

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

April 30, 2021

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, April 30, 2021, at 10:31 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT:

D. Strauss, Chairman; C. Marano, Board Secretary; J. Marano, C. Boyd, P. Laskowski, Justin Schweighardt & Mileta Djokic.

Also present were Todd Green & Joey Walls, Board Actuary - Cavanaugh Macdonald Consulting, LLC; Laurette Jean¹, City of Hollywood; John McCann, AndCo Consulting; Blanca Torrents Greenwood², Legal Counsel - Klausner, Kaufman, Jensen & Levinson; David M. Williams, Plan Administrator.

PUBLIC COMMENT

No Comments.

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 March 26, 2021 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the March 26, 2021 pension board meeting. Mr. Laskowski made a motion to approve the Minutes of the March 26, 2021 pension board meeting, which was seconded by Mr. Schweighardt. All board members voted yes.

ATTORNEY'S REPORT

Wells Fargo Asset Management - Ms. Greenwood outlined a letter of consent to the Board to consider dated April 12, 2021. The issue has arisen as a result of the purchase of Wells Capital Management by GTCR, LLC & Reverence Capital partners, L.P. Motion to approve and authorize the Chairman to execute on behalf of the Plan by Mr. Djokic, which was seconded by Mr. Marano. All board members voted yes.

Bernstein Litowitz Berger & Grossman, LLP – Ms. Greenwood presented an updated portfolio agreement for Bernstein Litowitz Berger & Grossman, LLP. Motion to approve and authorize the Chairman to execute on behalf of the Plan by Mr. Laskowski, which was seconded by Mr. Djokic. All board members voted yes.

Mr. Strauss advised the Board that he contacted Mr. Kaufman regarding a legal opinion to see if members can use their share funds to purchase time back in the system for another member. In this particular case, the member wants to use share funds to buy the time of her spouse. Matter pending.

¹ Attended Remotely

² Attended Remotely

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

RETURN OF PENSION CONTRIBUTIONS: Mr. Williams provided the request from Ms. Mata (Non-Vested) for a refund of her pension contributions. Motion to approve the foregoing by Mr. Schweighardt, which was seconded by Mr. Laskowski. 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. No conflict exists with the 12-month rule. Mr. Marano made a motion to approve the loan(s) presented. This motion was seconded by Mr. Djokic. All board members voted yes.

REQUEST TO AMEND BENEFICIARY: Mr. Candelmo filed the required documents with the Board to amend his beneficiary³. Those documents along with the actuarial review was provided to the Board of Trustees. After review, Mr. Schweighardt made a motion to approve the change requested by Mr. Candelmo based on no impact to the Plan⁴. This motion was seconded by Mr. Laskowski. All board members voted yes.

USE OF SHARE FUNDS: Mr. Williams reviewed a buy back request from Mr. David Rogers. It was noted that Mr. Rogers wanted to use \$958.66 to offset his purchase pursuant to Board Policy. After review and consideration, Mr. Djokic made a motion to approve the request presented. This motion was seconded by Mr. Marano. All board members voted yes.

BUYBACK REQUEST: Mr. Williams advised that he was contacted by Mr. Ervin Chunga in order to purchase his prior police service with the City of Hollywood. Mr. Chunga resigned and was subsequently rehired by the city as a police officer. Original date of hire/plan participation: 02/12/2016 to date of termination (resignation): 3/20/2020. Mr. Chunga's date of rehire/plan participation: 3/22/2021. Mr. Williams advised the member has repaid in full the amount due to the plan with interest⁵. After consideration, Mr. Laskowski made a motion to approve the buyback of Mr. Chunga's prior police service with the City of Hollywood for pension purposes only. This motion was seconded by Mr. Djokic. All board members voted yes. *Post meeting it was determine that Mr. Chunga's adjusted date of hire/plan participation is 2/13/2017⁶.*

2020/21 Administrative Expense Budget - Mr. Williams outlined the Administrative Expense Budget provision. 175.061(8) and 185.05(8) require that all firefighter and police Boards of Trustees shall provide a detailed accounting report and operate under an administrative expense budget. A copy of the budget shall be provided to the plan sponsor and made available to plan members before the beginning of the fiscal year. If the Board amends the administrative expense budget, the Board must provide a copy of the amended budget to the plan sponsor and make available a copy of the amended budget to plan members. For plans that use a September 30 - October 1 fiscal year, the new administrative expense budget must be prepared and made available prior to October 1st.

