

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

January 28, 2011

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, January 28, 2011, at 9:00 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT:

D. Strauss, Chairman, C. Marano, Secretary, C. O'Brien, P. Laskowski and V. Szeto

Also present were Yvette Scott, City of Hollywood; Clement Johns, Goldstein Schechter Koch; Mary Howell, Eagle Asset Management; Steve Cypen, Board Attorney; David M. Williams, Plan Administrator.

Excused Absence: R. Brickman, L. Wiener

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, 2010 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the December 17, 2010 pension board meeting. Mr. Laskowski made a motion to approve the Minutes of the December 17, 2010 pension board meeting, which was seconded by Mr. O'Brien. All board members voted yes.

REQUEST FOR DROP LOAN

Mr. Williams cited the member's loan requests. The members have the funds in their respective DROP accounts to cover the loans and they have all been participants in the DROP plan for the required amount of time. No conflict exists with the 12-month rule.

A.	Lester Cochenour	\$50,000.00
B.	John Depinho	\$12,000.00
C.	Lisa Brown	\$12,000.00
D.	Robert Dolan	\$ 3,200.00

Mrs. Marano made a motion to approve the DROP loans as noted, which was seconded by Mr. Szeto. All board members voted yes.

REQUEST TO ENTER DROP

Mr. Williams advised that the following member requested to enter the DROP plan as outlined and have all executed the appropriate forms. The member will enter based on years of police service.

A.	Julio Gonzalez	01-03-2011
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Mr. O'Brien made a motion to allow the member to enter the DROP plan on the effective date noted. Mr. Laskowski seconded the motion. All board members voted yes.

ATTORNEY'S REPORT

Mr. Cypen highlighted HB 303 that was withdrawn. Mr. Cypen felt that 303 had numerous legal issues to overcome. The PBA was thanked for their intervention in this proposed legislation.

INDEPENDENT AUDIT PRESENTATION

Mr. Clement Johns, Goldstein Schechter Koch appeared before the Board. Mr. Johns stated that his firm has issued a clean unqualified opinion on the *pension system*, as well as the *DROP & Share Plans*.

Mr. Johns provided a detailed report to the Board to consider. The following is the highlights of the report:

The Fund's assets exceeded its liabilities at the close of fiscal years ended September 30, 2010 and 2009 by \$160,862,339 and \$151,158,739, respectively (reported as net assets held in trust for pension benefits). Net assets are held in trust to meet future benefit payments. The increase of \$9,703,600 and the decrease of \$4,217,037, of the respective years have resulted primarily from the changes in the fair value of the Fund's investments due to volatile financial markets.

The Fund's funded ratio, a comparison of the actuarial value of assets to the actuarial accrued pension liability, changed from 61.0% as of the October 1, 2007 and 58.2% as of the October 1, 2008 actuarial valuations and 53.5% as of the October 1, 2009 valuation.

For the fiscal year ended September 30, 2010, liabilities increased by \$6,627,690 (or 18.20%) primarily due to an increase in the Deferred Retirement Option Plan Payable.

For the fiscal year ended September 30, 2009, liabilities increased by \$4,700,950 (or 14.82%) primarily due to an increase in the Deferred Retirement Option Plan Payable.

For the fiscal year ended September 30, 2010, employer (City) contributions to the Fund increased \$1,250,612 (or 12.36%) based on the actuarial calculation. Actual employer contributions were \$11,369,800 and \$10,119,188 for 2010 and 2009, respectively.

For the fiscal year ended September 30, 2009, employer (City) contributions to the Fund increased \$1,625,679 (or 19.14%) based on the actuarial calculation. Actual employer contributions were \$10,119,188 and \$8,493,509 for 2009 and 2008, respectively.

For the fiscal year ended September 30, 2010, state contributions to the Fund decreased \$111,001 (or 9.15%). Actual state contributions were \$1,101,980 and \$1,212,981 for 2010 and 2009, respectively.

For the fiscal year ended September 30, 2009, state contributions to the Fund increased \$73,225 (or 6.42%). Actual state contributions were \$1,212,981 and \$1,139,756 for 2009 and 2008, respectively.

For the fiscal year ended September 30, 2010, employee contributions including buybacks decreased by \$422,616 (or 20.56%). Actual employee contributions and buybacks were \$1,586,857 and \$46,427 and \$1,629,767 and \$426,133, for 2010 and 2009, respectively. Employee contributions have fluctuated from year to year, based on the number of active members and changes in the rate of employee contributions.

Hollywood Police Officers' Retirement Board - Minutes

January 28, 2011

Page 3

For the fiscal year ended September 30, 2009, employee contributions including buybacks increased by \$352,859 (or 20.72%). Actual employee contributions and buybacks were \$1,629,767 and \$426,133 and \$1,579,985 and \$123,056, for 2009 and 2008, respectively. Employee contributions have fluctuated from year to year, based on the number of active members.

For the fiscal year ended September 30, 2010, net investment income was \$14,340,271 compared with a loss of \$133,572 for the fiscal year ended September 30, 2009. Actual results were \$12,608,763 and \$(3,235,293) of net appreciation (depreciation) in fair value of investments for 2010 and 2009, respectively, and \$5,577,104 and \$6,242,011 of income from interest and dividends for 2010 and 2009, respectively. Deferred Retirement Option Plan participants' earnings were \$2,955,098 and \$2,383,576 for 2010 and 2009, respectively. Investment expenses increased by \$133,784 or (17.68%).

For the fiscal year ended September 30, 2009, net investment loss was \$133,572, compared with a loss of \$25,267,852 for the fiscal year ended September 30, 2008. Actual results were \$3,235,293 and \$28,602,121 of net depreciation in fair value of investments for 2009 and 2008, respectively, and \$6,242,011 and \$6,034,933 of income from interest and dividends for 2009 and 2008, respectively. Deferred Retirement Option Plan participants' earnings were \$2,383,576 and \$1,742,382 for 2009 and 2008, respectively. Investment expenses decreased by \$201,568 or (21.03%).

For the fiscal year ended September 30, 2010, benefit payments and participants' contributions refunded increased by \$1,295,889 (or 7.59%) primarily due to the increase in the number of retirees.

For the fiscal year ended September 30, 2009, benefit payments and participants' contributions refunded decreased by \$2,330,255 (or 12.01%) primarily due to not having 13th check distribution

For the fiscal year ended September 30, 2010, administrative expenses decreased \$25,688 from 2009 (or 6.37%) primarily due to a decrease in fees for professional services.

For the fiscal year ended September 30, 2009, administrative expenses decreased \$30,035 from 2008 (or 6.93%) primarily due to a decrease in fees for professional services.

Plan Highlights

For the fiscal year ended September 30, 2010, the return of the portfolio, net of fees was 9.18 % for the trailing year and ranked in the top 54th percentile, 0.92% below the median balance return of 10.10%. Actual investment income in 2010 was \$14,340,271 compared with losses of \$(133,572) in 2009.

For the fiscal year ended September 30, 2009, the return of the portfolio, net of fees was 1.40 % for the trailing year and ranked in the top 73rd percentile, 0.40% below the median balance return of 1.80%. Actual investment losses in 2009 were \$(133,572) compared with losses of \$(25,267,852) in 2008.

Using the Audited Financial Statements

The financial statements, which reflect the activities of the Fund, are reported in the Statements of Plan Net Assets and the Statements of Changes in Plan Net Assets. These statements are presented on a full accrual basis and reflect all Fund activities as incurred and are based on a snapshot in time of account balances of investments at fiscal year end.

Statement of Plan Net Assets

The following condensed comparative Statements of Plan Net Assets demonstrates the investment position of the Fund.

	2010	2009	2008
Cash and cash equivalents	\$ 3,631,033	\$ 8,273,595	\$ 7,339,794
Receivables	1,449,023	1,190,960	1,111,153
Investments	198,834,160	178,118,371	178,648,066
Total assets	203,914,216	187,582,926	187,099,013
Liabilities	43,051,877	36,424,187	31,723,237
<u>Net assets held in trust for pension benefits</u>	<u>\$ 160,862,339</u>	<u>\$ 151,158,739</u>	<u>\$ 155,375,776</u>

Statement of Changes in Plan Net Assets

The Statement of Changes in Plan Net Assets, displays the effect of pension fund transactions that occurred during the fiscal year, where Additions – Deductions = Net Increase (or decrease) in Net Assets. The table below reflects a condensed comparative summary of the changes in net assets and reflects the activities of the Fund.

	2010	2009	2008
Additions:			
Contributions			
City	\$ 11,369,800	\$ 10,119,188	\$ 8,493,509
Employee	1,586,857	1,629,767	1,579,985
State	1,101,980	1,212,981	1,139,756
Buybacks	46,427	426,133	123,056
Total	14,105,064	13,388,069	11,336,306
Net investment (loss) income	14,340,271	(133,572)	(25,267,852)
Total (reductions) additions	28,445,335	13,254,497	(13,931,546)
Deductions:			
Benefits paid	18,192,676	16,981,247	19,352,335
Participants' contributions refunded	171,423	86,963	46,130
Administrative expenses	377,636	403,324	433,359
Total deductions	18,741,735	17,471,534	19,831,824
Net (decrease) increase	9,703,600	(4,217,037)	(33,763,370)
Net assets held in trust for pension benefits			
at beginning of year	151,158,739	155,375,776	189,139,146
Net assets held in trust for pension benefits			
at end of year	\$ 160,862,339	\$ 151,158,739	\$ 155,375,776

Mr. Laskowski made a motion to accept the Combined Financial Statements for the Plan, for September 30, 2010, which was seconded by Mr. O' Brien. All board members voted yes. The Board "thanked" the staff of Goldstein Schechter Koch, and particularly Elisabeth Capota for a job well done.

QUARTERLY PRESENTATION BY EAGLE ASSET MANAGEMENT

Mrs. Mary Howell appeared before the Board and stated the combined market value of Eagle Account was at \$19,816,088 as of December 30, 2010. Since inception (01-08-03) the Eagle Small Cap Account realized an annualized gross return of 11.81%, compared to the Russell 2000 of 10.56%.

Hollywood Police Officers' Retirement Board - Minutes

January 28, 2011

Page 5

For the quarter ending December 30, 2010, Eagle Small Cap Account returned a stellar 18.57%, compared to 16.25% for the Russell 2000. Since inception (10-08-08) the Eagle Mid Cap Account realized a cumulative gross return of 20.26%, compared to the Russell Midcap Index of 22.47%. For the quarter ending December 30, 2010, Eagle Mid Cap Account returned 15.06%, compared to 13.07% for the Russell Midcap Index. Top contributing and distracting equities were reviewed. Sector allocation & diversification and market weighting were also discussed. International exposure was also highlighted.

Mrs. Howell announced that Mr. Alan Ashworth will be presenting to the Board in the future. Mrs. Howell said that her role in Eagle has not changed and she will still be our point of contact.

NEW BUSINESS - SUPPLEMENTAL DISTRIBUTION PURSUANT TO CITY ORDINANCE 33.136(N)

- A. Explanation from Jose Fernandez – Board Actuary
- B. Benefit Spreadsheet

Mr. Williams presented the findings of the supplemental distribution as determined by our Actuary, Mr. Jose Fernandez, Cavanaugh Macdonald Consulting, LLC.

Mr. Fernandez determined that the retirees' liability was valued at 217,289,675. The excess return was 1.18%. As a result, the supplemental distribution total was determined to be 2,564,018.17. Discussion ensued, and the Board consulted telephonically with Mr. Todd Green, Board Actuary. The Board learned that the distribution exceeded the actual amount of return. At this juncture, Mr. Szeto made a motion to accept the existing methodology, but to cap the distribution at the amount not to exceed the excess of the return, which was seconded by Mr. O' Brien. All board members voted yes. (Note: The amount to be distributed as a result of the cap was valued at 2,068,470.00).

OPEN DISCUSSION

No administrative report

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 10:00 A.M.

Respectfully submitted,

C. Marano, Secretary

APPROVED:

D. Strauss, Chairperson