

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

August 16, 2013

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, August 16, 2013, at 10:30 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT:

C. Marano, Secretary, C. O'Brien, L. Wiener, V. Szeto and P. Laskowski.

Also present were Kee Eng, City of Hollywood; Jose Fernandez & Todd Green, Cavanaugh Macdonald Consulting; John McCann & Brendon Vavrica – Thistle Asset Consulting; Daniel Kallus & Janna Hamilton of Garcia Hamilton; John Rockford & Robert Maddock, III – Inverness Counsel; Alison Bieler, Board Attorney and Dave Williams, Plan Administrator.

Excused Absence: D. Strauss & R. Brickman

READING OF THE WARRANTS

The warrants since the last meeting were reviewed and executed by the Board of Trustees.

APPROVAL OF THE MINUTES OF JULY 26, 2013 MEETING

Mrs. Marano asked if there were any additions or corrections to the Minutes of the July 26, 2013 pension board meeting. Mr. Szeto made a motion to approve the Minutes of the July 26, 2013 pension board meeting, which was seconded by Mr. O'Brien. All board members voted yes.

ACTUARIAL VALUATION REPORT

Mr. Todd Green & Mr. Jose Fernandez, Board Actuary's of Cavanaugh Macdonald Consulting, LLC presented and reviewed the October 1, 2012 (RESTATED) Actuarial Valuation Results. The findings of this report are to be paid in the fiscal year October 1, 2013 through September 30, 2014.

Mr. Fernandez reflected that the report was restated due to the passage of Ordinance No. O-2013-18. The changes were outlined below as follows:

- Assumption and Method Changes
 - Age and service based retirement rates were updated to reflect the passage of Ordinance cited. Mr. Tierney, the city actuary was in agreement with the adjustments.

- Plan Amendments
 - Multiplier increased to 3.3% for service up to September 30, 2011 for members who were vested as of September 30, 2011

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➤ Plan Amendments (Continued)

- Planned Retirement Benefit was added retroactive to October 1, 2011
- Multiplier increased to 3.0% for all members for service earned after September 30, 2011
- Employee Contribution was reduced from 9.25% to 8.00% effective the first full pay period on or after May 1, 2013

Mr. Green indicated that market return was 21.04% vs. the expected 8.00% (13.04% greater than expected). The actuarial asset return was 7.51%, which was 0.49% less than expected. The funded ratio remained stable for the year. Mr. Green outlined active and retired membership and stated active membership decreased by 4.5% for 2012. Since 2007 the System experienced 1.5% annual decrease in active membership.

Mr. Green also advised that retiree membership increased by 1.7%. There are 1.7 retirees per active member now, where there were 1.4 retirees per active member 5 years ago. The average active member is 37.7 years of age; the average member has 10.5 years of active service; the average retiree is 59.1 years of age.

Mr. Green expressed the following funding components: The expected member contribution is now 8.0% (as per the new collective bargaining agreement) of active member payroll estimated at \$1,135,006. The expected contribution from the State of Florida (185 funds) is estimated at \$1,111,640.

The results of the valuation were outlined as follows:

	October 1, 2011 Valuation (Fiscal Year 2012/2013 Contributions)	Prior to Plan Change October 1, 2012 Valuation (Fiscal Year 2013/2014 Contributions)	October 1, 2012 Valuation (Fiscal Year 2013/2014 Contributions)
Total Normal Cost Including Expenses	\$3,265,967	\$3,087,027	\$3,375,043
Less Expected Member Contribution	<u>1,458,161</u>	<u>1,299,357</u>	<u>1,135,006</u>
Employer Normal Cost	\$1,807,806	\$1,787,670	\$2,240,037
Interest Adjustment	463,717	476,265	504,039
Amount to Amortize UAL	<u>9,120,334</u>	<u>9,634,455</u>	<u>10,088,310</u>
Total Required City/State Contribution	\$11,391,857	\$11,898,390	\$12,832,386
Expected Chapter 185 Monies *	<u>0</u>	<u>1,111,640</u>	<u>1,111,640</u>
Required Employer Contribution	\$11,391,857	\$10,786,750	\$11,720,746
Unfunded Accrued Liability	\$126,250,903	\$130,353,835	\$137,626,290
Funded Ratio	56.4%	56.0%	54.7%

* Based on the State's Division of Retirement 2012 interpretation the City may be able to use the State distribution in August 2013 to offset its contribution for fiscal year 2013.

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Mr. Green outlined total expected employer's contribution (See exhibit below).

Employer's Contribution	If paid at start of fiscal year	If paid over fiscal year	Savings/(Loss), if paid/not at start of fiscal year
2013/14 Fiscal Year	\$11,216,707	\$11,720,746	\$504,039

Mr. Laskowski made a motion to accept the RESTATED October 1, 2012 Actuarial Valuation Report as presented. Mr. Szeto seconded the motion. All members voted yes.

In closing, Mr. Fernandez stated that this revision will also satisfy the state's reporting request. Mr. Fernandez also advised that the 6a page for the state report was also being updated as per the state. Finally, Mr. Fernandez confirmed a summary of the changes was forthcoming for publications purposes. The Board Thanked Mr. Fernandez & Mr. Green for their on-going assistance.

ATTORNEY'S REPORT

Public Comment Policy: Mrs. Bieler advised that on June 28, 2013, Florida Governor Scott signed Senate Bill 50 SB 50, Chapter 2013-227, Laws of Florida, effective October 1, 2013.

Mrs. Bieler reflected that this new law requires that members of the public be given a reasonable opportunity to be heard on a proposition before a board of a local government. The opportunity to speak on a proposition does not have to occur at the same meeting at which the official action is taken as long as the opportunity occurs at a meeting that is during the decision-making process and is within "a reasonable proximity in time before the meeting" at which the board takes the official action.

The opportunity to be heard does not apply to:

- Official acts which must be taken to deal with an emergency situation affecting the public health, safety or welfare if compliance with the requirements of SB 50 would cause unreasonable delay.
- An official act involving no more than a ministerial act, including but not limited to, approval of minutes and ceremonial proclamations.
- A meeting exempt from the "Sunshine Law," Section 286.011, Florida Statutes.
- A meeting during which a board is acting in a quasi-judicial capacity such as a disability hearing or a forfeiture hearing.

The Board was advised that the new law authorizes the circuit court to issue an injunction for the purpose of enforcing SB 50. If an action is filed and the court determines that the board violated SB 50, then the court is *required* to assess attorney fees against the board at both the trial and appellate levels. The court may also assess reasonable attorney fees against an individual filing such action if the court finds that the action was filed in bad faith or was frivolous.

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Mrs. Bieler presented & reviewed a proposed policy for the Board to consider adopting. After the foregoing, Mr. Wiener made a motion to approve & adopt the public comment policy. The motion was seconded by Mr. Laskowski. All members voted yes.

Rider Agreement Fiduciary Trust (FTIS): Mrs. Bieler presented a Rider to the FTIS Agreement for approval. The services are related to a database comparison service that FTIS will perform. Mrs. Bieler confirmed that it meets legal approval. Mr. O'Brien made a motion to approve the FTIS Rider presented. The motion was seconded by Mr. Laskowski. All members voted yes.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

DROP LOAN: Mr. Williams cited the respective member's loan request. He outlined that the member has the funds in his personal DROP account to cover the loan and he has been a participant in the DROP plan for the required amount of time. No conflict exists with the 12-month rule. Mr. Laskowski made a motion to approve the DROP loans as noted, which was seconded by Mr. O'Brien. All board members voted yes.

QUARTERLY INVESTMENT PRESENTATIONS

Garcia Hamilton and Associates

Mr. Dan Kallus & Mrs. Hamilton appeared before the Board and discussed the investment return for the Equity and Fixed Income Accounts.

Mr. Kallus advised for the quarter that ended June 30, 2013, the equity portfolio returned 0.8% for the equities, which underperformed in comparison to the Russell 1000 Growth Index. For the last twelve months, the account returned 13.3% for the equities, in comparison to the Russell 1000 Growth Index of 17.1%. For the fiscal year, the equity portfolio returned 8.6% for the equities, compared to the Russell 1000 Growth Index 11.8%. A detailed explanation was provided to the Board by Mr. Kallus. In part the theme was that lower quality stocks outperformed the higher quality stocks similar to our portfolio. The account was valued at \$26,671,491 as of June 30, 2013.

Mrs. Hamilton indicated that for the quarter that ended June 30, 2013, the fixed income portfolio returned -1.9%, which was in line with the benchmark. On a one year basis, the fixed income portfolio returned 3.2% vs. the benchmark return of -0.1%. Since the portfolio inception date of June 30, 2011, the fixed income return was 4.6%, compared to the Barclays Capital Intermediate Aggregate return of 2.5%. The account was valued at \$12,041,177 as of June 30, 2013.

Inverness Counsel, Inc.

Mr. Maddock & Mr. Rockford provided the Board with a performance review of the quarter which ended June 30, 2013. Equity sector weightings were detailed, as were Bond attributes.

Highlights of the presentation cited:

- Inflation Concerns Appear to be Easing
- Employment Presenting Challenges Across the Globe

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➤ Emerging Market Slowdown May Curb Global Growth

Mr. Maddock advised for the quarter that ended June 30, 2013 the equity portfolio returned 3.55% for the equities, compared to the S&P 500, which returned 2.91%. For the last twelve months, the account returned 24.90% for the equities, in comparison to 20.60% for the same benchmark.

For the fiscal year, the equity portfolio returned 14.11% for the equities, compared to the S&P 500 return of 13.39%. On a longer term basis of 3 years, the account returned 17.54% for the equities, in comparison to the S&P 500, which returned 18.45%. The account was valued at \$50,871,000 as of June 30, 2013.

Mr. Rockford indicated that for the quarter that ended June 30, 2013, the fixed income portfolio returned -2.54%, compared to the Broad Fixed & Intermediate Fixed Benchmark of -2.11%. For the fiscal year, the fixed portfolio returned -1.85% compared to the same policy return of -1.70%. On a longer term basis of 3 years, the account returned 3.92%, in comparison to the policy return 3.51%. The account was valued at \$82,334,000 as of June 30, 2013.

Thistle Asset Consulting

Mr. John McCann appeared before the Board and presented the June 30, 2013 investment report. Before doing so, Trustees were presented with Electronic Tablets to review the meeting report(s). The Tablets were purchased by Thistle Asset for the benefit of the Trustees. Mr. McCann feels the use of the tablet would be more efficient, effective and environmentally beneficial on the long term. The Tablets will be maintained at the Office of Retirement and uploaded with meeting packets and reports with the assistance and cooperation of the plan administrator. The Tablets are, and will remain, the property of Thistle Asset. The Trustees thanked Mr. McCann for his continued commitment to the System.

Mr. McCann advised that as of June 30, 2013 the system had 54.7% in equities, 40.5% in fixed income, and the balance in cash. As of June 30, 2013, Inverness Counsel held 57.1% of the portfolio, Garcia Hamilton had 16.4%, Eagle had 6.6%, Rhumblin had 8.2%, Buckhead had 7.5%, and the Israel Bonds were at 0.5%. The total assets were valued at \$236,252,000. For the quarter, Mr. McCann stated that the total fund returned was essentially flat at 0.05% vs. 0.31% compared to the benchmark.

The total fund returned 5.76% v. 6.40% for the fiscal year to date through June 30, 2013. For the longer term (*three year period*), the total fund returned 10.31% vs. 11.04% for the benchmark.

Mr. McCann indicated that the Buckhead Capital return was less than expected over various measurement periods, in comparison to the benchmark. Mr. Williams reminded the Board that Buckhead is a high quality value manager and they generally shine during a down market cycle. Likened to a baseball analogy, Buckhead is similar to our other high quality equity manager, doubles and triples are expected in an up market, but no homeruns. It was noted that while the returns did not beat the benchmark, they far exceeded the assumption rate. Mr. McCann reflected that he would continue to monitor their progress for the September 30, 2013 reporting period.

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OPEN DISCUSSION

No formal discussion

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 12:20 P.M.

The next scheduled meeting is September 27, 2013 at 10:30 AM.

Respectfully submitted,

C. Marano, Secretary

APPROVED:

D. Strauss, Chairperson