

HOLLYWOOD POLICE OFFICERS' RETIREMENT SYSTEM

**Office of Retirement
4205 Hollywood Blvd., Suite 4
Hollywood, Florida 33021**

**May 22, 2015
10:30 AM**

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, May 22, 2015, at 10:30 AM, 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 and V. Szeto, Trustees.

Excused Absence: M. Pollak & D. Brickman

Also present were Kee Eng, City of Hollywood; John Rochford & Robert Maddock, Inverness Counsel; John Mc Cann & Brendon Vavrica, Thistle Asset Consulting; Jose Fernandez & Todd Green, Cavanaugh Macdonald Consulting; Gregg Hymowitz, Greg Tarpinian & Bryan Schneider, EnTrust; Greg Klobucar, Harding Loevner; 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 APRIL 24, 2015 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of April 24, 2015. Mr. Laskowski made a motion to approve the Minutes of April 24, 2015 which was seconded by Mr. O'Brien. All board members voted yes.

ATTORNEY'S REPORT

Mr. Cypen provided a brief legislation review that will require the Board to publicly post the following: SB 534 Actuarial Required Reporting, SB 534 Investment Reporting, Annual Required Budget Reporting, Financial Statements (Detailed Accounting Report Contained therein). Mr. Williams commented that development of a new web page is underway. Mr. Williams further stated that this Board has always maintained its business in a transparent manner and the foregoing is welcomed. Mr. Cypen reflected that the Budget is required to be filed with the plan sponsor prior to September 30th each year. Mr. Williams advised a Budget will be presented for consideration at the next meeting.

Mr. Cypen commented that Mr. Robert Friedman of Holland Knight who is working on our "Letter of Determination" recently received a technical inquiry from the IRS. A response was prepared and provided accordingly to the IRS.

It was reported by Mr. Cypen that the Fund was not appointed Lead Plaintiff in the Stratasys Matter. Another Fund with greater losses was appointed by the court. However, the Fund is still class member in the pending litigation.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

DROP/PRB Loans: Mr. Williams cited the respective member(s) loan request. He outlined that each member(s) have the funds in his/her personal DROP/PRB account to cover the loan(s) 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. Mrs. Marano made a motion to approve the loans as noted, which was seconded by Mr. Laskowski. All board members present voted yes.

Trustees were reminded to complete their respective financial reporting forms prior to July 1st.

ACTUARIAL VALUATION REPORT

Mr. Todd Green & Mr. Jose Fernandez, Board Actuary's of Cavanaugh Macdonald Consulting, LLC., presented the October 1, 2014 Actuarial Valuation Results. The findings of this report are to be paid in the fiscal year October 1, 2015 through September 30, 2016.

Mr. Green indicated that market return was 10.51% vs. 8.00% expected return (2.51% greater than expected). It was pointed out that the DROP Members with the Fixed Rate of Return, rec'd 8.00% vs. 10.51%. The actuarial asset return was 10.09% vs. 8.00% expected (2.09% greater than expected). It was reported that individual pay increases averaged 12.24% vs. 5.47% expected, most likely as a result of new hires and pay being restored from previous years. Total payroll increased 13.19%.

Active/Retired Membership: Mr. Green outlined a 1.3% annual decrease for active members since 2009; 2.9% increase for 2014. There was a 1.9% annual increase for retired members since 2009; 0.6% increase for 2014. There were 1.5 retirees per active 5 years ago; 1.7 retirees per active now.

In terms of active salary & retirement benefits, the Fund recognized a 1.0% annual decrease for average salary since 2009; 10.0% increase for 2014. 2.7% annual increase for average benefits since 2008; 1.7% increase for 2014. Average active salary was valued at \$76,409 and average retirement benefit was valued at \$58,150. That is \$976.00 greater compared to the average retirement benefit of 2013.

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
2015/16 Fiscal Year	\$12,538,746	\$13,106,868	\$568,122

Mr. Green expressed the following funding components: The expected member contribution is 8.00% (as per the current collective bargaining agreement) of active member payroll. The expected contribution from the State of Florida (185 funds) is estimated at \$1,250,143.

The results of the valuation were outlined as follows:

	October 1, 2013 Valuation (Fiscal Year 2014/2015 Contributions)	October 1, 2014 Valuation (Fiscal Year 2015/2016 Contributions)
Total Normal Cost Including Expenses	\$3,548,678	\$3,918,988
Less Expected Member Contribution	1,207,367	1,366,564
Employer Normal Cost	\$2,341,311	\$2,552,424
Interest Adjustment	543,497	568,122
Amount to Amortize UAL	10,968,615	11,256,072
Total Required City/State Contribution	\$13,853,423	\$14,376,618
Expected Chapter 185 Monies	1,250,143	1,269,750
Required Employer Contribution	\$12,603,280	\$13,106,868
Unfunded Accrued Liability	\$146,996,010	\$146,241,676 (-754,334 less this year)
Funded Ratio	53.0%	54.1%

Discussion ensued about future liabilities of the PRB and the funds being withdrawn. After fielding questions by the Trustees, Mr. O'Brien made a motion to accept the October 1, 2014 Actuarial Valuation Report as presented. Mr. Laskowski seconded the motion. All members voted yes.

Inverness Counsel, Inc.

Mr. Maddock and Mr. Rochford provided the following investment outlook:

Positives

Healthy balance sheets and lower debt service costs paving way for loan growth
Lower fuel and other commodity prices could be a tailwind for the consumer and some companies
Housing recovery has room to grow, first time home buyers are the key
Multiple foreign central banks remain committed to low interest rates

Negatives

Tepid worldwide economic growth
Geopolitical concerns continue to impede market growth
Future profits may be pressured by a stronger U.S. dollar and rising employment costs

Representatives advised that they expect volatility to remain elevated in both the equity and fixed income markets. Inverness remains optimistic on the U.S. economy in the long term and currently tend to favor domestically focused companies

Mr. Maddock advised for the quarter that ended March 31, 2015 the equity portfolio returned 2.77% (TOP 24%) for the equities, compared to the S&P 500 which returned 0.95%. For the last twelve months, the account returned 13.09% for the equities, which outpaced the benchmark cited. On a longer term basis of 3 years, the account returned 17.41% (TOP 13%) for the equities, which outpaced the benchmark by 130 basis points. The account was valued at \$46,862,000 as of March 31, 2015.

Mr. Rochford indicated that for the quarter that ended March 31, 2015, the fixed income portfolio returned 1.81% (TOP 17%), compared to the Broad Fixed & Intermediate Fixed Benchmark of 1.65%. For the last twelve months, the fixed portfolio returned 4.59% compared to the Benchmark return of 4.72%. On a longer term basis of 3 years, the account returned 2.85%, in comparison to the policy return 2.84%. The account was valued at \$76,061,000 as of March 31, 2015.

NEW BUSINESS - Investment Presentations -Harding Loevner (International Equity) & Entrust (Global Activism Fund)

Mr. Vavrica outlined an Asset Allocation Analysis for the Board to consider based on the different investment options before them today. Mr. McCann advised that the cited managers were present to give their presentations. The presenters were identified as: Mr. Gregg Hymowitz, Mr. Mark Guariglia & Mr. Bryan Schneider of EnTrust; Mr. Greg Klobucar of Harding Loevner. They were provided an opportunity to address the Board with regard to their firm's respective Strategy. The representatives provided details about their respective firms, the firm's investment team experience, philosophy, investment process and their history. The candidates provided thought provoking presentations to the Board of Trustees.

The Board discussed their perspectives and weighed the risk-reward for both mandates. The Board noted the Entrust portfolio would not be readily liquid, but realized that this mandate is a fraction of the Fund and that it was a long-term investment. Mr. Strauss passed the gavel of the Chair to Mrs. Marano. At this point Mr. Strauss made a motion to retain the investment services of Entrust Global Activism Fund (E-Shares) for a funding mandate of 5 million dollars (source Snow & Wells 2.5 million each), pending the approval of the contract by Mr. Cypen. Mr. Laskowski seconded the motion. All members voted yes. Mr. Vavrica recognized the Board's funding source, but will review the target balance of other managers for the Board to consider.

OPEN BOARD DISCUSSION
No discussion ensued.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 1:22 PM.

Respectfully submitted,

C. Marano, Secretary

APPROVED:

D. Strauss, Chairman