

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

December 16, 2016
10:30 AM

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, December 16, 2016, at 10:35 AM, in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

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

Also present were Kee Eng, City of Hollywood – Finance Department; Frank McGarry, Norris Redding, Mark Ruggles and Lyle Bien; Robert Klausner & Stuart Kaufman, Counsel - Klausner, Kaufman, Jensen & Levinson and David M. Williams, Plan Administrator. Steve Cypen, Board Attorney - Cypen & Cypen (via conference call); Jose Fernandez, Board Actuary (via conference call).

PUBLIC COMMENT

No Comments

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 November 18, 2016 MEETINGS

Mr. Strauss asked if there were any additions or corrections to the Minutes of the November 18, 2016 pension board meeting. Mr. Szeto made a motion to approve the Minutes of November 18, 2016, which was seconded by Mr. O'Brien All board members voted yes.

PRESENTATION

The Board presented a token of appreciation to Mrs. Arlene Pollak in memoriam for the services of her husband, Trustee Melville Pollak.

ATTORNEY'S REPORT

BIEN CASE: Mr. Klausner reviewed the findings of the 4th DCA ruling involving members of our DROP Plan. The 4th DCA ruled that the prospective change was proper. The matter was remanded back to the lower court. Mr. Klausner cited the recent ruling is in direct conflict with the 3rd and 1st DCA which held that once a member is eligible for a benefit, there is an entitlement that benefit cannot change, thus the conflict. Mr. Klausner explained that the Plan (and/or the Board of Trustees) are not party of the case. There is no action for this Board to take. This Board got the right advice and took the right action. Absent of direct court jurisdiction, no action is required by this Board.

Mr. Strauss asked if there was any legal requirement for the Board. Mr. Klausner stated that as we (the Board) are not part or party of the lawsuit, he does not believe so. Mr. Kaufman opined that this ruling by the 4th DCA goes against the Scott v. Williams case.

R-PRB: Rules: Mr. Strauss asked the status of the R-PRB Rules. Mr. Kaufman is reviewing and revising as warranted. Further update to follow.

MEDIATION: Mr. Kaufman advised that overall the mediation was uneventful and feels the city wishes to delay further. It appears the city wishes to separate the plans now as opposed to mediating together for a global settlement.

SUPPLEMENTAL DISTRIBUTION: A question arose over this matter due to the mediation. Mr. Kaufman indicated that we are following the ordinance and complied with the state requirement for prefunding and proceed as usual.

PENSION TASK FORCE: Parties met for the first session and agreed to work in partnership.

DARRYL LEVY & CARLOS PEREZ: Mr. Williams asked for direction of this matter involving these members. Members separated service and subsequently returned. Member Darryl Levy left his contributions and maintained vested status. Member Carlos Perez received a refund of pension contributions. After further discussion, along with input from Mr. Kaufman, the Board by consensus concluded that Member Darryl Levy will be treated as a current active member for his prior service July 15, 1996 thru May 19, 2013. The break in service through his date of re-hire February 22, 2016 will determine what his projected date of retirement will be. By Board consensus Member Carlos Perez will be permitted to buy back his prior service August 29, 2011 to May 17, 2013 with interest determined by the Board Actuary. Upon doing so, that time would be credited based on the current ordinance as well. The break in service through his date of re-hire February 22, 2016 will determine what his projected date of retirement will be.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

- **Change of Beneficiary:** Mr. Williams presented a request from the member with supporting documentation. After reviewing the same, Mr. Laskowski made a motion to approve the request, which was seconded by Mr. Szeto. All board members present voted yes.
- **DROP/PRB Loans:** Mr. Williams cited the respective member's 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. Mr. O'Brien made a motion to approve the loans as noted, which was seconded by Mr. Brickman. All board members present voted yes.
- **Return of Pension Contributions – Julian Robayo:** Mr. Williams reflected that former member requested a return of his pension contributions. All required forms for distribution were received. Mr. Laskowski made a motion to approve the foregoing as noted, which was seconded by Mr. Szeto. All board members present voted yes.

- Partial DROP Liquidation – Mr. Williams reviewed the partial rollover request of Vincent Affanato along with the supporting documentation. Mr. Obrien made a motion to approve the foregoing as noted, which was seconded by Mr. Laskowski. All board members present voted yes.
- Mr. Williams presented an updated investment advisory agreement between Inverness Counsel and the Plan. There was no change in the terms that was reviewed and approved by Counsel. Inverness does this periodically due to internal controls. A motion was made by Mr. Szeto to accept the new agreement and authorize Mr. Strauss to execute the required document(s). This motion was seconded by Mr. Laskowski. All board members present voted yes.
- U.S. Real Estate Investment Fund, LLC: Mr. Williams reported that on December 9, 2016, the Fund received a net distribution of \$138,407.47 for the period ending September 30, 2016.

QUARTERLY INVESTMENT PRESENTATION

INTERCONTINENTAL REAL ESTATE – Presentation booklet (dated December 15, 2016) was distributed to all interested parties.

DROP RULES

At the Board's direction, Mr. Williams was asked to review the fees on the member's account(s). Mr. Williams indicated that SHARE/DROP (Variable or VRR)/R-PRB Accounts all receive the NET rate of return (or after the investment management fees are deducted). The Fixed DROP Accounts received the assumed rate of return and have not been assessed the investment fee. Mr. Williams produced a schedule of investment expenses (page 31) of the financial statements for fiscal year ending September 30, 2015. On that report, the financial management fees were valued at 0.48% basis points. It was discussed that the financial statements should be the basis of the fee assessed, and be subject to change as warranted each fiscal year. The issue was discussed at length as Mr. Strauss felt all the accounts should be treated the same in terms of fees. Further Mr. Strauss felt the cost of the investment monitor (0.02%) and the plan custodian (0.04%) be included. Mr. Brickman disagreed and reflected that he was part and party of the original negotiations; and feels it would be fair to pass along the financial management fees, he would not support the investment monitor or plan custodian fees, as that was not the intent. With that, Mr. Brickman made the motion to charge the DROP Accounts the financial management fees, based on the fiscal year in arrears (September 30, 2015 would be assessed the current fiscal year beginning April 1, 2016 due to IT programing). Mrs. Marano seconded the motion. A formal voice vote followed by Mr. Williams as follows:

Mr. Brickman – YES
Mr. Wise - YES
Mrs. Marano - YES

Mr. Strauss - NO
Mr. Szeto - NO
Mr. Laskowski – NO
Mr. O'Brien – NO

Motion by Mr. Brickman failed.

Mr. Strauss continued the discussion and reaffirmed his position by passing the gavel to Mrs. Marano and making the following motion: All accounts to include Fixed & Variable DROP Accounts, 457 Accounts, SHARE Accounts and R-PRB Accounts should be assessed the financial management fees (0.48%) and the plan custodian fees (0.04%)

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based on the fiscal year in arrears (September 30, 2015 would be assessed the current fiscal year beginning April 1, 2016 - due to IT programming). Mr. O'Brien seconded the motion.

A formal voice vote followed by Mr. Williams as follows:

Mr. Brickman – NO
Mrs. Marano - NO

Mr. Strauss - YES
Mr. Szeto - YES
Mr. Wise - YES
Mr. Laskowski – YES
Mr. O'Brien – YES

Motion by Mr. Strauss passed. Notices to follow to the membership by Mr. Williams and IT work to begin as soon as practical.

OPEN BOARD DISCUSSION

Mr. Jose Fernandez joined the meeting via conference call. He reviewed the historical DROP interest posting based on the credit cited herein vs. the assumed rate of return at the request of Mr. Brickman. No formal action was taken, but the report exhibited the potential for the an actuarial gain for the city, if the interest adjustment was undertaken.

Hollywood Police Officers' Retirement System
Estimate of (Gain)/Loss - DROP Guaranteed Interest Credit of 6% Instead of 8%

(1) Fiscal Year End	(2) Total DROP Balance	(3) Average DROP Balance FY [Average DROP Balance Beginning & End FY]	(4) DROP Guaranteed Interest Credit Rate	(5) Net Fund Return	(6) DROP Guaranteed Interest Credit Rate Times Average DROP Balance [(4) x (3)]	(7) Net Fund Return Times Average DROP Balance [(5) x (3)]	(8) Fiscal Year Guaranteed Interest Credit (Gain)/Loss [(6) - (7)]	(9) Accumulated (Gain)/Loss Due to DROP Guaranteed Return [(8) accumulated with net fund return from (5)]
10/1/2002	10,676,499							
10/1/2003	11,559,512	11,118,006	6.00%	12.74%	667,080	1,416,434	(749,354)	(749,354)
10/1/2004	13,856,836	12,708,174	6.00%	8.11%	762,490	1,030,633	(268,143)	(1,078,270)
10/1/2005	16,037,420	14,947,128	6.00%	8.74%	896,828	1,306,379	(409,551)	(1,582,062)
10/1/2006	19,026,336	17,531,878	6.00%	7.59%	1,051,913	1,330,670	(278,757)	(1,980,898)
10/1/2007	24,169,512	21,597,924	6.00%	15.31%	1,295,875	3,306,642	(2,010,767)	(4,294,940)
10/1/2008	29,974,244	27,071,878	6.00%	-11.16%	1,624,313	(3,021,222)	4,645,535	829,910
10/1/2009	34,851,007	32,412,626	6.00%	1.42%	1,944,758	460,259	1,484,499	2,326,194
10/1/2010	41,020,364	37,935,686	6.00%	9.17%	2,276,141	3,478,702	(1,202,561)	1,336,945
10/1/2011	47,877,816	44,449,090	6.00%	1.22%	2,666,945	542,279	2,124,666	3,477,922
10/1/2012	53,765,888	50,821,852	6.00%	17.15%	3,049,311	8,715,948	(5,666,637)	(1,592,251)
10/1/2013	58,754,098	56,259,993	6.00%	9.95%	3,375,600	5,597,869	(2,222,269)	(3,972,949)
10/1/2014	64,113,948	61,434,023	6.00%	9.93%	3,686,041	6,100,398	(2,414,357)	(6,781,820)
10/1/2015	69,399,172	66,756,560	6.00%	1.34%	4,005,394	894,538	3,110,856	(3,761,840)
10/1/2016	72,636,624	71,017,898	6.00%	9.55%	4,261,074	6,782,209	(2,521,135)	(6,642,231)
Average annual returns 10/1/2002 to 10/1/2016			6.00%	6.99%			(6,377,975)	(6,642,231)

The Total DROP Balance and the New Fund Return are based on information provided by the Retirement System. Assumes all DROP members would have elected the Fixed rate of return of 6% per year.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 12:35 PM.

Respectfully submitted,
C. Marano, Secretary

APPROVED:

D. Strauss, Chairman