

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

**May 19, 2017**

**MINUTES**

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, May 19, 2017 at 10:30 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

**PRESENT:**

C. Marano, Chairperson, P. Laskowski, V. Szeto, C. Boyd, R. Brickman and R. Wise. Being there was a quorum present at the meeting, the Trustees authorized D. Strauss to attend & participate via conference call.

Also present were Kee Eng, City of Hollywood; Jose Fernandez & Todd Green - Cavanaugh Macdonald Consulting; John Rochford & Robert Maddock, III - Inverness Counsel; John McCann - AndCo Consulting; Stuart Kaufman, Legal Counsel - Klausner, Kaufman, Jensen & Levinson; David M. Williams, Plan Administrator.

**PUBLIC COMMENT**

No open discussion ensued.

**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 APRIL 21, 2017 MEETING**

Tabled.

**ATTORNEY'S REPORT**

Headley Update: Mr. Kaufman indicated that the first DCA sent the matter back to PERC, who made a ruling on May 18, 2017. The ruling may be viewed online at:

<http://hollywoodpolicepensionfund.com/docs/announcements/PERC%20Order%20Remanding%20Case%20to%20Hearing%20Officer%20rec'd%2005-19-2017.pdf#zoom=100>

Mr. Kaufman feels there will be further clarity to the Headley matter in the next 30 days.

**ADMINISTRATIVE REPORT**

Mr. Williams presented the Administrative Report to the Board.

185 Timeline Issue: Mr. Williams indicated that he along with Mr. Jose Fernandez and Mr. Todd Green had the extreme pleasure of meeting with Ms. Liz Stevens, Mr. Keith Brinkman and the state's two actuaries... Mr. Doug Beckendorf and Mr. Joseph Edmonds on May 17, 2017.

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We discussed in detail the events that led us to our current not state approved status. We also discussed the proposal that the city agreed to continue to pay the 2014 supplemental distribution via amortized payments and fully fund the 2015 supplemental distribution payment.

The State representatives were pleased to see that the city was committed to funding the plan. They were supportive of the proposal, but they let us know that they were required to bring this back to the Secretary of Management Services for final approval.

The state representatives appreciated that fact that we made a personal appearance at their office in Tallahassee and that effort exhibited the Board's true commitment. They were also pleased to hear the city has opened lines of communication with the Board and are working together as opposed to the prior administration.

Mr. Williams thanked Mr. Fernandez and Mr. Green for their assistance in this matter of mutual concern.

BDO Engagement: Due to the state issues and the new format of the annual report being filed electronically, Mr. Williams and Mr. Strauss felt it would be in the best interest of the Plan to engage BDO to file the annual report. An engagement agreement was reviewed by Mr. Kaufman and executed by Mr. Strauss and Mr. Williams. As this happened between meetings, Mr. Williams requested that Board ratify the action taken. Mr. Laskowski made a motion to approve the action as outlined, which was seconded by Mr. Szeto. All board members present voted yes.

Management Representative Letter – BDO: Mr. Williams advised that the annual management rep letter was received in between meetings. In order for the financial statements to be released, the letter had to be signed. Mr. Kaufman reviewed and approved the final content. Mr. Williams and Mr. Strauss executed same. Mr. Williams requested that Board ratify the action taken. Mr. Szeto made a motion to approve the action as outlined, which was seconded by Mr. Brickman. All board members present voted yes.

Interest on Accounts: Mr. Williams reported that the direction received on December 16, 2016 & April 21, 2017 has now been finalized. The April statements have been posted and now reflect the fees. Mr. Williams also had the actuary review and concur with the calculations to ensure its accuracy.

DROP/PRB Loan: Mr. Williams cited the respective member's loan request. He outlined that the member has the funds in his personal DROP/PRB account to cover the loan and he has been a participant in the DROP/PRB plan for the required amount of time. No conflict exists with the 12-month rule. Mr. Laskowski made a motion to approve the loan as noted, which was seconded by Mr. Szeto. All board members present voted yes.

QUARTERLY INVESTMENT REPORT – Inverness Counsel

John Rochford & Robert Maddock, III - Inverness Counsel came before the Board to review recent investment returns and to provide a market update.

It was reported that employment metrics have improved. Economy running near "full employment" levels. Participation has recently improved, but remains below long-term levels. Housing remains a bright spot. Single family housing starts are still well below the July 2006 peak. A variety of housing-related metrics remain attractive (prices, sales, inventory). Balance sheets remain healthy.

Corporate America has the capacity to increase debt and representatives continue to see loan growth. Low interest rates have made servicing debt more affordable. Fed prepares market for rate increases. Federal Reserve announced three rate hikes for 2017. Moderate inflation and stable global growth have improved the Fed's outlook. President Trump's first 100 days will be critical in determining whether economic growth accelerates from the 2% level we have experienced in recent years.

Lowering the tax rate to 20% would be a major change and could add 10%-15% to corporate earnings.

#### Investment Outlook

##### Catalysts

- Housing continues to improve, driven by strength in single family home starts.
- Healthy balance sheets and lower debt service costs supporting loan growth.
- The consumer, which accounts for 70% of the U.S. economy, is employed and getting a raise.
- Multiple foreign central banks maintaining low or even negative interest rates.

##### Concerns

- We expect volatility to remain elevated in both the equity and fixed income markets.
- Outside of the U.S., growth continues to be anemic and geopolitical concerns persist.
- Future profits may be pressured by rising employment costs.
- In general, the start of a new presidential term has not been a positive for the stock market or the economy.

The total account value as of May 18, 2017 was valued at \$114,870,618. \$50,165,613 in equities and \$59,542,952 was in fixed income. On a quarter to date basis through May 18, 2017, the equities returned 1.28%. For the same measurement period, the fixed income portion of the portfolio returned 1.13%.

#### QUARTERLY INVESTMENT REPORT – The AndCo Consulting – John McCann

Mr. McCann advised he reviewed the quarter return at a prior meeting, but handed out the quarterly report for the Trustees to review.

The entire report is also posted on-line at:

<http://hollywoodpensionfund.com/docs/investments/2017-03-31%20Hollywood%20Police%20Quarterly%20Report.pdf>

#### OLD BUSINESS - LARGE CAP GROWTH MANAGER(S)

Mr. Williams reported that to date he has no final contracts for the GHA transition.

Mr. Kaufman reported that Rhumblin and Sawgrass Asset Management are complete and Clarivest Asset Management will follow shortly. Mr. Williams asked Mr. McCann to provide an executed copy of the Agreements so the appropriate signatures may be gathered.

#### NEW BUSINESS

- Investment Policy & Guidelines – Adoption

Mr. McCann presented and outlined the changes to the investment guidelines due to the change from Garcia Hamilton to the new managers retained.

Upon doing so, Mr. Strauss made a motion to adopt the policy as amended, which was seconded by Mr. Laskowski. All board members present voted yes.

ACTUARIAL VALUATION PRESENTATION OCTOBER 1, 2016

Mr. Jose I. Fernandez & Mr. Todd Green, Board Actuaries - Cavanaugh Macdonald Consulting, LLC. came before the Board to review the Oct 1, 2016 Actuarial Valuation.

On Asset returns: Market asset return on non-DROP funds 9.7% vs. 8.00% expected return (1.7% greater than expected). Actuarial asset return 9.4% vs. 8.00% expected (1.4% greater than expected).

On Pay increases: Individual pay increases average 17.5% vs. 5.6% expected. Total payroll increased 27.0%.

Changes from the prior Valuation

FRS mortality tables: Mortality assumption was updated to comply with Florida Statute 112.63(1)(f). Adjustment to the method to pre-fund the Supplemental Distribution (13th check). Approximately \$15 million increase in the unfunded accrued liability and \$1.2 million increase in City contribution for fiscal year 2017-2018.

13th check pre-funding mechanism was established effective with the October 1, 2015 valuation. City contribution requirement assumes the City will make the lump sum payments for the 2014 and 2015 13th check distributions and the City will receive the state premium tax money to reduce its contribution requirement as was assumed for the 2015 valuation.

The City's required contribution will have to be recalculated if either -  
 The State agrees to the 30-year amortization of the 2014 13th check payment, or  
 The State does not release the distributions.

<b><u>After Assumption &amp; Method Change</u></b>	
October 1, 2016 Valuation (Fiscal Year 2017/2018 Contributions)	
Total Normal Cost Including Expenses	\$5,319,615
Less Expected Member Contribution	<u>\$1,688,459</u>
Employer Normal Cost	\$3,631,156
Interest Adjustment	\$779,612
Amount to Amortize UAL	<u>\$15,504,553</u>
Total Required City/State Contribution	\$19,915,321
Expected Chapter 185 Monies	<u>\$1,375,501</u>
Required Employer Contribution	\$18,539,820
Unfunded Accrued Liability	\$190,180,882
Funded Ratio	50.1%

**Employer Contribution payable October 1, 2017      \$17,760,208**

Assumed investment return rate is Currently 8%. Mr. Fernandez proposed an option to lower to 7.5% phased-in in steps of 0.1% over five years – i.e., 7.9% (2017), 7.8% (2018) ... 7.5% (2021). First year cost for this change was valued \$276,809. The Board will take this under further consideration.

A method was also proposed to amortize the unfunded accrued liability by Mr. Fernandez. Currently amortization payments increase at 3.5% each year. Mr. Fernandez recommends using level dollar – same amortization payment each year – for future (*2017 and after*) changes in the unfunded accrued liability. The Board by unanimous consensus agreed to this methodology.

At the conclusion of the active verbal interaction between the actuaries and the Board, a motion was made by Mr. Szeto to adopt the October 1, 2016 Actuarial Valuation presented. This motion was seconded by Mr. Laskowski. All board members present voted yes.

That report is also posted on-line at:

<http://hollywoodpolicepensionfund.com/modules/stateDocs/reports.asp>

OPEN DISCUSSION

No open discussion ensued.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11.34 AM.

The next scheduled meeting is June 30, 2017 at 10:30 AM.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson