

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

**November 20, 2015**

**MINUTES**

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, November 20, 2015, at 10:32 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT:

D. Strauss, Chairman, C. Marano, Secretary, D. Brickman, M. Pollak, V. Szeto, P. Laskowski and C. O'Brien, Board Trustees.

Also present were Kee Eng, City of Hollywood; John McCann, Brendon Vavrica & Jose Christiansen of Thistle Asset Consulting; Janna Hamilton of Garcia Hamilton; John Rockford, Henry Renard & Robert Maddock of Inverness Counsel; 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 OCTOBER 30, 2015 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the October 30, 2015 pension board meeting. Mr. Laskowski made a motion to approve the Minutes of the October 30, 2015 pension board meeting, which was seconded by Mr. Szeto. All board members voted yes – passed 7-0.

ATTORNEY'S REPORT

- Informal Hearing – Armando Silva (Claimant): Mr. Cypen reviewed the details regarding the disability application and results of the independent medical examination by Jonathan O. Harris, M.D. The medical records of Mr. Silva (in excess of 6700 pages) has also been available for review to all Trustees during this process.

At the conclusion of the presentation by Mr. Cypen, Mr. O'Brien made the following motion: Mr. Silva is physically unable to perform the duties of a police officer to which he was assigned. Given Mr. Silva's medical condition, the City of Hollywood does not have a position for the claimant as a certified police officer; therefore he is unable to render useful and efficient service as a police officer to the City. It is apparent the disability was incurred in the line of duty, and is total and permanent. Based on the foregoing, it has been determined that the disability commenced more than 90 days prior to this date.

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Therefore the disability pension shall be effective on November 20, 2015 and the benefits shall be payable beginning December 1, 2015. The motion was seconded by Mr. Szeto. All board members voted yes – passed 7-0.

### ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

- **DROP/PRB Loan(s):** Mr. Williams cited the respective member(s) loan request(s). He outlined that each member has the funds in his/her personal DROP/PRB account to cover the loan 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 loan(s) as noted, which was seconded by Mr. Szeto. All board members voted yes – passed 7-0.
- **Underfunding:** Mr. Williams advised that he sent a notice of underfunding to Mr. Ernesto Acosta Division Director, General Accounting – City of Hollywood on October 13, 2015. The Mayor and all the City Commissioners were copied. The supporting underfunding material was prepared by Mr. Jose Fernandez, Board Actuary. No comment has been received to date. Mr. Williams conveyed that oddly enough, on October 21, 2015 (approximately one week later), the city commission approved Resolution R-2015-217 adopting the “Best Practice of the Government Finance Officers’ Association Concerning Sustainable Funding Practices of Defined Benefit Pension Plans”. One of the core principles of the policy is to contribute the actuarially determined required contribution.
- Mr. Williams cited a new Application for Disability received from Member: Michael Whiting.
- Meeting with PRB Members was held on November 10, 2015. Mr. Williams felt it was well received by the affected members. At this juncture all the PRB Members switched to the R-PRB and all the required paperwork was distributed to the City of Hollywood – HR for processing. Sun CU was acknowledged for the use of their community room.
- Distribution Notice from Intercontinental Real Estate (dated November 17, 2015) was provided to the Trustees. Net Amount: \$140,190.88.

### 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, 2015, the equity portfolio returned -7.4%, which underperformed in comparison to the Russell 1000 Growth Index return of -5.3%. For the last twelve months, equities returned 1.6%, in comparison to the Russell 1000 Growth Index return of 3.2%. On a three & five year look back, equities returned 10.5% & 12.1% respectively in comparison to the benchmark return of 13.6% & 14.5%. Since inception (February 9, 2000), the annualized return was 3.6% vs the benchmark of 2.0%.

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A detailed equity market commentary was provided to the Board by Mrs. Hamilton. Stock prices were broadly lower. The S&P 500 Index declined 6.4%. The Russell 1000 Growth Index lost 5.3%. Earnings estimate cuts spread beyond the energy sector, owing to slowing global economic activity and a stronger U.S. dollar.

Third quarter earnings look to be 6.4% below year ago levels while full year 2015 earnings are now projected to be 0.7% below 2014 levels. The U.S. Federal Reserve sowed much confusion by not raising its benchmark interest rate in September after suggesting for weeks a hike was forthcoming. It is now unclear if higher rates or additional stimulus will be next.

During the market downturn, ultra-high growth stories held up better than conservatively positioned companies. Adverse stock selection accounted for all the underperformance as conservatively positioned companies were not well-rewarded during the quarter. Many long term portfolio holdings experienced disappointing price action. Portfolio remains conservatively positioned with a meaningful overweight in high-quality stocks balanced by exposure to asset management companies which typically benefit from rising financial markets. The account was valued at \$33,044,984 as of September 30, 2015.

Mrs. Hamilton indicated that for the quarter that ended September 30, 2015, the fixed income portfolio returned 1.8%, which outperformed the Barclays Capital Intermediate Aggregate benchmark return of 1.1%. On a one year basis, the fixed income portfolio returned 4.1% vs. the benchmark return of 2.9%. Since the portfolio inception date of June 30, 2011, the fixed income return was 4.6%, compared to the Barclays Capital Intermediate Aggregate return of 2.7%.

Mrs. Hamilton's report advised that for the 55<sup>th</sup> consecutive meeting, the FOMC Federal Open Market Committee voted to keep its overnight target rate unchanged at 0.00% to 0.25%. The decision was a bit of a surprise as approximately half of economists surveyed believed the Fed would go ahead with its first rate increase since 2006. In their official statement, the Committee conveyed that it wants to see "some further" improvement in the labor market and added a new concern about "recent global economic and financial developments" impacting economic activity and putting "downward pressure on inflation in the near term." The account was valued at \$13,249,283 as of September 30, 2015.

### Inverness Counsel, Inc.

Mr. Maddock & Mr. Rockford provided the Board with a performance review of the quarter which ended September 30, 2015. Equity sector weightings were detailed, as were Bond attributes.

### Highlights of the presentation cited:

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 continues to improve, first time home buyers are the key. Multiple foreign central banks remain committed to low interest rates. The consumer, which accounts for 70% of the U.S. economy, is employed and getting a raise.

Negatives - We expect volatility to remain elevated in both the equity and fixed income markets. Slowing worldwide economic growth (i.e. China). Geopolitical concerns continue to impede market growth.

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Future profits may be pressured rising employment costs and increased interest payments. Fed looking to increase rates for the first time in 9 years. We remain optimistic on the U.S. economy and currently tend to favor domestically focused companies.

Equities: Mr. Maddock advised for the quarter that ended September 30, 2015, the equity portfolio returned -8.86%, which underperformed in comparison to the S&P 500 Index return of -6.44%. For the last twelve months, equities returned -0.92%, in comparison to the S&P 500 Index return of -0.61%. On a three & five year look back, equities returned 13.00% & 13.04% respectively in comparison to the benchmark return of 12.40% & 13.34%. The account was valued at \$45,348,000 as of September 30, 2015.

Fixed Income: Mr. Rockford indicated that for the quarter that ended September 30, 2015, the fixed income portfolio returned 1.43%, compared to the Broad Fixed & Intermediate Fixed Benchmark of 1.07%. For the fiscal year, the fixed portfolio returned 2.74% compared to the same policy return of 2.71%. On a three & five year look back, fixed income returned 1.56% & 13.04% respectively in comparison to the benchmark return of 1.52% & 2.76%. The account was valued at \$63,510,000 as of September 30, 2015.

### Thistle Asset Consulting

Mr. John McCann, Mr. Brendon Vavrica & Mr. Jose Christiansen appeared before the Board and presented the September 30, 2015 investment report. Mr. John McCann introduced his associate Mr. Jose Christiansen to the Board, who was extended a warm welcome.

Mr. McCann advised that as of September 30, 2015 the system had 55.8% in equities, 31.9% in fixed income, and the balance in cash. As of September 30, 2015, Inverness Counsel held 45.6% of the portfolio, Garcia Hamilton had 19.1%, Eagle had 7.8%, Rhumblin had 9.0%, Snow had 2.7%, Wells Fargo had 3.2%, American Realty had 3.5%, Intercontinental Realty had 7.0% and the Israel Bonds were at 0.2%. The total assets were valued at \$242,469,000.

For the quarter, Mr. McCann stated that the total fund returned was -4.55% vs. -3.45% compared to the benchmark. The total fund returned 1.34% v. 2.08% for the last year. That return was outpaced by the benchmark, but placed the Fund in the TOP 12 percentile of the investment universe. For the longer term (*three & five year period*), the total fund returned 6.99% & 7.75% respectively vs. 7.27% & 8.15% 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)	-8.86%	-0.92%
Garcia Hamilton (Equity)	-7.26%	1.21%
Inverness Counsel (Fixed)	1.43%	2.74%
Garcia Hamilton (Fixed)	1.73%	3.75%
Rhumblin	-8.46%	1.36%
Eagle Asset	-8.08%	4.07%
Snow	-19.07%	N/A
Wells Fargo	-7.83%	N/A
EnTrust	-9.90%	N/A

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American Realty	3.04%	12.82%
Intercontinental Realty	3.32%	11.40%

A detailed aggregate equity analysis followed as well as individual manager review by Mr. McCann.

OPEN DISCUSSION

No discussion ensued.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:21 A.M.

The next scheduled meeting is December 18, 2015 at 10:30 A.M.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson