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

April 29, 2016
10:30 AM

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, April 29, 2016, at 10:30 AM, in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT: C. Marano, Acting Chairman; Chris O'Brien, P. Laskowski, R. Brickman, M. Pollak and V. Szeto. As there was an official quorum, Mr. Strauss attended the meeting via conference call.

Also present were Edward Rick, Eagle Asset Management; Jose Fernandez, Todd Green and Joey Walls 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 MARCH 25, 2016 MEETING
Mrs. Marano asked if there were any additions or corrections to the Minutes of March 25, 2016. Mr. Laskowski made a motion to approve the Minutes of March 25, 2016 which was seconded by Mr. Szeto. All board members voted yes.

ATTORNEY'S REPORT
No Report

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. Mr. O'Brien made a motion to approve the loans as noted, which was seconded by Mr. Laskowski. All board members present voted yes.

R-PRB Approval: Mr. Williams cited the entry date, benefit and option selected by the Member cited below.

- Richard Garcia

Mr. Szeto made a motion to approve the foregoing as noted, which was seconded by Mr. O'Brien. All board members present voted yes.

Mr. Williams cited a system (database) update that adjusted one member's drop account due to what was described as a "manual interest adjustment". The manual adjustment should not have been applied based on the drop rules. Mr. Williams and the member met along with Trustee Van Szeto. Member was invited to the Board Meeting to discuss under open discussion should he wish to speak to the Board further on this matter. During the open dialog Mr. Fernandez (Board Actuary) cited the Board's methodology has been consistent with DROP rules.

ACTUARIAL VALUATION REPORT

Mr. Jose Fernandez, Mr. Todd Green and Mr. Joey Walls of Cavanaugh Macdonald presented the October 1, 2015 Actuarial Valuation. The following synopsis outlines the report presented at the meeting the subsequent findings from Mr. Jose Fernandez based on the Board's direction.

The report presented exhibits the results of the actuarial valuation of the City of Hollywood Police Officers' Retirement System for the plan year beginning October 1, 2015. The purpose of this report is to provide a summary of the funded status of the plan as of October 1, 2015 and to determine the minimum required contribution amount for the 2016/2017 fiscal year. In addition, this report provides a record of any plan amendments or other plan changes affecting the financial status of the fund. Cavanaugh Macdonald calculations were prepared based on member data and financial information provided by the Retirement System.

Generally, the Retirement System receives contributions from the City of Hollywood, the State of Florida and from active members. Currently, the State of Florida is withholding the System's premium tax distribution under Florida Statutes, Chapter 185 pending resolution of the litigation filed against the Board of Trustees relating to the Supplemental Distribution (i.e., 13th check).

According to the State's October 2, 2015 letter, the distribution of premium tax moneys requires: 1) the prefunding of future 13th check distributions and 2) the City's lump sum payment to the System of the 13th check distributions made in 2014 and 2015. To meet the State of Florida requirement to pre-fund the Supplemental Distribution Cavanaugh Macdonald proposed reducing the interest rate assumption for valuation purposes from 8% to 7% effective October 1, 2015 to reflect the loss of investment return to the System to pay Supplemental Distributions. However, the assumed rate of investment return on fund assets remains at 8% per year. Based on subsequent discussions with the State of Florida actuary, Mr. Doug Beckendorf, this approach is acceptable to the State to pre-fund the Supplemental Distributions. In addition, as stipulated in the letter from the State dated October 2, 2015, the City is required to deposit a lump sum of $4,104,375 for the 2014 and 2015 Supplemental Distribution payments for the premium tax distribution to be released. In determining the sources of contributions to the System for the 2016/2017 fiscal year we have assumed the City will make the required lump sum payment to the System and State distributions in the amount of $1,308,509 will be available to offset the City's contribution requirement. If the State does not release the premium tax distributions we will adjust the City's contribution requirement.

The total required annual contribution for the 2016/2017 fiscal year from all sources is $19,624,722. The amount of the City contributions varies year to year. The blended member contributions are equal to 6.99% of payroll. The blended member contribution rate assumes 0.5% contributions from members currently participating in the Reformed Planned Retirement Benefit and 8.0% for all other active members. Taking into account expected member contributions of $1,349,967 and expected State contributions of $1,308,509, the total required contribution from the City is $16,966,246. In comparison, the required City contribution for the 2015/2016 fiscal year was $13,106,868. The City's contribution requirement for the 2016/2017 fiscal year assumes the City will receive the State distribution to offset its contribution.

In determining the City's contribution requirement Cavanaugh Macdonald included interest to reflect their understanding that the City makes bi-weekly contributions throughout the fiscal year.

In the table below Cavanaugh Macdonald presented the City's contribution requirements whether the City elects to pay the full amount on October 1, 2016 or in bi-weekly installments throughout the 2016/2017 fiscal year.

City contribution payable October 1, 2016	$16,341,778
Interest for bi-weekly payments during 2016/2017 fiscal year	$624,468
City contribution payable in bi-weekly installments	$16,966,246

Cavanaugh Macdonald projected the plan's unfunded liability was $146,530,596 as of October 1, 2015, taking into account City/State contributions from all sources of $13,425,807 for the year ended September 30, 2015. The actual unfunded liability is $188,507,881. The increase of $41,977,285 in the unfunded liability is primarily due to the change in the assumed interest rate from 8% to 7%, the Supplemental Distribution paid in 2015 and the benefit changes as a result of the most recent collective bargaining agreement included in Ordinance No. 2015-22 effective September 16, 2015 and adopted on October 7, 2015. The total increase in City contribution to amortize the unfunded liability is $2,356,212. Of this increase, $1,587,354 is due the change in the assumed rate of return and $393,963 is attributable to the 3.5% increase in the amortization payment under the current method. In addition, $135,477 is attributable to the supplemental distribution, and $130,577 is the change due to Ordinance No. 2015-22.

Representatives reflected that the valuation is based on a series of actuarial assumptions, including an interest rate of 7% per year effective October 1, 2015. The Plan's assumed rate of investment return remains 8% per year. However, as discussed, the interest rate decrease for valuation purposes from 8% to 7% reflects the use of investment returns to pay future 13th check distributions. The change in the interest rate is for valuation purposes only and does not affect any of the System benefits, including benefits based on the assumed rate of investment return of 8% per year. The rate of return on DROP accounts for members hired on or before September 30, 2009 will continue to equal the assumed rate of investment return of 8%. The payment of a Supplemental Distribution will still only occur if the market value return exceeds 8% for any fiscal year. Actuarial gains and losses result when the actual experience of the plan (such as asset return, pay increases, turnover, deaths, etc.) is different from that expected by the actuarial assumptions.

The valuation reflects the benefit changes included in the 2015 collective bargaining agreement. The impact of the benefit changes is to increase the City's annual contribution requirement by approximately $433,000. The benefit changes include the new Reformed Planned Retirement Benefit (RPRB) plan. As of October 1, 2015, 27 active employees have elected the RPRB. These employees are contributing 0.5% of pay to the System instead of the 8% other members are contributing. Since these members are still active employees making Retirement System contributions Cavanaugh Macdonald has included them as active System members. The estimated future cost of the RPRB is very sensitive to the assumed rates of retirement. The actual cost of the RPRB will be different from the costs representatives estimated and will not be known for many years. The actual cost will depend on many factors, including when members actually terminate from service and how long members will work while participating in the RPRB. Generally, assuming members will work longer before retiring will reduce the annual cost of the benefit because the full cost will be spread over a longer period. If in the future, members do not work as long as anticipated by the assumptions the cost to the City of the adopted changes will be higher than estimated. Cavanaugh Macdonald will monitor the future actual experience under the Reformed Planned Retirement Benefit and recommend changes in the retirement rates if necessary.

A summary of the results of the valuation and the contribution requirements is presented as follows:

SUMMARY OF VALUATION RESULTS **TABLE I**

	As of October 1, 2014	As of October 1, 2015
1. Number of Members		
a. Active Members (including RPRB)	**216**	**245**
b. Deferred Vested Members	**9**	**13**
c. Retired Members:		
i. Members in DROP	27	23
ii. Non-disabled	273	277
iii. Disabled	27	26
iv. Beneficiaries	40	39
v. Sub-total	367	365
d. Total Members	592	623
2. Total Annual Compensation	**$16,504,396**	**$18,649,015**
3. Total Projected Payroll	**$17,082,050**	**$19,301,731**
4. Total Retired Member Benefits	**$21,341,224**	**$21,695,704**
5. Derivation of Normal Cost		
a. Present Value of Future Benefits	$353,286,611	$418,671,405
b. Present Value of Future Normal Cost	($34,343,749)	($52,730,373)
City Portion	*($19,809,641)*	*($36,072,151)*
Member Portion	*($14,534,108)*	*($16,658,222)*
c. Actuarial Accrued Liability (AAL)	$318,942,862	$365,941,032
d. Actuarial Value of Assets	($172,701,186)	($177,433,151)
e. Unfunded Accrued Liability (c. + d.)	**$146,241,676**	**$188,507,881**
f. Normal Cost with Interest	$3,518,988	$4,987,970
g. Payment to Amortize Unfunded Liability	$11,256,072	$13,612,284
h. Administrative Expenses	$400,000	$400,000
i. Bi-weekly Interest Adjustment	$568,122	$624,468
j. Total (f + g. + h. + i.)	**$15,743,182**	**$19,624,722**
6. Expected Contributions Fiscal Year	**2015/2016**	**2016/2017**
a. Expected Member Contributions	$1,366,564	$1,349,967
b. Expected Chapter 185 Monies	$1,269,750	$1,308,509 [2]
c. Expected City Contribution	$13,106,868 [1]	$16,966,246
d. Total (a. + b. + c.)	**$15,743,182**	**$19,624,722**

[1] There was a prepaid City contribution of $2,269,751 as of October 1, 2014 which the City used to reduce its cash contribution for fiscal year 2015.

[2] Receipt of the premium tax distribution assumes the City will make a lump sum payment of $4,104,375 to the System as required by the State of Florida in the letter dated October 2, 2015.

In summary:

Asset returns

- Market asset return on non-DROP funds (1.1)% vs. 8.00% expected return (9.1% less than expected).
- Actuarial asset return 8.1% vs. 8.00% expected (.1% greater than expected).

Pay increases

- Individual pay increases average 4.53% vs. 5.46% expected.
- Total payroll increased 13.0%

Summary – Con't

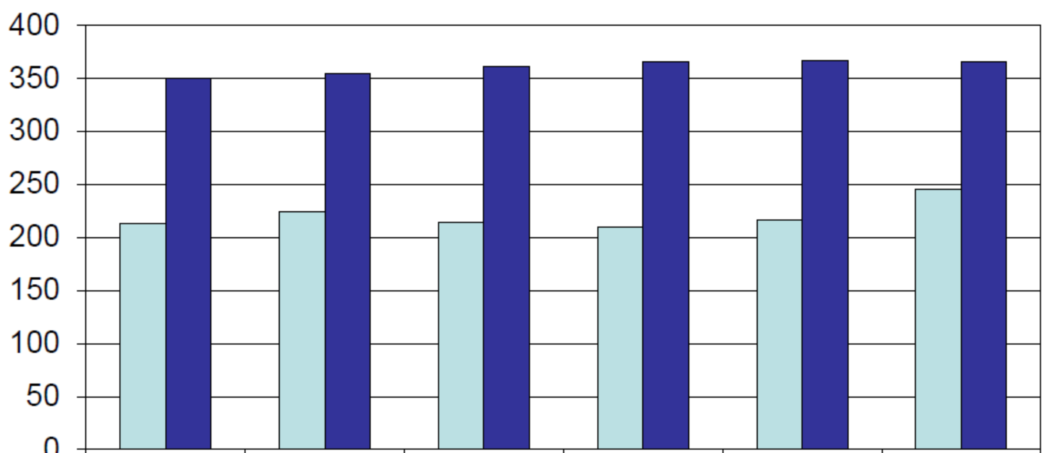
Currently, State of Florida withholding the System's premium tax distributions pending resolution of the litigation filed by the City of Hollywood against the Board of Trustees related to the Supplemental Distribution (13th check).

Therefore, Cavanaugh Macdonald assumed no State distributions will be available to offset the City's contribution requirement for the 2016/2017 fiscal year. Note: If the State releases the distributions Cavanaugh Macdonald will adjust the City's contribution requirement to reflect the State distribution.

Valuation Reflects 2015 Collective Bargaining Agreement Benefit Changes - Reformed Planned Retirement Benefit (RPRB).

- Lump sum of benefit while the member participates in the RPRB accumulated with the System's earnings/losses.
- As of October 1, 2015, 27 active employees have elected the RPRB.
- The employees electing the RPRB contribute 0.5% of pay, instead of 8%.
- Members in the Planned Retirement Benefit (PRB) plan who elected RPRB receive refund of 7.5% of pay contributions while in PRB.
- Participation in RPRB maximum 8 years for members with 10 or more years of service as of 9/30/2011 and 5 year maximum for others.
- Members electing RPRB maximum 30 years of service.
- Members not vested on September 30, 2011 can retire with 25 years of service regardless of age, remove and age of 52 requirement.
- Multiplier increase to 3.3% for service up to September 30, 2011 for members not vested on that date.
- Members terminating with less than 10 years of service will receive refund of contributions without interest, instead of prior 3% interest.
- Police officers shall become members of the System upon hire, instead of completion of probation.

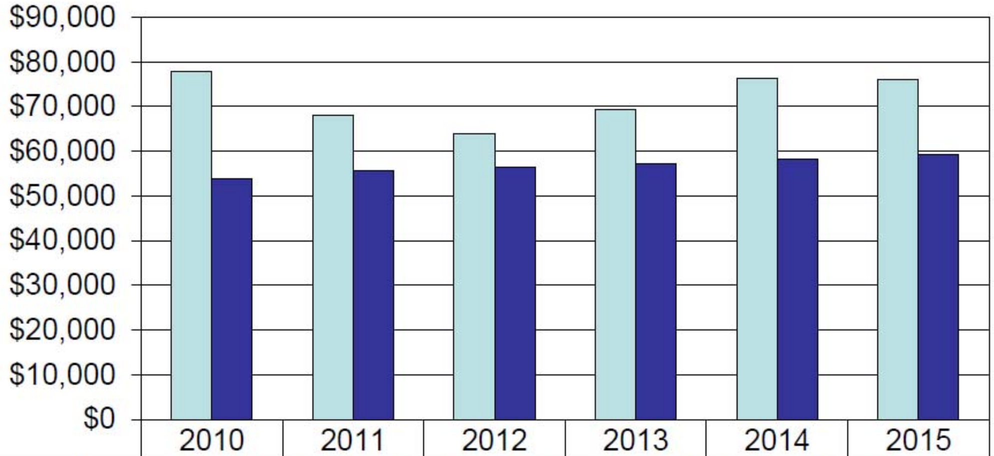
Active and Retired Membership



	2010	2011	2012	2013	2014	2015
Actives	213	224	214	210	216	245
Retirees	350	355	361	365	367	365

2.8% annual increase for active members since 2010; 13.4% increase for 2015.
0.8% annual increase for retired members since 2010; 0.5% decrease for 2015.
1.6 retirees per active 5 years ago; 1.5 retirees per active now.

Average Salary and Benefits



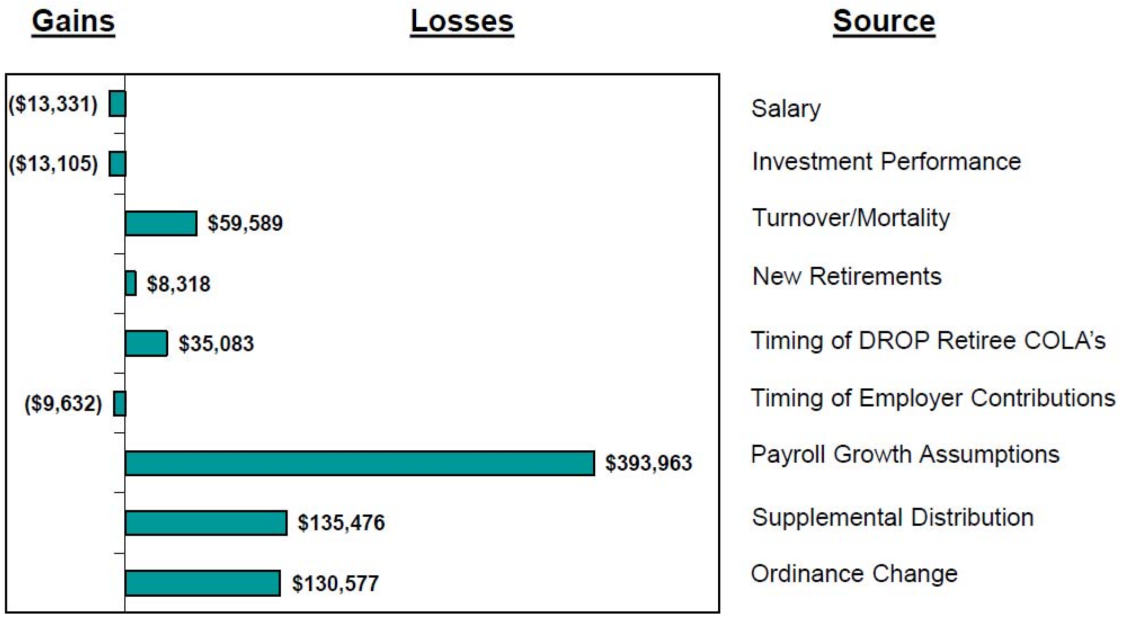
	2010	2011	2012	2013	2014	2015
Average Salary	$77,873	$67,995	$64,055	$69,437	$76,409	$76,118
Average Benefit	$53,946	$55,586	$56,445	$57,174	$58,150	$59,440

0.5% annual decrease for average salary since 2010; 0.4% decrease for 2015.
2.0% annual increase for average benefits since 2010; 2.2% increase for 2015.

Average Age & Service

	October 1, 2014	October 1, 2015
Active Average Age	38.6	38.0
Active Average Service	11.3	10.6
Average Age Non-Disabled Retirees	60.6	61.5
Average Age Disabilities	66.7	67.3
Average Age Beneficiaries	72.3	72.7

Changes In Unfunded Contribution



Future Changes
Representatives from Cavanaugh Macdonald advised the Board that HB 1309 requires the use of the Florida Retirement System (FRS) mortality basis effective with next year's valuation (10/1/2016) for the 2017/2018 fiscal year City contribution. The impact to that required change is valued at $1,380,099.

After considering the presentation from the representatives of Cavanaugh Macdonald, Mr. Brickman made a motion to accept the pre-paid funding method for the supplemental distribution as now mandated by the State of Florida, pending the State's formal approval of the cited method as well. Further, to accept & approve the October 1, 2015 Actuarial Valuation pending the review and approval for legal compliance by Mr. Cypen. The foregoing motion was seconded by Mr. Laskowski. All board members present voted yes.

Mr. Fernandez will recap his findings with regard to state approval at a future meeting.

QUARTERLY INVESTMENT REPORT- Eagle Asset
Mr. Edward Rick appeared before the Board to discuss the market and the portfolio return for the period ending March 31, 2016.

Mr. Rick reported that the Russell 2000 Index was down 1.5 percent in the first quarter. The Healthcare (down 16.9%) and Energy (down 8.1%) sectors held back the index, while the utilities sector (up 12.0%) was the strongest performer.

When looking at March specifically, the stocks on the edge of the value spectrum that had poor performance in 2015 came roaring back. The Russell 2000 Value returned 8.3%, while the Russell 2000 Growth returned 7.7%.

March had a strong recovery for several reasons: Oil prices bounced 25% off of recent lows; High-yield bonds saw a substantial recovery; The Chinese yuan temporarily stabilized and regional purchasing and supply indices were substantially stronger and the Federal Reserve issued surprisingly dovish statement.

Mr. Rick began the portfolio review. The Eagle Account was at $19,630,432.00 as of March 31, 2016. Since inception (01-08-03) the Eagle Small Cap Account realized an annualized net return of 10.17%. For the quarter ending March 31, 2016, Eagle Small Cap Account returned 0.16% (net), compared to -1.52% for the Russell 2000. The 3 & 5 Year returns were valued at 8.21% & 7.56% in comparison to the benchmark returns of 6.84% & 7.20% respectively.

Contributors to relative performance
Health Care: Outperformance came from the biotechnology and health care providers. In biotechnology we outperformed due to selection effect and maintaining an underweight while the index fell 30 percent. Our health care providers outperformed as one of the larger holdings beat estimates and reiterated its robust guidance.

Energy: We outperformed in Energy on the basis of stock selection, as our sector weight was in-line with the benchmark. Our +16.6% return outpaced the benchmark sector's -8.1% decline. Outperformance was broad-based, as each of our 6 owned companies outperformed the benchmark sector. We continue to execute on our portfolio-wide strategy of identifying differentiated businesses, with sustainable competitive advantage, which should help us outperform regardless of commodity-price movements.

Detractors from relative performance
Utilities: An underweight to the benchmarks strongest sector was a negative for the portfolio. Our sole holding in utilities, kept up with total return but due to the underweight, it was still a relative detractor from performance.

Industrials: Our holdings within Industrials failed to keep pace with the benchmark for the quarter. Weak stock selection particularly within Machinery and Transportation infrastructure was a negative for the portfolio.

In closing Mr. Rick thanked Mr. Pollak for pointing out a reporting error in a prior report transmitted. Mr. Rick reflected that Mr. Pollak is a true asset to the Board.

INVESTMENT UPDATE - The Bogdahn Group
Mr. McCann appeared before the Board to discuss the performance of Snow Capital. Mr. McCann indicated that Snow's performance was dismal and he would recommend termination and transfer of the funds to Wells Fargo immediately. Mr. McCann reflected both managers were engaged essentially at the same time. Wells fiscal year to date (March 31, 2016) return was 5.04% and Snow's return was -3.30% for the same time period. That was an 834 basis point spread between Wells and Snow. The Board discussed the matter briefly and agreed with Mr. McCann's recommendation. Mr. Strauss made a motion to terminate Snow Capital as soon as administratively and transfer the assets in-kind to Wells Fargo. Motion was seconded by Mr. Brickman. All board members present voted yes.

OPEN BOARD DISCUSSION
No further discussion ensued.

MEETING ADJOURNED
There being no further business, the meeting was adjourned at 11:41 AM.

Respectfully submitted,

C. Marano, Secretary

APPROVED:

D. Strauss, Chairman