

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

November 20, 2020

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, November 20, 2020, at 10:34 A.M., 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:

C. Marano, Secretary, J. Marano, C. Boyd, P. Laskowski, Justin Schweighardt & Justin Leo (attended in-person).

D. Strauss, (attended remotely).

Also present were Laurette Jean, City of Hollywood – Finance; Mark Guariglia & Bryan Schneider – EntrustPermal; Blanca Torrents Greenwood, Legal Counsel - Klausner, Kaufman, Jensen & Levinson (attended remotely).

John McCann, AndCo Consulting; Janna Hamilton, Garcia Hamilton and Dave Williams, Plan Administrator (attended in-person).

PUBLIC COMMENT

Mr. Laskowski and Mr. Boyd were warmly acknowledged and congratulated for their recent promotions.

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 October 30, 2020 MEETING

Mrs. Marano asked if there were any additions or corrections to the Minutes of the October 30, 2020 pension board meeting. Mr. Laskowski made a motion to approve the Minutes of the October 30, 2020 pension board meeting, which was seconded by Mr. Schweighardt. All board members voted yes.

ATTORNEY'S REPORT

CORRECTIONS MATTER: Mrs. Greenwood reported that Mr. Kaufman is requesting hearing dates from opposing counsel and suggested the Board retain special counsel to represent them at the hearing. After discussion ensued, Mr. Marano made the motion to retain Richelle Levy as special counsel if the members are in fact represented by legal counsel. Mr. Strauss seconded the motion. All board members voted yes.

Crescent Direct Lending: Mrs. Greenwood advised that the firm did not agree to the terms of the side letter (agreeing to State of Florida Law). As such suggested the Board formally terminate discussions. Mr. Strauss indicated the matter is under consideration by Crescent and suggested the Board wait to take the action requested by Counsel. The Board agreed by consensus.

Disability Update (Elrich): Mrs. Greenwood cited the IME was complete and an informal hearing will follow shortly.

ADMINISTRATIVE REPORT

BUYBACK: Mr. Williams provided a request from Mr. Daniel McEvoy to use his share account to purchase his probationary time back. Mr. Laskowski made a motion to approve the action cited, which was seconded by Mr. Schweighardt. All board members voted yes.

RETURN OF PENSION CONTRIBUTION: Mr. Williams provided the request of former member Nicholas Kaplan who asked for a refund of pension contributions. Motion to approve by Mr. Strauss, seconded by Mr. Marano. All board members present voted yes.

2021 DROP & RMD: Mr. Williams provided a spreadsheet of the 2021 DROP & RMD distributions. Warrant was reviewed and executed.

RATE OR RETURN: As a result of an inquiry Mr. Laskowski received, Mr. Williams reported the process of posting the rate of return to the variable accounts (VRR). Mr. Williams explained that he receives the rate of return from Mr. McCann each month. Once received, he posts to the DROP/SHARE Accounts. Since the alternative investments have been retained, there is quite a lag in when the rate of return is received. Mr. McCann advised that when the data is sent to Mr. Williams it lags those alternative investments. The returns are later trued up by AndCo Analyst. Mr. McCann felt it would be best to report the alternatives by one quarter going forward. Further it was felt that interest postings should be changed from monthly to quarterly to properly tie to the AndCo Quarterly report. Mr. Laskowski made the motion to post quarterly basis for the VRR Accounts, which was seconded by Mr. Marano. All board members present voted yes. The fixed rate accounts will continue in the same manner.

QUARTERLY INVESTMENT PRESENTATIONS

Garcia Hamilton and Associates

Mrs. Hamilton began her presentation by discussing the fixed income market review. The economy maintained its track to recovery with stronger than expected data. Nonfarm payrolls increased 1.37 million, marking the fourth consecutive monthly gain of more than one million new jobs. The unemployment rate fell more than expected to 8.4%. The biggest event in bond markets in August was the Fed's shift toward a regime of average inflation targeting. Federal Reserve chair Powell reiterated this at the September FOMC meeting. As expected, the Fed kept the overnight target rate unchanged at 0 - 0.25% and pledged that policy will remain "accommodative" until they feel we have reached full employment and once 2% "average" inflation has been reached.

The Consumer Price Index rose 0.4%, the third large monthly increase in a row as the economy is reopening and the massive price declines that occurred in March and April are snapping back into massive price increases. Positive contributions from unemployment claims, ISM new orders, consumer sentiment, leading indicators, and stock prices signal that the economy is rebounding, but the path forward will be based on keeping the virus under control and fiscal support from all levels of the government.

For the quarter, the 10-year Treasury yield increased 2 basis points to 0.67%. The 2-year yield finished the quarter 3 basis points lower at 0.12% while the yield of the 30-year Treasury rose 4 basis points to 1.45%. These moves caused the 2-30 year yield spread to steepen by 7 basis points to 133 basis points.

The bond market posted a positive return this quarter with a return of 0.62% for the Bloomberg Barclays U.S. Aggregate Index.

Three of the four spread sectors posted positive excess returns with the corporate sector continuing to lead the way with 140 basis points of excess return. The asset-backed sector and agency sector delivered excess returns of 65 basis points and 37 basis points, respectively. After a volatile first half of the year, the mortgage-backed sector traded in a narrower range this quarter to deliver -4 basis points of excess return. Thus, the Bloomberg Barclays U.S. Aggregate Index recorded an excess return of 46 basis points this quarter.

Our outlook remains the same. We expect a rise in yields with increased fiscal stimulus or the likelihood of a vaccine. Further, as the presidential election draws near, it is expected that the yield curve will steepen substantially due to the realization that the U.S. deficit may skyrocket in 2021. Therefore, we are maintaining our defensive positioning as we have seen rates move higher off the extreme lows as the economy reaccelerates.

Spread product was in favor this quarter as all four spread sectors posted a positive excess return. The leader was the agency sector with an excess return of 56 basis points. The asset-backed securities sector and mortgage-backed securities sector followed with 21 basis points and 6 basis points of excess return, respectively. The laggard was the corporate sector with an excess return of 4 basis points. Thus, the Bloomberg Barclays U.S. Aggregate Index had an excess return of 5 basis points this quarter.

Despite the updated projections from the FOMC indicating otherwise, fed funds futures implied probabilities are still indicating a strong probability of additional rate cuts. We see the decline in rates this year as a severe overreaction and disagree with the notion that a recession is imminent because money supply is expanding rapidly, consumer confidence and small business optimism are high, and the labor market is very healthy. Therefore, rates have the bias to move higher as the economy continues to grow and exceed market expectations.

For the quarter ending September 30, 2020 the portfolio returned 0.59%¹. For the fiscal year the return was reported as 5.65%, which was in-line with the benchmark.

CHANGE IN PORTFOLIO

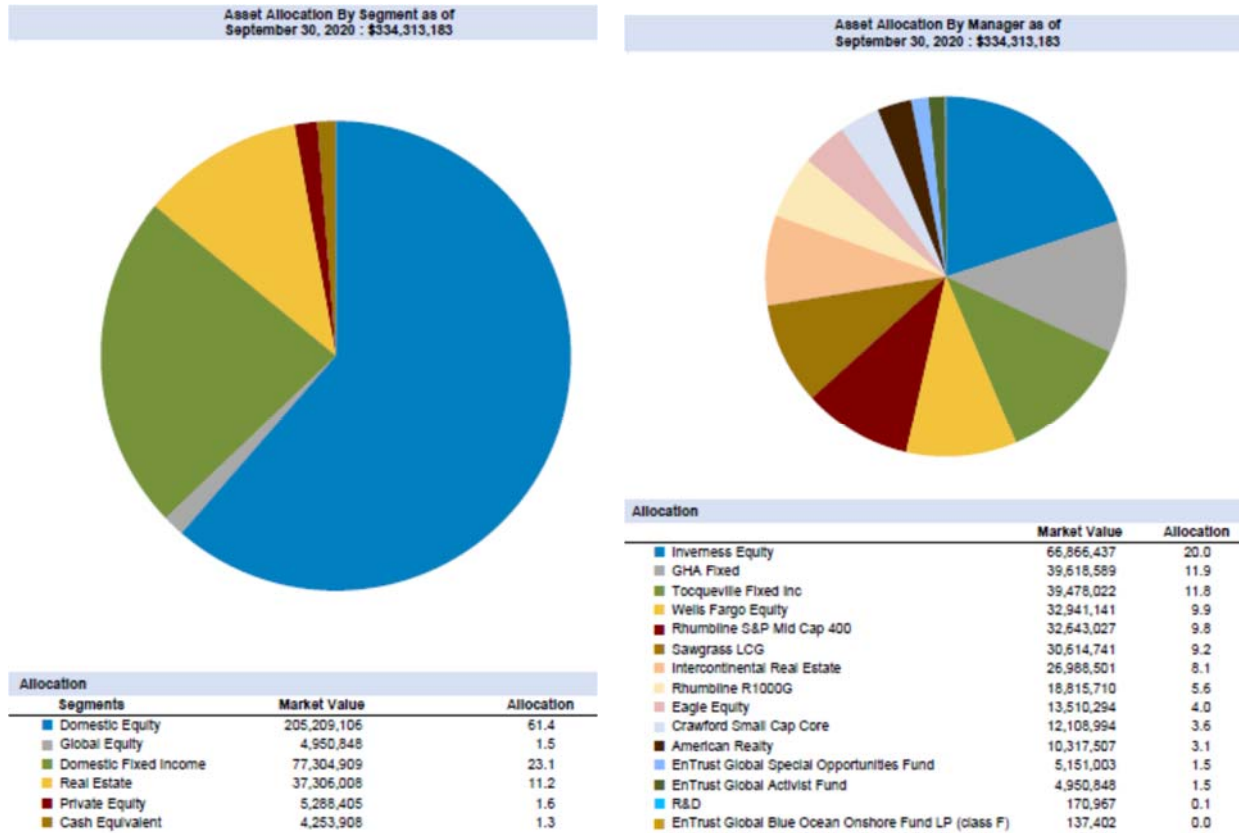
Portfolio Value on 06-30-11	6,960,312.96
Accrued Interest	143,414.63
Net Additions/Withdrawals	26,119,130.24
Realized Gains/Losses	1,422,385.73
Unrealized Gains/Losses	547,829.74
Income Received	4,473,007.23
Change in Accrued Interest	-59,403.48
Portfolio Value on 09-30-20	39,522,665.90
Accrued Interest	84,011.15
	39,606,677.05

AndCo Consulting

Mr. McCann presented the September 30, 2020 investment report, the portfolio was valued at \$334,313,183.00. The total quarterly fund return on a net basis was 5.34%. Mr. McCann advised All Public Plans Total Fund Median return was 5.27%. On a fiscal year basis, the portfolio returned 8.27%, which surpasses our assumed rate of return. Longer term results were also outlined on a 3 and 5-year basis.

¹ Gross Basis

Asset Allocation was reported as follows:



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

<http://hollywoodpolicepensionfund.com/docs/investments/2020-09-30%20Hollywood%20Police%20Quarterly%20Report.pdf>

OLD BUSINESS

Affiliated Housing Funding (Tabled 10-30-2020): Mr. Strauss advised that no further action was required by the Board on this matter.

EnTrust Activist (Tabled 10-30-2020): Mr. Schneider advised the Board that the Activist Fund was winding down, and to expect a return of their contribution by the end of Q1 2021. Mr. Schneider presented another product for the Board to consider called the Global Recovery Fund.

It was cited that EnTrust Global is launching its Global Recovery Fund (the "Recovery Fund" or the "Fund") to invest in opportunities stemming from the significant dislocation of high quality assets across the credit and equity markets created by the global pandemic and related economic shutdown. The Fund will focus on senior secured loans, investment grade bonds, and senior tranches of structured credit. As well as selective targeting of mispriced securities across mezzanine debt, high yield bonds, and equities.

Mr. Schneider stated that EnTrust successfully invested in dislocation and recovery-based co-investments during the Global Financial Crisis in 2008.

The Fund will have a one-year commitment period and employ a drawdown structure, charging fees only on invested capital.

- Investors can choose between two share classes: 1) Credit and Equity investments or 2) Credit investments only.
- To further align interests, the Fund will have a 10% hurdle rate for incentive fees, collected only upon realization.
- The Fund seeks to invest in opportunities with a target return of 15%+ net.
- Portfolio expected to be comprised of 10-15 investments with a 1-3 year investment horizon.

At the conclusion of the presentation, Mr. McCann stated he does not believe this product is approved by AndCo Consulting. Mr. McCann cited the WPB Fund that is approved by AndCo Consulting and created for clients like Hollywood Police.

Mr. Schneider cited that the scale would not work with the WPB Fund.

Mr. Strauss made a motion to invest in the WPB Fund, but subsequently withdrew the motion.

The Board took no further action and will revisit this matter at the December meeting.

OPEN DISCUSSION

No discussion ensued.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:58 AM.

The next scheduled meeting is December 18, 2020 at 10:30 AM.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson