

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

April 17, 2020

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, April 17, 2020, at 10:34 AM, Due to Executive Order 20-69 Signed by RON DESANTIS, Governor of Florida on March 20, 2020, the Board of Trustees conducted the meeting remotely.

PRESENT:

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

Also remotely present were Laurette Jean, Budget Division Director, City of Hollywood; Eric Leventhal & Jeovany Rodriguez, Kabat, Schertzer, De La Torre, Taraboulos & Co., LLC.; John McCann, AndCo Consulting; Robert Klausner, Legal Counsel - Klausner, Kaufman, Jensen & Levinson; David M. Williams, Plan Administrator.

PUBLIC COMMENT

No Comments or questions were received. Mr. Williams noted on the public meeting notice the following language was posted. "Any member of the public may submit questions or comments to be read during the public comment section of the meeting to info@hollywoodpolicepensionfund.com by April 16, 2020".

READING OF THE WARRANTS

The warrants since the last meeting were reviewed and executed electronically by the Board of Trustees.

ATTORNEY'S REPORT

No formal report.

ADMINISTRATIVE REPORT

No formal report.

PRESENTATION OF SEPTEMBER 30, 2019 FINANCIAL STATEMENTS

Kabat, Schertzer, De La Torre, Taraboulos & Co., LLC.

Mr. Eric Leventhal appeared before the Board and presented the September 30, 2019 Financial Statements. Mr. Leventhal indicated that his firm audited the accompanying financial statements of the City of Hollywood Police Officers Retirement System, which comprise the statement of fiduciary net position as of September 30, 2019, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements. The representatives of the firm conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion: In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Hollywood Police Officers Retirement System as of September 30, 2019, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Comparative Information: We have previously audited the City of Hollywood Police Officers Retirement System's 2018 financial statements, and our report dated February 22, 2019 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Financial Highlights:

The Plan's net results from operations for fiscal year 2019 reflected the following financial activities:

- Total net position restricted for pensions was \$321,483,487, which was 5% greater than 2018 total net position restricted for pensions.
- Total contributions for the year were \$35,154,854, which was 65% greater than the 2018 contributions. The amount of employer contributions varies from year to year and is actuarially determined. Participants made contributions to the Plan of 8.0% of earnings. Effective February 20, 2019 participant contributions was 9.5% of compensation until retirement.
- Total interest and dividend income was \$6,494,048, which was 7% less than the 2018 income.
- Net investment income was \$11,164,200, which was 66% less than the 2018 income.
- Benefits paid directly to retirees were \$25,408,602, which was 6% greater than the benefits paid directly to retirees during 2018.

Statement of Fiduciary Net Position: The following condensed comparative statement of fiduciary net position is a snapshot of account balances at the fiscal year end of the Plan. It reports the assets available for future payments to retirees and any current liabilities that are owed as of the financial statement date. The resulting net asset value, or assets minus liabilities, represents the value of assets held in trust for Plan benefits.

The Plan continues to be evaluated for actuarial soundness by the actuary of the Plan. It should be noted that retirement system funding is based on a long-term perspective and that temporary fluctuations in the market are to be expected.

- Fiduciary net position at September 30, 2019 was \$321,483,487, a 5% increase from the net position at September 30, 2018.
- Total investments at September 30, 2019 were \$310,083,797, a 4% increase from the investments at September 30, 2018.

The table below presents condensed comparative statements of fiduciary net position as of September 30:

	2019	2018	% Change
Receivables	\$ 9,120,017	\$ 6,739,639	35%
Prepaid expense	2,433,707	2,308,677	5%
Investments, at fair value	310,083,797	297,046,544	4%
Total assets	321,637,521	306,094,860	5%
Total liabilities	154,034	65,868	134%
Net position restricted for pensions	\$ 321,483,487	\$ 306,028,992	5%

Statement of Changes in Fiduciary Net Position: The statement of changes in fiduciary net position presents the effect of Plan's transactions that occurred during the fiscal year. On the statement, additions to the Plan minus deductions from the Plan equal the net increase or decrease in fiduciary net position.

The funding objective is to meet long-term obligations and fund all Plan benefits.

- Revenues (additions to fiduciary net position) for the Plan were \$46,380,848, which was made up of total contributions of \$35,154,854, plus net investment income of \$11,164,200, and other income of \$61,794.
- Expenses (deductions from fiduciary net position) increased from \$28,836,666 during 2018 to \$30,926,353 during 2019.

The table below presents a condensed comparative of the changes in fiduciary net position for the year ended September 30:

	2019	2018	% Change
Total contributions	\$ 35,154,854	\$ 21,255,019	65%
Net investment income	11,164,200	33,082,120	(66%)
Other income	61,794	43,850	41%
Total additions	46,380,848	54,380,989	(15%)
Total deductions	30,926,353	28,836,666	7%
Net increase	15,454,495	25,544,323	(39%)
Net position restricted for pensions – beginning	306,028,992	280,484,669	9%
Net position restricted for pensions – ending	\$ 321,483,487	\$ 306,028,992	5%

Asset Allocation: The table below indicates the Plan's investment policy limitations and actual asset allocations as of September 30, 2019:

Type of Investment	Investment Policy	Actual Allocation
Equity securities	45% to 65%	57.23%
Alternative investments	0% to 5%	2.96%
Fixed income	22% to 60%	23.73%
Real estate	0% to 15%	11.52%
Cash and cash equivalents	0% to 5%	4.56%

The investment guidelines provide for the appropriate diversification of the portfolio. Investments have been diversified to the extent practicable to control risk of loss resulting from over-concentration of a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold.

The Board recognizes that some risk must be assumed to achieve the Plan's long-term investment objectives. In establishing the risk tolerances, the Plan's ability to withstand short and intermediate term variability has been considered. However, the Plan's financial condition enables the Board to adopt long-term investment perspective.

Investment Activities: Investment income is vital to the Plan for current and future financial stability. The Board has a fiduciary responsibility to act prudently when making plan investment decisions. To assist the Board in this area, the Board retains investment managers who supervise and direct the investment of the assets. The Board also retains an investment monitor to evaluate and report on quarterly basis compliance by the investment managers with the investment policy of the Board and investment performance of the Plan. The investment policy statement was last amended during November 2017¹.

The Board and its investment consultant reviews the portfolio performance, which is in compliance with the investment policy statement quarterly. Performance is evaluated both individually by money manager style and collectively by investment type and for the aggregate portfolio.

Please continue.....

¹ Noted post meeting that the investment policy was updated May 2019

<http://hollywoodpolicepensionfund.com/docs/guidelines/Investment%20Policy%20&%20Guidelines%20effective%20July%202019%20approved%2020190517.pdf#zoom=100>

**CITY OF HOLLYWOOD
 POLICE OFFICERS RETIREMENT SYSTEM**

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2019
 (WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
RECEIVABLES:		
State contributions	\$ 7,379,064	\$ -
DROP loans receivable	1,100,647	1,293,790
Accrued investment income	522,560	570,775
Employee and participant loans receivable	117,746	-
Accounts receivable - sale of investments	-	4,962
City contributions	-	4,736,140
Participant contributions	-	133,972
TOTAL RECEIVABLES	<u>9,120,017</u>	<u>6,739,639</u>
PREPAID EXPENSE	<u>2,433,707</u>	<u>2,308,677</u>
INVESTMENTS, AT FAIR VALUE:		
Money market funds	14,132,837	3,759,898
Equity securities	179,756,213	188,611,765
Domestic corporate bonds	50,602,588	46,454,415
Foreign corporate bonds	1,014,413	1,530,320
Real estate funds	33,443,460	31,387,374
Government securities	21,965,599	18,549,590
Hedge fund	9,168,687	6,753,182
TOTAL INVESTMENTS, AT FAIR VALUE	<u>310,083,797</u>	<u>297,046,544</u>
TOTAL ASSETS	<u>321,637,521</u>	<u>306,094,860</u>
LIABILITIES		
ACCOUNTS PAYABLE	69,985	65,868
ACCOUNTS PAYABLE - PURCHASE OF INVESTMENTS	<u>84,049</u>	<u>-</u>
TOTAL LIABILITIES	<u>154,034</u>	<u>65,868</u>
NET POSITION RESTRICTED FOR PENSIONS		
NET POSITION RESTRICTED FOR DEFINED BENEFITS	215,913,475	211,623,323
NET POSITION RESTRICTED FOR DROP BENEFITS	102,286,417	80,798,757
NET POSITION RESTRICTED FOR SHARE BENEFITS	3,283,595	3,770,396
NET POSITION RESTRICTED FOR REFORMED PLAN RETIREMENT BENEFITS	<u>-</u>	<u>9,836,516</u>
TOTAL NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 321,483,487</u>	<u>\$ 306,028,992</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HOLLYWOOD
 POLICE OFFICERS RETIREMENT SYSTEM**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED SEPTEMBER 30, 2019
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2018)

	<u>2019</u>	<u>2018</u>
ADDITIONS:		
Contributions:		
City	\$ 24,446,359	\$ 19,492,251
State	7,379,064	-
Participant	2,010,083	1,714,922
Rollover	758,862	-
Jumpstart	400,000	-
Buyback	160,486	47,846
Total contributions	<u>35,154,854</u>	<u>21,255,019</u>
Investment income:		
Net appreciation in fair value of investments	6,187,885	27,489,860
Interest and dividend income	6,494,048	6,971,566
Total investment income	<u>12,681,933</u>	<u>34,461,426</u>
Less: investment expenses	<u>1,517,733</u>	<u>1,379,306</u>
Net investment income	<u>11,164,200</u>	<u>33,082,120</u>
Other income	61,794	43,850
TOTAL ADDITIONS	<u>46,380,848</u>	<u>54,380,989</u>
DEDUCTIONS		
Benefit payments	25,408,602	23,952,027
DROP distributions	4,087,970	3,332,868
RPRB distributions	-	683,555
Share distributions	602,773	221,570
Refunds of contributions	112,089	53,956
Administrative expenses	714,919	592,690
TOTAL DEDUCTIONS	<u>30,926,353</u>	<u>28,836,666</u>
NET INCREASE IN NET POSITION RESTRICTED FOR PENSIONS	15,454,495	25,544,323
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING	<u>306,028,992</u>	<u>280,484,669</u>
NET POSITION RESTRICTED FOR PENSIONS - ENDING	<u>\$ 321,483,487</u>	<u>\$ 306,028,992</u>

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements were outlined and Mr. Strauss asked Mr. Klausner to ensure that Note 2 (Description to the Plan) was in fact accurate. Mr. Leventhal reflected the information was derived directly from the ordinance. Mr. Klausner will review at the conclusion of the meeting.

A summary of the changes in the DROP balance as of September 30, 2019 is as follows:

Beginning balance	\$ 80,798,757	
Additions	4,565,657	
RPRB to DROP conversions	13,652,212	
Distributions	(4,087,970)	
Net earnings	7,357,761	
Ending balance	<u>\$ 102,286,417</u>	2

Mr. Leventhal concluded by reviewing the administrative expenses of the Plan. Mr. Leventhal felt that 22 basis points was reasonable³.

At the conclusion of the presentation, Mr. Szeto made the motion to accept the report as presented, once the note(s)⁴ cited were reviewed by legal counsel, which was seconded by Mr. Schweighardt. All board members voted yes.

Note: Mr. Klausner, Board Attorney reviewed the representation letter, prior to the meeting. Mr. Klausner found the letter appropriate for adoption. A motion was made by Mrs. Marano to approve the management representation letter for execution by the appropriate parties. That motion was seconded by Mr. Boyd. All board members voted yes.

The Financial Statements may be viewed on-line at:

http://hollywoodpolicepensionfund.com/docs_state/FinancialStatements/hppf_FinancialStatements_20190930.pdf#zoom=100

AndCo Consulting

Mr. McCann provided a flash report on assets due to the COVID-19 Pandemic. Through April 15, 2020 the system portfolio declined approximately 12%. Mr. McCann instructed the Board to stay the course. This flash report did not take into consideration alternative assets, which would be in positive territory.

OPEN DISCUSSION

Mr. Strauss advised that the city attorney does not agree with the memorandum of understanding as it relates to annual leave cash out after the passage of the city ordinance of 2019.

The Board by consensus agreed to cancel the April 24, 2020 meeting⁵.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 10:38 AM.

The next scheduled meeting is May 22, 2020 at 10:30 AM.

² As a result of the ordinance change members converted from RPRB to DROP and were restored accordingly.

³ Increase attributed due to the change of the ordinance from Actuary and Legal assistance.

⁴ Post meeting Mr. Klausner, Mr. Strauss and Mr. Williams reviewed the notes and found them to be accurate.

⁵ http://hollywoodpolicepensionfund.com/docs/minutes/CityNotice_20200424.pdf#zoom=100

Respectfully submitted,

C. Marano, Secretary

APPROVED:

D. Strauss, Chairperson