

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

November 21, 2014

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, November 21, 2014, at 10:37 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021. Note: Mrs. Marano was Acting Chairperson until the arrival of Mr. Strauss.

PRESENT:

D. Strauss, Chairman (arrived at 10:38 AM), C. Marano, Secretary, M. Pollak, V. Szeto, P. Laskowski and C. O'Brien.

Also present were Kee Eng, City of Hollywood; John McCann of Thistle Asset Consulting; Janna Hamilton of Garcia Hamilton; John Rockford, Henry Renard & Robert Maddock, III – Inverness Counsel; Steve Cypen, Board Attorney and Dave Williams, Plan Administrator.

Excused Absence: R. Brickman

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 SEPTEMBER 26, 2014 MEETING

Mrs. Marano asked if there were any additions or corrections to the Minutes of the September 26, 2014 pension board meeting. Mr. Laskowski made a motion to approve the Minutes of the September 26, 2014 pension board meeting, which was seconded by Mr. Szeto. All board members present voted yes (motion passed 5-0, as Mr. Strauss was off the dais/not present). Note: The meeting of October 31, 2014 was cancelled.

ATTORNEY'S REPORT

Mr. Cypen cited the motion for amici curiae was granted by the State Supreme Court in the Headley, Jr. vs. City of Miami case.

Mr. Cypen referenced a recent State Supreme Court Ruling in the Parker vs. Board of Trustees, City of Tampa Case. In brief, the prevailing party may seek Attorney Fees.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

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DROP/PRB Loans: Mr. Williams cited the respective member's loan requests. He outlined that each member has the funds in his/her personal DROP/PRB account to cover the loans and he/she has been a participant in the DROP/PRB plan for the required amount of time. No conflict exists with the 12-month rule. Mr. O'Brien made a motion to approve the loans as noted, which was seconded by Mr. Szeto. All board members present voted yes (motion passed 5-0, as Mr. Strauss was off the dais/not present).

City Contribution: Mr. Williams provided Trustees a copy of the check from the city for the annual required employer contribution. The amount of the deposit was \$9,591,667.00. This amount does not include the annual payment required for the 2013 supplemental distribution (interest will continue to accrue until paid). Said funds invested as per the investment guidelines established by the Board.

State Funds: Mr. Williams provided Trustees a copy of the check from the state for the 185 funds. The amount of the deposit was \$1,269,750.18. Said funds invested as per the investment guidelines established by the Board.

QUARTERLY INVESTMENT PRESENTATIONS

Garcia Hamilton and Associates

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

Mrs. Hamilton advised for the quarter that ended September 30, 2014, the equity portfolio returned 3.1% for the equities, which outperformed in comparison to the Russell 1000 Growth Index return of 1.5%. This return also placed GHA in the TOP 1% of the investment universe. For the last twelve months, equities returned 17.4%, in comparison to the Russell 1000 Growth Index return of 19.1%. On a three year look back, equities returned 19.2% in comparison to the benchmark return of 22.4%.

A detailed equity market commentary was provided to the Board by Mrs. Hamilton. Stocks posted slight gains during the quarter. The Federal Reserve continued to "taper" its bond purchases, indicating the liquidity program will end in October 2014 despite persistent soft economic data. Investors remained fixated on every word from the Fed, hoping the program would be extended, sustaining a floor under stock prices. Commodity price declines reflected a rising U.S. dollar and weak economic activity. Large cap stocks, as measured by the S&P 500 Index, gained 1.1% including dividends. Small cap stocks, measured by the Russell 2000 Index, declined 7.4% with dividends. Daily volatility rose late in the quarter, due to global tensions and talk of rising short term rates by mid-2015. Growth indices outperformed value indices across all capitalization ranges. Most of the differential is attributable to larger growth index weightings in the classic growth sectors of Healthcare and Information Technology. As is often the case in periods of sluggish overall activity, companies expected to generate their own growth through innovation are most attractive to investors.

Product-cycle stories attracted attention during the quarter. Biotechnology was the standout: nine of sixteen Biotechnology stocks in the Russell 1000 Growth Index climbed double-digits, driven by new product approvals from a very active Food & Drug Administration. iPhone6 excitement propelled much of the Information Technology performance, as Apple and component suppliers alike gained ground. Falling crude and natural gas prices hit Energy stocks hard. Horizontal drilling techniques have

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dramatically boosted domestic supplies while OPEC producers refuse to cede market share. Alternative energies and sluggish economic activity have curtailed demand. Fear of rising interest rates pushed Utility stocks and REITs lower, despite a slight decline in 10-year Treasury yields over the period. The account was valued at \$32,624,834.55 as of September 30, 2014.

Mrs. Hamilton indicated that for the quarter that ended September 30, 2014, the fixed income portfolio returned 0.4%, which outperformed the Barclays Capital Intermediate Aggregate benchmark return of 0.0%. On a one year basis, the fixed income portfolio returned 4.0% vs. the benchmark return of 2.9%. Since the portfolio inception date of June 30, 2011, the fixed income return was 4.8%, compared to the Barclays Capital Intermediate Aggregate return of 2.6%.

Mrs. Hamilton's report indicated that at the September FOMC (Federal Open Market Committee) meeting, Chairwoman Janet Yellen repeated the current target range for the Fed funds rate will remain the same for "a considerable time" after completing asset purchases. However, the median expectation for Fed funds target at year-end 2015 increased 30 basis points to 1.375%, even while growth projections of GDP were reduced. The fear of a rate hike caused yields to jump up from their year to date lows, but geopolitical risks such as airstrikes in the Middle East, turmoil in the Ukraine, and protests in Hong Kong provide refuge demand for U.S. government debt. For the third quarter, the bond market delivered modest positive performance on the Barclays Capital Aggregate Index of 0.17%, while the Barclays Capital Intermediate Government Credit Index provided a slightly negative return of -0.03%. The account was valued at \$12,767,104.68 as of September 30, 2014.

Inverness Counsel, Inc.

Mr. Maddock & Mr. Rockford provided the Board with a performance review of the quarter which ended September 30, 2014. Equity sector weightings were detailed, as were Bond attributes.

Highlights of the presentation cited:

During the quarter, equity markets continued to rally, and the S&P500 crossed an important psychological barrier of 2,000, although it ended the quarter at 1,972. After a pause during the first quarter, economic growth surprised to the upside in the second quarter and has resumed the upward trend that began in the middle of 2013. The industrial part of the economy continues to improve. Geopolitical risks continue to grow and may be a source of instability, but for now, volatility for the overall market has remained muted. Earnings have grown at the same pace as stock prices, so valuations remain reasonable. The environment remains favorable for many investments, and we continue to position portfolios for modest economic growth. We continue to position portfolios for modest economic growth. Many of the investment catalysts we had been looking for reemerged when the harsh winter ended and are now accelerating. Given these developments, we have examined our energy and industrial exposures and have adjusted where needed. We have continued to reduce our exposure in consumer stocks. Mr. Maddock advised for the quarter that ended September 30, 2014 the equity portfolio returned 1.33% for the equities (Top 17% of the investment universe), compared to the S&P 500, which returned 1.13%. For the last twelve months (which is also the fiscal year), the account returned 19.64% for the equities (Top 18% of the investment universe), in comparison to 19.74% for the same benchmark.

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On a longer term basis of 3 years, the account returned 25.24% for the equities (This return also placed GHA in the TOP 1% of the investment universe), in comparison to the S&P 500, which returned 22.99%. The account was valued at \$42,183,000 as of September 30, 2014.

Mr. Rockford indicated that for the quarter that ended September 30, 2013, the fixed income portfolio returned -0.05%, compared to the Broad Fixed & Intermediate Fixed Benchmark of 0.07%. For the fiscal year, the fixed portfolio returned 2.96% compared to the same policy return of 3.13%. On a longer term basis of 3 years, the account returned 2.77%, in comparison to the policy return 2.28%. The account was valued at \$85,347,000 as of September 30, 2014.

Thistle Asset Consulting

Mr. John McCann appeared before the Board and presented the September 30, 2014 investment report.

Mr. McCann advised that as of September 30, 2014 the system had 52.7% in equities, 39.3% in fixed income, and the balance in cash. As of September 30, 2014, Inverness Counsel held 51.0% of the portfolio, Garcia Hamilton had 18.1%, Eagle had 7.2%, Rhumblin had 8.5%, Buckhead had 8.3%, American Realty had 3.2%, Intercontinental Realty had 3.3% and the Israel Bonds were at 0.3%. The total assets were valued at \$251,415,000.

For the quarter, Mr. McCann stated that the total fund returned was essentially flat at 0.01% vs. -0.23% compared to the benchmark. That return placed the fund in the TOP 15 percent of the investment universe. The total fund returned 9.92% v. 9.72% for the last year. That return outpaced the benchmark and placed the Fund in the TOP 45 percentile of the investment universe. Further, that fiscal return beat the assumed rate of return by 192 basis points. For the longer term (*three & five year period*), the total fund returned 12.29% & 9.37% respectively vs. 12.24% & 9.80% respectively for the benchmark. All time measurements cited exceeded the assumed rate of return for the Fund.

Mr. McCann advised that quarterly and fiscal year returns for the managers as follows:

Manager	Q- Return	Fiscal Return
Inverness Counsel (Equity)	1.33%	19.64%
Garcia Hamilton (Equity)	2.93%	16.53%
Inverness Counsel (Fixed)	-0.05%	2.96%
Garcia Hamilton (Fixed)	0.36%	5.16 %
Rhumblin	-4.00%	11.72%
Eagle Asset	-5.78%	7.77%
Buckhead	0.37%	18.28%
American Realty	3.04%	11.29%
Intercontinental Realty	3.46%	10.66%

A detailed aggregate equity analysis followed as well as individual manager review by Mr. McCann. Additional real estate allocation was discussed. Allocation Study to follow from Thistle.

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OPEN DISCUSSION

Mr. Cypen reflected he reviewed and approved for legal content, the consent to solicit letter from American Core Realty Fund. Mr. Laskowski made the motion to authorize Mr. Strauss to execute the letter on behalf of the Board. Mr. O'Brien seconded the motion. All board members present voted yes - passed 6-0.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:48 A.M.

The next scheduled meeting is December 19, 2014 at 10:30 AM.

Respectfully submitted,

C. Marano, Secretary

APPROVED:

D. Strauss, Chairperson