

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

January 31, 2020

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, January 31, 2020, 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, R. Brickman and Justin Schweighardt.

Also present were Scott Renner & Crystal Wamble – Eagle Asset Management; Bryan Schneider - EntrustPermal; Stuart Kaufman, Legal Counsel - Klausner, Kaufman, Jensen & Levinson; David M. Williams, Plan Administrator.

PUBLIC COMMENT

The Board of Trustees and Staff welcomed Justin Schweighardt to his first meeting as a Board Trustee.

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 DECEMBER 20, 2019 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the December 20, 2019 pension board meeting. Mr. Brickman made a motion to approve the Minutes of the December 20, 2019 pension board meeting, which was seconded by Mr. Laskowski. All board members voted yes.

ATTORNEY'S REPORT

Legislative Update: Mr. Kaufman highlighted HB 113 & SB 1270 that is under consideration during the current legislative session.

Corrections Matter: Mr. Kaufman had nothing new to report.

Security Litigation: Mr. Kaufman had nothing new to report in the Covetrus Matter.

Secure Act: Mr. Kaufman noted the following as it relates to the Setting Every Community Up for Retirement Enhancement Act (Secure Act), which was signed into law by President Trump on December 20, 2019.

- Age 72 Start Date for RMDs.
- Removal of Age Limit for Traditional Ira Contributions.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

TRUSTEE ELECTION RESULTS: Mr. Williams reported the election results for the open seat of Mr. Strauss. The results were as follows:

<u>MEMBER</u>	<u>VOTES RECEIVED</u>
Justin Leo	41
Justin Schweighardt	142 WINNER

Notice - Web Link:

<http://hollywoodpolicepensionfund.com/docs/announcements/Election%20Trustee%20Results%2001-13-2020a.pdf>

TRUSTEE NOMINATION: Mr. Williams cited the notice of nomination/election for the seats of Cathleen Marano and Paul Laskowski. The notice was distributed internally and posted on the website.

Notice – Web Link:

<http://hollywoodpolicepensionfund.com/docs/announcements/NOTICE%20OF%20BOARD%20NOMINATION%20&%20ELECTION%2001-13-2020.pdf>

EDGEComb REFUND: At the Board direction a notice was sent to Diivory Edgecomb relative to his request for a refund of his pension contributions. Mr. Edgecomb was directed to attend the meeting of January 31, 2020 should he wish to contest the Board's decision.

QUARTERLY INVESTMENT PRESENTATIONS

ENTRUST – Global Activist Fund & Special Opportunities Fund

Mr. Mark A. Guariglia & Mr. Bryan Schneider of EntrustPermal appeared before the Board to provide an investment update for the investment portfolios cited.

It was reported that the Global Activist Fund was valued at \$5,512,256.00. Since the inception date was July 31, 2015 the net rate of return was valued at 2.23%. Cumulative Net Performance was valued at 10.24%.

Activist Strategy Outlook: Shareholder frustration is creating a sense of urgency for management teams to unlock value. Companies are struggling to generate organic growth. Record levels of cash on corporate balance sheets are generating low returns. Low cost financing is available for potential accretive transactions. Improving corporate governance environment has created a tailwind for the strategy. We believe the growing list of past successful investments has increased the credibility and reputation of activist managers.

The following chart outlines the EnTrustGlobal Activist Fund SPC Allocation:

	Allocation	Initial Investment
Blue Harbour Active Ownership Partners (ERISA) Ltd	4.15%	Nov-13
Cevian Capital II Ltd	13.29%	Jan-14
Corvex Offshore II Ltd	9.84%	Nov-13
JANA Strategic Investments Benchmark Offshore Fund, Ltc	7.59%	Feb-19
Pershing Square International Ltd	11.06%	Nov-13
Red Mountain Partners LP	1.26%	Nov-13
Third Point Offshore Fund Ltd	13.01%	Mar-14
Tosca Opportunity	16.77%	Jan-14
Trian Partners (ERISA) Ltd	10.08%	Nov-13
ValueAct Capital International I LP	12.94%	Nov-13
TOTAL	100.00%	
Average Manager Allocation	10.00%	

It was reported that the Special Opportunities Fund had a capital balance of \$5,953,334.00.

Hollywood Police Officers Retirement System	SO4 Ltd - Class A
Inception Date	Mar-18
End of Commitment Period	Mar-21
Commitment Amount	\$5,400,000
% of Called Capital	73.44%
Number of Unrealized Investments	25
Number of Realized Investments	2
Distributions	N/A
Capital Balance as of 12/31/19	\$5,953,334
Net Profits Generated by EnTrust Global	\$553,334

Since launch of the strategy, we have deployed approximately \$14 billion across 112 co-investments. Realized co-investments have provided a median unlevered gross IRR¹ of ~13.5% and MOIC² of ~1.3x to investors. Realized co-investments have generally had a duration of ~3 years from origination to monetization. EnTrustGlobal leverages its scale in the co-investment space to negotiate lower fees.

EAGLE ASSET MANAGEMENT

Mr. Renner, Portfolio Manager appeared before the Board and stated the market value of Eagle Account was at \$15,003,436.00 as of December 31, 2019. Since inception (01-08-03) the Eagle Small Cap Account realized an annualized net return of 10.48%³, compared to the Russell 2000 of 10.34%.

For the quarter ending December 31, 2019, Eagle Small Cap Account returned 6.50%, compared to 9.94% for the Russell 2000. On a one year rolling basis, the portfolio returned 22.66% compared to the benchmark of 25.52%. The 3- & 5-Year returns were valued at 7.48% & 8.51% in comparison to the benchmark returns of 8.59% & 8.23% respectively.

Mr. Renner provided a market overview: The underperformance is disappointing, but not too altogether surprising, given the strong return of the index in a relatively narrow market.

¹ Internal rate of return.

² multiple on invested capital.

³ On a net basis.

The health care and technology sectors contributed over 50% to the index return for the quarter. Within health care, the strong performance was largely due to record M&A activity in biotech.

Contributors to relative performance – Energy: With a focus on a more conservative strategy that avoids exploration and development companies, outperformance came from strong stock selection. Consumer Discretionary: We outperformed on strong selection, particularly within the household durables and textiles, apparel & luxury industries.

Detractors from relative performance – Health Care: With its strong return (up 22%) in the index our slight underweight to the sector, along with stock selection, detracted from performance. Our underweight to biotech (up 30%) contributed the most to our underperformance. Information Technology: Despite our in-line positioning, we underperformed due to stock selection. IT services holding, Teradata, along with software holding, MobileIron, led the sector lower.

NEW BUSINESS

REVIEW RESTORED MEMBERS: Pursuant to Board authority, Mr. Williams sought and received payroll data from the Finance Department for purposes of restoration of benefits. The import codes used were reviewed by Mr. Williams and Mr. Strauss. IT imported the data and benefits were recalculated accordingly. At the December meeting, Mr. Strauss asked Mr. Williams to review the payroll detail of a member that was calculated. Mr. Williams did so and it was determined that holiday time was counted twice. In short, the city increased regular earnings by 16 hours (from 80 hours to 96 hours), and then backed those hours out. Mr. Strauss stated this was an apparent “work around” implemented as a result of having the payroll system reprogrammed. As a result, affected members will have to be recalculated. Mr. Williams advised the first step is re-importing the data and include the regular earnings that were backed out by the city. Once imported, internal testing will have to take place to ensure its accurate. Mr. Williams will enlist the Board Actuary to ensure a checks and balances. Once a level of certainty has been confirmed, recalculations will follow. Mr. Williams prepared a draft letter that will be sent to the affected personnel right away, alerting them to the impending change. The Board reviewed the letter and by consensus agreed to its distribution.

Mr. Joey Walls, Actuary – Cavanaugh Macdonald joined the meeting via conference call. Mr. Walls detailed several members (not affected by the payroll issue cited) that was before the Board for approval. At the conclusion the Board agreed to execute the warrants for the members outlined.

Bond Manager Allocation: Mr. Bryan Schneider of EnTrustPermal was invited to discuss another product entitled Blue Ocean. EnTrust Global launched Blue Ocean, a maritime financing vehicle, in June 2017. Blue Ocean actively deploys debt capital to shipowners around the world in a market environment deeply impacted by the retrenchment of banks as capital providers. The combination of this banking dislocation and currently prevailing low asset valuations has created an environment with improved pricing as well as strong downside protection for the fund's investments. Blue Ocean Strategy has surpassed \$1.1B in investment capital raised. The majority of Blue Ocean's capital has already been deployed, largely in senior secured loans, as well as junior loans and preferred equity transactions. Led by maritime financing veteran and Blue Ocean Senior Managing Director & Portfolio Manager Mr. Svein Engh, Blue Ocean now employs a dedicated team of six experienced maritime investment professionals.

Mr. Strauss passed the gavel of Chairman to Mrs. Marano and made a motion to remove 8 million dollars from Inverness Fixed Income and move it to Tocqueville Bonds with John Rochford.

Mr. Strauss raised an issue that he was recently approached by Mr. Maddock of Inverness Counsel, questioning the Board's decision as it relates to decreasing Inverness Bond exposure at the beginning of 2019, having Inverness fund incoming managers and having Inverness pay the benefits and expenses.

Mr. Strauss felt that due to Mr. Maddock's discontent, as well as the recent Bond Management transition Inverness experienced; the time has come to reallocate 8 million dollars of the Inverness Bond portfolio. After further discussion with the board, particularly Mr. Laskowski & Mr. Brickman, the motion was amended to allocate all 100% of Inverness Bond money to three different managers.

Mr. Strauss spoke with Mr. McCann, Investment Monitor – AndCo Consultants and determined the following allocation would be deemed appropriate. Transfer 7 Million from Inverness Counsel to Garcia Hamilton & Associates and the balance going to Tocqueville Asset Management. Further Mr. Strauss felt the presentation of Entrust would warrant an investment of 5 million dollars for the Ocean Blue product⁴. As Mr. Strauss passed the gavel of Chairman to Mrs. Marano, he placed the foregoing in the form of a motion. After review and discussion, the motion was seconded by Mr. Brickman. The motion passed 5-0-1. (Mrs. Marano abstained from the vote and Form 8b will be completed).

OPEN DISCUSSION

None

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 12:00 P.M.

The next scheduled meeting is February 21, 2020 at 10:30 A.M.

Respectfully submitted,

C. Marano, Secretary

APPROVED:

D. Strauss, Chairperson

⁴ Pending execution of an investment agreement.