCann presented the September 30, 2019 investment report, the portfolio was valued at \$310,404,761.00. The total quarterly fund return on a gross basis was 1.28%. That quarterly return outpaced the benchmark return of 1.11%. Mr. McCann advised - All Public Plans Total Fund Median return was 0.83%. On a fiscal year basis, the portfolio returned 4.25%. That quarterly return marginally lagged the benchmark return of 4.49%. Mr. McCann advised - All Public Plans Total Fund Median return was 4.31%. Longer term results were also outlined on a 1, 3 and 5-year basis.

Asset Allocation was reported as follows:



The entire investment report may be viewed on-line at:

<http://hollywoodpensionfund.com/docs/investments/2019-09-30%20Hollywood%20Police%20Quarterly%20Report.pdf>

OPEN DISCUSSION

Fallen Member Remembrance: Mr. Szeto made an announcement that on this date in 2008 Officer Alex Del Rio died in the line of duty.

To learn more:

<http://hollywoodpensionfund.com/FHDelRio.asp>

[http://hollywoodpensionfund.com/docs/announcements/Alex%20Del%20Rio%20Vigil%20Flyer2019%20\(002\).pdf](http://hollywoodpensionfund.com/docs/announcements/Alex%20Del%20Rio%20Vigil%20Flyer2019%20(002).pdf)

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:27 AM.

The next scheduled meeting is December 20, 2019 at 10:30 AM.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson