

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

October 28, 2016
10:30 AM

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, October 28, 2016, at 10:35 AM, in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT: D. Strauss, Chairman, P. Laskowski, C. O'Brien, R. Brickman and V. Szeto.

Excused Absence: C. Marano, Secretary

Also present were Jason Thomas, Larry Bernstein, Frank McGarry, Kee Eng, City of Hollywood; Ed Rick & Scott Renner, Eagle Asset; Steve Cypen, Board Attorney of Cypen & Cypen; Paul Daragjati, Counsel of Klausner, Kaufman, Jensen & Levinson and David M. Williams, Plan Administrator.

PUBLIC COMMENT

Kee Eng was recognized for his recent promotion with the City of Hollywood.

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 September 22, 2016 & September 30, 2016 MEETINGS

Mr. Strauss asked if there were any additions or corrections to the Minutes of the September 22, 2016 & September 30, 2016 pension board meetings. Mr. Szeto made a motion to approve the Minutes of September 22, 2016 & September 30, 2016, which was seconded by Mr. O'Brien. All board members voted yes.

ATTORNEY'S REPORT

Mr. Daragjati reviewed a correspondence from Mr. Cypen and Mr. Klausner whereas the firm of Cypen & Cypen will "combine" with Klausner, Kaufman, Jensen & Levinson as of January 1, 2017.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

- DROP/PRB Loan: Mr. Williams cited the respective member loan request. 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. Mrs. Marano made a motion to approve the loans as noted, which was seconded by Mr. O'Brien. All board members present voted yes.

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

Robert Knapp

Mr. Brickman made a motion to approve the foregoing as noted, which was seconded by Mr. Laskowski. All board members present voted yes.

- Return of Pension Contribution – Jon Burrow: Mr. Williams reflected that former member requested a return of his pension contributions. All required forms for distribution were received. Mr. Brickman made a motion to approve the foregoing as noted, which was seconded by Mr. Szeto. All board members present voted yes.
- DROP Liquidation – Krysiak: Member passed and the widow is liquidating via a rollover. All required forms for distribution were received. Mr. Brickman made a motion to approve the foregoing as noted, which was seconded by Mr. Szeto. All board members present voted yes.
- Mr. Williams advised the 2017 Annual and Quarterly DROP Distributions & Required Minimum Distributions (RMD's) are being tallied and will be presented for approval at the November Meeting.
- No change to report, the Plan is still “Not Approved” for the state report because of the city's refusal to properly fund the plan.
- Task Force Topics: Mr. Williams shared topics outlined by the city manager. In an effort to ensure compliance with existing law(s) and not to overstep authority a general response to each category was developed and attached hereto. There was no opposition voiced to the positions set forth.
- Mr. Williams distributed an article from Pension & Investments regarding the Florida Retirement System (FRS) lowering the assumed rate of return to 7.6%. The state's actuarial consultants recommended a change to 7.00%. Mr. Williams indicated it was a matter of time before the state mandates a change on this System. This factor also drives the rate of return in the drop plan as well.
- Mr. Williams received notice on October 26, 2016 that Mayor Bober appointed a new trustee to this Board - Mr. Ron Wise.
- BDO (formerly GSK) Letter of Engagement: Mr. Williams reported that the independent auditor finalized the letter of engagement with Mr. Kaufman. As a result the letter was prepared for execution this date. There was no change to the existing fee. A motion was made by Mr. O'Brien to accept the letter of engagement and direct the chairman to sign the agreement accordingly. This motion was seconded by Mr. Szeto. All board members present voted yes.

EARL MITCHELL – REQUEST FOR HEARING (Matter – Tabled)

Mr. Williams advised that Mr. Mitchell advised him on October 24, 2016 that he was unable to attend the meeting. *“A personal matter has come up that will prevent me from attending the October 28, 2016 Board meeting. Con't*

I must withdraw my request to be on the agenda for that meeting. I will, if necessary, request an opportunity to address the Board on a future date."

QUARTERLY PRESENTATION BY EAGLE ASSET MANAGEMENT

Mr. Rick and Mr. Renner appeared before the Board and stated the market value of Eagle Account was at \$22,304,096 as of September 30, 2016. Since inception (01-08-03) the Eagle Small Cap Account realized an annualized net return of 10.81% vs. 10.24% for the benchmark (Russell 2000). For the quarter ending September 30, 2016, Eagle Small Cap Account returned 9.12%, compared to 9.05% for the Russell 2000. The 3 & 5 Year returns were valued at 9.81% & 15.77% in comparison to the benchmark returns of 6.71% & 15.82% respectively.

Mr. Renner advised that the Russell 2000 Index was up over 9 percent in the third quarter. The Information Technology sector (up 16.2%) led individual-sector performance, followed by Health Care (13.5%). Much of the Health Care sector's move was led by the Biotech industry which was up 23% in the quarter. Telecommunication Services was the weakest sector, down 6.3%. Low quality out-performed by a large margin with the lowest ROE quartile of the Russell 2000 up 17.9% this quarter. Portfolio contributors & detractors were reviewed as well.

PENSION TASK FORCE SELECTION

Mr. Williams advised the Board that he posted a notice on the pension web site and e-mailed via Bill Wynn that was sent to all retirees in his network about the open position for the City Imposed Task Force. Ms. Hayes, Mr. Wilson, Mr. Wadsworth, Mr. Brilliant and Mr. Thomas volunteered for the retiree position. Mr. Szeto made the motion to select Mr. Thomas (who was present at this meeting). Mr. Strauss seconded the motion. All board members present voted yes. The position of Board Trustee was discussed at this juncture. Mr. Strauss reflected that he is currently involved in the Mediation Matter with the supplemental distribution, so he does not wish to serve. Mr. O'Brien made a motion to appoint Mr. Brickman to represent the Board of Trustees on the take force. This motion was seconded by Mr. Laskowski. All board members present voted yes. The Board thanked the members who expressed an interest. Mr. Williams will advise the city and establish meeting dates accordingly.

DROP RULES

Mr. Strauss asked the Attorneys to opine on the ordinance and the drop rules as it relates to protected rights. The ordinance provided the legislative ability to the Board to create the drop rules. Once someone retires, what they retire under is the law. No Florida court has ruled on a Board changing the rules. A recent Alabama case was cited, that held a Board can change its administrative rules without unconstitutionally infringing vested rights. The Board can change the rules, but the question is whether a rule change will be considered a benefit reduction by members, thus prompting a lawsuit by a member, or alternatively if the Board takes no action, whether the plan sponsor (city) will institute a lawsuit because the DROP was designed to be cost-neutral and the plan actuary has asserted that in practice, it is not.

Mr. Brickman noted that these drop rules have been in place since the early 90's and the assumed rate of return has been administered in this manner since the passage of the collective bargaining agreement and the ordinance in 2002.

Mr. Strauss spoke about his meeting with Mr. Kaufman:

- No Claw-back is being sought, any changes sought would be prospective.
- There is a cost to providing the assumed rate of return.
- Court Ruling on the Williams v. Scott Case was highlighted.
- Ordinance being a constitutionally protected right.
- Receiving the fixed rate of return while active and variable when retired.
- Mr. Strauss also raised the issue of how interest is applied by compounding instead of simple interest on the account deposits.
- Mr. Strauss cited that money manager fees could be considered and assessed for members receiving the assumed rate of return.
- Mr. Strauss felt the duration the members keep their money in the plan is another alternative to consider as well. Would be a way to keep the drop cost neutral.

Mr. O'Brien reflected that his concern is the long term viability & health of the Plan. Changes of this nature may improve our actuarial position. If our funding level was higher this wouldn't be a discussion.

Mr. Brickman stated that he was there when this benefit was negotiated. The intent was a lifetime benefit, that there was no distinction between active and retired drop members. Further the interest has always been compounded like the other accounts. Any change of this nature would be considered a cut back. Mr. Brickman realized that there has been a cost over the timeline studied, but over the longer term, it should be neutral or minimal. Mr. Brickman relied upon the actuary's impact statement when this was negotiated. He feels that there is a way to reach consensus and agreement with the city and the membership.

Mr. Laskowski countered Mr. Brickman by stating that while reducing the rate of return may sound reasonable today, we may be in the same situation in the future.

Both Mr. Cypen and Mr. Daragjati reflected that there was no sense of urgency and felt no action should be undertaken until the membership was advised and they have an opportunity to hear first-hand the proposals being considered. A date of December 1, 2016 was selected and Mr. Williams was directed to notify all the drop members.

OPEN BOARD DISCUSSION

Mr. Strauss advised the Board that the city is now closed for business on Friday. As such, he was approached to see if the Board was going to change the day of the meeting. No one felt the need to modify this long standing schedule.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 12:12 PM.

Respectfully submitted,

C. Marano, Secretary

APPROVED:

D. Strauss, Chairman