

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

January 28, 2022

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, January 28, 2022, at 10:30 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT:

D. Strauss, Chairman, C. Marano, Secretary, J. Marano, P. Laskowski, M. Djokic, C. Boyd, and J. Schweighardt.

Also present were Laurette Jean, City of Hollywood¹; Crystal Wamble – Eagle Asset Management; Brendon Vavrica, AndCo Consulting; Mark Juelis & Michael Fleisher, Brandywine Global; Stuart Kaufman, Legal Counsel - Klausner, Kaufman, Jensen & Levinson; David M. Williams, Plan Administrator.

PUBLIC COMMENT

The passing of Retiree Jack Smith was reported.

<http://hollywoodpensionfund.com/docs/announcements/22-01-18%20-%20Jack%20Smith%20-%20Retired%20Police%20Sergeant.pdf#zoom=100>

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 17, 2021 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the December 17, 2021 pension board meeting. Mr. Djokic made a motion to approve the Minutes of the December 17, 2021 pension board meeting, which was seconded by Mr. Boyd. All board members voted yes.

ATTORNEY'S REPORT

Line of Duty Death: Mr. Kaufman reflected that preliminary discussion has ensued with city officials and they are open to the change.

Chidsey Matter: Mr. Kaufman advised several documents were filed with the court in response to Mr. Chidsey's action against the Board. Documents may be viewed on-line at: <http://hollywoodpensionfund.com/announcements.asp>

Security Litigation: Mr. Kaufman noted Covetrus Matter is in discovery phase. In the Citrix Matter a foreign investor filed with a larger loss. Saxena White researching.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

DROP Loan(s): Mr. Williams cited a member(s) loan request(s). He outlined that the member(s) has the funds in his/her personal DROP account to cover the loan and he/she has been a participant(s) in the DROP plan for the required amount of time.

¹ Attended Remotely

No conflict exists with the 12-month rule. Mr. Schweighardt made a motion to approve the loan(s) presented. This motion was seconded by Mr. Laskowski. All board members voted yes.

Mr. Williams cited the retirement of Mr. Pete Hapgood from Intercontinental Real Estate. The Board wished him well in this next chapter of his life.

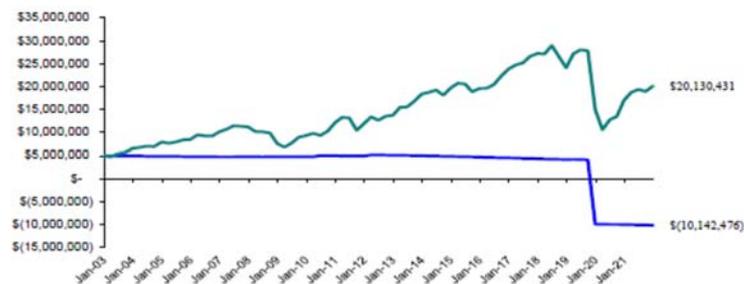
Mr. Williams advised that he received a recent capital call, and he used the new account to fund the call. Seamless transaction.

2021 Form 1 was distributed to all Board Members to complete.

QUARTERLY INVESTMENT PRESENTATION - EAGLE ASSET MANAGEMENT

Mrs. Crystal Wamble² appeared before the Board and stated the market value of Eagle Account was at \$20,130,431.00 as of December 31, 2021. Since inception (01-08-03) the Eagle Small Cap Account realized an annualized net return of 11.02%³, compared to the Russell 2000 of 11.21%.

For the quarter ending December 31, 2021, Eagle Small Cap Account returned 6.18%, compared to 2.14% for the Russell 2000. On a one year rolling basis, the portfolio returned 18.29% compared to the benchmark of 14.82%. The 3- & 5-Year returns were valued at 18.00% & 10.71% in comparison to the benchmark returns of 20.02% & 12.02% respectively.



Mrs. Wamble provided a market overview: The Eagle Small Cap Core Strategy exceeded the Russell 2000® index by approximately 400 basis points this quarter, helped by the performance of quality and value factors and the decline in sectors such as biotechnology (down 12%).

- A preference for fundamentals continued this quarter, as was the case for the third quarter of 2021.
- New COVID news and the fears surrounding the Omicron variant dominated the news cycle this quarter. However, unlike the recent past, the market reaction to this news was markedly different as low ten-year rates stayed steady, solidly sticking at 1.5% from the beginning to the end.
- In addition, this Covid slowdown led to investment in value and earnings stocks, a major break from the moves into very long duration non-earnings stocks in prior COVID dominated quarters.
- For the year, the Russell 2000® index returned 14.8%.

² <https://www.eagleasset.com/strategies/investment-strategies/equity-income>

³ On a net basis.

- Ninety percent of the Russell 2000® January returns (up 5%) were due to heavily shorted stocks. This behavior, prompted by retail investors via Wall Street Bets, went against stocks that hedge funds traditionally hate. The significant short squeeze resulted in skewed returns not just for hedge funds but all fundamental investors, including us.
- March 2021 represented the nadir for small-cap stocks as trailing 12-month returns for small caps exceeded large caps by 65%. As with the move in low quality, this kind of outperformance was ripe for a reversion to the mean, and large stocks outperformed small by 11.6%. This gap is the most significant difference between small and large performance since 1998.
- History suggests that this difference will not continue and given that a mere five firms dominate the Russell 2000® weights, overall small cap performance may differ significantly from Russell index returns.

Contributors to relative performance and detractors from relative performance were outlined.

NEW BUSINESS

Brandywine – Investment Presentation

This presentation was as a result of Mr. Boyd's request to further diversify our current asset class. Mr. Mark Juelis & Mr. Michael Fleisher⁴ of Brandywine Global came before the Board to present Dynamic Large Cap Value Equity portfolio.

The portfolio was described as quantitatively driven equity strategies designed to deliver superior risk-adjusted returns. The portfolio managers were identified. It was reported the managers have over 20 years of quantitative investment experience. It was also noted that the portfolio has a high degree of retention amongst team members.

Brandywine representatives believe in three fundamental factor groupings:

- Valuation (Price to Book)
- Quality (ROE, ROE Growth, Share Buyback and Book Growth)
- Sentiment (Price Momentum, Price Trend and Price Volatility)

Brandywine illustrated their Dynamic Shifting Tool. Markets tend to favor factors differently through various points of the valuation cycle. As a result, the strategy employs one of two models depending on the market environment. Shifting occurs based on valuation spread (below) between the median and cheapest quartile of the overall market.

Portfolio Implementation – Buys & Sells were reviewed by the representatives. Portfolio historical returns were also noted.

The Board thanked the representatives for the thought-provoking presentation.

Mr. Strauss asked Mr. Vavrica for his input. Mr. Vavrica felt Brandywine was a logical choice and would diversify this space currently being held by Allspring Global Investments (formerly - Wells Fargo).

After review and discussion, Mr. Schweighardt made the motion to engage Brandywine Global for the Dynamic Large Cap Value Equity product. The funding source will be 50% of the AllSpring Global portfolio. Mr. Djokic seconded the motion. All board members voted yes⁵.

⁴ Portfolio Manager - Industry Experience: 28 years / Joined Brandywine Global: 1997

⁵ Mr. Vavrica stated no transition manager required for this transition.

SUPPLEMENTAL DISTRIBUTION: Mr. Williams provided documentation from the actuary outlining the supplemental distribution for the period ending September 30, 2021. The distribution is being made under Section 33.136(N) of the plan document which triggers a Supplemental Distribution 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. Effective with the October 1, 2015 valuation, a pre-funding method was adopted for anticipated Supplemental Distribution payments as required by the State of Florida.

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 20.95% (net of investment management expenses) reported by the investment monitor for the year ending September 30, 2021 represents a total of 12.95% 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 \$6,261,835 for the 2021 Plan year.

(a)	Return in excess of 8% (maximum of 2%)	2.00%
(b)	Dollar amount of excess return	\$6,261,835
(c)	Present value of Retiree and Beneficiary Liability*	\$338,622,307
(d)	(a) x (c)	\$6,772,446
(e)	Distribution Amount [Lesser of (b) or (d)]	\$6,261,835

The actuary noted that as we are preparing this report, the world is in the midst of a pandemic. We have considered available information but do not believe that there is yet sufficient data to warrant the modification of any of our assumptions. We will continue to monitor the situation and advise the Board in the future of any adjustments that we believe would be appropriate.

After review and discussion, Mr. Boyd made a motion to approve the supplemental distribution for the period ending September 30, 2021. The motion was seconded by Mr. Schweighardt. All board members voted yes.

Staff Review: Mr. Williams presented a salary review for the Board to consider effective October 1, 2021. Mr. Williams cited the CPI for the year through October 1, 2021 was valued at 6.2%.

After review of staff performance and consideration, a motion was made by Mr. Laskowski to approve a 4.5% adjustment for staff. The Motion was seconded by Mr. Schweighardt. All board members with the exception of Mr. Strauss voted yes. Mr. Strauss abstained and will complete Form 8B. Motion passed 6-0-1 abstention.

OPEN DISCUSSION

Mr. Vavrica provided a preliminary quarterly flash report for the period ending 12-31-2021 of 5 1/2% to 6%. It was reported that the market has pulled back since the new year.

Mr. Vavrica reflected that Capital Dynamics is current under due diligence review by AndCo Consulting. He expects to advise the Board the updated status at the March 2022 meeting.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:46 A.M.

The next scheduled meeting is February 18, 2022 at 10:30 A.M.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson