

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

**August 21, 2015**

**MINUTES**

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, August 21, 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, R. Brickman, M. Pollak and V. Szeto.

Also present were Alan Fallik, Assistant City Attorney & Kee Eng, City of Hollywood; Clement Johns, Board Auditor; John McCann & Brendon Vavrica of Thistle Asset Consulting; John Rochford & Robert Maddock, III of Inverness Counsel; Steve Cypen, Board Attorney and Dave Williams, Plan Administrator. Jose Fernandez, Board Actuary via Conference Call.

**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**

Mr. Strauss asked if there were any additions or corrections to the Minutes of July 31, 2015. Mr. Szeto made a motion to approve the Minutes of July 31, 2015 which was seconded by Mr. Laskowski. All board members voted yes.

**185 ISSUE - ACTUARY REPORT (ADDED TO AGENDA)**

Mr. Williams reflected that the State of Florida – Bureau of Local Retirement Systems may be withholding our 185 distribution. Further, that the pension election is being postponed due to language issues (involving 185 funds) between the City of Hollywood and the PBA. Mr. Williams arranged for Mr. Fernandez to join the meeting via conference call and requested the issue be added to the Agenda. Motion by Mr. O'Brien to add this cited matter to this Agenda. This was seconded by Mr. Szeto. All board members voted yes.

Mr. Fernandez joined the meeting via conference call. Mr. Williams advised that repeated efforts to verify the status of our 185 funds have proved fruitless. To date, the state representatives will only say this matter is under review. It was Mr. Williams' understanding the delay is because of the city's efforts (written by Mr. Alan Fallik, Assistant City Attorney) of November 21, 2013 to stop the supplemental distribution.

Mr. Fernandez advised that he has communicated with Mr. Lalla, City of Hollywood – Finance Director (via e-mail) about pre-post funding. Mr. Fernandez explained to Mr. Lalla that the Board was awaiting direction from the city on this topic. As the city has not provided direction, funding would continue in the same manner.

By consensus the Board asked Mr. Fernandez to speak with state representatives and seek their input in the funding of the benefit.

The Board felt that state representatives are sending mixed signals and a clear concise response is needed once and for all. *Noted: State has given approval of the original ordinance and impact statement, the state approval of every annual report and actuary valuation since inception of the benefit and finally the prior two written approval letters were received from the state).*

Mr. Cypen felt that pre-funding vs. post funding should not be conceded to the state. Mr. Fernandez echoed that just as the city says that future taxpayers may be unwarrantedly hurt, by pre-funding current taxpayers may be unwarrantedly hurt. A re-stated Actuarial Valuation may be considered. Mr. Fernandez will make the effort to resolve this with the state or at least get a full explanation of the issue from the state and report back to the Board. Mr. Pollak closed this segment by saying the state appears to be acting on conjecture.

### ATTORNEY'S REPORT

Mr. Cypen was asked to explain his status as the Board's Attorney, due to a notice transmitted. Mr. Cypen indicated that essentially nothing has changed for our Plan. That his strategic alliance with Klausner, Kaufman, Jensen & Levinson (KKJL) is there to assist him on an as needed basis. Fees associated for their services will not be passed on to the client.

Present at the meeting was Mr. Paul Daragjati who is an associate with the law firm of Klausner, Kaufman, Jensen & Levinson. Mr. Daragjati introduced himself and outlined his background: Graduated from the University of North Florida, and thereafter entered service with the Jacksonville Sheriff's Office. Mr. Daragjati later attended the Florida State University School of Law, and upon graduation entered service with the Office of the State Attorney for the Fourth Judicial Circuit of Florida, where he prosecuted both felonies and misdemeanors. Mr. Daragjati was later retained by the Fraternal Order of Police, where he served as general counsel until he was retained by the law firm of Klausner, Kaufman, Jensen & Levinson.

Mr. Pollak indicated that he has no knowledge of the firm and requested additional information from Mr. Daragjati so he could do his own due diligence.

### ADMINISTRATIVE REPORT

Mr. Clement Johns was present to report that the state issued an inquiry on August 18, 2015 for the 2014 annual report. Mr. Johns outlined the inquiry was very minor in nature and he has already submitted a response to Mr. Williams, who will file accordingly with the state. The Board joined Mr. Williams by thanking Mr. Johns for his prompt attention in this matter of mutual concern.

Mr. Williams read his response to the state into the record: Per your inquiry dated August 18, 2015 (transmitted via e-mail by Mr. Brinkman on August 20, 2015), please find the updated reports. The minor revision(s) requested were addressed upon receipt.

- The funding issue is being addressed by Clement Johns, Board Auditor under separate cover
- The four deceased members SSN were added to page 12
- The total was added to the top of page 15
- The days of the dob's were redacted on page 15

My understanding is that there is also a pending letter from the Division of Retirement relating to the supplemental distribution. I cannot impress upon you enough to please consider the following: The Division of Retirement approved the impact statement filed on May 3, 2001 for the supplemental distribution; This Board has transmitted supplemental distribution information to the Division of Retirement each year since the inception of the program; each year the state reports have been approved and accepted through the 2013 reporting year; January 5, 2010 Douglas Beckendorf reviewed and approved the action of the supplemental distribution during a valuation review; On March 23, 2013 the Board proactively sought and received approval from the Department of Management Services in the manner the supplemental distribution was being administered; The matter raised in the letter of Mr. Brinkman's July 3, 2014 letter to the city attorney was received well after the supplemental distribution was handled in this reporting year; For the reason(s) clearly outlined, I see no valid purpose to harm this Plan, the City of Hollywood, the taxpayers and the membership who will be adversely affected. With these requested revision(s) please approve the 2014 Annual Report for the Hollywood Police Officers' Pension Fund. By consensus the Trustees agreed with the response.

#### QUARTERLY INVESTMENT PRESENTATIONS

##### Inverness Counsel, Inc.

Mr. Maddock & Mr. Rochford provided the Board with a performance review of the quarter which ended June 30, 2015. The pair detailed the Market as follows: During the quarter, equity markets continued to trade within a narrow range. The S&P 500 ended the period with a slightly positive return, closing at 2,063. The U.S. economy experienced another soft patch in the first half of the year. Nonetheless, the employment picture continues to improve, and wages are increasing. For now, the U.S. dollar has stopped appreciating versus other major currencies, but the negative translation effect is continuing to have a significant impact on earnings. Earnings growth for the S&P 500 is now estimated to be slightly positive for the year, and valuations have expanded.

The Federal Reserve has delayed its increase of interest rates until sometime in the second half of the year, but the Fed seems intent on moving away from zero. We continue to position portfolios for economic growth, although we expect volatility to reappear. The S&P 500 Index gained 0.28% on a total return basis for the quarter. The growth-focused Healthcare and Consumer Discretionary sectors, along with Financials, led the way. The high-dividend Utilities sector was down for the quarter, as rising interest rates attracted money elsewhere.

##### Highlights of the presentation included:

Mr. Maddock advised for the quarter that ended June 30, 2015 the equity portfolio returned 2.01% for the equities, compared to the S&P 500 which returned 0.28%. For the fiscal year, the account returned 8.72% for the equities in comparison to 6.22% for the same benchmark. For the last twelve months, the account returned 10.17% for the equities in comparison to 7.42% for the same benchmark.

On a longer term basis of three years, the account returned a stellar 20.11% for the equities, in comparison to the S&P 500, which returned 17.31%. The account was valued at \$53,640,000 as of June 30, 2015.

Mr. Rochford indicated that for the quarter that ended June 30, 2015 the fixed income portfolio returned -1.54%, compared to the Broad Fixed & Intermediate Fixed Benchmark of -1.36%. For the fiscal year the fixed portfolio returned 1.29% compared to the same policy return of 1.62%.

On a longer term basis of three years, the account returned 1.82%, in comparison to the policy return 1.69%. The account was valued at \$64,507,000 as of June 30, 2015.

Thistle Asset Consulting

Mr. Vavrica and Mr. McCann appeared before the Board and presented the June 30, 2015 investment report. Representatives reported that as of June 30, 2015 the system had 58.9% in equities, 30.0% in fixed income, 9.7% in real estate and the balance in cash.

As of June 30, 2015, Inverness Counsel held 45.9% of the portfolio, Garcia Hamilton had 18.7%, Eagle had 7.9%, Rhumbline had 9.2%, Wells had 4.2%, Snow had 4.1%, American Realty had 3.3%, Intercontinental Realty had 6.4% and the Israel Bonds were at 0.2%. The total assets were valued at \$259,467,000.

For the quarter, Mr. Vavrica stated that the total fund returned was 0.23% (ranking in the TOP 6%) vs. -0.03% compared to the benchmark. The total fund returned 6.17% (ranking in the TOP 3%) vs. 5.73% on the fiscal year. The total fund returned 6.18% (ranking in the TOP 2%) vs. 5.48% for the last twelve months. For the longer term (*three year period*), the total fund returned 10.39% (ranking in the TOP 25%) vs. 9.86% for the benchmark, handedly exceeding the assumed rate of return. An overview of the managers was provided to the Board to consider.

Mr. Vavrica and Mr. McCann discussed possible re-balancing of the portfolio. Mr. Laskowski interjected the city is expected to infuse their annual contribution shortly. Those incoming funds could be used to rebalance as needed. Mr. Williams asked Mr. Eng if the city's intent is to pay in the beginning of the fiscal year in order to save on interest. Mr. Eng replied that was his understanding. All parties felt waiting for the city contributions would be a more reasonable and prudent path to take.

OPEN DISCUSSION

Intercontinental Real Estate made a net distribution to the Plan of \$150,268.27 for the second quarter 2015.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:45 AM

The next scheduled meeting is September 25, 2015 at 10:30 AM.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson