

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

**February 17, 2023**

**MINUTES**

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, February 17, 2023, at 10:30 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

**PRESENT:**

C. Marano, Acting Chairperson, P. Laskowski, J. Schweighardt, J. Marano, C. Boyd, M. Djokic & D. Strauss<sup>1</sup>.

Also present were Andrew Laframboise – FOP; Eric Leventhal, Independent Auditor - KSDT; Alexander Hahn & Stephen Day, Capital Dynamics; Brendon Vavrica, AndCo Consulting; Stuart Kaufman<sup>2</sup>, Legal Counsel - Klausner, Kaufman, Jensen & Levinson; David M. Williams, Plan Administrator.

**PUBLIC COMMENT**

No Comments.

**HOLLYWOOD FOP LODGE 24**

Mr. Andrew Laframboise informed the Board about contract negotiations, in particular he asked the Board for their input with regard to the proposal for prior police and military buy backs. Mr. Kaufman opined and suggested to the following language be considered. *Members shall be permitted to purchase up to 4 years of prior law enforcement service and/or prior military service. The Board shall adopt an administrative rule governing the administration of the buyback program.* Mr. Laframboise thanked Mr. Kaufman for his input.

The Board asked Mr. Williams to have the actuary prepare an on-line estimator and post it on the website for the membership to access. Once completed a notice should be sent to all personnel.

**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 JANUARY 17, 2023 MEETING**

Mrs. Marano asked if there were any additions or corrections to the Minutes of the January 17, 2023 pension board meeting. Mr. Djokic made a motion to approve the Minutes of the January 17, 2023 pension board meeting, which was seconded by Mr. Laskowski. All board members voted yes.

**ATTORNEY'S REPORT**

Mr. Kaufman the Secure 2.0 Act client memo. The entire memo may be viewed on-line at: [http://hollywoodpolicepensionfund.com/docs/announcements/ClientMemo\\_Secure\\_2\\_Act.pdf](http://hollywoodpolicepensionfund.com/docs/announcements/ClientMemo_Secure_2_Act.pdf)

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<sup>1</sup> Attended Remotely.

<sup>2</sup> Attended Remotely.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

Return of Pension Contributions: Mr. Williams provided the request of former member Jonathan Estrada who asked for a refund of pension contributions.

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.

Mr. Marano made a motion to approve the foregoing, which was seconded by Mr. Laskowski. All board members voted yes.

PRESENTATION OF FINANCIAL STATEMENTS – September 30, 2022

Mr. Eric Leventhal advised his firm<sup>3</sup> 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, 2022, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Opinion: Mr. Eric Leventhal the firm 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, 2022, and the related statement of changes in fiduciary net position for the year that ended, and the related notes to the financial statements.

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, 2022, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion: 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hollywood Police Officers Retirement System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements: Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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<sup>3</sup> KSDT <https://www.ksdt-cpa.com/>

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hollywood Police Officers Retirement System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements:** Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Hollywood Police Officers Retirement System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hollywood Police Officers Retirement System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information:** Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 4-7) and the schedules of contributions from employers and other contributors, schedule of investment returns and schedules of changes in the employer's net pension liability and related ratios (on pages 34-37) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information:** Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Hollywood Police Officers Retirement System's basic financial statements. The accompanying schedules of investment and administrative expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Prior Year Comparative Information:** We have previously audited the City of Hollywood Police Officers Retirement System's 2021 financial statements, and our report dated March 25, 2022, 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, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards:** In accordance with Government Auditing Standards, we have also issued our report dated February 17, 2023, on our consideration of the City of Hollywood Police Officers Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hollywood Police Officers Retirement System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Hollywood Police Officers Retirement System's internal control over financial reporting and compliance.

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, 2022. 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 2022 reflected the following financial activities:

- Total net position restricted for pensions was \$352,439,505, which was 14% lower than 2021 total net position restricted for pensions, with the decrease due primarily to unfavorable market conditions.
- Total contributions for the year were \$28,746,748, which was 1% higher than the 2021 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.
- Interest and dividend income were \$7,295,935, which was 15% higher than the 2021 income.
- Net investment loss was (\$45,701,701), which was 163% lower than the 2021 income, with the decrease due primarily to unfavorable market conditions.
- Pension benefits paid were \$32,647,606, which was 28% higher than the pension benefits paid during 2021, with the increase due primarily to new retirees, COLA increases and 13th check increase.

**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, 2022 was \$352,439,505, a 14% decrease from the net position at September 30, 2021.
- Total investments at September 30, 2022 were \$347,703,549, a 14% decrease from the investments at September 30, 2021.

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

	2022	2021	% Change
Receivables	\$ 2,095,552	\$ 1,294,794	62%
Prepaid expense	2,927,680	2,792,040	5%
Investments, at fair value	347,703,549	405,495,883	(14%)
Total assets	352,726,781	409,582,717	(14%)
Total liabilities	287,276	1,248,120	(77%)
Net position restricted for pensions	\$ 352,439,505	\$ 408,334,597	(14%)

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 (traditionally additions to fiduciary net position) for the Plan actually resulted in a deduction to the fiduciary net position of (\$16,938,222), which was comprised of total contributions of \$28,746,748, less investment loss of (\$45,701,701), and other income of \$16,731.
- Expenses (deductions from fiduciary net position) increased from \$32,095,467 during 2021 to \$38,956,870 during 2022.

The table below presents condensed comparative statements of the changes in fiduciary net position for the year ended September 30, 2022:

	2022	2021	% Change
Total contributions	\$ 28,746,748	\$ 28,532,467	1%
Net investment (loss) income	(45,701,701)	72,028,082	(163%)
Other income	16,731	39,373	(58%)
Total additions	(16,938,222)	100,599,922	(117%)
Total deductions	38,956,870	32,095,467	21%
Net change	(55,895,092)	68,504,455	(182%)
Net position restricted for pensions – beginning	408,334,597	339,830,142	20%
Net position restricted for pensions – ending	\$ 352,439,505	\$ 408,334,597	(14%)

Asset Allocation: The table below indicates the Plan's investment policy limitations and actual asset allocations as of September 30, 2022:

Type of Investment	Investment Policy	Actual Allocation
Equity securities	42% to 77%	62.22%
Alternative investments	0% to 9%	6.43%
Fixed income	15% to 25%	10.50%
Real estate	0% to 15%	16.81%
Cash and cash equivalents	0% to 9%	4.04%

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, 2022 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.

The administrative expenses were reviewed by Mr. Leventhal and valued at 20 basis points. Mr. Leventhal reflected that the expense level was extremely reasonable.

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

It was noted that we met the City of Hollywood – Finance Department request to have the financial statements presented at the February meeting.

Motion to approve the September 30, 2022 financial statements by Mr. Strauss and seconded by Mr. Marano. 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. Motion to authorize the execution of same by Mr. Laskowski, seconded by Mr. Schweighardt. All board members voted yes.

#### QUARTERLY INVESTMENT PRESENTATIONS

##### Capital Dynamics

Mr. Alexander Hahn & Mr. Stephen Day of Capital Dynamics provided a brief update of the portfolio. State of the Secondaries Market was reported as follows:

Pricing continues to fall, mirroring public market.

- Market dislocation and declining public markets have resulted in a significant drop in secondary pricing – to an about 80% average as of year-end 2022. Softening of pricing suggests that buyers are increasingly pushing back in the face of higher NAVs.
- CD View: The discounts are wider than we've seen since the Great Financial Crisis. Some optimism in certain pockets of the market are proliferating as the markets seem to bounce back, but we see macro conditions continuing to exhibit instability with the potential for pricing to continue falling over the next couple of quarters at least.

Deal volumes are the second-highest on record.

- Despite challenging economic conditions, secondary transaction volumes topped USD 110 billion, the second -highest year on record and evidence of the secondary market's resilience.
- CD View: Drops in public markets are creating a denominator effect for many portfolios, and while it's not necessarily creating a panic sale environment, it will continue to bring more LP deals (in particular institutional) into the market over time – fueling deal flow and ultimately volumes in 2023.