³ STD Married J&S Benefit.

⁴ As determined by the Board Actuary.

⁵ Based on the interest factor table prepared by the Board Actuary.

⁶ As determined by Mr. Todd Green, Board Actuary – May 11, 2021 Letter.

Mr. Williams presented an Administrative Expense Budget based on the expenses reported in the financial statements of September 30, 2020 for the Board to consider. Mr. Williams stated that 100 basis points of expense is considered reasonable in the industry. The proposed budget is estimated at 30 basis points which is based on the September 30, 2020 balance of the System, so he believes it is extremely reasonable. After review and brief discussion, Mr. Schweighardt made a motion to approve the 2021/22 Administrative Expense Budget as presented, which was seconded by Mr. Djokic. All board members voted yes.

ACTUARIAL VALUATION PRESENTATION OCTOBER 1, 2020 - Cavanaugh Macdonald

Mr. Todd Green & Mr. Joey Walls presented the following report.

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, 2020. The purpose of this report is to provide a summary of the funded status of the plan as of October 1, 2020 and to determine the minimum required contribution amount for the 2021/2022 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.

Summary of Valuation Results: 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.

The total required annual contribution for the 2021/2022 fiscal year from all sources is \$30,743,308. 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 \$2,258,204, State contributions of \$1,797,433, and prepaid City contributions of \$1,357,106, the total required contribution from the City is \$25,330,565. The actual required City contribution will have to be adjusted depending on the actual State distribution in August 2021. In comparison, the required City contribution for the 2020/2021 fiscal year was \$25,150,747.

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, 2021 or in bi-weekly installments throughout the 2021/2022 fiscal year. Please note that the table below assumes the City will be State compliant.

| | |
|--|--------------|
| City contribution payable October 1, 2021 | \$24,221,136 |
| Interest for bi-weekly payments during 2021/2022 fiscal year | \$1,109,429 |
| City contribution payable in bi-weekly installments | \$25,330,565 |

The plan's unfunded liability was projected to be \$238,817,436 as of October 1, 2020, taking into account plan sponsor and State contributions of \$20,297,101 for the year ended September 30, 2020. The actual unfunded liability is \$238,334,668. The total increase in City contribution to amortize the unfunded liability is \$1,189,881. The unfunded liability attributed to the actuarial loss is 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.

⁷A summary of the results of the valuation and the contribution requirements is presented in Table I. Additional disclosure information can be found in Table III. The disclosure information required by Chapter 112, Florida Statutes, is presented in Table Va. Tables VII and X provide information about the fund's assets and historical contributions. Table VIc provides an asset reconciliation between October 1, 2019 and October 1, 2020. Table VIa provides a breakdown of the fund assets by investment type and the calculation of the actuarial value of assets. Tables VIIa, VIIb, and VIII provide a historical record of the growth, expenses, revenues, annual returns and contributions of the fund. Tables IXa through IXe provide a variety of useful information concerning the participant population. The assumptions and methods used in the valuation are outlined in Table XI. Provisions of the plan are set forth in Table XII.

In order to prepare the results in this report we have utilized appropriate actuarial models that were developed for this purpose. These models use assumptions about future contingent events along with recognized actuarial approaches to develop the needed results. We note that as we are preparing this report, the world is in the midst of a pandemic.

We have considered available information but do not believe that there is yet sufficient data to warrant the modification of any of our assumptions. We will continue to monitor the situation and advise the Board in the future of any adjustments that we believe would be appropriate.

The actuarial computations presented in this report are to be used for determining the contributions necessary to fund the Plan and provide information required to be disclosed by the State of Florida under Chapter 112. The funding calculations have been made on a basis consistent with our understanding of the Plan's funding requirements and goals. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. The interest rate used for determining liabilities is based on the expected return on assets. Therefore, liability amounts in this report cannot be used to assess a settlement of the obligation.

⁷ See the link contained herein for the entire report.

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.

SUMMARY OF VALUATION RESULTS

TABLE I

| | As of October 1, 2019 | As of October 1, 2020 |
|---|--------------------------|--------------------------|
| 1. Number of Members | | |
| a. Active Members | 258 | 250 |
| b. Deferred Vested Members | 9 | 9 |
| c. Retired Members: | | |
| i. Members in DROP | 38 | 41 |
| ii. Non-disabled | 303 | 311 |
| iii. Disabled | 24 | 24 |
| iv. Beneficiaries | 37 | 37 |
| v. Sub-total | 402 | 413 |
| d. Total Members | 669 | 672 |
| 2. Total Annual Compensation | \$22,824,881 | \$22,966,730 |
| 3. Total Projected Payroll | \$23,623,752 | \$23,770,566 |
| 4. Total Retired Member Benefits | \$26,560,694 | \$28,203,294 |
| 5. Derivation of Normal Cost | | |
| a. Present Value of Future Benefits | \$500,260,332 | 514,534,220 |
| b. Present Value of Future Normal Cost | (\$48,195,223) | (\$48,554,701) |
| <i>City Portion</i> | (\$31,063,180) | (\$31,118,663) |
| <i>Member Portion</i> | (\$17,132,043) | (\$17,436,038) |
| c. Actuarial Accrued Liability (AAL) | \$452,065,109 | 465,979,519 |
| d. Actuarial Value of Assets | (\$215,609,662) | (\$227,644,851) |
| e. Unfunded Accrued Liability (c. + d.) | \$236,455,447 | \$238,334,668 |
| f. Normal Cost with Interest | \$6,546,335 | \$6,587,743 |
| g. Payment to Amortize Unfunded Liability | \$21,133,266 | \$22,323,147 |
| h. Administrative Expenses | \$400,000 | \$722,989 |
| i. Bi-weekly Interest Adjustment | \$1,051,240 | \$1,109,429 |
| j. Total (f + g + h + i) | \$29,130,841 | \$30,743,308 |
| 6. Expected City Contributions Fiscal Year | 2020/2021 | 2021/2022 |
| a. Total Required Contribution (5.j above) | \$29,130,841 | \$30,743,308 |
| b. Expected Member Contributions | (\$2,244,256) | (\$2,258,204) |
| c. Prepaid City Contribution | \$0 | (\$1,357,106) |
| d. Expected Chapter 185 Monies for Current Year | (\$1,735,838) | (\$1,797,433) |
| e. Expected City Contribution (a. + b. + c. + d.) | \$25,150,747 | \$25,330,565 |

After the Board of Trustees had an opportunity to discuss the findings, Mr. Laskowski made a motion to accept and approve the report as presented. Mr. Schweighardt seconded the motion. All board members voted yes.

The entire valuation report (to include the tables cited) may be viewed at:

http://hollywoodpolicepensionfund.com/docs_state/ActuarialValuation/10-1-2020%20Hollywood%20Police%20Valuation%20Report%20FINAL_04.26.21.pdf#zoom=100

Establishment of the Assumed Rate of Return: Mr. Williams asked the Board to formally adopt the assumed rate of return for this year, future years and the long term. The letter of Mr. Joseph Edmonds dated April 21, 2021 was reviewed in detail by the Board. A discussion ensued with the Actuary (Mr. Green and Mr. Walls) and the Investment Monitor (Mr. McCann). Actuarial standards were highlighted, and the investment policy was also considered. Based on the totality of circumstances, the consensus by all was to keep the current assumption. Mr. Marano made the motion maintain the 8% assumed rate of return for this year, future years and the long term as it is deemed reasonable. This motion was seconded by Mr. Boyd. All board members voted yes. Mr. Williams will include the city manager in the correspondence that goes to the State of Florida.

INVESTMENT MONITOR REPORT

AndCo Consulting

Mr. McCann presented a brief flash report to the Board of Trustees. The estimated fiscal year return through 04/28/2021 is valued at 14.00%.

Mr. McCann also reviewed ABS & NIS who presented at the March 26, 2021 meeting. Mr. McCann advised that NIS is not an approved manager with AndCo. Mr. McCann's recommendation was to take a pause at this juncture and reconsider after the fiscal year close. The Board of Trustees agreed.

OLD BUSINESS

Corrections Matter: Ms. Greenwood had no further information to add at this juncture. Matter is pending written proposed Orders from the Special Counsel and the Plaintiff's Counsel.

OPEN DISCUSSION

The Board considered changing the meeting date of May 28, 2021 as Mr. Kaufman will not be in town. However, after discussion no action was taken. Meeting remained unchanged.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:27 P.M.

The next scheduled meeting is May 28, 2021 at 10:30 A.M.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson