

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

**August 22, 2014**

**MINUTES**

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, August 22, 2014, at 10:30 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, R. Brickman, M. Pollak and V. Szeto.

Also present were Kee Eng, City of Hollywood; Brendon Vavrica of Thistle Asset Consulting; John Rockford & Robert Maddock, III of Inverness Counsel; Curt Rohrman & Janna Hamilton, Garcia Hamilton; Ken Kornheisl, Oakwater Technologies; Steve Cypen, Board Attorney and Dave 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 APRIL 25, 2014 MEETING**

Mr. Strauss asked if there were any additions or corrections to the Minutes of July 25, 2014. Mr. Szeto made a motion to approve the Minutes of July 25, 2014 which was seconded by Mr. Laskowski. All board members voted yes.

**ATTORNEY'S REPORT**

Mr. Cypen presented the final draft of the Plan Retirement Benefit (PRB) Policy to consider. Mr. Williams reminded the Board that the intent of this body was to try to structure and treat PRB members similar to the deferred retirement option plan members. Mr. O'Brien made a motion to accept and approve the Plan Retirement Benefit (PRB) Policy as presented. This motion was seconded by Mr. Laskowski. All board members voted yes.

**ADMINISTRATIVE REPORT**

Mr. Williams advised the Board that he met with Mr. Clement Johns of GSK. Mr. Williams let Mr. Johns know what he expects during the upcoming audit. If GSK does not deliver, Mr. Williams will let the Board know.

**QUARTERLY INVESTMENT PRESENTATIONS**

**Inverness Counsel, Inc.**

Mr. Maddock & Mr. Rockford provided the Board with a performance review of the quarter which ended June 30, 2014. The pair detailed the top ten equity holdings as well as equity sector weightings. Market performance by sector was cited for 2014, which show no negative returns.

Inverness Counsel, Inc. - Con't

Highlights of the presentation included:

Mr. Maddock advised for the quarter that ended June 30, 2014 the equity portfolio returned 4.71% for the equities, compared to the S&P 500 which returned 5.23%. For the fiscal year, the account returned 18.07% for the equities (Top 34th percentile), in comparison to 18.40% for the same benchmark. For the last twelve months, the account returned 25.94% for the equities (Top 28th percentile), in comparison to 24.61% for the same benchmark.

On a longer term basis of three years, the account returned 17.51% for the equities, in comparison to the S&P 500, which returned 16.58%. The account was valued at \$43,388,000 as of June 30, 2014.

Mr. Rockford indicated that for the quarter that ended June 30, 2014, the fixed income portfolio returned 1.71%, compared to the Broad Fixed & Intermediate Fixed Benchmark of 1.58%. For the last twelve months, the fixed portfolio returned 3.93% compared to the same policy return of 3.57%. On a longer term basis of three years, the account returned 3.79%, in comparison to the policy return 3.46%. The account was valued at \$88,455,000 as of June 30, 2014.

Garcia Hamilton and Associates - GHA

Mrs. Hamilton & Mr. Curt Rohrman appeared on behalf of GHA to discuss the investment return for the Equity and Fixed Income Accounts.

Equity Review: Mr. Rohrman began his presentation by outlining GHA's high quality growth equity investment philosophy. GHA invests in companies with above-average sustainable growth and/or accelerating growth and an ability to beat earnings expectations over time. GHA buys quality companies. Various quality rankings and other metrics which demonstrate quality are evaluated carefully before a stock is added to the portfolio. GHA primarily uses their proprietary screening process and bottom-up work to determine relative sector weights. Portfolio constraints exist to ensure sufficient diversification to control risk.

Mr. Rohrman advised the equity portfolio was valued at \$31,697,392.41 for the quarter that ended June 30, 2014. The equity portfolio returned 4.3%, which underperformed the Russell 1000 Growth Index return of 5.1% for the same time period. For the fiscal year, equities returned 13.9%, which trailed the Russell 1000 Growth Index return of 17.4%.

Mr. Rohrman indicated that fundamentally, portfolio holdings continued to deliver solid earnings relative to expectations. Stock selection was a negative factor, reflecting investor preference for *lower-quality* names.

- Whole Foods was a negative contributor following management's actions to support market share in a very competitive environment.
- Celgene (up 23%), Cinemark (up 23%), and Apple (up 22%) were top gainers in the portfolio.
- Modest cash holdings subtracted 16 basis points of relative performance during the strong market rally.

Market outlook remains constructive based on Federal Reserve liquidity and upper single-digit earnings growth.

Garcia Hamilton and Associates - Con't

Portfolio remains conservatively positioned with a meaningful overweight in high-quality stocks balanced with exposure to asset management companies positioned to benefit from rising financial markets. The policy of repeated liquidity injections by central banks since the market bottom is evident in the sizeable outperformance of "riskier" stocks.

Lower quality securities continue to exhibit market leadership relative to high quality as investors embrace higher risk exposures.

Fixed Income Review: Mrs. Hamilton began her presentation by outlining GHA's fixed income investment philosophy. The goal of GHA is to outperform their benchmarks, net of fees, over a full market cycle using a high quality strategy with less risk and low turnover.

Superior and consistent investment results come from the following core principles:

- Preserve Principal
- Maintain Liquidity
- Provide High Current Income

Mrs. Hamilton advised the fixed income portfolio was valued at \$12,725,623.97 for the quarter that ended June 30, 2014. The Fixed income portfolio returned 1.7%, which outperformed the Barclays Capital Int. Aggregate return of 1.6% for the same time period. For the fiscal year, fixed income returned 5.0%, which handedly exceeded the Barclays Capital Int. Aggregate return of 2.7%. Since the annualized inception date of June 30, 2011 through June 30, 2014, the portfolio returned 5.0% in comparison to 2.9% for the Barclays Capital Int. Aggregate.

Thistle Asset Consulting

Mr. Vavrica appeared before the Board and presented the June 30, 2014 investment report. Mr. Vavrica advised that as of June 30, 2014 the system had 52.9% in equities, 39.8% in fixed income, 6.3% in real estate and the balance in cash.

As of June 30, 2014, Inverness Counsel held 51.7% of the portfolio, Garcia Hamilton had 17.3%, Eagle had 7.5%, Rhumblin had 8.7%, Buckhead had 8.1%, American Realty had 3.1%, Intercontinental Realty had 3.2% and the Israel Bonds were at 0.4%. The total assets were valued at \$256,633,000.

For the quarter, Mr. Vavrica stated that the total fund returned was 2.98% vs. 3.13% compared to the benchmark. The total fund returned 9.91% vs. 9.98% on the fiscal year basis, which is above the assumed rate of return. The total fund returned 14.27% vs. 13.91% for the last twelve months. For the longer term (*five year period*), the total fund returned 11.25% vs. 11.92% for the benchmark, again exceeding the assumed rate of return. An overview of the managers was provided to the Board to consider, but Mr. Vavrica made no recommendations at this juncture.

NEW BUSINESS

A. Israel Bonds

Mr. Williams indicated that \$250,000.00 recently matured and presented the latest rate chart for the Board to consider for reinvestment. Mr. Williams asked Mr. Vavrica to provide his recommendation as well. Mr. Vavrica recommended the Floating Rate Libor Bonds. Mr. Rockford concurred. During the discussion Mr. Cypen pointed out the 2-year financing bond that had a rate of 1.1250% with a spread of +75 basis points.

Israel Bonds - Con't

A consensus was reached. Mr. Laskowski made the motion to invest \$250,000.00 in the State of Israel, 2-Year Financing Floating Rate Libor, with the quoted rate of 1.1250% with a spread of +75 basis points. This motion was seconded by Mr. O'Brien. All board members voted yes.

OLD BUSINESS

IT Database – Update

Mr. Kornheisl, IT representative came before the Board to provide a status report on the new database program. Mr. Kornheisl advised that he first sought to rebuild our current system. He realized that the program was outdated so essentially had to start from scratch with an updated software platform. This had to be undertaken, due to the complexities of the referendum and subsequent ordinance change which enacted the Planned Retirement Benefit. Mr. Kornheisl reflected that he was close to the testing phase, where the Actuary will independently test calculations to ensure compliance and accuracy with the ordinance. Once that phase is complete the new program will be installed for plan use.

OPEN DISCUSSION

Mr. Pollack requested that Intercontinental provide a more detailed breakdown of their billing. Mr. Vavrica advised that he would follow-up accordingly.

Mr. Pollack asked the Board to consider subscribing to a periodical entitled "The Economist". Mr. Pollack felt the expense was justified due to the wealth of financial information provided. There was no objection and Mr. Williams advised he would handle.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:44 A.M.

The next scheduled meeting is September 26, 2014 at 10:30 AM.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson