

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

June 29, 2018

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, June 29, 2018, at 10:32 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT:

D. Strauss, Chairman, C. Marano, Secretary (arrived at 10:41 AM), V. Szeto, C. Boyd, R. Brickman, P. Laskowski and R. Wise.

Also present were Kee Eng, City of Hollywood; Mark A. Guariglia & Bryan Schneider - EntrustPermal; Matt Orton - Clarivest Asset Management; 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 MAY 18, 2018 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the May 18, 2018 pension board meeting. Mr. Laskowski made a motion to approve the Minutes of the May 18, 2018 pension board meeting, which was seconded by Mr. Szeto. All board members voted yes.

APPROVAL OF THE MINUTES OF THE JUNE 11, 2018 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the June 11, 2018 pension board meeting. Mr. Brickman made a motion to approve the Minutes of the June 11, 2018 pension board meeting, which was seconded by Mr. Laskowski. All board members voted yes.

ATTORNEY'S REPORT

Mr. Kaufman cited a letter¹ addressed to the city manager that was sent by his office dated June 4, 2018. The letter outlined impending Board action that was to be considered at this meeting. However, on June 6, 2018, the 3rd DCA ruled against similar action taken by the City of Miami Firefighters' and Police Officers' Retirement Trust & Plan². Mr. Kaufman believes the ruling is wrong and it is being appealed to the Florida Supreme Court. But until resolved, he believes that action would be imprudent. Mr. Kaufman advised the Board to stay the course and follow the current ordinance.

Discussion ensued about members wanting to leave, however did not want to waive any benefit(s) and/or right(s) that may develop in the future.

¹ [http://hollywoodpolicepensionfund.com/docs/announcements/Ishmael%20Letter%20\(00108572xBC171\).PDF](http://hollywoodpolicepensionfund.com/docs/announcements/Ishmael%20Letter%20(00108572xBC171).PDF)

² https://edca.3dca.flcourts.org/DCADocs/2018/0086/180086_811_06062018_11120727_i.pdf

Mr. Kaufman advised that members leaving can put the Plan and/or City on notice by including non-waiver language on their exit paperwork. The verbiage will be provided to Mr. Williams.

Mr. Kaufman presented a proposed change to his firm's current agreement. In short, he said that the current retainer fee being charged was inherited from Mr. Cypen. His firm is writing off thousands of dollars each month. He asked the Board to consider a more realistic retainer fee of \$4,000.00 per month effective June 1, 2018. The fee would cover all legal work with the exception of disabilities and litigation. After review and consideration, Mr. Szeto made a motion to accept the proposal based on the revised monthly retainer cited. This motion was seconded by Mr. Brickman. All board members voted yes.

Mr. Kaufman indicated the City is desirous of a meeting with him regarding current litigation. Further information will follow as warranted.

Mr. Kaufman outlined how nearly twenty national associations representing state and local governments, elected and appointed officials, public finance professionals, public employees and public retirement systems jointly sent a letter of opposition to all members of the U.S. House of Representatives today regarding the Public Employee Pension Transparency Act (PEPTA). "PEPTA does not protect benefits, save taxpayer dollars or improve retirement system financing," said the letter. "To the contrary, it conflicts with existing governmental accounting standards, inserts the federal government into areas that are the fiscal responsibility of sovereign States and localities, imposes costly federal regulation, and threatens to eliminate the tax-exempt bonding authority of state and local governments." Retirement systems have been urged to send letters to their congressional delegations, urging them not to co-sponsor the bill or allow it to be included in any legislation under consideration. Motion directing Mr. Williams to transmit a letter accordingly by Mr. Laskowski, seconded by Mr. Boyd. All board members voted yes.

Mr. Kaufman announced an upcoming webinar that may be viewed on his firm's website.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

ACTUARIAL VALUATION – NOT STATE APPROVED: Mr. Williams cited a letter dated June 13, 2018 from Mr. Joseph Edmonds, State of Florida – Actuary. The letter was addressed to Mr. Alan Fallik, Deputy City Attorney and our Chairman. The letter in short (provided to Trustees) indicated the city has not properly funded the Plan as required. Supporting back-up was provided by the state as well. Mr. Williams asked the Board's Actuary, Mr. Todd Green to opine and completed a written review on June 20, 2018. His findings have not changed, the city failed to fund the supplemental distribution as required for 2014 and 2015. As such the State of Florida has not approved the valuation reports and they are withholding 5.5 million dollars in State premium tax monies. Mr. Brickman also noted that the State also cautioned that other state revenue may be withheld. As the letter from Mr. Edmonds was only addressed to Mr. Fallik, it is unknown if the Mayor, the City Commission and/or the City Manager received a copy of it. Motion by Mr. Szeto to make the Mayor, the City Commission and the City Manager aware of the failure to fund. Motion seconded by Mr. Brickman. All board members voted yes.

NYHART REPORT (City Actuary): Mr. Williams asked for a copy of the May 31, 2018 report from the city. They initially refused, so regrettably a public records request was filed. Subsequently the report was received. A copy of the report was given to the Board's Actuary for informational purposes only at this juncture. A copy was provided to the Trustees.

2016 STATE REPORT: On June 13, 2018 a notice was received from the Municipal Police Officers' and Firefighters' Retirement Trust Funds Office (MPF), a section of the Bureau of Local Retirement Systems. The letter shared with the Trustees outlined the same issues already responded to on May 7, 2018 by Mr. Williams. Copies of the prior response(s) on May 7, 2018 was retransmitted to the MPF on June 13, 2018. Mr. Williams will monitor, and report back as warranted.

RETURN OF CONTRIBUTIONS: Mr. Williams cited the request of a non-vested member who requested a return of his pension contributions. Motion by Mr. Laskowski to approve the request, motion seconded by Mrs. Marano. All board members voted yes.

DROP/PRB Loans: Mr. Williams cited the respective member's loan requests. 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. Brickman made a motion to approve the loans presented. This motion was seconded by Mr. Szeto. All board members voted yes.

CAPITAL CALLS – ENTRUST: Mr. Williams cited he received and completed capital calls from Entrust for the most recent engagement Special Opportunities Fund IV. Mr. Williams is working closely with Mr. McCann to target the donor manager to fund the investment. Copies of the transactions provided to the Trustees.

COMMISSION ON ETHICS: Mr. Williams reviewed and verified that the State of Florida has received all financial filings from the Trustees prior to the required filing date.

NEW BUSINESS

- 2018/19 Administrative Expense Budget - Mr. Williams outlined the Administrative Expense Budget provision. 175.061(8) and 185.05(8) require that all firefighter and police Boards of Trustees shall provide a detailed accounting report and operate under an administrative expense budget. A copy of the budget shall be provided to the plan sponsor and made available to plan members before the beginning of the fiscal year. If the Board amends the administrative expense budget, the Board must provide a copy of the amended budget to the plan sponsor and make available a copy of the amended budget to plan members. For plans that use a September 30 - October 1 fiscal year, the new administrative expense budget must be prepared and made available prior to October 1st. Mr. Williams presented an Administrative Expense Budget based on the expenses reported in the financial statements of September 30, 2017 for the Board to consider. Mr. Williams stated that 100 basis points of expense is considered reasonable in the industry. The proposed budget is estimated at 43 basis points which is based on the September 30, 2017 balance of the System, so he believes it is extremely reasonable. After review and discussion, Mr. Brickman made a motion to approve the 2018/19 Administrative Expense Budget as presented, which was seconded by Mrs. Marano. All board members voted yes.

QUARTERLY INVESTMENT PRESENTATIONS

CLARIVEST

Mr. Matt Orton provided a large cap growth portfolio update as of March 31, 2018. For the cited quarter ending, the portfolio returned 1.02 on a net basis, which underperformed the index. On a longer term, the portfolio return was valued at 15.34% vs. 14.13% for the index. A flash report provided showed the return for the month of May 2018 was valued at 3.72%. Through May 31, 2018, the portfolio was still outpacing the index on a net basis.

ENTRUST

As Mr. Williams noted, our Pension System has begun to fund the Entrust – Special Opportunities Fund IV. Mr. Mark A. Guariglia & Mr. Bryan Schneider of EntrustPermal appeared before the Board to provide an investment update. It was reported that the account was valued at \$5,110,736.00 as of May 31, 2018. Since the inception date was July 31, 2015 the net rate of return was valued at 2.48%.

Mr. Guariglia & Mr. Schneider mentioned a Co-Investment memo that was transmitted to the Fund. Mr. Williams responded the letter was forwarded to Mr. McCann to review and opine at the next meeting.

Quantitative Analysis	EnTrustPermal
Cumulative Net Performance	2.48%
Annualized Return	0.72%
Standard Deviation	7.69%
Outperform Negative Equity Market	69.23%
# of Months Down More Than 1%	10
Number of Positive Months	21
Number of Negative Months	20
% Positive	51.22%
Average Positive Month	1.75%
Average Negative Month	-1.69%
Average Monthly Return	0.06%
Number of Positive Quarters	7
Number of Negative Quarters	6
% Positive	53.85%
Average Positive Quarter	2.62%
Average Negative Quarter	-3.22%
Average Quarterly Return	-0.12%
Average Drawdown	-5.58%
Average Recovery Months	8.3
Time Horizon	8/15-5/18

OPEN DISCUSSION

No discussion ensued.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:40 A.M.

The next scheduled meeting is July 27, 2018 at 10:30 AM.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson