

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

September 29, 2018

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, September 29, 2018 at 10:33 AM, in the Office of Retirement, 4205 Hollywood Blvd., Suite 4 Hollywood, Florida 33021.

PRESENT: D. Strauss, Chairman, R. Wise, D. Brickman, C. Marano, C. Boyd and V. Szeto.

Excused Absence: P. Laskowski

Also present were Jeff Marano, PBA President; Kee Eng, City of Hollywood; Richelle Hayes of American Realty Advisors; Brian O'Sullivan of Wells Fargo; Stuart Kaufman of Klausner, Kaufman, Jensen and Levinson; David M. Williams, Plan Administrator.

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 August 17, 2018 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the August 17, 2018 pension board meeting. Mr. Szeto made a motion to approve the Minutes cited, which was seconded by Mr. Brickman. All board members voted yes.

ATTORNEY'S REPORT

- Mr. Kaufman reviewed the matter of City of Hollywood Resolution 2018-249 approved by the city commission on August 29, 2018. Whereas the city is seeking to lift the court imposed stay and proceed with litigation regarding the supplemental distribution. Mr. Kaufman advised the city attorney asked the Board for a joint motion to the court. Mr. Kaufman said while the Board will not oppose, no joint motion was in order. Motion by Mr. Brickman not to oppose or adjoin in the action sought by the city, seconded by Mrs. Marano. All board members voted yes.
- Mr. Strauss asked Mr. Kaufman about on-going settlement negotiations. Mr. Kaufman said a shade meeting would be appropriate.
- Restoration of benefits was reviewed by Mr. Kaufman. He said he was awaiting approved contract language. Court intervention may also be required to determine how to handle the members who left employment.
- Amendment 6 was reviewed by Mr. Kaufman. This amendment was logged-rolled with several items, to include having administrative agency's (such as ours) surrender expertise to the courts to interpret. Link to view is below.

- Mr. Marano reflected that Mr. George Keller spoke before the commission and supported restoration of benefits. Mr. Keller consented to Mr. Kaufman and the city attorney discussing the ordinance language. Mr. Marano asked about the development of individual contracts, Mr. Kaufman responded if it is negotiated.
- Supplemental Distribution lawsuit was discussed as Mr. Kaufman advised that each affected member would have to be legally served with the notice. Mr. Kaufman felt the Board may wish to engage special counsel to represent the retirees. They could accept that representation or seek counsel on their own.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

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. Mrs. Marano made a motion to approve the loan, which was seconded by Mr. Szeto. All board members voted yes.

Bookkeeper: Mr. Williams stated that the bookkeeper was up to date through June 30, 2018. Final quarter expected mid-November. The records would then go to the auditor.

NEW BUSINESS

Letter of Engagement - Kabat, Schertzer, De La Torre, Taraboulos & Co., LLC

After review and consideration, Mr. Brickman made a motion to engage the firm for the 2017/18 financial statements and filing of the annual report, which was seconded by Mr. Boyd. All board members voted yes.

QUARTERLY INVESTMENT REPORTS

Wells Fargo – Large Cap Value

Mr. Brian O'Sullivan of Wells Fargo appeared before the Board to provide an investment portfolio update. The portfolio was valued at \$19,792,538.26 as of August 31, 2018.

Market Update

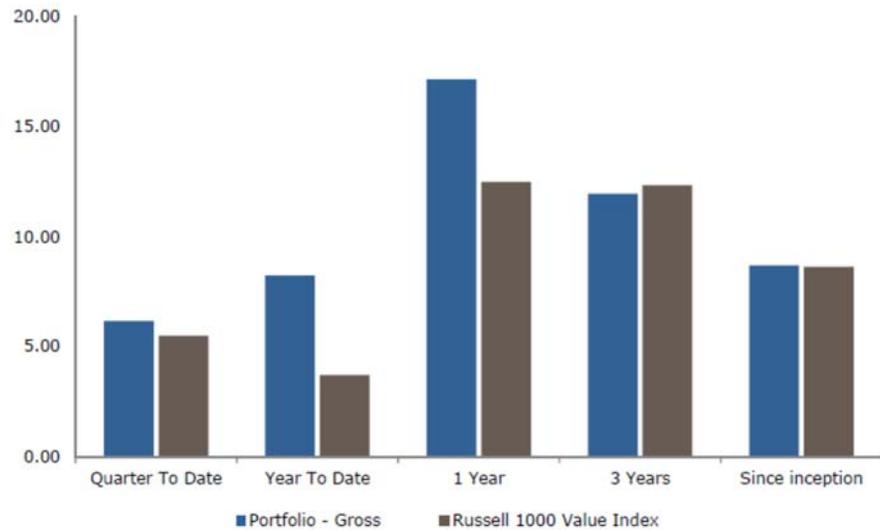
U.S. equity markets performed better than developed non-U.S. and emerging markets over all time periods. Emerging markets outpaced developed non-U.S. markets over the trailing one- and three-year periods yet underperformed for the quarter. By size, small-cap issues outperformed large and medium-sized companies over the quarter, with performance mixed across the capitalization ranges by style over the trailing one and three years. As measured by the broad market indices, growth stocks outperformed their value counterparts over all time periods.

Portfolio

Outperformance versus the Russell 1000 Value Index year to date through August 31, 2018. 7 of 11 sectors contributed to outperformance. Information technology companies benefitting and in the early stages of the shift to the 'Cloud'. Consumer discretionary and staples rebound. Energy detracted based on E&P transportation constraint concerns in the Permian. Solid absolute and strong relative outperformance versus the Russell 1000 Value Index for trailing 12 months. 7 of 11 sectors contributed to outperformance.

Information technology and industrials contributed reflecting global economic expansion. Consumer discretionary rebounded, as longer-term fundamentals supplanted short-term concerns. Financials hurt by concerns about inverting yield curve and company specific issues.

	Quarter To Date	Year To Date	1 Year	3 Years	Since inception 12-May-15
Portfolio - Gross	6.15	8.25	17.10	11.94	8.70
Russell 1000 Value Index	5.49	3.71	12.47	12.32	8.65



Portfolio characteristics

Characteristic	Portfolio	Benchmark
Number of companies	43	716
Ten largest company weights	32.8%	20.9%
Active share	84.0%	--
Weighted average market cap	\$165.5B	\$124.8B
P/E (normalized EPS)	18.6x	17.9x
P/E (trailing 1 year)	22.5x	19.6x
Dividend yield	1.8%	2.6%
ROE (5-year average)	17.6%	14.8%
Debt/capital	41.4%	39.6%
Long-term growth forecast	12.0%	9.4%

Outlook

Equity markets likely to be bolstered by strong U.S. economy. Normalizing environment benefiting our Intrinsic Value approach. Continued economic global growth. Strong top-line and earnings growth, especially for companies with global reach. Fundamentals gaining traction and active management adding value relative to benchmarks. Rising interest rates not detrimental to equity returns.

Potential risks include: Tariffs and trade wars morph from negotiation to actualization, Overleverage in China dampening economic growth and causing deflation, New U.S. foreign policy makers and geopolitical events—Eurozone populism, Iran sanctions, and North Korea, 2018 midterm U.S. elections, Economic growth accelerating and faster-than-expected inflation, High-quality companies with strong fundamentals have outpaced over long periods and Continual adherence to our Intrinsic Value approach, with a long-term record of strong and consistent returns.

American Realty Advisors

Ms. Richelle Hayes provided a portfolio update.

Net Contributions to Date	
2013	\$ 3,900,000
2014	3,600,000
NET INVESTMENT	\$ 7,500,000

Investment Summary as of June 30, 2018	
Inception-to-Date	
Contributions	\$ 7,500,000
Redemptions	-
Net Income	1,312,722
Distributions	(1,523,787)
Appreciation	2,246,677
ENDING NET ASSET VALUE	\$ 9,535,612

With an inception date of April 1, 2013 through June 30, 2018 the return was valued at 10.27% (income and appreciation on a net basis).

Recent Core acquisitions and dispositions were outlined by Ms. Hayes as well.

Ms. Hayes was asked about damage from any hurricanes. She indicated the portfolio had no damage to speak of.

OPEN DISCUSSION

Mr. Brickman asked for a report on the plan losses as a result of the 185 funds not being received due to the city's actions. The actuary reported if all premium tax monies were received, the market value of assets for the System is estimated to be \$6,751,955 higher as of September 30, 2018. This includes contributions of \$5,640,226 and investment earnings of \$1,111,729.

The city's failure was described as shameful.

Loss report from the actuary may be viewed here:

<http://www.hollywoodpolicepensionfund.com/docs/announcements/09.28.18%20Chapter%20185%20Premium%20Tax%20Investment%20Loss.pdf>

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:42 AM.

The next scheduled meeting is October 26, 2018 at 10:30 AM.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson