

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

November 22, 2013

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, November 22, 2013, at 10:37 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT:

D. Strauss, Chairman; C. Marano, Secretary; R. Brickman, C. O'Brien; L. Wiener, V. Szeto.

Also present were Kee Eng, City of Hollywood; John McCann & Brendon Vavrica of Thistle Asset Consulting; Daniel Kallus & Janna Hamilton of Garcia Hamilton; John Rockford, Henry Renard & Robert Maddock, III – Inverness Counsel; David Griffin, Buckhead Capital; Alison Bieler, Board Attorney and Dave Williams, Plan Administrator.

Excused Absence: P. Laskowski

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 OCTOBER 25, 2013 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the October 25, 2013 pension board meeting. Mr. Szeto made a motion to approve the Minutes of the October 25, 2013 pension board meeting, which was seconded by Mr. O'Brien. All board members voted yes.

ATTORNEY'S REPORT

Mrs. Bieler reviewed a letter from Robert Friedman of Holland & Knight regarding a letter of determination. Our Fund filed with the IRS in Cycle C in 2009. That Cycle closes on January 31, 2014. As we have not received our letter of determination to date, Mr. Friedman recommends filing under Cycle E which opens in February 1, 2015. No action taken, pending the close of Cycle C.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

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

RETURN OF PENSION CONTRIBUTIONS: Mr. Williams advised the following non-vested-terminated member requested a return of his pension contributions. The required paperwork has been completed.

Member	Date of Entry	Date of Exit	Amount
Marc Pekrol	03/01/2013	11/03/2013	\$2,427.21

Mr. Brickman made a motion to approve the return of their pension contributions, which was seconded by Mr. O'Brien. All board members voted yes.

SHARE STATEMENTS: Mr. Williams conveyed the annual share statements were distributed to all personnel.

IT PROGRAMMING: Mr. Williams reported the updates to the database as a result of the ordinance changes are still underway. The project engagement timeline of Oakwater Technology has elapsed. Mr. Williams attributed the delay to the representative being a small IT operation and time management. Once completed, an audit (detailed testing) will be conducted by our actuary.

AUDIT: Mr. Williams advised that the fieldwork for the audit has been exceptionally long this year. Mr. Williams felt it was the fact that new personnel from Goldstein Schechter Koch were handling the account again this year. Mr. Williams indicated he met with Mr. Johns from GSK who ensured the highest standards would continue.

SUMMARY PLAN DESCRIPTION (SPD): Mr. Williams advised that due to the major overhaul of the pension plan, the SPD is required to be essentially restated in its entirety. This project was underway and Mr. Williams has contacted an existing vendor to engage this project. Further details will follow as warranted.

PPCC AWARD: Mr. Williams presented notification that the Hollywood Police Pension Fund was the recipient of the 2013 Public Pension Coordinating Council (PPCC) Award. Mr. Williams reflected that the PPCC is a coalition of three associations that represent public pension funds who cover the vast majority of public employees in the US. The associations are:

National Association of State Retirement Administrators (NASRA)
National Council on Teacher Retirement (NCTR)
National Conference on Public Employee Retirement Systems (NCPERS)

Mr. Williams advised that this is the seventh year the Fund received the PPCC Award. The Public Pension Standards are intended to reflect minimum expectations for public retirement system management and administration, as well as serve as a benchmark by which all defined benefit public plans should be measured.

The retirement systems and the state and local governments that sponsor them are encouraged to meet these standards.

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 September 30, 2013, the equity portfolio returned 6.6% for the equities, which underperformed in comparison to the Russell 1000 Growth Index by 150 basis points. For the last twelve months, equities returned 13.0%, in comparison to the Russell 1000 Growth Index return of 19.3%. On a three year look back, equities returned 14.0% in comparison to the benchmark return of 16.9%.

A detailed market rationalization was provided to the Board by Mr. Kallus. The theme continues to be that lower quality stocks outperformed the higher quality stocks similar to our portfolio. For the quarter, the performance discrepancy between low and high-quality stocks was markedly pronounced at the extreme ends of the spectrum, with lowest-quality C/D rated stocks outperforming the highest-quality A+ rated stocks by nearly 21%. Riskier, low-quality stocks continue to lead. Sector returns followed no single theme as defensive and cyclical sectors were represented among both the winners and the losers. Fundamentally, portfolio holdings continued to deliver solid earnings relative to expectations. Stock selection was a negative factor, with a continued headwind from low quality leadership across sectors. The Information Technology and Industrials sectors of the portfolio witnessed the largest relative challenge for the quarter while Financials and Materials were the most positive relative contributors. Holdings, Polaris Industries (up 36%) and Celgene (up 33%), were top gainers in the portfolio. Kellogg (down 9%) and Cisco Systems (down 3%) were the most negatively contributing holdings. Mr. Kallus cited that the market outlook remains constructive based on underlying liquidity support from ongoing central bank actions and expectations for improving economic conditions. The Portfolio remains meaningfully overweight high-quality stocks; biased to economically-sensitive sectors, particularly Financials. The account was valued at \$28,006,295 as of September 30, 2013.

Mrs. Hamilton indicated that for the quarter that ended September 30, 2013, the fixed income portfolio returned 0.9%, which was in line with the benchmark. On a one year basis, the fixed income portfolio returned -0.2% vs. the benchmark return of -0.9%. Since the portfolio inception date of June 30, 2011, the fixed income return was 4.5%, compared to the Barclays Capital Intermediate Aggregate return of 2.6%. The account was valued at \$12,145,535 as of September 30, 2013.

Mrs. Hamilton explained that on September 18th, Federal Reserve Chairman Ben Bernanke surprised economists and market participants alike by refraining from tapering the bond purchasing program. The FOMC (Federal Open Market Committee) cited worries that the abrupt rise in rates since spring "could slow the pace of improvement in the economy and the labor market," and that persistent low inflation "could pose risks to economic performance."

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Mrs. Hamilton pointed out how GHA has taken advantage of the recent rate increase to add duration to our portfolios and is now above the benchmark index. GHA remains overweight in corporate bonds with an emphasis on financials, and GHA have been extending some of our credits to take advantage of the steep yield curve. Given the recent increase in rates, GHA believe rates will trade in a range with a bias lower in the short term.

Inverness Counsel, Inc.

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

Highlights of the presentation cited:

The September 30, 2013 S&P 500 sector returns were reviewed. Mr. Maddock cited that this is the third time in thirteen years that the S&P 500 has traded above the 1500 level and that in the prior two cases it traded down in future months. It was reported that S&P 500 companies produce twice as much profit today versus 13 years ago, but the market only pays roughly half price for it. The Deleveraging Process was outlined, citing that companies and consumers have considerably improved their balance sheets, debt levels have declined materially, and despite low interest rates, the availability of credit remains tight. It was felt that a resurgence in domestic manufacturing activity could increase job creation and accelerate U.S. economic growth.

Mr. Maddock advised for the quarter that ended September 30, 2013 the equity portfolio returned 6.67% for the equities (Top 34%tile), compared to the S&P 500, which returned 5.24%. For the last twelve months (which is also the fiscal year), the account returned 21.73% for the equities (Top 30%tile), in comparison to 19.34% for the same benchmark.

On a longer term basis of 3 years, the account returned 15.90% for the equities, in comparison to the S&P 500, which returned 16.27%. The account was valued at \$49,240,000 as of September 30, 2013.

Mr. Rockford indicated that for the quarter that ended September 30, 2013, the fixed income portfolio returned 0.90%, compared to the Broad Fixed & Intermediate Fixed Benchmark of 0.49%. For the fiscal year, the fixed portfolio returned -0.96% compared to the same policy return of -1.22%. On a longer term basis of 3 years, the account returned 3.16%, in comparison to the policy return 2.65%. The account was valued at \$81,311,000 as of September 30, 2013.

Thistle Asset Consulting

Mr. McCann & Mr. Vavrica appeared before the Board and presented the Aggregate Equity Analysis as of September 30, 2013. The report was covered in detail and includes investment style and sector weightings.

Mr. McCann & Mr. Vavrica also presented a large cap value comparison for the Board to consider. The analysis compared Buckhead to peer managers and the index.

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When sorted by returns, Buckhead was in the lower quartile. When sorted by risk analysis, Buckhead was in the top quartile.

Mr. David Griffin, of Buckhead Capital was present and provided his portfolio perspective. Mr. Griffin felt that the lower risk aspect of our portfolio is the Fund's "insurance policy" when the market corrects. Mr. Griffin advised as the risk return charts show that our returns are very good and demonstrate our lower risk with higher return history. QE by the Fed for the past five years has created this flight to risk that high-quality managers will participate in, but will not outperform. Mr. Griffin thanked the Board for their patience and keen insight.

OPEN DISCUSSION

No formal discussion

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:52 A.M.

The next scheduled meeting is December 20, 2013 at 10:30 AM.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson