

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

April 26, 2019

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, April 26, 2019, 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, P. Laskowski, R. Brickman, R. Wise, C. Boyd & V. Szeto.

Also present were Eugene "Mac" Champion, City of Hollywood; Gregory Gosch, Sawgrass Asset Management; John McCann, AndCo Consulting; John Rochford – Toqueville; Adrian Sancho & Michael Bray - Inverness Counsel; Robert Klausner, Legal Counsel - Klausner, Kaufman, Jensen & Levinson; David M. Williams, Plan Administrator, Various plan members present.

PUBLIC COMMENT

Mr. Steve Sparkman (plan member) advised he was hired in 1995 as a Corrections Officer for the detention area. Mr. Steve Sparkman spoke of others similarly situated. He felt that due to his duties and responsibilities, his service time should be counted in the Police Pension Plan, instead of the General Employee (GE) Plan where his time is currently stands. Mr. Sparkman became a police officer in 1996 after attending the police academy and became enrolled in the Police Pension Plan at that time. At this point his GE time is being handled under the coordination of benefits provisions. The GE Plan is currently void of any DROP Provision for his time cited. Mr. Klausner said he would review the matter and respond at a future meeting.

Mr. Sancho & Mr. Bray of Inverness Counsel spoke to the Board about a proposed fee restructure. Current blended rate is 40 bps, the proposed blended rate is 37 bps effective July 1, 2019. New investment advisory agreement will follow.

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 MARCH 29, 2019 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the March 29, 2019 pension board meeting. Mr. Szeto made a motion to approve the Minutes of the March 29, 2019 pension board meeting, which was seconded by Mr. Boyd. All board members voted yes.

ATTORNEY'S REPORT

Lafrance Matter - Mr. Klausner advised the Independent Medical Examination (IME) is being scheduled in short order. Informal Hearing will follow thereafter.

Mr. Strauss asked Mr. Klausner about the fire loan program and how it relates to our program. Mr. Klausner advised that the FD program is not administered in the manner as this Board does. In the FD Plan, Mr. Klausner had the program eliminated. Mr. Klausner advised that by Rule the Board may opt to eliminate the program as well. Mr. Klausner indicated that this Plan has a "Letter of Determination" from the IRS but cited that a random audit from the IRS may cause a weakness, but feels we are in compliance.

Mr. Brickman said that his recollection of the program was that the Plan was in full compliance. Mr. Strauss closed by advising he understands that the city will be claiming we are not in compliance. No action taken.

Jump Start DROP: Mr. Strauss asked Mr. Klausner if the drop jump start provision could be restored as it was prior to September 30, 2011. Mr. Klausner replied in the affirmative. When asked how it should be applied, Mr. Klausner advised apply it as it would have happened.

Bien Group: Mr. Klausner was asked how the members in the Bien Case should be handled with the restoration. Mr. Klausner indicated restore them in the same manner as the other members being restored.¹

Mr. Klausner was asked about retired officers being rehired as part time school resource officers. Mr. Klausner stated that tax code permits if normal retirement and the ordinance now covers it.

Mr. Klausner was advised that some members switching from RPRB to DROP are requesting to change their respective options. Mr. Klausner felt that this is a new benefit and they should be afforded the option.

Mr. Klausner was asked about the 60-day window to enter DROP. He felt it would be prudent to administer from the date the collective bargaining agreement was executed.

Mr. Klausner reminded the Board of the 2019 Klausner, Kaufman, Jensen & Levinson Client Conference - June 10-12, 2019 in Fort Lauderdale. Registration is on-line.

ADMINISTRATIVE REPORT

DROP/PRB Loan: Mr. Williams cited the members loan requests. He outlined that the members have the funds in their respective DROP/PRB accounts to cover the loan and they have been participants 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 Mrs. Marano. All board members voted yes.

Authority was sought by Mr. Williams to represent the Plan in a deposition in the HD Supply Security Litigation Case. The Board by consensus agreed Mr. Williams was the best representative to attend.

QUARTERLY INVESTMENT REPORT – SAWGRASS ASSET MANAGEMENT

Mr. Gregory Gosch, Sawgrass Asset Management appeared before the Board to review the performance of the portfolio. The relationship inception date was reported to be June 23, 2017. The portfolio managed is diversified large growth equity.

Market Review:

The storm clouds of the 4th quarter passed as quickly as they came, and the S&P 500 rallied to its best quarterly return in almost 10 years with a gain of 13.7%.

¹ Mr. Williams contacted Mr. Klausner after the meeting to clarify his position as Mr. Klausner was called away before Mr. Williams could do so during the meeting. Mr. Klausner was under the impression that the Bien Group was in the RPRB and not already in the DROP. Therefore, members in that class should not be altered. Mr. Klausner will revisit this matter at the June 28, 2019 meeting.

The stock market was propelled in no small part by the Fed's decision to abandon its plan to raise rates over the course of 2019. Whether the policy change was politically motivated or driven by a weakening economy, stocks celebrated the news and posted strong gains across the board.

Gains were broad as every sector of the market posted positive results led by Technology and Industrials. Though Healthcare and Financials lagged the overall market, they both still posted absolute returns for the quarter in excess of 6.0%.

Smaller stocks enjoyed better returns as the Russell Midcap (16.5%) and the Russell 2000 (14.6%) modestly beat the Russell 1000 (14.0%). Growth stocks regained the lead with the Russell 3000 Growth returning (16.1%) vs. Russell 3000 Value (11.9%).

Not surprisingly, risk was rewarded this quarter as high beta was by far one of the stronger performing factors while valuation factors poorly performed.

Portfolio Review:

After posting two strong relative quarters, the portfolio lagged the Russell 1000 Growth in this runaway quarter.

Given the outsized returns and the high beta tone of the market we were not surprised to give back some relative return this quarter.

All of the underperformance occurred during the initial sharp bounce in January. Both February and March saw gains relative to the benchmark.

Stock selection was generally weak primarily in Technology (Facebook), and Consumer Discretionary (Amazon). The lone bright spot was in the strong Industrial group where Paychex and Verisk posted strong gains.

The biggest headwind for the portfolio was factor positioning as our intentional tilts toward lower beta, lower volatility and favorable valuation all worked against us.

It is notable that despite our weak relative performance in the first quarter, our downside protection of the 4th quarter leaves us well ahead of the index for the combined two quarters. This also results in strong 1-year results with the portfolio outperforming the Russell 1000 Growth by 4% in a period when large growth led the market.

Outlook:

The 1st quarter rally brings us within a few percentage points of the September highs, and given the significant decline of the 4th quarter, this rally could be considered a retest of the old highs.

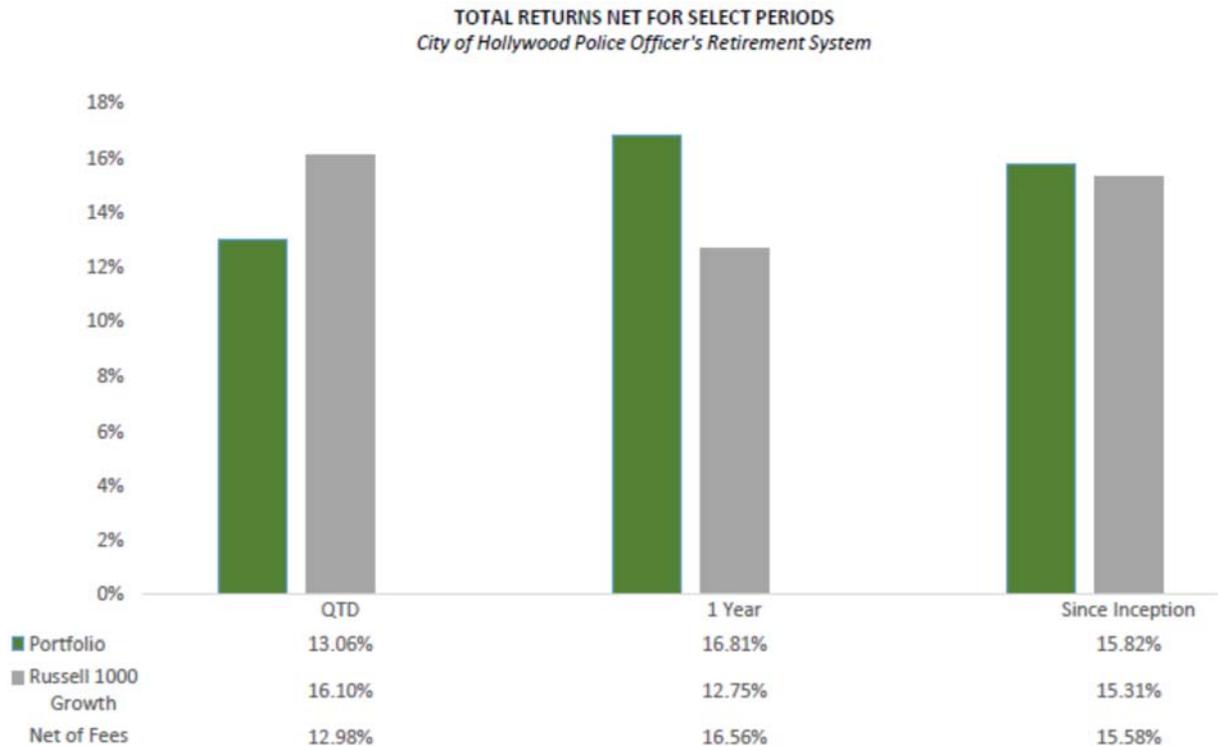
Even if the market reaches new heights, it is hard to imagine continuing at this pace.

We remain puzzled about a stock market which seems to favor risk and a Fed which has reversed course based on their concern of a weaker economy.

Considering the broad market is expected to grow earnings in the 4%-8% range, valuations in the higher end of historic ranges, and a bull market into its 10th year, we believe it prudent to keep an eye on risk.

Though not the traditional view, it is possible that the decline that we saw in the early part of 2018 was the beginnings of a longer-term topping process or at the least a consolidation of stock prices.

Sawgrass Portfolio Performance through March 31, 2019



FIXED INCOME UPDATE & REBALANCING – John McCann – AndCo Consulting

Equity: Mr. McCann began by reviewing Clarivest substandard performance. He reminded the Board that three managers were hired for this asset class and we would eliminate the underperforming manager. Mr. McCann recommended immediate termination of Clarivest. After discussion among the Board and Mr. McCann, a motion was made by Mr. Brickman to terminate Clarivest. The motion was seconded by Mr. Szeto. All board members voted yes.

Mr. McCann advised the assets from Clarivest will be part of the rebalancing. After review and discussion Mr. Laskowski made a motion to fund Inverness Equity with 10 million dollars (in cash and/or in kind), with the balance going to Wells Capital (in cash and/or in kind). The motion was seconded by Mr. Szeto. All board members voted yes. The Board also provided the authority for Mr. Williams to engage BTIG as the transitional manager.

Fixed Income: Mr. McCann began by citing that the portfolio manager left Inverness, which is a big concern. The replacement has only been at Inverness for a year. The Board invited Mr. Rochford (the former Inverness portfolio manager) now at Toqueville to discuss his position at the new firm. Mr. Rochford advised he has full discretion as the portfolio manager at Toqueville. Mr. McCann advised Toqueville has been vetted by AndCo.

After various options were discussed and considered, Mr. Brickman made the motion to retain Inverness Counsel Fixed, however transfer 15 million from Inverness to Garcia Hamilton, further, to engage Toqueville as a new fixed income manager and transfer 10 million dollars upon

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successful negotiation of an advisory agreement. The foregoing was seconded by Mr. Strauss. All board members voted yes.

Updated investment policy and guidelines will follow from Mr. McCann. investment

OPEN DISCUSSION

No discussion ensued.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 12.12 P.M.

The next scheduled meeting is May 17, 2019 at 10:30 A.M.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson