

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

**April 29, 2022**

**MINUTES**

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, April 29, 2022, at 10:31 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, Mileta Djokic, Justin Schweighardt<sup>1</sup> & D. Strauss<sup>2</sup>.

Also present were Todd Green, Board Actuary - Cavanaugh Macdonald Consulting, LLC; Laurette Jean<sup>3</sup>, City of Hollywood; Stephen Hagenbuckle & Patrick Melton - TerraCap Partners; Brendon Vavrica, AndCo Consulting; Bonni Jensen<sup>4</sup>, 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.

**ATTORNEY'S REPORT**

Mrs. Jensen advised that Mr. Kaufman was working on a draft ordinance for line of duty deaths.

Mrs. Jensen informed the Board that the mediation in the Covetrus Matter was successful, and an agreement was reached in the sum of 35 million dollars for the class. The case is now pending judicial approval to settle the matter. Motion by Mr. Laskowski to affirm the settlement cited, which was seconded by Mr. Djokic. All board members voted yes. Mrs. Jensen stated Saxena White P.A., a Boca-Raton, Florida, law firm that specializes in securities fraud class-action lawsuits represented the Plan well. The Board extended their appreciation to Saxena White P.A. and Klausner, Kaufman, Jensen & Levinson for a job well done.

**ADMINISTRATIVE REPORT**

Mr. Williams presented the Administrative Report to the Board.

**RETURN OF PENSION CONTRIBUTIONS:** Mr. Williams provided the request from Mr. Austin Martin (Non-Vested) for a refund of pension contributions. Motion to approve the foregoing by Mr. Laskowski, which was seconded by Mr. Djokic. 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.

---

<sup>1</sup> Attended Remotely

<sup>2</sup> Attended Remotely

<sup>3</sup> Attended Remotely

<sup>4</sup> <https://www.klausnerkaufman.com/attorneys-staff/attorneys/bonni-jensen>

## Hollywood Police Officers' Retirement Board - Minutes

April 29, 2022

Page 2

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

DROP ENTRY: Mr. Williams reported the drop entry information for Mr. Shawn Charles and Mr. Rafael Deriet. After review, a motion to approve was made by Mr. Djokic and seconded by Mr. Boyd. All board members voted yes.

### NEW BUSINESS

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.

Mr. Williams presented an Administrative Expense Budget based on the expenses reported in the financial statements of September 30, 2021 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 26 basis points which is based on the September 30, 2021 balance of the System, so he believes it is extremely reasonable. After review and discussion, Mr. Strauss made a motion to approve the 2022/23 Administrative Expense Budget as presented, which was seconded by Mr. Marano. All board members voted yes.

Link to view:

[http://hollywoodpolicepensionfund.com/docs\\_state/AnnualBudget/2022-23%20Hollywood%20Police%20Pension%20Adm%20Expense%20Budget.pdf#zoom=100](http://hollywoodpolicepensionfund.com/docs_state/AnnualBudget/2022-23%20Hollywood%20Police%20Pension%20Adm%20Expense%20Budget.pdf#zoom=100)

### ACTUARIAL VALUATION PRESENTATION OCTOBER 1, 2021 - Cavanaugh Macdonald

Mr. Todd Green 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, 2021. The purpose of this report is to provide a summary of the funded status of the plan as of October 1, 2021 and to determine the minimum required contribution amount for the 2022/2023 fiscal year. In addition, this report provides a record of any plan amendments or other plan changes affecting the financial status of the fund.

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.

**Hollywood Police Officers' Retirement Board - Minutes**

**April 29, 2022**

**Page 3**

The total required annual contribution for the 2022/2023 fiscal year from all sources is \$30,254,351. 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 \$2,341,071, and State contributions of \$1,632,350, the total required contribution from the City is \$26,280,930.

The actual required City contribution will have to be adjusted depending on the actual State distribution in August 2022. In comparison, the required City contribution for the 2021/2022 fiscal year was \$26,687,671, including City prepaid contribution of \$1,357,106.

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, 2022 or in bi-weekly installments throughout the 2022/2023 fiscal year. Please note that the table below assumes the City will be State compliant.

City contribution payable October 1, 2022	\$25,189,146
Interest for bi-weekly payments during 2022/2023 fiscal year	\$1,091,784
City contribution payable in bi-weekly installments	\$26,280,930

The plan's unfunded liability was projected to be \$234,037,494 as of October 1, 2021, taking into account plan sponsor and State contributions of \$27,205,440 for the year ended September 30, 2021. The actual unfunded liability is \$220,913,043. The total decrease in City contribution to amortize the unfunded liability is \$643,031. The unfunded liability attributed to the actuarial gain is amortized according to the Board's funding policy on a 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 assuming a growth factor of 3.50%. For the ten-year period ending October 1, 2021, total payroll has grown by 4.57%. 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 bases established for plan amendments on October 1, 2018 and October 1, 2019 as a level percentage of payroll.

<sup>5</sup>A 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, 2020 and October 1, 2021. 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 XII. Provisions of the plan are set forth in Table XIII.

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.

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.

Please continue to next page.

---

<sup>5</sup> [http://hollywoodpensionfund.com/docs\\_state/ActuarialValuation/10-1-2021%20Hollywood%20Police%20Valuation%20Report%20FINAL\\_05.03.22.pdf#zoom=100](http://hollywoodpensionfund.com/docs_state/ActuarialValuation/10-1-2021%20Hollywood%20Police%20Valuation%20Report%20FINAL_05.03.22.pdf#zoom=100)

Among other items, this chart denotes the total required contribution decreased by \$488,957.00 from 2020 to 2021.

<b>SUMMARY OF VALUATION RESULTS</b>		<b>TABLE I</b>
	<u>As of October 1, 2020</u>	<u>As of October 1, 2021</u>
<b>1. Number of Members</b>		
a. Active Members	250	254
b. Deferred Vested Members	9	9
c. Retired Members:		
i. Members in DROP	41	38
ii. Non-disabled	311	321
iii. Disabled	24	24
iv. Beneficiaries	37	38
v. Sub-total	<u>413</u>	<u>421</u>
d. Total Members	<u>672</u>	<u>684</u>
<b>2. Total Annual Compensation</b>	\$22,966,730	\$23,809,516
<b>3. Total Projected Payroll</b>	\$23,770,566	\$24,642,849
<b>4. Total Retired Member Benefits</b>	\$28,203,294	\$29,399,362
<b>5. Derivation of Normal Cost</b>		
a. Present Value of Future Benefits	\$514,534,220	531,027,125
b. Present Value of Future Normal Cost	(\$48,554,701)	(\$49,869,693)
City Portion	(\$31,118,663)	(\$31,811,170)
Member Portion	(\$17,436,038)	(\$18,058,523)
c. Actuarial Accrued Liability (AAL)	\$465,979,519	481,157,432
d. Actuarial Value of Assets	(\$227,644,851)	(\$260,244,389)
e. Unfunded Accrued Liability (c. + d.)	<u>\$238,334,668</u>	<u>\$220,913,043</u>
f. Normal Cost with Interest	\$6,587,743	\$6,773,196
g. Payment to Amortize Unfunded Liability	\$22,323,147	\$21,680,116
h. Administrative Expenses	\$722,989	\$709,255
i. Bi-weekly Interest Adjustment	\$1,109,429	\$1,091,784
j. Total (f + g + h + i)	<u>\$30,743,308</u>	<u>\$30,254,351</u>
<b>6. Expected City Contributions Fiscal Year</b>	<u>2021/2022</u>	<u>2022/2023</u>
a. Total Required Contribution (5.j above)	\$30,743,308	\$30,254,351
b. Expected Member Contributions	(\$2,258,204)	(\$2,341,071)
c. Prepaid City Contribution	(\$1,357,106)	\$0
d. Expected Chapter 185 Monies for Current Year	<u>(\$1,797,433)</u>	<u>(\$1,632,350)</u>
e. Expected City Contribution (a. + b. + c. + d.)	<u>\$25,330,565</u>	<u>\$26,280,930</u>

After the Board of Trustees had an opportunity to discuss the findings, Mr. Strauss made a motion to accept and approve the report as presented. Mr. Boyd 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/10-1-2021%20Hollywood%20Police%20Valuation%20Report%20FINAL\\_05.03.22.pdf#zoom=100](http://hollywoodpolicepensionfund.com/docs_state/ActuarialValuation/10-1-2021%20Hollywood%20Police%20Valuation%20Report%20FINAL_05.03.22.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. Mr. Williams reminded the Board about the letter of Mr. Joseph Edmonds dated April 21, 2021. A discussion ensued with the Actuary - Mr. Green and the Investment Monitor - Mr. Vavrica. 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. Strauss made the motion to 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 is filed with the State of Florida.

INVESTMENT REPORT

TerraCap Partners

Mr. Stephen Hagenbuckle & Patrick Melton of TerraCap Partners presented a portfolio update for Fund V. The Plan has made a full contribution<sup>6</sup> to Fund V. The net internal rate of return for Fund V is valued at 16.37%<sup>7</sup>.

Targeted markets were outlined by the representatives. Fund V acquisitions were highlighted.

INVESTMENT MONITOR REPORT

AndCo Consulting

Mr. Vavrica presented a flash report to the Board of Trustees. The estimated fiscal year return through March 31, 2022 is valued at 1.83%.

Mr. Vavrica reflected that Crawford Managed Income product is under review by AndCo and he will update the Board at a later time.

An Emerging Market Debt Manager Analysis (EMD) was also highlighted as well as an Asset Allocation report if EMD was added. The Board thanked Mr. Vavrica for his efforts but took no action at this juncture.

OPEN DISCUSSION

No discussion ensued.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:46 A.M.

The next scheduled meeting is May 20, 2022 at 10:30 A.M.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson

---

<sup>6</sup> \$15,000,000.00 TerraCap Fund V Commitment.

<sup>7</sup> As of December 31, 2021.