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

February 16, 2018

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, February 16, 2018, at 10:30 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT:

D. Strauss, Chairman, C. Marano, Secretary, V. Szeto, P. Laskowski and R. Brickman.

Excused Absence: R. Wise & C. Boyd.

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

PUBLIC COMMENT

No Public 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 JANUARY 26, 2018 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the January 26, 2018 pension board meeting. Mr. Szeto made a motion to approve the Minutes of the January 26, 2018 pension board meeting, which was seconded by Mr. Laskowski. All board members voted yes.

ATTORNEY'S REPORT

Mr. Kaufman briefed the Board about a pending PERC Order Directing Responses to the Broward County PBA and the City of Hollywood, dated February 15, 2018.

Web Link:
http://hollywoodpolicepensionfund.com/docs/announcements/PBA%20v%20City%20of%20HWD%20scan%202.16.18.pdf

Details about the March 6, 2018 meeting may be viewed at:
https://browardpba.wordpress.com/2018/02/09/notice-of-hearing-with-perc/

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

TRUSTEE NOMINATION/ELECTION: Mr. Williams reported the results of the self-nomination process. At the close of the process, Mr. Laskowski & Mrs. Marano were the only nominations received, therefore no election was required. Notice was provided to the city clerk and posted to the website. Motion to accept the nomination results by Mr. Brickman and seconded by Mr. Szeto. All board members voted yes.

Notice to city clerk may be viewed at:
http://hollywoodpolicepensionfund.com/docs/announcements/Nomination%20Results%2002-12-2018.pdf#zoom=100

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 presented. This motion was seconded by Mrs. Marano. All board members voted yes.

Audit: Mr. Williams summarized that BDO essentially has failed to complete a letter of engagement. At this point he was seeking approval to seek a new firm along with Mr. Kaufman and complete the audit as soon as possible. Motion by Mr. Brickman to provide authority as requested, seconded by Mr. Laskowski. All board members voted yes.

Supplemental Distribution: Mr. Williams provided a copy of the sample letter transmitted to all applicable participants.

Printer: Mr. Williams advised the lease is going to expire. 36-month replacement lease sought under state bid. Motion to accept by Mr. Szeto, seconded by Mr. Brickman. All board members voted yes.

ACTUARIAL IMPACT - Cavanaugh Macdonald Consulting, LLC

Mr. Green and Mr. Walls of Cavanaugh Macdonald Consulting, LLC presented the impact statement to roll back the city ordinance of 2011 as a result of Headley v. City of Miami[1].

The report findings cited the following: We are writing to report on the actuarial impact to the City of Hollywood Police Officers' Retirement System ("System") of proposed benefit changes. We have attached a table with the results of our studies. The proposed changes would retroactively restore the benefit structure in effect on September 30, 2011 immediately for all active members, deferred vested members, retirees and beneficiaries of the System. The proposed changes include:

(1) Normal retirement is defined as the earlier of the following:

a. Age 50, or

b. Any age upon attainment of 22 years of service

(2) Monthly accrued benefit is equal to 3% of average monthly earnings multiplied by service to 20 years plus 4% multiplied by service over 20 years with a maximum of 80% of average monthly earnings. The full 80% is earned at 22 years of service (resulting in a 12% of earnings increase in benefit at the moment the member attains 22 years of service).

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[1] *http://hollywoodpolicepensionfund.com/pdf/sc13-1882.pdf#zoom=100*

(3) Average monthly earnings equals the average of the highest three years of compensation prior to retirement or termination. Earnings include basic annual wages including regular longevity raises and overtime up to 300 hours per year, but not including amounts for unused sick time or unused vacation time paid at retirement or termination.

(4) A member may enter the DROP upon attainment of normal retirement age for up to eight years.

(5) If a member terminates with less than 10 years of service, the member will receive a refund of contributions with interest.

(6) Cost of Living Adjustments of 2% per annum will apply to entire benefit received by a member. Adjustments commence the later of the date the participant leaves the DROP and three years after the DROP entry date. For members who do not enter the DROP, the adjustments will commence three years after their date of retirement.

(7) All members are eligible for the supplemental distribution upon retirement.

(8) Employee contributions are equal to 9.25% of pensionable earnings.

The methods and assumptions used in our studies are outlined below:

(1) The studies are based on the October 1, 2016 actuarial valuation of the System.

(2) The assumed valuation interest rate (investment return) is 8% per year.

(3) The retirement rates were revised to evaluate the impact of the change in eligibility for normal retirement. All active members are assumed to retire (or enter the DROP) at the earlier of: a. Age 55 with 10 years of service b. Any age with 22 years of service.

(4) All members who are in the Reformed Planned Retirement Benefit (RPRB) Program become members of the DROP program. Estimated RPRB balances of $4.9 million were deducted from the actuarial value of assets and treated as separate DROP accounts.

(5) Benefits for retirees, beneficiaries and deferred vested members who retired or terminated after September 30, 2011 were recalculated based on the valuation data for the affected members. Estimated retroactive benefit payments of $679,000 were deducted from the actuarial value of assets.

(6) Supplemental Distribution Payments for retirees and beneficiaries who retired or terminated after September 30, 2011 were recalculated for the affected members. Estimated retroactive supplemental distribution payments for 2013, 2014 and 2015 of $404,000 were deducted from the actuarial value of assets.

(7) The pre-funding liability for future Supplemental Distribution was recalculated based on the expectation that all current members of the System will be eligible for future distributions. The estimated pre-funding liability increased from $20.9 million to $29.4 million.

(8) The unfunded liability is amortized on a level dollar basis over a 20 year period.

(9) Cost estimate does not reflect the impact the restoration of any pay cuts would have on restored pension benefits.

As of March 1, 2018, there is an accumulated City contribution deficiency equal to $3,902,781. The deficiency arose because the City has used portions of the contributions for the fiscal year ended 2016, 2017 and 2018 to fund the City's required contribution for the fiscal years ended 2015, 2016 and 2017. As a result, $3,902,781 of the City's required contribution for the fiscal year ended 2019 will be applied to meeting the City's required contribution for the fiscal year ended 2018. If the City pays the amount stipulated in the letter from the State dated October 2, 2015 ($4,104,375), the State may release the premium tax monies of $1,308,509, $1,375,501, and $1,418,050 respectively for 2014, 2015, and 2016 which can be used to offset the City's contribution deficiency. In other words, if the City pays the lump sum payment and the State releases the premium tax monies, the contribution deficiency will be eliminated.

Finally, this calculation assumes the City is going to become State compliant. The impact of retroactively restoring the benefit structure in effect on September 30, 2011 increases the City's annual cost by $8,996,772. This assumes the System will receive an estimated $1,375,501 annually to offset the City's required contribution. If the City does not become State compliant the City's required cost will increase by $1,375,501. There are additional cost increases with the System not becoming state compliant that are not related to the costs associated with retroactively restoring benefits.

Future actuarial results may differ significantly from the current results presented in this impact statement due to such factors as the plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal actuarial impact study, an analysis of the range of results is not presented herein.

This actuarial study was prepared and completed by myself or under my direct supervision and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate and, in my opinion, the techniques and assumptions used are reasonable and comply with the requirements and intent of s. 14, Art. X of the State Constitution, with Part VII, Chapter 112, and s. 112.64, Florida Statutes.

Please continue..........

City of Hollywood Police Officers' Retirement System
Impact of Proposed Plan Changes
Based on October 1, 2016 Actuarial Valuation

	10/1/2016 Valuation	Restore Pre – October 1, 2011 Benefit Structure for All Active Members, Deferred Vested Members, Retirees and Beneficiaries*
Required City Contribution*	$18,539,820	$27,536,592
Unfunded Actuarial Accrued Liability (UAAL)	$190,268,271	$254,794,808
Increase in Required City Contribution vs. Valuation		$8,996,772
Increase in UAAL vs. Valuation		$64,526,537
Funded Ratio	50.1%	42.1%

* Assumes State money will be received and used to offset the City's contribution. According to the State's October 2, 2015 letter this would require that the City to deposit a lump sum payment of approximately $4.1 million for the total 2014 and 2015 Supplemental Distributions. If no State money is received, the required employer contributions will need to be revised.

*Assets reduced by $6.0 million to reflect estimated RPRB balances, additional supplemental distribution payments, and recalculated benefit payments.

At the conclusion of the presentation and exchange between the Board of Trustees[2], Mr. Green and Mr. Walls; Mr. Kaufman sought the authority to formally present the findings to the City of Hollywood[3]. Motion by Mr. Laskowski granted authority as requested by Mr. Kaufman. Mr. Szeto seconded the motion. All board members voted yes.

QUARTERLY INVESTMENT PRESENTATIONS

INVERNESS COUNSEL

Mr. Maddock and Mr. Rochford provided the following investment outlook:

Economy running near "full employment" levels. Participation rate remains muted, with room to grow and Wage growth measure slowly moving higher. Rising home prices are pushing household wealth to all-time peak. Confidence indicators near pre-recession highs. Federal Reserve is on track for three rate hikes in 2018.

Catalysts: Corporate tax reform a catalyst for domestic economic growth. The consumer, which accounts for 70% of the U.S. economy, is employed and getting a raise. A synchronized global expansion is underway

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[2] *Mr. Green reaffirmed a 20-year amortization period.*
[3] *Mr. Kee Eng, City of Hollywood was at the meeting and received a draft of the report cited.*

Concerns - Future profits may be pressured by rising employment costs. Washington, D.C. may face roadblocks ahead: budget deficit, mid-term elections and infrastructure plans. Economic growth may be pressured by higher interest rates.

Asset Allocation was reported as outlined:

	% of Portfolio	Market Value	MTD	QTD	YTD	1 Yr
Total	100.00 %	$126,375,138	0.42	3.04	10.90	10.90
Cash/Cash Equivalent	9.02 %	$11,416,167	0.07	0.16	0.45	0.45
Fixed Income	46.59 %	$58,881,141	0.29	0.16	3.12	3.12
Equities	44.37 %	$56,077,830	0.62	7.10	22.16	22.16
Total - Net of Fees			0.42	2.96	10.50	10.50

Mr. Maddock advised for the quarter that ended December 31, 2017 the equity portfolio returned 7.10% for the equities which surpassed the index. For the last twelve months, the account returned 18.40% for the equities. On a longer-term basis of 5 years, the account returned 15.64%. The account was valued at $56,077,830 as of December 31, 2017.

Mr. Rochford indicated that for the quarter that ended December 31, 2017, the fixed income portfolio returned 0.16%, compared to the Benchmark of 0.14%. For the last twelve months, the fixed portfolio returned 3.12% compared to the same policy return of 3.07%. On a longer-term basis of 3 years, the account returned 2.32%, in comparison to the policy return 2.08%. The account was valued at $58,881,141 as of December 31, 2017.

<u>AndCo Consulting</u>

Mr. McCann presented the December 31, 2017 investment report, the portfolio was valued at $299,563,365. The total fund return was 3.97%[4]. That quarterly return outpaced the benchmark. Mr. McCann advised - All Public Plans Total Fund Median return was 3.70%. Longer term results were also outlined on a 1, 3 and 5-year basis.

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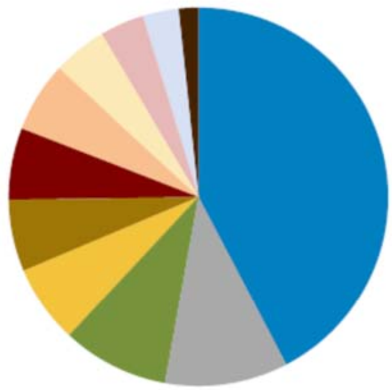
[4] *On a gross basis*

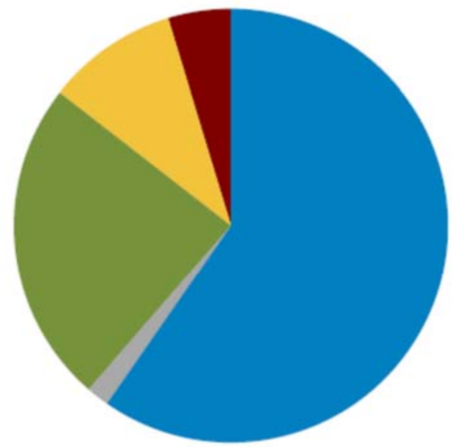
Asset Allocation By Manager as of December 31, 2017 : $299,563,365



Allocation

	Market Value	Allocation
Inverness Balanced	126,900,622	42.4
Rhumbline Equity	31,353,903	10.5
Eagle Equity	27,224,088	9.1
Intercontinental Real Estate	20,110,537	6.7
Clarivest LCG	18,439,485	6.2
Wells Fargo Equity	18,357,030	6.1
Sawgrass LCG	17,822,461	5.9
GHA Fixed	13,816,843	4.6
Rhumbline R1000G	11,269,143	3.8
American Realty	9,189,000	3.1
EnTrustPermal	5,080,253	1.7

Asset Allocation By Segment as of December 31, 2017 : $299,563,365



Allocation

Segments	Market Value	Allocation
Domestic Equity	178,759,105	59.7
Global Equity	5,080,253	1.7
Domestic Fixed Income	72,360,527	24.2
Real Estate	29,299,537	9.8
Cash Equivalent	14,063,943	4.7

Billing Update: Mr. McCann per the contract, dated 19th of November 2010, page 2, Section 7. Fee. As there are 11 Investment Managers now the fee will increase as follows:

The 7 Managers AndCo monitors now are: INVERNESS BALANCED; WELLS FARGO; RHUMBLINE MID CAP; EAGLE EQUITY; ENTRUST PERMAL; GHA FIXED AND CLARIVEST.

The new Managers are: AMERICAN REALTY; INTERCONTINENTAL; RHUMBLINE LARGE GROWTH; SAWGRASS.

Mr. McCann advised they are supposed to increase the fee by $1,000 per quarter per manager but they will only charge you $750 per quarter for American, Intercontinental and Rhumbline and $1000 per quarter for Sawgrass as they are an active manager.

Motion to accept the rate change presented by Mr. McCann effective December 31, 2017 by Mr. Laskowski and seconded by Mr. Szeto. All board members voted yes.

The entire investment report may be viewed on-line at:
http://hollywoodpolicepensionfund.com/docs/investments/2017-12-31%20Hollywood%20Police%20Quarterly%20Report.pdf

OPEN DISCUSSION

No discussion ensued.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:25 A.M.

The next scheduled meeting is March 23, 2018 at 10:30 AM.

Respectfully submitted,	APPROVED:
C. Marano, Secretary	D. Strauss, Chairperson