

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

October 25, 2013

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, October 25, 2013, at 10:35 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, V. Szeto, L. Wiener and P. Laskowski.

Also present were Kee Eng, City of Hollywood; Brendon Vavrica, Thistle Asset Consulting; Alan Ashworth, Eagle Asset Management; Steve Cypen, Board Attorney of Cypen & Cypen and David M. Williams, Plan Administrator.

PUBLIC COMMENT

No public comments presented

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 27, 2013 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the September 27, 2013 pension board meeting. Mr. Szeto made a motion to approve the Minutes of the September 27, 2013 pension board meeting, which was seconded by Mr. Laskowski. All board members voted yes.

ATTORNEY'S REPORT

Mr. Cypen briefed the Board on a public records request filed by Mr. James Linn, City of Hollywood General Employee's Board Attorney regarding the supplemental distribution. Mr. Williams complied with same.

Mr. Cypen reflected the Board's litigation is still proceeding, nothing specific to report.

Mr. Cypen presented the Cavanaugh Macdonald Contract for the Board's consideration. Mr. Cypen advised that Mrs. Bieler worked with Mr. Fernandez regarding a revised contract. After considering the content, Mr. Laskowski made a motion to approve the Cavanaugh Macdonald Contract, which was seconded by Mr. Szeto. All board members voted yes.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

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Mr. Williams noted the 2012/2013 fiscal year expense report was included in the Trustees packet.

DROP LOAN: Mr. Williams cited the respective member's loan request. Mr. Williams 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. O'Brien made a motion to approve the DROP loan as noted, which was seconded by Mr. Szeto. All board members voted yes.

STATE MONEY: Mr. Williams advised the state funds were received by the City of Hollywood and transmitted to our custodian on October 11, 2013. The amount of the distribution was \$1,250,143.48. The funds were placed into the Inverness Counsel Account.

MISC: Mr. Williams cited in the trustee packet a letter from the Internal Revenue Service dated September 23, 2013, a letter from Rhumblin dated October 4, 2013 and a class action filing report from our custodian for the period ending September 30, 2013.

SECURITY MONITORING PRESENTATION, Marisa DeMato, Grant & Eisenhofer P.A.

Ms. DeMato, Attorney for Grant & Eisenhofer P.A. (G&E) appeared before the Board of Trustees for a security portfolio monitoring presentation.

Ms. DeMato cited that for more than 16 years, G&E has remained different from other securities law firms. This is evident through the Firm's continued commitment to excellence and unparalleled results (including achieving more securities settlements in excess of \$100 million than any other law firm). Ms. DeMato stated that G&E specializes in working with pension funds and institutional investors and is sensitive to the special demands placed on them.

Ms. DeMato advised that G&E provides portfolio monitoring and securities litigation services to over 150 institutional clients throughout the U.S. and Europe whose assets range from hundreds of thousands of dollars to over \$500 Billion. G&E does not charge a fee for our portfolio and securities litigation monitoring services, nor will the Firm seek reimbursement of any cost or expense related to case evaluation services. G&E uses its own proprietary portfolio monitoring system which is specifically designed to ensure a secure and reliable platform and meets the highest standards of information security.

As part of G&E's monitoring service, the Firm provides a Quarterly Monitoring Report (sample included for the Board to review) that identifies all securities class actions and final settlements filed or announced during the prior quarter. G&E also provides a separate analysis of any security-specific loss that may have occurred as a result of a violation or potential violation of federal or state securities laws or a breach of any duty, a recommendation as to whether and in what manner to seek compensation for such losses, and an opinion on the chances of success of litigation. Benefits of security monitoring were outlined further by Ms. DeMato. The presentation was opened for Q&A. Mr. Cypen outlined his requirements to Ms. DeMato in order to bring a case to the Board to consider.

After considering the benefit of the System, Mrs. Marano made a motion to engage the portfolio monitoring services of Grant & Eisenhofer P.A. This motion was seconded by Mr. O'Brien. All board members voted yes. Ms. DeMato thanked the Board and stated she was looking forward to working with the Board and its administration.

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QUARTERLY PRESENTATION

Eagle Asset Management

Mr. Alan Ashworth announced to the Board that Ms. Stacey Pittman, an assistant manager of the portfolio, is no longer with Eagle. Mr. Ashworth indicated that this move returns the Small Cap Core and Small/Mid Cap Core portfolios to the two-manager system that was in place until 2011. Mr. Scott Renner has shared day-to-day management responsibilities for the portfolio for the last two years and has been on the team since 2007. Further, we have full confidence that Stacey's research coverage will be ably absorbed by the existing, well-seasoned research staff.

Mr. Alan Ashworth stated the market value of the Eagle Account was at \$16,830,998 as of September 30, 2013. Since inception (01-08-03) the Eagle Small Cap Account realized an annualized net return of 11.09%, compared to the Russell 2000 of 11.52%.

For the quarter ending September 30, 2013, Eagle Small Cap Account returned 8.20%, compared to 10.21% for the Russell 2000. The 3 & 5 Year returns were valued at 17.00% & 9.92% in comparison to the benchmark returns of 18.29% & 11.15% respectively.

Mr. Ashworth indicated that the Russell 2000 Index rose 10.2 percent in the third quarter led by lower quality companies (based on ROE and earnings). In the index, the Health Care sector was the leader (up 15 percent) followed by Information Technology (up over 14 percent). In Health Care, Biotechnology was the top contributing industry, and in Information Technology, the top contributing industry was Software. The Utilities sector was the laggard for the quarter, up less than 1 percent.

Detractors from relative performance were reported as Energy, which underperformed due to stock selection in Oil, Gas, & Consumable Fuels industry. Delek Holdings underperformed; there is still a disparity in the spreads between the price at which they can buy crude oil and sell refined oil. Information Technology underperformed due to the Software and Semiconductor industries. Rovi fell as it decreased full year guidance. Teradyne underperformed despite beating earnings estimates; the underperformance was due to weaker-than-expected earnings guidance for the upcoming quarter.

A motion was made by Mr. Szeto to amend the Agenda and add Thistle Asset Consulting. This motion was seconded by Mr. Laskowski. All board members voted yes.

Thistle Asset Consulting

Mr. Brendon Vavrica appeared before the Board and presented the September 30, 2013 investment report. Mr. Vavrica thanked the Board for allowing him the opportunity to present the fiscal year report earlier than usual.

Mr. Vavrica advised that as of September 30, 2013 the system had 54.2% in equities, 39.4% in fixed income, 4.9% in real estate and the balance in cash. As of September 30, 2013, Inverness Counsel held 55.5% of the portfolio, Garcia Hamilton had 16.7%, Eagle had 7.0%, Rhumblin had 8.0%, Buckhead had 7.3%, and the Israel Bonds were at 0.5%. The total assets were valued at \$240,198,000.

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For the quarter, Mr. McCann stated that the total fund returned was 3.97% vs. 3.57% compared to the benchmark. The return on a fiscal year basis was 9.95% vs. 10.20%. This fiscal year return exceeds the actuarial assumption for the fund. For the longer term (*three year period*), the total fund returned 9.25% vs. 9.73% for the benchmark.

Mr. Vavrica cited that for the fiscal year, equities returned 20.64%, while fixed income returned -0.77%. While negative, the fixed income return ranked in the top 38 percentile of the investment universe. On a longer term basis of 3 & 5 years, the equity portfolio returned 15.57% & 9.70%, in comparison to the benchmark return of 17.0% & 10.94% for the same time period. On a longer term basis of 3 & 5 years, the fixed income portfolio returned 3.27% & 6.66%, in comparison to the benchmark return of 2.60% & 5.30% for the same time period.

Mr. Vavrica cited that a more detailed analysis will follow at the next meeting for the large cap value component of the portfolio. Further that the annual aggregate equity analysis will also be presented to the Board to consider.

OPEN DISCUSSION

No Discussion ensued

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:40 A.M.

Next Regular Meeting: November 22, 2013

Respectfully submitted,

C. Marano, Secretary

APPROVED:

D. Strauss, Chairperson