

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

March 26, 2021

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, March 26, 2021, at 10:30 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT:

C. Marano, Acting Chairperson, J. Marano, C. Boyd, P. Laskowski, Justin Schweighardt, Mileta Djokic & D. Strauss¹.

Also present were Guilherme Valle & Nicholas Dutter – ABS Investment Services; Mark Anderson & Ray Caprio, National Investment Services; Dann Smith, Wells Fargo Asset Management; John Rochford & Joseph Zock, Tocqueville; Eric Leventhal² & Maribel Munoz-Garcia³, Independent Auditors - KSDT; John McCann, AndCo Consulting; Stuart Kaufman⁴, Legal Counsel - Klausner, Kaufman, Jensen & Levinson; David M. Williams, Plan Administrator.

PUBLIC COMMENT

Mr. John Rochford & Mr. Joseph Zock, Tocqueville commented on Bond Market Data and Economic Data. Bond Market Risks and Rewards were also highlighted (Inflationary Pressures & Deflationary Pressures). Mr. John Rochford also noted the portfolio characteristics and Returns.

	MTD	Calendar YTD	Fiscal YTD	Since Inception
Hollywood Police Officers' Retirement System	-0.49%	-2.26%	-2.21%	4.76%
Bloomberg Barclays U.S. & Govt/Credit 50/50	-1.14%	-3.06%	-2.43%	4.07%

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 FEBRUARY 19, 2021 MEETING

Mrs. Marano asked if there were any additions or corrections to the Minutes of the February 19, 2021 pension board meeting. Mr. Laskowski made a motion to approve the Minutes of the February 19, 2021 pension board meeting, which was seconded by Mr. Boyd. All board members voted yes.

ATTORNEY'S REPORT

Boeing Company: Mrs. Marano noted an additional item would have to be added to the Agenda regarding the Boeing Company, because of losses the Plan suffered. Motion to add the Boeing Company by Mr. Laskowski and seconded by Mr. Boyd. All board members voted yes.

Mr. Kaufman thanked the Board for adding this item to the Agenda.

¹ Attended Remotely

² Attended Remotely

³ Attended Remotely

⁴ Attended Remotely

Mr. Kaufman advised he and Mr. Klausner were contacted by representatives from Pomerantz LLP, which is one of the Plan's Security Plan Monitoring firms. Mr. Kaufman and Mr. Klausner felt the matter was worthy of the Board's review and consideration.

Mr. Kaufman reviewed a memorandum from Pomerantz LLP ("Pomerantz") concerning their assessment of filing a securities class action litigation (the "Class Action") on behalf of investors in the stock of the Boeing Company ("Boeing" or the "Company"). The contemplated Class Action would allege violations of the federal securities laws by Boeing and certain of the Company's top officers (collectively, the "Defendants"), pursuing remedies under the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, seeking recovery of losses incurred by investors who purchased or otherwise acquired Boeing stock between February 7, 2019 and February 24, 2021, both dates inclusive (the "Class Period"). Details of the alleged matters were outlined.

Mr. Kaufman reflected an initial review of the Retirement System's trading data indicates that it has incurred losses of approximately \$41,780⁵ in connection with Class Period purchases of Boeing stock, the recovery of which may warrant affirmative action. Pomerantz cited Considering the magnitude of these losses, we believe that the Retirement System would make an ideal candidate to serve as a lead plaintiff in the contemplated Class Action against Boeing. Co-Lead Plaintiff was also noted as a possibility.

After review and consideration by the Board of Trustees, a motion was made by Mr. Strauss to retain the professional services of Pomerantz LLP, to pursue the alleged matter against Boeing Company. This motion was seconded by Mr. Laskowski. All board members voted yes. Mr. Kaufman will continue to keep the Board informed as warranted.

Statement of Policy: Mr. Kaufman reviewed a Statement of Policy Regarding Contractual Provisions for Investment Managers. The document details items included within all investment manager agreements. Mr. Marano made a motion to approve the Policy as presented, which was seconded by Mr. Schweighardt. All board members voted yes.

Corrections Matter: Mr. Kaufman reconfirmed the date of the special meeting regarding the Corrections Matter being April 26, 2021 at 1:00 P.M. Mr. Kaufman advised that by no later than April 19, 2021, the parties shall file with the Board and serve on the Board's fiduciary counsel, and any stipulations of fact agreed to by the parties. The parties shall identify the legal and factual issues to be determined by the Board. By no later than April 19, 2021, the parties shall serve on fiduciary counsel a summary of the case authority and statutory authority to be relied upon during these proceedings.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

Benefit Approval: The Board was presented with two estimated benefit payments to consider. After review and consideration, Mr. Schweighardt made a motion to approve pending the final calculation. Mr. Boyd seconded the motion. All board members voted yes.

DROP Loan(s): Mr. Williams cited a member's loan request(s). He outlined that the member(s) has the funds in his/her personal DROP account to cover the loan and he/she has been a participant(s) in the DROP plan for the required amount of time.

⁵ Pending further confirmation.

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No conflict exists with the 12-month rule. Mr. Schweighardt made a motion to approve the loan(s) presented. This motion was seconded by Mr. Boyd. All board members voted yes.

Trustee Election: Mr. Williams reported the results of Trustee election that took place from March 1, 2021 to March 8, 2021. The top three Trustees receiving the most votes won.

The results were tallied today as follows:

MEMBER	VOTES RECEIVED
Christopher Boyd	195 ✓
Mileta Djokic	201 ✓
Justin Leo	102
Justin Schweighardt	199 ✓

Notice to may be viewed at:

<http://hollywoodpolicepensionfund.com/docs/announcements/Election%20Trustee%20Results%2003-08-2021.pdf#zoom=100>

Mr. Williams thanked the membership for a large turnout.

Motion to accept the results as outlined by Mr. Laskowski, seconded by Mr. Djokic. All board members voted yes.

PRESENTATION OF FINANCIAL STATEMENTS – September 30, 2021

Mr. Eric Leventhal & Ms. Maribel Munoz-Garcia indicated that their firm have audited the accompanying financial statements of the City of Hollywood Police Officers Retirement System, which comprise the statement of fiduciary net position as of September 30, 2020, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Mr. Eric Leventhal cited that their responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Mr. Eric Leventhal believes that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Mr. Eric Leventhal stated in their opinion, the financial statements present fairly, in all material respects, the fiduciary net position of the City of Hollywood Police Officers Retirement System as of September 30, 2020, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Furthermore, their firm has previously audited the City of Hollywood Police Officers Retirement System's 2019 financial statements, and our report dated April 17, 2020 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

MANAGEMENT'S DISCUSSION AND ANALYSIS: This section of the annual financial report presents Management's Discussion and Analysis (MD&A) of the City of Hollywood Police Officers Retirement System's (the Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for the fiscal year ended September 30, 2020. Please read it in conjunction with the Plan's financial statements, which immediately follow.

General Overview of the Plan: The Plan was first established on March 9, 1976 by Ordinance No. 0-76-12. The Plan is amended from time to time. The most recent ordinance was Ordinance 0-2019-02. The Plan is also governed by certain provisions of Part VII, Chapter 112, and Chapter 185 of the Florida Statutes. There is a Board of Trustees (the Board) in whom the general administration, management and responsibility for the proper operation of the Plan is vested.

Overview of the Financial Statements: The financial section of this annual report consists of five parts: MD&A, the basic financial statements, notes to the financial statements, supplementary information and required supplementary information. The financial statements provide both long-term and short-term information about the Plan's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other and required supplementary information that further explains and supports the information in the financial statements. The Plan's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred and appreciation (depreciation) of assets is recognized in the statement of changes in fiduciary net position. All assets and liabilities associated with the operation of the Plan are included in the statement of fiduciary net position. The statement of fiduciary net position reports fiduciary net position and how it has changed. A net asset is the difference between the asset and any related liabilities. It is one measurement of the financial health or current position of the Plan.

Financial Highlights: The Plan's net results from operations for fiscal year 2020 reflected the following financial activities:

- Total net position restricted for pensions was \$339,830,142, which was 6% greater than 2019 total net position restricted for pensions.
- Total contributions for the year were \$ 24,577,070, which was 30% lower than the 2019 contributions. The amount of employer contributions varies from year to year and is actuarially determined. Participants made contributions to the Plan of 9.5% of compensation until retirement.
- Total interest and dividend income was \$6,858,166, which was 6% higher than the 2019 income.

- Net investment income was \$25,141,119, which was 125% higher than the 2019 income.
- Benefits paid directly to retirees were \$24,779,350, which was 2% lower than the benefits paid directly to retirees during 2019.

Statement of Fiduciary Net Position: The following condensed comparative statement of fiduciary net position is a snapshot of account balances at the fiscal year end of the Plan. It reports the assets available for future payments to retirees and any current liabilities that are owed as of the financial statement date. The resulting net asset value, or assets minus liabilities, represents the value of assets held in trust for pension benefits.

The Plan continues to be evaluated for actuarial soundness by the actuary of the Plan. It should be noted that retirement system funding is based on a long-term perspective and that temporary fluctuations in the market are to be expected.

- Fiduciary net position at September 30, 2020 was \$339,830,142, a 6% increase from the net position at September 30, 2019.
- Total investments at September 30, 2020 were \$334,497,208, an 8% increase from the investments at September 30, 2019.

The table below presents condensed comparative statements of fiduciary net position as of September 30, 2020:

	2020	2019	% Change
Receivables	\$ 3,562,551	\$ 9,120,017	(61%)
Prepaid expense	2,602,330	2,433,707	7%
Investments, at fair value	334,497,208	310,083,797	8%
Total assets	340,662,089	321,637,521	6%
Total liabilities	831,947	154,034	440%
Net position restricted for pensions	\$ 339,830,142	\$ 321,483,487	6%

Statement of Changes in Fiduciary Net Position: The statement of changes in fiduciary net position presents the effect of Plan transactions that occurred during the fiscal year. On the statement, additions to the Plan minus deductions from the Plan equal net increase or decrease in fiduciary net position.

The funding objective is to meet long-term obligations and fund all Plan benefits.

- Revenues (additions to fiduciary net position) for the Plan were \$49,763,049, which was comprised of total contributions of \$24,577,070, plus net investment income of \$25,141,119, and other income of \$44,860.
- Expenses (deductions from fiduciary net position) increased from \$30,926,353 during 2019 to \$31,416,394 during 2020.

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The table below presents a condensed comparative of the changes in fiduciary net position for the year ended September 30, 2020:

	2020	2019	% Change
Total contributions	\$ 24,577,070	\$ 35,154,854	(30%)
Net investment income	25,141,119	11,164,200	125%
Other income	44,860	61,794	(27%)
Total additions	49,763,049	46,380,848	7%
Total deductions	31,416,394	30,926,353	2%
Net increase	18,346,655	15,454,495	19%
Net position restricted for pensions – beginning	321,483,487	306,028,992	5%
Net position restricted for pensions – ending	\$ 339,830,142	\$ 321,483,487	6%

Asset Allocation: The table below indicates the Plan's investment policy limitations and actual asset allocations as of September 30, 2020:

Type of Investment	Investment Policy	Actual Allocation
Equity securities	40% to 80%	61.35%
Alternative investments	0% to 5%	3.13%
Fixed income	19% to 29%	22.62%
Real estate	0% to 15%	11.15%
Cash and cash equivalents	0% to 9%	1.75%

The investment guidelines provide for the appropriate diversification of the portfolio. Investments have been diversified to the extent practicable to control risk of loss resulting from over-concentration of a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold.

The Plan's Board of Trustees (the Board) recognizes that some risk must be assumed to achieve the Plan's long-term investment objectives. In establishing the risk tolerances, the Plan's ability to withstand short and intermediate term variability has been considered. However, the Plan's financial condition enables the Board to adopt long-term investment perspective.

Investment Activities: Investment income is vital to the Plan for current and future financial stability. The Board has a fiduciary responsibility to act prudently when making Plan investment decisions. To assist the Board in this area, the Board retains investment managers who supervise and direct the investment of the assets. The Board also retains an investment monitor to evaluate and report on quarterly basis compliance by the investment managers with the investment policy of the Board and investment performance of the Plan. The investment policy statement was last amended during September 2020.

The Board and its investment consultant review portfolio performance in compliance with the investment policy statement quarterly. Performance is evaluated both individually by money manager style and collectively by investment type and for the aggregate portfolio.

Financial Analysis Summary: The investment activities for the fiscal year ended September 30, 2020 are a function of the underlying market, money managers' performance and the investment policy's asset allocation model. The Plan has consistently implemented a high quality, conservative approach.

STATEMENT OF FIDUCIARY NET POSITION
 SEPTEMBER 30, 2020
 (WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
RECEIVABLES:		
State contributions	\$ 1,797,433	\$ 7,379,064
DROP loans receivable	754,689	1,100,647
Accrued investment income	423,530	522,560
Employee and participant loans receivable	104,694	117,746
Accounts receivable - sale of investments	307,983	-
Participant contributions	<u>174,222</u>	<u>-</u>
TOTAL RECEIVABLES	<u>3,562,551</u>	<u>9,120,017</u>
PREPAID EXPENSE	<u>2,602,330</u>	<u>2,433,707</u>
INVESTMENTS, AT FAIR VALUE:		
Money market funds	5,874,194	14,132,837
Equity securities	205,209,105	179,756,213
Corporate bonds	40,863,804	51,617,001
Real estate funds	37,306,008	33,443,460
Government securities	34,786,461	21,965,599
Hedge funds	<u>10,457,636</u>	<u>9,168,687</u>
TOTAL INVESTMENTS, AT FAIR VALUE	<u>334,497,208</u>	<u>310,083,797</u>
TOTAL ASSETS	<u>340,662,089</u>	<u>321,637,521</u>
LIABILITIES		
ACCOUNTS PAYABLE	134,792	69,985
ACCOUNTS PAYABLE - PURCHASE OF INVESTMENTS	<u>697,155</u>	<u>84,049</u>
TOTAL LIABILITIES	<u>831,947</u>	<u>154,034</u>
NET POSITION RESTRICTED FOR PENSIONS		
NET POSITION RESTRICTED FOR DEFINED BENEFITS	227,814,785	215,913,475
NET POSITION RESTRICTED FOR DROP BENEFITS	108,861,604	102,286,417
NET POSITION RESTRICTED FOR SHARE BENEFITS	<u>3,153,753</u>	<u>3,283,595</u>
TOTAL NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 339,830,142</u>	<u>\$ 321,483,487</u>

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STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED SEPTEMBER 30, 2020
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2019)

	<u>2020</u>	<u>2019</u>
ADDITIONS:		
Contributions:		
City	\$ 19,856,774	\$ 24,446,359
State	1,797,433	7,379,064
Participant	2,237,954	2,010,083
Rollover	67,650	758,862
Jumpstart	555,000	400,000
Buyback	62,259	160,486
Total contributions	<u>24,577,070</u>	<u>35,154,854</u>
Investment income:		
Net appreciation in fair value of investments	19,879,997	6,187,885
Interest and dividend income	6,858,166	6,494,048
Total investment income	<u>26,738,163</u>	<u>12,681,933</u>
Less: investment expenses	<u>1,597,044</u>	<u>1,517,733</u>
Net investment income	<u>25,141,119</u>	<u>11,164,200</u>
Other income	44,860	61,794
TOTAL ADDITIONS	<u>49,763,049</u>	<u>46,380,848</u>
DEDUCTIONS:		
Benefit payments	24,779,350	25,408,602
DROP distributions	5,199,804	4,087,970
Share distributions	399,855	602,773
Refunds of contributions	314,396	112,089
Administrative expenses	722,989	714,919
TOTAL DEDUCTIONS	<u>31,416,394</u>	<u>30,926,353</u>
NET INCREASE IN NET POSITION RESTRICTED FOR PENSIONS	18,346,655	15,454,495
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING	<u>321,483,487</u>	<u>306,028,992</u>
NET POSITION RESTRICTED FOR PENSIONS - ENDING	<u>\$ 339,830,142</u>	<u>\$ 321,483,487</u>

The administrative expenses were reviewed by Mr. Leventhal and valued at 21 basis points. Mr. Leventhal reflected that the expense level was very reasonable.

At the conclusion of the presentation Mr. Strauss thanked Mr. Leventhal for providing this year's report in a timely manner. Mr. Williams echoed Mr. Strauss's position and included the efforts of Ms. Maribel Munoz-Garcia.

Motion to approve the September 30, 2020 financial statements by Mr. Strauss and seconded by Mr. Marano. All board members voted yes.

Mr. Kaufman reviewed and approved the execution of the management representation letter.

QUARTERLY INVESTMENT PRESENTATIONS

WELLS FARGO ASSET MANAGEMENT

Mr. Dann Smith provided the following report:

GTCR LLC and Reverence Capital Partners, L.P. signed a definitive agreement to acquire Wells Fargo Asset Management (WFAM). The transaction is expected to close in the second half of 2021, subject to customary closing conditions. As part of the transaction, Wells Fargo will own a 9.9% equity interest and will continue to serve as an important client and distribution partner.

The management and senior leadership teams are excited about this strategic partnership. Through this acquisition, GTCR and Reverence Capital—two respected private equity firms with deep experience investing in the asset management sector—are making a significant investment in critical parts of the WFAM business, which we believe will allow us to serve you even better in the future. I am proud of WFAM's long history and the investment and team culture we've built. This new partnership allows us to build on that success and execute our strategic plan as a solutions-driven firm with even greater support and focus. This will enable us to broaden and deepen WFAM's investment offerings to better deliver investment products and innovative solutions to help you grow your assets, generate income, and preserve your wealth.

Nico Marais, CEO is personally very motivated by the opportunities, independence, and autonomy this transaction will bring. In particular, we'll have the ability to further invest in key initiatives, including our commitment to sustainable investing and to retain and attract the best industry talent, with a focus on diversity and inclusion. You can expect an even greater commitment to the quality of service and true partnerships that we have today.

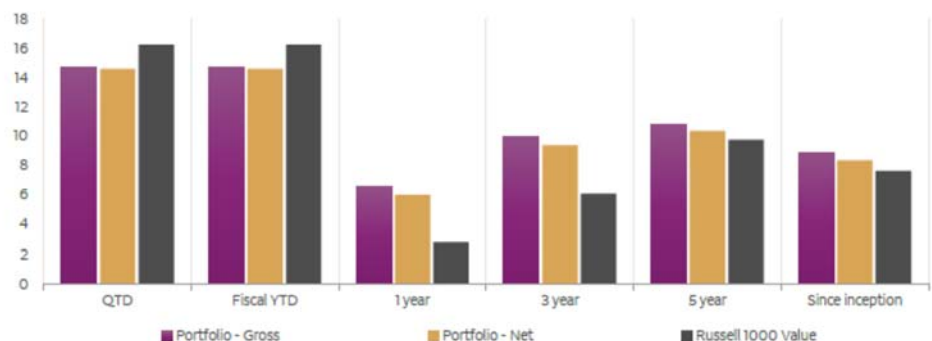
Mr. McCann had no issues with the purchase but assured the Board that his firm would continue to monitor the activity.

Effective February 28, 2021, the portfolio was valued at \$41,100,020.26.

Performance (%)

As of December 31, 2020

	QTD	Fiscal YTD	1 year	3 year	5 year	Since inception (05/12/15)
Portfolio - Gross	14.75	14.75	6.52	9.90	10.88	8.88
Portfolio - Net	14.60	14.60	5.99	9.36	10.33	8.34
Russell 1000 Value Index	16.25	16.25	2.80	6.07	9.74	7.63



NEW BUSINESS

AndCo Consulting – Fee Adjustment: Mr. McCann reflected due to the following managers who were retained by the Board (Affiliated, EnTrust Blue Ocean, EnTrust WPB Fund, Crescent, TerraCap, Crawford and Polen), the adjusted fee for AndCo services being proposed effective March 1, 2021 increased by \$5,750.00 per quarter. Mr. Strauss made a motion to approve the adjusted as cited, which was seconded by Mr. Marano. All board members voted yes.

National Investment Services: Mr. Mark Anderson & Mr. Ray Caprio of National Investment Services were invited to the meeting to make an educational presentation relative to Preferred Stock Investing.

Objective: To provide returns well in excess of conventional fixed income investments with lower volatility than equities. Active long/short trading strategy investing primarily in \$25/par board listed & \$1000/par preferred & hybrid securities. Attempts to take advantage of an inefficient market via a close monitoring of the marketplace & searching for relative value. Primary sources of return: Dividend Income and Short-term trading profits. Does not use leverage.



Mr. McCann informed the Board that this manager was not approved by AndCo at this time.

The Board thanked the representatives for the detailed information. No action was taken by the Board.

ABS Investment Services: Mr. Guilherme Valle & Mr. Nicholas Dutter of ABS Investment Services were invited to present the Board information relative to emerging market debt.

It was reported that emerging markets are inefficient and ripe for alpha generation through stock selection. ABS approach is to select local specialists to pick stocks in their own markets. The resulting alpha generation is not dependent on style biases or country selection. The ABS team has three decades of experience building cost-effective solutions for US institutions. The strategy has generated net excess returns since inception. 5.4% outperformance in 2020.

Emerging Markets countries are rich environments for alpha generation. We believe local specialists are well positioned to capture alpha. ABS has a global team with over 25 years of experience working with local specialists to structure portfolios for institutional investors. ABS has outperformed the index since inception, with few country or style biases.

The representatives were thanked for the thought-provoking presentation. No action was taken by the Board.

OPEN DISCUSSION

No open discussion ensued.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 12:25 P.M.

The next special meeting is April 26, 2021 at 1:00 P.M.

The next scheduled meeting is April 30th, 2021 at 10:30 A.M.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson