

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

October 27, 2023

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, October 27, 2023, at 10:30 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT:

D. Strauss, Chairman; C. Marano - Board Secretary, C. Boyd, J. Schweighardt, J. Marano and M. Djokic - Trustees.

Also present were Melanie Weinstein, Israel Bond Corporation; Jack O'Callahan & Daniel Skubiz¹, Ziegler Capital Management; Tim Nash, Intercontinental Real Estate; Nick Rojo, Affiliated Housing Impact Fund; Laurette Jean², City of Hollywood; Brendon Vavrica³, AndCo Consulting; Stuart Kaufman, Legal Counsel - Klausner, Kaufman, Jensen & Levinson; & David M. Williams, Plan Administrator.

PUBLIC COMMENT

No public comment ensued.

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 SEPTEMBER 29, 2023 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the September 29, 2023, pension board meeting. Mr. Schweighardt made a motion to approve the Minutes of the September 29, 2023, pension board meeting, which was seconded by Mr. Djokic. All board members voted yes.

ATTORNEY'S REPORT

Death Benefit - Ordinance Update: Mr. Kaufman reflected that he needs to speak with the Board Actuary to confirm what if any impact the change of the ordinance will have on the Plan. It was also reported that Mr. Klausner will be speaking to the City Manager about this matter. Motion to approve Mr. Kaufman to consult with Mr. Green for an impact statement by Mr. Djokic and seconded by Mr. Boyd. All board members voted yes.

Trustee Election: Mr. Kaufman opined an election could be held in advance of an opening on the Board of Trustees. But Mr. Kaufman felt that the language in the ordinance is outdated and should be amended in the future. The Board after review and discussion felt it would be prudent to notify the members of Mr. Laskowski's seat at this juncture and address the departure of Mrs. Marano's seat in the future. By consensus of the Board a nomination notice will be released for Mr. Laskowski's seat. Mr. Williams will report back on November 17, 2023, with the results.

¹ Attended Remotely.

² Attended Remotely.

³ Attended Remotely.

Affirmation of Adobe Security Litigation Matter: Mr. Kaufman reported on the authorization proceed against Adobe provided by Mr. Strauss pursuant to standing policy. Grant & Eisenhofer P.A. contacted Mr. Kaufman's office regarding what was described as a viable securities fraud claim(s) that can be asserted against Adobe, Inc. and certain executive officers. Grant & Eisenhofer P.A. believes the merits are important from a corporate governance standpoint. The action alleges claims on behalf of all Adobe shareholders who purchased Adobe stock between July 23, 2021 and September 15, 2022 (the proposed "Class Period"). With a collective loss of over \$2.1 million, the Pembroke Pines Firefighters' & Police Officers' Pension Fund ("Pembroke Pines F&P") and the Hollywood Police Officers' Retirement System ("Hollywood Police," and together with Pembroke Pines F&P, the "Funds") have a substantial stake in this potential action and a chance to secure a leadership position to maximize the recovery of investor losses as a result of Defendants' fraud. The memorandum from Grant & Eisenhofer P.A. dated October 06, 2023, was detailed to the Board of Trustees. After review and discussion, Mr. Marano made a motion to affirm Mr. Strauss' action against Adobe, which was seconded by Mrs. Marano. All board members voted yes. Mr. Kaufman will keep the Trustees up to date as warranted about this matter.

Nextera Matter: Mr. Kaufman reported that the Plan was named by the court as Lead Plaintiff in the matter of NEXTERA ENERGY, INC. et al. Further updates will be provided as warranted.

HB3 Updates: A proxy voting letter and biannual reporting template were provided to the Board. Mr. Kaufman indicated that the proxy letter will be transmitted by the Administrator to AndCo who will ensure all the managers are informed. Further, the biannual template will be filed by the Administrator once the portal link is provided by the State of Florida – Division of Retirement.

NEW BUSINESS

Israel Bonds: Mr. Strauss invited Ms. Melanie Weinstein to present the latest bonds rates to the Board to consider. Mr. Strauss cited that the Plan had a long history of investing in this product in the past but eliminated it when the interest rates declined. Now the rates are back up, he felt it would be prudent to consider. Mr. Kaufman confirmed that an investment in this instrument is specifically within Chapter 185 of FS. While not opposed, Mr. Vavrica felt the rate was viable, but commented that the Israel Bonds have not been reviewed by AndCo's Research process, and therefore are not an approved strategy. It was reported that the rate is currently 5.28%⁴ but is changing on November 1, 2023.

After review and consensus, a motion was made by Mr. Marano to invest 6 million dollars in the Israel Bond Corporation, based on the new rate of November 1, 2023, being equal to or greater than 5.28%. Further, to invest an additional 2 million dollars in the summer of 2024 (date to be determined) with the Israel Bond Corporation based on the same or greater rate of 5.28%. Finally transfer 1 million dollars to Garcia Hamilton and Tocqueville Bond managers. Mr. Strauss seconded the motion. All board members voted yes.

FTIS Funding by Managers & Allocation of Funds: Mr. Vavrica outlined the funds in the account. The Board by consensus agreed to, other than the funds approved for investment at this meeting, to leave the balance in the R&D Account to pay for benefits at this juncture. Mr. Vavrica and Mr. Williams will provide a letter of direction to FTIS.

⁴ Two Year Bond Term.

Ziegler Capital Management Presentation: Mr. Jack O'Callahan & Mr. Daniel Skubiz of Ziegler Capital Management provided a product review for the MVP Small Cap Core strategy. A firm overview was detailed to the Board. Ziegler focuses on a company's Cash Flow Return on Investment (CFROI) as the best way to measure wealth creation for new investment and valuation Discovery. Seasoned sector specialists with considerable tenure use their fundamental knowledge to interpret CFROI assumptions impact on a company's performance. Ziegler derives their own CFROI when forecasting the future for companies and stock price potential. Using CFROI to evaluate corporate performance to:

- Evaluate long-term historical performance of a company's management team.
- Identify changes in Operating Drivers: Sales, Margins, and Asset Turns.
- Forecast future CFROI expectations.
- Calculate current intrinsic value by discounting cash flows.

Chart of Ziegler vs. Russell 2000 was reviewed.

Valuation Factor	MVP Small Cap Core	Russell 2000*
CFROI	11.9%	4.9%
Sales Growth	16.6%	12.5%
EBITDA Margin	19.9%	12.8%
Asset Turns	0.75x	0.49x
Investment Growth	3.3%	1.5%

Composite performance was reviewed as well, which revealed that Ziegler outpaced the index on all trailing periods dating back to 2000.

Mr. Vavrica provided a small cap search and detailed the findings. Mr. Vavrica felt that Ziegler would provide additional benefit to the Plan without overlap to other managers.

Mr. Marano made the motion to engage Ziegler for the small cap core strategy presented, for an eight-million-dollar mandate, which was seconded by Mr. Schweighardt. All board members voted yes.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

Liquidation of DROP Account: Mr. Williams presented a widow's request to close out her DROP Account. Mrs. Marano made a motion to approve the DROP distribution request as presented. This motion was seconded by Mr. Schweighardt. All board members voted yes.

DROP Loan(s): Mr. Williams cited a member's loan request. He outlined that the member has the funds in his/her personal DROP account to cover the loan 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. Mrs. Marano made a motion to approve the DROP Loan requests as presented. This motion was seconded by Mr. Schweighardt. All board members voted yes.

Public Pension Coordinating Council (PPCC): Mr. Williams congratulated the Board of Trustees and the Plan Sponsor (City of Hollywood) for attaining the Public Pension Standards Award For Funding and Administration 2023.

The Public Pension Coordinating Council (PPCC) is a coalition of three national associations that represent public retirement systems and administrators: NASRA, the National Council on Teacher Retirement (NCTR) and the National Conference on Public Employee Retirement Systems (NCPERS). Together, these associations represent more than 500 of the largest pension plans in the United States, serving most of the nation's 18+ million state and local government employees.

The PPCC established the Public Pension Standards to reflect minimum expectations for public retirement system management, administration, and funding. The Standards serve as a benchmark to measure public defined benefit plans. All public retirement systems and the state and local governments sponsoring them are encouraged to meet the standards.

RECOGNITION AWARD FOR ADMINISTRATION

To receive the Recognition Award for Administration, the retirement system must certify that it meets the requirements in five areas of assessment.

Those areas are:

1. Comprehensive Benefit Program. The system must provide a comprehensive benefit program including service retirement benefits, in-service death benefits, disability benefits, vesting, and provisions for granting a cost-of-living adjustment.
2. Actuarial. An Actuarial Valuation must be completed at least every two years using generally-recognized and accepted actuarial principles and practices.
3. Audit. The system must obtain an unqualified opinion from an independent audit conducted following government auditing standards generally accepted in the United States.
4. Investments. The system must follow written investment policies and written fiduciary standards and the system must obtain an annual investment performance evaluation from an outside investment review entity.
5. Communications. Members must be provided a handbook or summary plan description, regular updates to the documents, and an annual benefit statement. Meetings of the governing board of the system are conducted at least quarterly with adequate public notice.

RECOGNITION AWARD FOR FUNDING

To receive the Recognition Award for Funding, the retirement system must certify that it meets the requirements for funding adequacy, as defined as meeting one or more of the following criteria:

- a. A funded ratio of 100 percent;
 - b. Contribution rates equal to or greater than 100 percent of the Annual Required Contribution;
- or
- c. A plan has been approved by the governing body to achieve one or both of these criteria within five years.

Mr. Williams commented that once the city gutted the Plan in 2011, we were no longer qualified to achieve this honor. Thanks to the city leadership and the union, the Plan is back on course to maintain this notable accomplishment.

The PPCC Award may be viewed on-line at:

<http://hollywoodpensionfund.com/docs/announcements/HPD%20Pension%20PPCC%20Award%202023.pdf#zoom=100>

INVESTMENT MONITOR REPORT – ANDCO

Mr. Vavrica presented a monthly flash report for September 30, 2023. The fiscal year return was valued at 11.81%. It was noted again that September was a difficult month for the market with an estimated return of -3.49%.

INVESTMENT REPORTS

Affiliated Housing Impact Fund, LP: Mr. Nick Rojo provided the following update to the Board.

- Initial Fund closing occurred in December 2020 with subsequent closings November 2021, January 2022, and October 2022.
- Currently in investment periods; ends December 2025.
- Current capital commitment is \$7.5M.
- The Fund has made three capital calls to date totaling \$17,303,659 to fund four projects.
- The Fund has called \$1,834,651 which represents 25% of the current capital commitment.
- The Fund has made \$36,442 in preferred return distributions to Hollywood Police.
- Current and Near-Term Fund Projects:
 - The Bohemian: Fully leased and stabilized.
 - The Grand: Completed and 80% leased.
 - The Tropic: Target Q4 2023 close.
 - \$185M of equity needed over 5 project pipeline.

Market Headwinds:

- Operating Expenses: Insurance, Property Taxes, On-Site Payroll, Inflation.
- Interest Rates: Highest since 2000, expected to remain elevated.
- Rents: Market rents flattening.
- Construction Costs: Remain elevated versus pre-pandemic levels.
- Lending Environment: Slowed due to volatility in debt markets.

Market Tailwinds:

- Fundamentals: Strong Employment, Migration, and Market Demand.
- Workforce Model: Ability to construction and deliver inventory throughout cycles.
- Rent vs Buy: Cost of buying a home versus renting is at its most extreme since at least 1996.
- New Programs: Municipalities, Counties and State creating new programs to address workforce housing.
- Site Acquisition: Availability of land at reduced pricing.
- New Markets: New markets opportunities.
- Live Local Act: Landmark legislation passed by the Florida legislator in 2023. More streamlined approval process and new incentives.

Intercontinental Real Estate: Mr. Tim Nash provided an update for the Intercontinental U.S. REIF portfolio. It was conveyed that Intercontinental's primary objective always is to maximize the financial returns for investors.

ENVIRONMENTAL

- More efficient buildings are often more attractive to tenants and may cost less to operate.
- Acquisition process includes an ESG checklist – criteria may include energy efficient, indoor air quality, etc.
- Measure the consumption of energy and water, generation of waste, and emission of Greenhouse Gas.

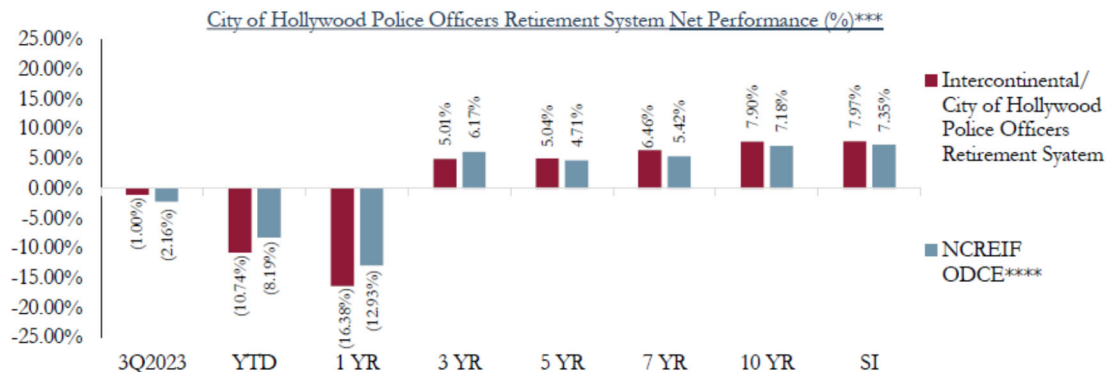
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- Committed to reducing carbon footprint after establishing a performance baseline.
- U.S. REIF's green history:
LEED: 20 buildings.
Energy Star: 18 buildings.
- 77% of the Office portfolio has received green certifications (LEED, Energy Star and/or etc.).
- 31% of U.S. REIF has received green certifications (LEED, Energy Star and/or etc.).

FUND SNAPSHOT	
<i>As of September 30, 2023</i>	
GROSS ASSET VALUE (billions)	\$13.6
NET ASSET VALUE (billions)	\$9.5
NUMBER OF PROPERTIES*	154
CASH POSITION (% of NAV)	0.5%
DEBT TO TOTAL ASSETS	26.5%
WEIGHTED AVERAGE COST OF DEBT	4.2%
TOTAL SQUARE FOOTAGE (millions)	36.0
LEASED	92.2%
COMMERCIAL TENANTS (non apartment)	839
UNITS (multifamily, senior living, hotel, student housing)	15,216
Undrawn (signed)	\$289,788,000
Undrawn (voted)	\$185,513,553
Investment by Intercontinental Employees (millions)	\$27.5



- Intercontinental will continue to manage the portfolio using an income-driven philosophy to seek to outperform the ODCE over a market cycle.
- Seek to maintain multifamily overweight and selectively acquire industrial to increase allocation over time.
- The table below reflects target mid-term portfolio weightings based on current and future acquisitions and developments.
- The mid-term range reflects the strategic direction of the fund over a half market cycle

Mr. Nash spoke about the gate on distributions. But suggested the Board discontinue the DRIP program to receive some return directly. Mr. Vavrica felt the suggestion was a prudent move.

As a result of the discussion, Mr. Boyd made the motion to stop the DRIP program, which was seconded by Mr. Marano. All board members voted yes.

OPEN DISCUSSION

Mr. Strauss learned that Ms. Laurette Jean was exiting the city. Ms. Jean is the city's Budget Director and has been our pension liaison with the city since 2019. The Board was saddened by the news as Ms. Jean has been a professional partner since her inception. Ms. Jean has been a pleasure to work with and the Board wished her continued success⁵.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 12:30 P.M.

The next scheduled meeting is November 17, 2023 at 10:30 A.M.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson

⁵ Ms. Jean will be invited to the December 22, 2023, meeting for a formal presentation.