LP<sup>4</sup> - led portfolio sales gain favor.

- LP deals comprised 66% of the secondaries market in H1 2022, but by the end of the year only comprised just over half of the market, falling back in line with pre-pandemic volumes.

Despite this rebalancing, LP-led deals continue to be attractive to LPs as they seek options for active portfolio management and administrative relief.

- CD View: The denominator effect could lead to a higher volume of LP positions coming to market in 2023. This could be even further exacerbated as private market valuations remain elevated.

GP<sup>5</sup> remain attractive for well-positioned buyers.

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<sup>4</sup> LP-led transactions are one-off transactions led by one limited partner in a fund looking to sell one or more limited partnership interests at some point during the life of the fund.

<sup>5</sup> A general partner (known as a "GP") is a manager of a venture fund. GPs analyze potential deals and make the final decision on how a fund's capital will be allocated. General partners get paid through management fees, carried interest, and distributions from the fund.



- GP-led deal activity in 2022 remained resilient and reached nearly USD 50 billion, most of which consisted of single or multi -asset transactions. But demand for GP-leds remains strong as GPs continue to face duration issues as the extended holding periods for underlying companies are driving liquidity needs.
- CD View: We currently (and expect to continue to) see GP -leds displacing traditional M&A, IPO and sponsor-to-sponsor sales. Given the macroeconomic uncertainty and scarcity of capital, recent GP -led deals that we have seen typically include very high quality portfolio companies and involve blue chip sponsors.

The secondary market remains undercapitalized.

- The dry powder to market volume multiple (capital overhang) is sitting below 1.5x, the lowest level in several years, and under pressure as fundraising declines.
- CD View: As this growing dry powder chases the similarly increasing supply of LPs portfolio allocations coming to market, our focus on the smaller end of the market, coupled with our ability to be selective, allows us to capitalize on the supply-demand imbalance that yields attractive buying opportunities.

Global Secondaries VI Update:

Investments & Pipeline-

- GSEC VI has closed 12 projects with another 2 in execution – totaling over USD 250 million in commitments.
- Projects are largely global and diversified by strategy, and offer exposure to high quality managers and companies.
- A number of deals have been sourced on a proprietary basis or negotiated exclusively either through Capital Dynamics' own platform or members of the Secondaries team.
- Given the market volatility, we have been able to achieve meaningfully larger discounts than even the recent past.

Secondaries Market Dynamics-

- Despite challenging economic conditions, secondary transaction volumes topped USD 110 billion, the second-highest year on record and evidence of the secondary market's resilience.
- Market dislocation and declining public markets have resulted in a significant drop in secondary pricing – to an about 80% average as of year-end 2022.
- The dry powder to market volume multiple (capital overhang) is sitting below 1.5x, the lowest level in several years, and under pressure as fundraising declines.

## NEW BUSINESS

AndCo Consulting - Flash Report January 31, 2023:

### Asset Allocation & Performance

	Allocation		Performance(%)								
	Market Value \$	%	MTH	QTD	YTD	FYTD	1 YR	3 YR	5 YR	Inception	Inception Date
Total Fund Composite (Gross)	399,939,986	100.0	4.85	4.85	4.85	9.47	-4.13	7.09	7.17	7.98	10/01/1992
Total Policy			5.24	5.24	5.24	10.30	-7.04	9.17	7.60	7.38	

OLD BUSINESS

Waycross Partners: Mr. Vavrica cited that he updated the AndCo report to reflect the basis points charged by Inverness Counsel vs. what Waycross Partners will be charging. The Board goals are to further diversify the allocation with the intent to increase return and dampen (or smooth out negative markets). The Board consensus was to proceed as approved on January 27, 2023.

NEW BUSINESS

Lazard Global Listed Infrastructure & Farmland Fund – Tabled

OPEN DISCUSSION

No open discussion ensued.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:48 A.M.

The next scheduled meeting is March 31, 2023 at 10:30 A.M.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson