

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

July 31, 2020

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, July 31, 2020, at 10:32 AM. Due to Executive Order 20-69 Signed by RON DESANTIS, Governor of Florida on March 20, 2020, the Board of Trustees conducted the meeting concurrently in-person live (4205 Hollywood Blvd., Sun Credit Union Community Room) Hollywood, Florida 33021 & remotely on-line.

PRESENT

D. Strauss, Chairman, C. Marano, Secretary, V. Szeto, J. Marano, J. Schweighardt, C. Boyd and P. Laskowski (arrived at 11:04 AM) - (All attended in person).

Also present were Matt Williams, Crawford Investment Counsel, David M. Williams, Plan Administrator.

Remotely present were W. Stephen Hagenbuckle & Pat Melton, TerraCap; Eric J. Leventhal and Maribel Munoz-Garcia, Kabat Schertzer De La Torre Taraboulos & Co., John McCann, AndCo; Laurette Jean, Budget Division Director, City of Hollywood; Stuart Kaufman, Legal Counsel - Klausner, Kaufman, Jensen & Levinson.

PUBLIC COMMENT

No comments or questions were received from the public and/or participants in attendance. Mr. Williams noted on the public meeting notice the following language was posted: "Any member of the public may submit questions or comments to be read during the public comment section of the meeting to info@hollywoodpolicepensionfund.com by July 30, 2020".

READING OF THE WARRANTS

The warrants since the last meeting were reviewed and executed electronically by the Board of Trustees.

APPROVAL OF THE MINUTES OF THE June 26, 2020 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the June 26, 2020 pension board meeting. Mr. Szeto made a motion to approve the Minutes of the June 26, 2020 pension board meeting, which was seconded by Mr. Marano. All board members voted yes, passed 6-0 (Mr. Laskowski not present during vote).

ATTORNEY'S REPORT

Mr. Kaufman indicated that Governor DeSantis' Order for remote meetings was extended. The Executive order may be viewed on-line at: http://hollywoodpolicepensionfund.com/docs/announcements/EO_20-179.pdf#zoom=100

Mr. Kaufman reported the disability application of Meredith Elrich remains in the discovery phase.

Mr. Kaufman stated the Corrections Matter is still pending before the Circuit Court.

ADMINISTRATIVE REPORT

Mr. Williams presented the updated administrative report for the Board to consider.

Buyback – Use of Share Funds: Rhett Cady

Mr. Williams outlined the member's request to use his Share Funds to purchase his probationary time. He reported that this was allowable pursuant to the Share Plan Rules. Motion to approve the purchase with the use of Share Funds, by Mr. Boyd. Mr. Szeto seconded the motion. All board members voted yes (Passed 7-0).

DROP Entry for:

Jon Cooke DROP ENTRY DATE: 05/25/2020

Albert Cooper DROP ENTRY DATE: 06/15/2020

Hansman Ramnauth DROP ENTRY DATE: 05/25/2020

Motion to approve by Mr. Laskowski, seconded by Mrs. Marano. All board members voted yes (Passed 7-0).

DROP Loan for: Steven Zahn

Mr. Williams cited the member's loan request. He outlined that the member has the funds in his personal 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. Mrs. Marano made a motion to approve the loan presented. This motion was seconded by Mr. Schweighardt. All board members voted yes (Passed 7-0).

DATABASE UPDATE: Mr. Williams advised the Board that the posting update has been completed by IT. Mr. Williams will now be able to post the fixed rate of return (FRR) to the DROP Accounts at the end of each month, no longer having to wait for the Plan – variable rate of return (VRR). Members will now be able to access their respective accounts without delay on-line. Due to the web access component, statements will be mailed out quarterly going forward, with the goal to go paperless in the future. Members were notified in written form and feedback was requested. Mr. Williams thanked the Board for authorizing this latest database improvement, to better serve the membership.

ANNUAL REPORT UPDATE: Mr. Williams confirmed the Annual report was filed by representatives of Kabat Schertzer De La Torre Taraboulos & Co. on July 13, 2020. He anticipates a voluminous response from the Division of Retirement.

INVESTMENT REPORTS

Crawford Investment Counsel¹

Mr. Matt Williams appeared in-person before the Board of Trustees to present the June 30, 2020 quarterly investment report. Crawford's investment approach consistently focuses on narrowing the range of potential investment outcomes while seeking outperformance through identifying, analyzing, and investing in what we believe to be high-quality companies. Crawford believes our approach is particularly important when investing in the more volatile small cap universe.

After plunging in the first quarter, global equity markets recovered sharply in the second quarter. The Russell 2000 Index rose 25.42% (its best quarter in over 29 years), with micro cap stocks beating small cap stocks, which then outperformed large cap stocks. Non-dividend payers substantially outperformed dividend payers, low-quality beat high-quality, cyclical stocks outpaced defensive stocks, and higher-leverage stocks surpassed lower-leverage stocks. The pattern for equities was in line with previous historical rebounds in recessionary periods.

¹ Crawford Counsel is a short term investment manager – Inception date: October 28, 2019

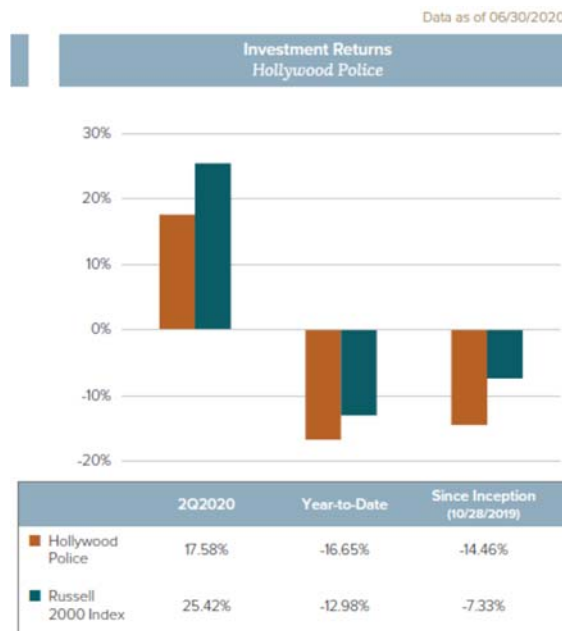
An exception to the otherwise conventional market behavior was Value, which underperformed across the market spectrum. During both the decline and the recovery, Value trailed Growth. Value performance is typically more closely linked to economic activity, which still remains uncertain due to the COVID-19 pandemic.

During the quarter, the Crawford Small Cap Equity strategy posted a positive return of 17.22% (net of fees), but underperformed the strategy benchmark, the Russell 2000 Index, by 820 basis points. Our high-quality, dividend-focused strategy underperformed, as dividend payers significantly trailed non-dividend payers, marking the largest disparity we can recollect at close to 20%.

However, the strategy did outperform dividend-paying Russell 2000 constituents. Similarly, low-quality stocks outperformed high-quality stocks, resulting in a headwind to relative performance.

The largest sector weight (allocation) impact was the strategy underweight to Healthcare, which performed well this quarter. The strategy's underweight to Healthcare is largely a function of not having biotech representation due to the lack of dividends from these companies. From a stock selection standpoint, the biggest detractor from relative return was Consumer Discretionary stocks, which was the best performing sector in the Russell 2000 Index. In that sector, there was a substantial upturn in auto, retail, and leisure products, which are areas where our strategy has limited exposure. Industrial stocks in the portfolio also lagged the index, and Financial stocks negatively impacted returns. Areas contributing to relative performance in the quarter were among the smaller sectors in the portfolio and include Energy, Utilities, Materials, and REITs.

Looking Ahead - Investing successfully over the long term requires both consistency and flexibility. Our long-held investment philosophy seeks to mitigate risk and limit the range of investment outcomes through a focus on quality. Crawford believes in their investment approach is well suited for an increasingly volatile environment, and they will continue to be opportunistic with portfolio holdings in this environment. And, while an uncertain outlook and recent volatility might cause concern for investors, Crawford suggests looking forward to the years ahead. Crawford believes that investors with the discipline and patience to invest in small cap stocks now could be rewarded in the years to come.



NEW BUSINESS

- Kabat Schertzer De La Torre Taraboulos & Co.
Mr. Eric J. Leventhal appeared electronically before the Board to assure them that the delays with the 2018/2019 Audit would not take place with the 2019/2020 Audit. Mr. Leventhal spoke about a change in personnel assigned to the account.

Mr. Leventhal spoke about the complexities of the Audit due to the revamping of the benefits that resulted from the city ordinance change. The Board members made it clear that the timeline must be maintained and thanked Mr. Leventhal for his presentation.

At the close of the presentation, Mr. Marano made the motion to engage Kabat Schertzer De La Torre Taraboulos & Co. for the 2019/2020 financial statements and for the annual state report. The motion was seconded by Mr. Szeto. All board members voted yes, passed 6-0 (Mr. Laskowski not present during vote).

- TerraCap
Mr. W. Stephen Hagenbuckle & Mr. Pat Melton appeared electronically before the Board to review TERRACAP PARTNERS V - U.S. VALUE-ADD COMMERCIAL REAL ESTATE FUND. TerraCap Management is a privately held real estate investment manager. 100% Employee-Owned. 20 Years Sr. Team Avg. Real Estate Experience. 80 Institutional Investors which equates to 473,000 Pensioners. TerraCap was described as a tactical, thematic, and event-oriented investment manager.

TerraCap avoids investing in overpriced Primary Gateway Core markets. TerraCap invests defensively in high-demand Secondary growth markets only. TerraCap aims to create value during ownership as an Operator not an Allocator. TerraCap avoids new construction risk in a rising cost environment. TerraCap avoids industry, tenant, and single asset strategy concentration risk. It was noted that the current portfolio was resilient through recent times of crisis. Fund V Executive Summary was presented. Target Equity Raise: \$400 Million, Target Returns: 16% Net IRR. 30-35 assets with invested equity ranging from \$10 million to \$30 million each. Term: 8 years from the Final Closing Date, subject to two 1-year extensions. A discounted investment management fee was also noted for early fund investors for the first year.

The Board asked Mr. McCann to check on queues from out other real estate managers and to report back at the August meeting. Mr. McCann advised that if funding came from the fixed income portfolio, the Plan's investment risk would be dampened. No formal action taken. This matter will be placed on the August 21, 2020 Agenda.

- Crescent Direct Lending – Pete Mitchell - TABLED

OPEN DISCUSSION

No open discussion ensued.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:44 AM.

The next scheduled meeting is August 21, 2020 at 10:30 AM.

Respectfully submitted,

C. Marano, Secretary

APPROVED:

D. Strauss, Chairperson