

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

May 17, 2019

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, May 17, 2019, at 10:41 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, C. Boyd & V. Szeto.

Also present were Eugene "Mac" Champion, City of Hollywood; John McCann, AndCo Consulting; Robert Maddock & Adrian Sancho - Inverness Counsel; Todd Green & Joey Walls, Board Actuary - Cavanaugh Macdonald Consulting; Anna Klausner Parish, Legal Counsel - Klausner, Kaufman, Jensen & Levinson; David M. Williams, Plan Administrator, Various plan members present.

PUBLIC COMMENT

Mr. Rossman, Attorney representing several retired members; Mrs. Stephanie Szeto, Mr. Greg Forsyth and Mr. Alex Perez (retired members) all pleaded their positions for the Board to restore the benefits of the members similarly situated who retired prior to the passage of the restoration ordinance. Mr. Rossman asked that this matter be placed on the Agenda for the June 28, 2019 meeting. Mr. Rossman advised discussions with the city representatives while cordial, has been a dead end. Litigation is enviable unless the Board acts to restore unilaterally. The matter will be heard at the next meeting; however, the Board consensus was that they have no authority to act beyond the borders of the city ordinance.

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 26, 2019 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the April 26, 2019 pension board meeting. Mr. Brickman made a motion to approve the Minutes of the April 26, 2019 pension board meeting, which was seconded by Mr. Laskowski. All board members voted yes.

ATTORNEY'S REPORT

Lafrance Matter - Mrs. Klausner Parish advised the Independent Medical Examination (IME) has been conducted. Mr. Strauss advised a second IME is required. Mrs. Klausner Parish will pursue accordingly.

Supplemental Distribution: Mrs. Klausner Parish cited that it has been determined (by Mr. Robert Klausner in consultation with Mr. Todd Green, Board Actuary) that under the restoration ordinance the Supplemental distributions may be applied retroactively. Mr. Williams will be preparing a list of participants accordingly.

QUARTERLY INVESTMENT REPORTS

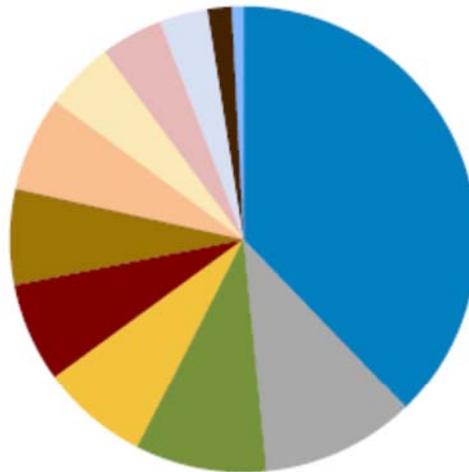
Inverness Counsel: Mr. Robert Maddock & Mr. Adrian Sancho presented the following report on the Inverness Counsel – Balanced portfolio. For the quarter through April 30, 2019, the portfolio returned 2.35%¹ (0.16% fixed and 5.05% equities). On the one, three- and five-year period, the portfolio blended return was valued respectively at 10.09%, 7.63% and 5.98% all on the net basis.

Inverness Equity portfolio was valued at \$53,932,524.00 as of April 30, 2019.
 Inverness Fixed Income portfolio was valued at \$54,016,016.00 as of April 30, 2019.

AndCo: Mr. McCann presented the March 31, 2019 investment report, the portfolio was valued at \$299,814,368, up from \$281,884,108 for the period ending March 31, 2019. The total fund return was 9.77% for the cited period. That quarterly return outpaced the benchmark by 62 basis points. Mr. McCann advised - All Public Plans Total Fund Median return was 8.49%. Longer term results were also outlined on a 1, 3 and 5-year basis.

Allocation by Manager

Asset Allocation By Manager as of
 March 31, 2019 : \$299,814,368

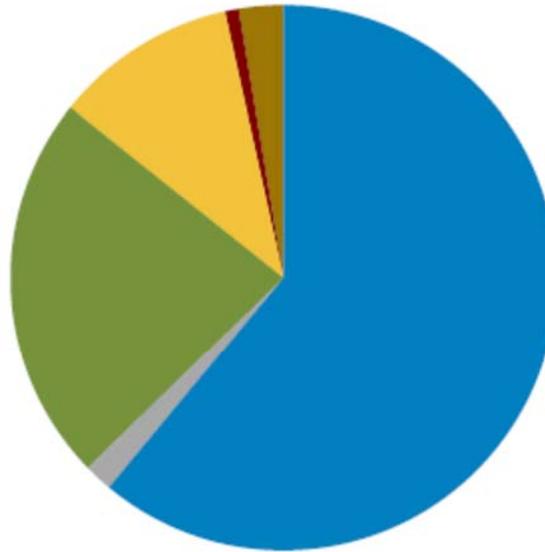


Allocation	Market Value	Allocation
Inverness Balanced	113,289,375	37.8
Rhumbline S&P Mid Cap 400	31,909,188	10.6
Eagle Equity	27,169,949	9.1
Intercontinental Real Estate	22,374,773	7.5
Sawgrass LCG	20,754,979	6.9
Wells Fargo Equity	19,835,645	6.6
Clarivest LCG	19,797,765	6.6
GHA Fixed	14,277,060	4.8
Rhumbline R1000G	12,883,251	4.3
American Realty	10,022,834	3.3
EnTrustPermal	5,043,000	1.7
EnTrustPermal Special Opp Fund IV	2,456,530	0.8

¹ Net Basis

Allocation by Asset

Asset Allocation By Segment as of
 March 31, 2019 : \$295,814,368



Allocation	Segments	Market Value	Allocation
	Domestic Equity	182,942,154	61.0
	Global Equity	5,043,000	1.7
	Domestic Fixed Income	69,064,245	23.0
	Real Estate	32,397,607	10.8
	Private Equity	2,456,530	0.8
	Cash Equivalent	7,910,832	2.6

The entire investment report may be viewed on-line at:

<http://hollywoodpensionfund.com/docs/investments/2019-03-31%20Hollywood%20Police%20Quarterly%20Report.pdf>

INVESTMENT POLICY STATEMENT (IPS) REVIEW

Mr. McCann reviewed the investment policy changes due to the retention of Toqueville Asset Management and the shift of allocations adopted by the Board of Trustees. After reviewing same, Mr. Brickman made the motion to adopt the policy pending the review of Mr. Kaufman. Motion seconded by Mr. Laskowski. All board members voted yes.

In a spirit of transparency, the policy may be viewed on-line at:

<http://hollywoodpensionfund.com/docs/guidelines/Investment%20Policy%20&%20Guidelines%20effective%20July%202019%20approved%2020190517.pdf#zoom=100>

ACTUARIAL VALUATION REPORT - OCTOBER 1, 2018

Mr. Todd Green & Mr. Joey Walls, Board Actuary - Cavanaugh Macdonald Consulting presented the finding of the October 1, 2018 Actuarial Valuation. This report presents the results of the actuarial valuation of the City of Hollywood Police Officers' Retirement System for the plan year beginning October 1, 2018. The purpose of this report is to provide a summary of the funded status of the plan as of October 1, 2018 and to determine the minimum required contribution amount for the 2019/2020 fiscal year.

In addition, this report provides a record of any plan amendments or other plan changes affecting the financial status of the fund. Our calculations were prepared based on member data and financial information provided by the Retirement System.

Generally, the Retirement System receives contributions from the City of Hollywood, the State of Florida and from active members. Currently, the State of Florida is withholding the System's premium tax distribution under Florida Statutes, Chapter 185 pending resolution of issues related to the Supplemental Distribution (i.e., 13th check). According to the State's October 2, 2015 letter, the distribution of premium tax moneys requires: 1) the prefunding of future 13th check distributions and 2) the City's lump sum payment to the System of the 13th check distributions made in 2014 and 2015.

To meet the State of Florida requirement to pre-fund the Supplemental Distribution, a pre-funding method was established effective October 1, 2015. To estimate the future Supplemental Distributions, 1,000 100-year scenarios of returns were randomly generated based on the plan's capital market assumptions and asset allocations. Based on these return scenarios and the plan's projected liabilities for the closed employee group eligible for supplemental distributions and the plan's projected assets, an estimate of distributions and the present value of these distributions under each scenario was determined. The median present value of the 1,000 scenarios is used to estimate the increase in the plan's unfunded liability to fund all future supplemental distributions.

As stipulated in the letter from the State dated October 2, 2015, the City is also required to deposit a lump sum of \$4,104,375 for the 2014 and 2015 Supplemental Distribution payments for the premium tax distribution to be released. In determining the sources of contributions to the System for the 2019/2020 fiscal year we have assumed the City will make the required lump sum payment to the System and State distributions in the amount of \$1,541,166 will be available to offset the City's contribution requirement. If the State does not release the premium tax distributions we will have to adjust the City's contribution requirement.

The total required annual contribution for the 2019/2020 fiscal year from all sources including the required lump sum of \$4,104,375 noted in the State of Florida letter dated October 2, 2015 is \$33,229,193. The amount of the City contributions varies year to year. The member contributions are equal to 9.50% of payroll. Taking into account expected member contributions of \$2,142,147 and expected State contributions of \$1,541,166, the total required contribution from the City is \$29,545,880. The actual required City contribution will have to be adjusted depending on the actual State distribution in August 2019. The State is withholding Chapter 185 monies which amount to \$5,643,226. Once the City fully funds the System including the lump sum payment of \$4,104,375, the City can offset a future contribution amount by an additional \$5,643,226. In comparison, the required City contribution for the 2018/2019 fiscal year was \$23,497,852. The City's contribution requirement for the 2019/2020 fiscal year assumes the City is State compliant and will receive the State distribution to offset its contribution.

In determining the City's contribution requirement we have included interest to reflect our understanding that the City makes bi-weekly contributions throughout the fiscal year. In the table below we present the City's contribution requirements whether the City elects to pay the full amount on October 1, 2019 or in bi-weekly installments throughout the 2019/2020 fiscal year. Please note that the table below assumes the City will be State compliant. City contribution payable October 1, 2019 \$28,494,857 Interest for bi-weekly payments during 2019/2020 fiscal year \$1,051,023 City contribution payable in bi-weekly installments \$29,545,880 The plan's unfunded liability was projected to be \$190,379,670 as of October 1, 2018, taking into account plan sponsor contributions of \$19,492,251 for the year ended September 30, 2018. The actual unfunded liability is \$244,607,603.

The increase of \$54,227,933 in the unfunded liability is primarily due to an experience gain which reduced the unfunded liability by \$584,637, offset by a substantial plan amendment which restored elements of the pre October 1, 2011 benefit structure for members of the System who were employed on or before September 30, 2011 and benefit enhancements for members hired after September 30, 2011. The plan amendment increased the unfunded liability by \$54,812,570. The total increase in City contribution to amortize the unfunded liability is \$4,911,989. The unfunded liability attributed to the plan amendment is amortized according to the Board's funding policy over a 19-year period as a level percentage of payroll. The unfunded liability attributed to the actuarial gain is also amortized according to the Board's funding policy on level dollar basis over a 20-year period.

The valuation is based on a series of actuarial assumptions, including an interest rate of 8% per year. Actuarial gains and losses result when the actual experience of the plan (such as asset return, pay increases, turnover, deaths, etc.) is different from that expected by the actuarial assumptions. The assumed mortality table is prescribed according to Florida Statutes 112.63 (f). The assumed discount rate is a prescribed assumption defined by Actuarial Standards of Practice No. 27, as it is set by the Board. The actuary has not been unable to judge the reasonableness of the assumption without performing a substantial amount of additional work beyond the scope of the assignment.

Based on the Board's adopted funding policy, amortization bases established prior to October 1, 2017, are amortized as a level percentage of payroll. Amortization bases established on or after October 1, 2017 are amortized using a level dollar approach. In addition, the Board chose to amortize the unfunded liability base established on October 1, 2018 due to the plan amendment as a level percentage of payroll.

The plan amendment mentioned above provides different levels of benefits based on member groups as follows:

Group 1 Restored Members – Members currently employed who were hired on or before September 30, 2011 and will reach their normal retirement date (age 50 or 22 years of service) on or before September 30, 2020.

Group 2 Restored Members – Members currently employed who were hired on or before September 30, 2011 and will reach their normal retirement date (age 50 or 22 years of service) after September 30, 2020.

Group 3 Members – Members hired after September 30, 2011.

A summary of the results of the valuation and the contribution requirements is presented in Table I (*see page 6 of these minutes*).

This actuarial valuation was prepared and completed by me 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 meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: 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 annual actuarial valuation, an analysis of the range of results is not presented herein.

SUMMARY OF VALUATION RESULTS		TABLE I	
	As of October 1, 2017	As of October 1, 2018	
1. Number of Members			
a. Active Members (including RPRB)	284	251	
b. Deferred Vested Members	10	10	
c. Retired Members:			
i. Members in DROP	13	39	
ii. Non-disabled	293	296	
iii. Disabled	26	25	
iv. Beneficiaries	34	34	
v. Sub-total	366	394	
d. Total Members	660	655	
2. Total Annual Compensation	\$23,585,094	\$21,786,392	
3. Total Projected Payroll	\$24,410,572	\$22,548,916	
4. Total Retired Member Benefits	\$22,451,307	\$25,305,550	
5. Derivation of Normal Cost			
a. Present Value of Future Benefits	\$441,814,471	505,024,610	
b. Present Value of Future Normal Cost	(\$50,624,643)	(\$47,580,680)	
City Portion	(\$30,615,681)	(\$31,017,438)	
Member Portion	(\$20,008,962)	(\$16,563,242)	
c. Actuarial Accrued Liability (AAL)	\$391,189,828	457,443,930	
d. Actuarial Value of Assets	(\$199,551,350) ¹	(\$212,836,327) ¹	
e. Unfunded Accrued Liability (c. + d.)	\$191,638,478	\$244,607,603	
f. Normal Cost with Interest	\$5,062,784	\$6,546,203	
g. Payment to Amortize Unfunded Liability	\$16,215,603	\$21,127,592	
h. Administrative Expenses	\$400,000	\$400,000	
i. Bi-weekly Interest Adjustment	\$811,593	\$1,051,023	
j. Total (f + g + h + i)	\$22,489,980	\$29,124,818	
6. Expected City Contributions: Fiscal Year	2018/2019	2019/2020	
a. Total Required Contribution (5.j above)	\$22,489,980	\$29,124,818	
b. Lump Sum Payment of 2014 & 2015 Supp. Dist.	\$4,104,375	\$4,104,375	
c. Expected Member Contributions	(\$1,678,453)	(2,142,147)	
d. Expected Chapter 185 Monies for Current Year	(\$1,418,050) ²	(\$1,541,166) ²	
e. Expected City Contribution (a. + b. + c. + d.)	\$23,497,852	\$29,545,880	

¹ The actuarial value of assets includes a City contribution receivable of \$4,104,375, which represents a lump sum payment for the 2014 and 2015 Supplemental Distributions.

² Receipt of the premium tax distribution assumes the City will make a lump sum payment of \$4,104,375 to the System as required by the State of Florida in the letter dated October 2, 2015.

After review and discussion, Mr. Szeto made the motion to accept the report as presented to include the retroactive application of the supplemental distributions as a result of the restoration ordinance. Mr. Brickman seconded the motion. All board members voted yes.

The entire investment report may be viewed on-line at:

http://hollywoodpolicepensionfund.com/docs_state/ActuarialValuation/10-1-2018%20Hollywood%20Police%20Valuation%20Report%20FINAL_05.17.19.pdf#zoom=100

ADMINISTRATIVE REPORT

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

HD SUPPLY: Mr. Williams cited that on May 8, 2019 he proudly represented the Plan in a deposition in the HD Supply Security Litigation Case, which is being handled by Saxena and White. Further updates will be provided as warranted. Klausner, Kaufman, Jenson and Levinson continue to monitor.

OPEN DISCUSSION

Mr. Strauss asked that the interest charged on DROP Loans be added to the June Agenda.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 12:21 P.M.

The next scheduled meeting is June 28, 2019 at 10:30 A.M.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson