

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

**March 25, 2022**

**MINUTES**

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, March 25, 2022, at 10:30 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

**PRESENT:**

D. Strauss, Chairperson, C. Marano, Board Secretary, J. Marano, C. Boyd & M. Djokic.

Also present were Bryant VanCronkhite<sup>1</sup> & Dann Smith - Wells Fargo Asset Management; John Rochford - Tocqueville; Eric Leventhal, Independent Auditor - KSDT; Brendon Vavrica<sup>2</sup>, AndCo Consulting; Stuart Kaufman, Legal Counsel - Klausner, Kaufman, Jensen & Levinson; David M. Williams, Plan Administrator.

**PUBLIC COMMENT**

Mr. John Rochford, Tocqueville commented on Bond Market Data and Economic Data. Bond Market Risks and Rewards were also highlighted (Inflationary Pressures, Federal Reserve action and Ukraine war). Mr. John Rochford also noted the portfolio characteristics and Returns. While negative, the portfolio outpaced the benchmark on all time periods.

**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 FEBRUARY 18, 2022 MEETING**

Mr. Strauss asked if there were any additions or corrections to the Minutes of the February 18, 2022 pension board meeting. Mr. Djokic made a motion to approve the Minutes of the February 18, 2022 pension board meeting, which was seconded by Mr. Boyd. All board members voted yes.

**ATTORNEY'S REPORT**

Mr. Kaufman noted an additional filing Mr. Klausner made on behalf of the Plan in the Chidsey matter. <http://hollywoodpolicepensionfund.com/docs/announcements/Notice%20Of%20Supplemental%20Authority.pdf>

Mr. Kaufman briefed the Board on the status of the Covetrus matter<sup>3</sup>. Parties agreed to meet for mediation in April 2022. Also, a deposition has been scheduled for Mr. Williams in the matter. Regarding the mediation, motion by Mr. Marano to provide Mr. Strauss the authority to establish a reasonable settlement amount. Seconded by Mr. Boyd. All board members voted yes.

Mr. Kaufman confirmed the Plan was not named Lead Plaintiff in the Citrix Matter due to another party having a larger loss. Mr. Kaufman will be monitoring the case and will update if warranted.

Mr. Kaufman is drafting a proposed ordinance change for the line of duty provision.

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<sup>1</sup> CFA -Managing Director and Senior Portfolio Manager, Special Global Equity.

<sup>2</sup> Attended Remotely.

<sup>3</sup> Legal Update distributed from Saxena White dated March 2022.

It was reported Mr. Klausner represented and attended a recent city commission meeting to speak in support of a building project that was ultimately approved by the city commission.<sup>4</sup>

### ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

Return of Pension Contributions: Mr. Williams provided the request of former member Jonathan Owoc who asked for a refund of pension contributions. Motion to approve by Mrs. Marano, seconded by Mr. Djokic. All board members present voted yes.

DROP ENTRY: Mr. Williams reported the drop entry information for Mr. Attkisson (based on age). After review, a motion to approve was made by Mr. Djokic and seconded by Mr. Marano. All board members voted yes.

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

Trustee Nomination: Mr. Williams reported that nominations were accepted for the seats of Mrs. Marano and Mr. Laskowski from February 15-25<sup>th</sup>, 2022. Mrs. Marano and Mr. Laskowski were the only nominations received. As such, no formal election was required.<sup>5</sup>

### PRESENTATION OF FINANCIAL STATEMENTS – September 30, 2021

Mr. Eric Leventhal advised his firm<sup>6</sup> have audited the accompanying financial statements of the City of Hollywood Police Officers Retirement System, which comprise of the statement of fiduciary net position as of September 30, 2021, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Mr. Eric Leventhal cited that their responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion.

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<sup>4</sup> <https://1301justthefacts.com/>

<sup>5</sup> <http://hollywoodpensionfund.com/docs/announcements/Nomination%20Results%2003-02-2022.pdf>

<sup>6</sup> KSDT <https://www.ksdt-cpa.com/>

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. Mr. Eric Leventhal believes that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Mr. Eric Leventhal stated in their opinion, the financial statements present fairly, in all material respects, the fiduciary net position of the City of Hollywood Police Officers Retirement System as of September 30, 2021, 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. Furthermore, their firm has previously audited the City of Hollywood Police Officers Retirement System's 2020 financial statements, and our report dated March 26, 2021 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**MANAGEMENT'S DISCUSSION AND ANALYSIS:** This section of the annual financial report presents Management's Discussion and Analysis (MD&A) of the City of Hollywood Police Officers Retirement System's (the Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for the fiscal year ended September 30, 2021. Please read it in conjunction with the Plan's financial statements, which immediately follow.

**General Overview of the Plan:** The Plan was first established on March 9, 1976 by Ordinance No. 0-76-12. The Plan is amended from time to time. The most recent ordinance was Ordinance 0-2019-02. The Plan is also governed by certain provisions of Part VII, Chapter 112, and Chapter 185 of the Florida Statutes. There is a Board of Trustees (the Board) in whom the general administration, management and responsibility for the proper operation of the Plan is vested.

**Overview of the Financial Statements:** The financial section of this annual report consists of five parts: MD&A, the basic financial statements, notes to the financial statements, supplementary information and required supplementary information. The financial statements provide both long-term and short-term information about the Plan's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other and required supplementary information that further explains and supports the information in the financial statements. The Plan's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred and appreciation (depreciation) of assets is recognized in the statement of changes in fiduciary net position. All assets and liabilities associated with the operation of the Plan are included in the statement of fiduciary net position. The statement of fiduciary net position reports fiduciary net position and how it has changed. A net asset is the difference between the asset and any related liabilities. It is one measurement of the financial health or current position of the Plan.

**Financial Highlights:** The Plan's net results from operations for fiscal year 2021 reflected the following financial activities:

- Total net position restricted for pensions was \$408,334,597, which was 20% greater than 2020 total net position restricted for pensions.

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- Total contributions for the year were \$28,532,467, which was 16% higher than the 2020 contributions. The amount of employer contributions varies from year to year and is actuarially determined. Participants make contributions to the Plan of 9.5% of compensation until retirement.
- Total interest and dividend income was \$6,340,766, which was 8% lower than the 2020 income.
- Net investment income was \$72,028,082, which was 186% higher than the 2020 income.
- Pension benefits paid were \$25,523,296, which was 3% higher than the pension benefits paid during 2020.

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 pension 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, 2021 was \$408,334,597, a 20% increase from the net position at September 30, 2020.
- Total investments at September 30, 2021 were \$405,495,883, a 21% increase from the investments at September 30, 2020.

The table below presents condensed comparative statements of fiduciary net position as of September 30, 2021:

	2021	2020	% Change
Receivables	\$ 1,294,794	\$ 3,562,551	(64%)
Prepaid expense	2,792,040	2,602,330	7%
Investments, at fair value	405,495,883	334,497,208	21%
Total assets	409,582,717	340,662,089	20%
Total liabilities	1,248,120	831,947	50%
Net position restricted for pensions	\$ 408,334,597	\$ 339,830,142	20%

Statement of Changes in Fiduciary Net Position: The statement of changes in fiduciary net position presents the effect of Plan transactions that occurred during the fiscal year. On the statement, additions to the Plan minus deductions from the Plan equal 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 \$100,599,922, which was comprised of total contributions of \$28,532,467, plus net investment income of \$72,028,082, and other income of \$39,373.
- Expenses (deductions from fiduciary net position) increased from \$31,416,394 during 2020 to \$32,095,467 during 2021

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The table below presents a condensed comparative of the changes in fiduciary net position for the year ended September 30, 2021:

	2021	2020	% Change
Total contributions	\$ 28,532,467	\$ 24,577,070	16%
Net investment income	72,028,082	25,141,119	186%
Other income	39,373	44,860	(12%)
Total additions	100,599,922	49,763,049	102%
Total deductions	32,095,467	31,416,394	2%
Net increase	68,504,455	18,346,655	273%
Net position restricted for pensions – beginning	339,830,142	321,483,487	6%
Net position restricted for pensions – ending	\$ 408,334,597	\$ 339,830,142	20%

Asset Allocation: The table below indicates the Plan's investment policy limitations and actual asset allocations as of September 30, 2021:

Type of Investment	Investment Policy	Actual Allocation
Equity securities	42% to 77%	68.74%
Alternative investments	0% to 9%	3.32%
Fixed income	15% to 25%	15.55%
Real estate	0% to 15%	10.14%
Cash and cash equivalents	0% to 9%	2.25%

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 Plan's Board of Trustees (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 June 2021.

The Board and its investment consultant review portfolio performance 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.

Financial Analysis Summary: The investment activities for the fiscal year ended September 30, 2021 are a function of the underlying market, money managers' performance and the investment policy's asset allocation model. The Plan has consistently implemented a high quality, conservative approach.

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STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2021

(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2020)

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>RECEIVABLES:</b>		
State contributions	\$ -	\$ 1,797,433
DROP loans receivable	648,484	754,689
Accrued investment income	358,060	423,530
Employee and participant loans receivable	53,450	104,694
Accounts receivable - sale of investments	146,043	307,983
Participant contributions	88,757	174,222
<b>TOTAL RECEIVABLES</b>	<u>1,294,794</u>	<u>3,562,551</u>
<b>PREPAID EXPENSE</b>	<u>2,792,040</u>	<u>2,602,330</u>
<b>INVESTMENTS, AT FAIR VALUE:</b>		
Money market funds	9,126,175	5,874,194
Equity securities	278,746,551	205,209,105
Corporate bonds	22,377,113	40,863,804
Real estate funds	41,099,874	37,306,008
Government securities	40,693,688	34,786,461
Hedge funds	13,452,482	10,457,636
<b>TOTAL INVESTMENTS, AT FAIR VALUE</b>	<u>405,495,883</u>	<u>334,497,208</u>
<b>TOTAL ASSETS</b>	<u>409,582,717</u>	<u>340,662,089</u>
<b>LIABILITIES</b>		
<b>ACCOUNTS PAYABLE</b>	186,672	134,792
<b>ACCOUNTS PAYABLE - PURCHASE OF INVESTMENTS</b>	1,061,448	697,155
<b>TOTAL LIABILITIES</b>	<u>1,248,120</u>	<u>831,947</u>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>		
<b>NET POSITION RESTRICTED FOR DEFINED BENEFITS</b>	289,160,432	227,814,785
<b>NET POSITION RESTRICTED FOR DROP BENEFITS</b>	116,243,888	108,861,604
<b>NET POSITION RESTRICTED FOR SHARE BENEFITS</b>	2,930,277	3,153,753
<b>TOTAL NET POSITION RESTRICTED FOR PENSIONS</b>	<u>\$ 408,334,597</u>	<u>\$ 339,830,142</u>

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**CITY OF HOLLYWOOD  
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STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED SEPTEMBER 30, 2021  
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2020)

	<u>2021</u>	<u>2020</u>
<b>ADDITIONS:</b>		
Contributions:		
City	\$ 24,215,984	\$ 19,856,774
State	1,632,350	1,797,433
Participant	2,292,336	2,237,954
Rollover	30,202	67,650
Jumpstart	120,000	555,000
Buyback	241,595	62,259
Total contributions	<u>28,532,467</u>	<u>24,577,070</u>
Investment income:		
Net appreciation in fair value of investments	67,464,143	19,879,997
Interest and dividend income	<u>6,340,766</u>	<u>6,858,166</u>
Total investment income	73,804,909	26,738,163
Less: investment expenses	<u>1,776,827</u>	<u>1,597,044</u>
Net investment income	<u>72,028,082</u>	<u>25,141,119</u>
Other income	<u>39,373</u>	<u>44,860</u>
<b>TOTAL ADDITIONS</b>	<u>100,599,922</u>	<u>49,763,049</u>
<b>DEDUCTIONS:</b>		
Benefit payments	25,523,296	24,779,350
DROP distributions	5,004,278	5,199,804
Share distributions	806,881	399,855
Refunds of contributions	51,757	314,396
Administrative expenses	<u>709,255</u>	<u>722,989</u>
<b>TOTAL DEDUCTIONS</b>	<u>32,095,467</u>	<u>31,416,394</u>
<b>NET INCREASE IN NET POSITION RESTRICTED FOR PENSIONS</b>	68,504,455	18,346,655
<b>NET POSITION RESTRICTED FOR PENSIONS - BEGINNING</b>	<u>339,830,142</u>	<u>321,483,487</u>
<b>NET POSITION RESTRICTED FOR PENSIONS - ENDING</b>	<u>\$ 408,334,597</u>	<u>\$ 339,830,142</u>

The administrative expenses were reviewed by Mr. Leventhal and valued at 17 basis points. Mr. Leventhal reflected that the expense level was very reasonable.

At the conclusion of the presentation Mr. Strauss thanked Mr. Leventhal for providing this year's report in a timely manner. Mr. Williams echoed Mr. Strauss's position and included the efforts of Ms. Maribel Munoz-Garcia.

It was noted that the City of Hollywood – Finance Department requested future financial statements presented at the February meeting. Mr. Williams will be working on that request.

Motion to approve the September 30, 2021 financial statements by Mr. Marano and seconded by Mr. Boyd. All board members voted yes.

In a spirit of transparency, the entire report may be viewed on-line at:  
<http://hollywoodpensionfund.com/modules/stateDocs/index.asp>

Mr. Kaufman reviewed and approved the execution of the management representation letter.

#### QUARTERLY INVESTMENT PRESENTATIONS

##### WELLS FARGO ASSET MANAGEMENT

Mr. Bryant VanCronkhite & Mr. Dann Smith provided the following report:

Portfolio Managers Mr. Jim Tringas and Mr. Bryant VanCronkhite, along with the entire Special Global Equity team, execute their strategy using a process based on a CPA's knowledge and approach to analyzing financial statements. The strategy employs a rigorous fundamental approach to analyzing financial statements.

The strategy seeks to own companies that possess the following three criteria:

1. A durable asset base that provides a long-term competitive advantage.
2. Strong and sustainable Free Cash Flow (FCF) that provides stability and consistency.
3. A flexible balance sheet that is available for accretive deployment.

We invest when a target company's market price meets our criteria, and has a market price that allows for meaningful appreciation to our intrinsic value price target and limited loss of capital to our worst-case price target.

Equity markets review as of December 31, 2021: U.S. equity markets, as measured by the NASDAQ, outperformed developed non-U.S. markets, as measured by the MSCI EAFE, in all time periods. The Emerging Markets Index underperformed U.S. equity markets and developed non-U.S. markets, as measured by the MSCI EAFE, over all time periods. By size, performance was mixed across the shown time periods. Large-cap issues broadly outpaced medium-and small-sized companies. By style, large-cap growth stocks performed better their value counterparts in all three periods. However, for the quarter and one-year, value issues for mid-and small-caps outperformed growth.

The quarter saw volatility around the spread of the Omicron variant of COVID-19, rising inflation and the potential pace of Fed tightening. Rather than try to predict and time these macro factors, we look to invest in companies that can control their destiny via their financial flexibility and our portfolio construction is designed to isolate security selection as the driver of returns. We continue to believe inflation does not occur in a vacuum and that the level of inflation differs across industries and is best evaluated at the individual stock level. We look to assess the effect on each company's cost of goods sold and its ability to pass price increases along to customers to truly measure the inflationary impact.

Effective December 31, 2021, the portfolio was valued at \$49,490,677.89.

Performance (%)

As of December 31, 2021

	4Q21	1 year	3 year	5 year	Since inception (05/12/2015)
Portfolio – Gross – (%)	7.73	24.08	19.95	14.01	11.04
Portfolio – Net (%)	7.60	23.46	19.35	13.44	10.49
Russell 1000 Value Index – (%)	7.77	25.16	17.64	11.16	10.10

Mr. Strauss thanked the presenters for a job well done. He cited that the funds recently liquidated from the account was no reflection on their performance, just a product of diversification. <sup>7</sup>

NEW BUSINESS

AndCo Consulting - Flash Report February 28, 2022:

Asset Allocation & Performance	Allocation		Performance(%)								
	Market Value \$	%	MTH	QTD	YTD	FYTD	1 YR	3 YR	5 YR	Inception	Inception Date
Total Fund Composite (Gross)	401,887,639	100.0	-1.23	-5.78	-5.78	0.54	9.77	12.34	10.54	8.35	10/01/1992
Total Policy			-1.20	-5.58	-5.58	0.04	N/A	12.77	10.43	7.73	

AndCo Consulting - Private Equity Secondary Fund Search: Mr. Vavrica reviewed the various products in this sector. Secondaries (which the Board is considering) show high returns early due to the discount to current net asset value (NAV) paid by the investor.

AndCo's due diligence process seeks managers possessing many critical qualities. The following are a few of the most important traits we emphasize in our evaluation:

- Demonstrated solid track record: Access to top tier general partners. Adherence to a sound investment philosophy. Robust portfolio construction. Portfolio diversification.
- Team includes a stable group of experienced investment professionals:
- Competitive fee structure.
- Capable legal and back-office infrastructure.
- Strong, ethical organizations: Policies addressing conflicts of interest. Policies addressing allocations between funds.

Based on our research process, AndCo presented the following candidates:

Firm	Fund
Capital Dynamics, Inc	Capital Dynamics Global Secondaries VI (US), L.P. (GSEC VI)
HarbourVest Partners LLC	Dover Street XI L.P.
Neuberger Berman (NB) Alternatives Advisers LLC (Neuberger Berman)	NB Secondary Opportunities Fund V, LP (SOF V)
PA Capital, LLC (PA)	PA Capital Secondary Fund VI, LP

<sup>7</sup> January 28, 2022 Minutes: 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 yes.

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After review and discussion Mr. Boyd made a motion to engage Capital Dynamics Global Secondaries VI (US), L.P. (GSEC VI) for a 5-million-dollar mandate. The motion was seconded by Mr. Strauss. All board members voted yes.

OPEN DISCUSSION

Mr. Strauss asked Mr. Vavrica to review and report back on - Crawford Investment Counsel Managed Income Strategy. Mr. Vavrica confirmed that he would.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 12:13 P.M.

The next scheduled meeting is April 29th, 2022 at 10:30 A.M.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson