

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

March 29, 2024

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, March 29, 2024, at 10:30 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT:

D. Strauss, Chairperson, J. Marano¹, A. Stabile, C. Boyd & M. Djokic².

Also present were Jonathan Antista³ – City of Hollywood, Finance Department; Steven J. Szostak⁴, Michael J. Fleisher⁵ – Brandywine Global; Shane Zweck⁶, CFA & Dann Smith - Allspring Global Investments; Todd Green⁷, Board Actuary – Cavanaugh Macdonland Consulting; Brendon Vavrica⁸, AndCo Consulting; Stuart Kaufman, 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 FEBRUARY 16, 2024 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the February 16, 2024 pension board meeting. Mr. Boyd made a motion to approve the Minutes of the February 16, 2024 pension board meeting, which was seconded by Mr. Stabile. All board members voted yes.

ATTORNEY'S REPORT

Mr. Kaufman noted he received the impact statement for the proposed death benefit. He will be in discussion with the union and the city and will report back when ready to proceed for internal vote.

Mr. Kaufman cited P. Smires is set for an independent medical examination (IME) for her pending claim before the Board. He would anticipate the matter coming before the Board for an informal hearing by the June meeting.

¹ Attended Remotely.

² Attended Remotely until he arrived in person at 10:38 AM.

³ Attended Remotely.

⁴ Attended Remotely.

⁵ Attended Remotely.

⁶ Attended Remotely.

⁷ Todd B. Green, ASA, EA, FCA, MAAA is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

⁸ Attended Remotely.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

DROP Loan(s): Mr. Williams cited the loan requests. He outlined that the members have the funds in his/her personal DROP account to cover the loan and he/she has been a participant in the DROP plan for the required amount of time. No conflict exists with the 12-month rule. Mr. Boyd made a motion to approve the loans presented. This motion was seconded by Mr. Djokic. Motion passed and all board members voted yes.

Mr. Williams outlined an income deduction order received for Mr. Adams, a retired member, and the action taken as a result, effective April 01, 2024.

The latest manager schedule was distributed to the Board.

<http://hollywoodpolicepensionfund.com/docs/boardMeetings/Hollywood%20Police%20Manager%20Appearance%20updated%2020240306.pdf#zoom=100>

PRESENTATION OF ACTUARIAL VALUATION REPORT OF OCTOBER 1, 2023

Representatives cited why the Plan needs an Actuary.

- Develop a strategy to systematically fund the promised benefits of the system.
- Measure assets and liabilities (future benefit payments).
- Determine actuarial contribution rates.
- Analyze experience (actual vs. expected).
- Report on trends, risks, accounting, etc.

The Basic Retirement Funding Formula was outlined as follows:

- C = Contributions
- I = Investment Income
- B = Benefits Paid
- E = Expense

It was reported that for a defined benefit pension plan, the ultimate value of future cash flows cannot be predicted with certainty. To estimate the probability and the likely cost of a future event such as disability, retirement, or death, actuaries need to make assumptions.

KNOWN at valuation date:

1. age
2. salary
3. gender
4. service to date
5. membership group

ASSUMED at valuation date:

1. future salary increases
2. retirement date(s)
3. death rates before and after
4. disability rates
5. other termination rates

Actuarial Assumptions

Turnover: Will an employee work long enough to vest and qualify for monthly benefits?

Retirement: When will the employee retire and start collecting benefits?

Mortality: How long will monthly benefits be paid?

Salary Increases: How will salaries grow in future years for each employee?

Discount Rate: What is the present value of all of those future benefits in terms of today's dollars?

If we put money aside today, what rate of return can we expect to earn on it?

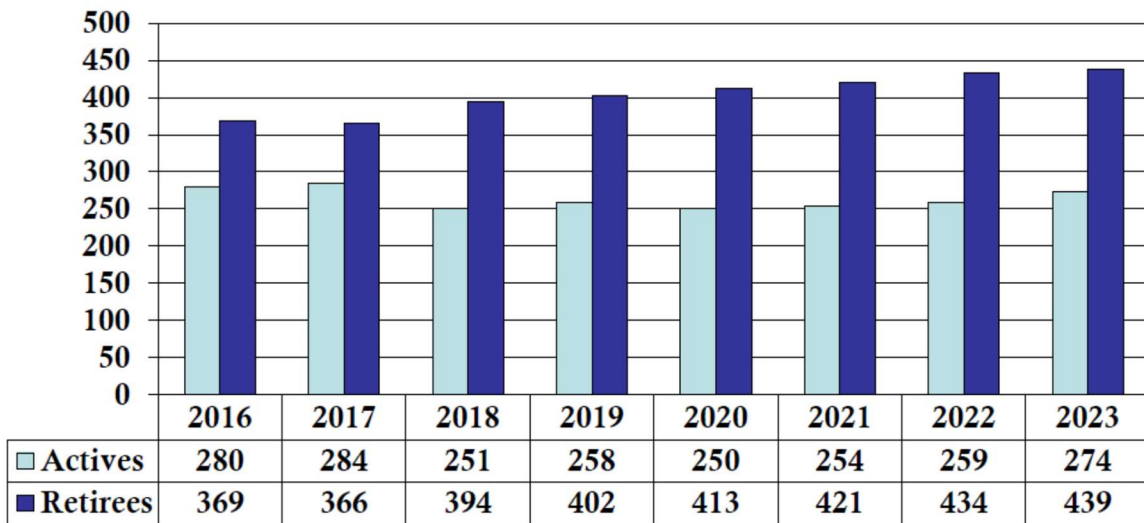
Based on the foregoing the representatives cited the following:

The October 1, 2023 Valuation determines the employer contribution for the 2024/2025 fiscal year.

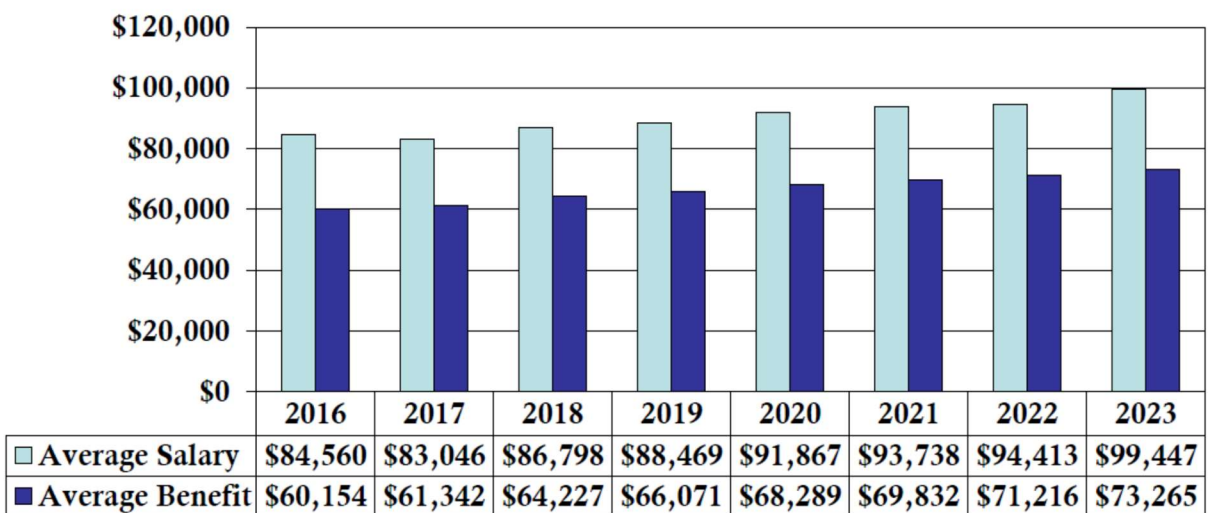
Asset Returns

1. Market asset return on non-DROP funds 14.48% vs. 8.00% expected return (6.48% more than expected).
2. Actuarial asset return 10.54% vs. 8.00% expected (2.54% more than expected).
3. \$16.1 Million of unrecognized asset losses to be recognized over the next 4 years.
4. Salary Increases - Average salary increased 9.8% vs. 5.6% expected.
5. Unfunded Liability Bases are Amortized over closed 20 years.

Active & Retired Membership was detailed as follows:



Average Active Salary and Benefits were detailed as follows:



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Results of the Valuation

	October 1, 2022 Valuation (FY 2023/2024 Contributions)	October 1, 2023 Valuation (FY 2024/2025 Contributions)
Total Normal Cost Including Expenses	\$8,543,817	\$9,001,195
Less Expected Member Contribution	<u>2,623,484</u>	<u>2,810,061</u>
Employer Normal Cost	\$5,920,333	\$6,191,134
Interest Adjustment	1,330,119	1,387,944
Amount to Amortize UAL	<u>26,984,892</u>	<u>28,072,062</u>
Total Required City/State Contribution	\$34,235,344	\$35,651,140
Expected Chapter 185 Monies	<u>1,817,654</u>	<u>2,119,082</u>
Required Employer Contribution	\$32,417,690	\$33,532,058
Unfunded Accrued Liability	\$260,862,322	\$257,009,237
Funded Ratio	48.8%	51.5%

**The 2024/2025 Fiscal Year Contribution Breakdown for the City
 (Depending On Payment Method)**

Employer contribution payable October 1, 2024	\$32,144,114
Interest for bi-weekly payments during 2024/2025 fiscal year	<u>\$1,387,944</u>
Employer contribution payable in bi-weekly installments	\$33,532,058

Historical Accrued liability and funded ratio was outlined.

Mr. Green cited the current assumption rate the Board adopted relative to other Plans. He noted that he and the Plan Consultant support the assumption, but the State of Florida may intervene at some point. While this was no call to action, Mr. Strauss advised the Board will address that issue at that juncture, if mandated by the State of Florida.

At the conclusion of the presentation, Mr. Boyd made a motion to accept and approve the October 1, 2023 Actuarial Valuation as presented. Motion was seconded by Mr. Stabile. All board members voted yes.

The Board then discussed the assumed rate of return for the Plan for this year, the next several years and for the long term. The Board by consensus agreed, based on the allocation of the Plan that there is no need to modify the current assumption. Mr. Djokic made the motion to maintain the current assumed rate of return for the Plan for this year, the next several years and for the long term. Motion was seconded by Mr. Boyd. All board members voted yes. A notice will be transmitted to the state and the city representatives will be copied should they wish to opine.

This entire report may be viewed at:

http://hollywoodpolicepensionfund.com/docs_state/ActuarialValuation/10-1-2023%20Hollywood%20Police%20Valuation%20Report%20FINAL.pdf#zoom=100

QUARTERLY INVESTMENT PRESENTATIONS

Allspring

The representatives cited reviewed the portfolio and advised the following:

U.S. equity markets, as measured by the Dow Jones Industrial Average, performed better than developed non-U.S. markets, as measured by the MSCI EAFE, during the quarter and trailing three-year periods, yet underperformed over the trailing one-year period.

U.S. equity markets, as measured by the Dow Jones Industrial Average, outperformed emerging markets, as measured by the MSCI EM indexes, over all shown time periods.

By size, small-cap issues in general underperformed medium- and large-sized companies over all time periods, particularly among growth indices

Performance was mixed across the time periods by style. As measured by the broad market indices, growth stocks outperformed their value counterparts during the quarter and trailing one-year periods, yet underperformed over the trailing three-year period.

The late-summer market sell-off continued into October but quickly reversed in November as inflation and employment data moderated. The rally was further strengthened in December as the U.S. Federal Reserve (Fed) indicated that interest rate cuts could begin in 2024. This optimism around a potential "soft landing" economic scenario led to a significant increase in investor risk appetites and a pullback in U.S. Treasury yields. The market's rapid ascension was led by the most cyclical and highest-beta stocks.

The Russell 1000 Value Index was led by the real estate and financial sectors, which were the best-performing sectors in the quarter, as investors discounted a potential soft landing and a shift in the yield curve. Meanwhile, the commodity-driven energy sector was the worst-performing and only sector to post a negative return within the index.

The portfolio outperformed its benchmark for the quarter as strong stock selection overcame what have historically been stylistic headwinds for our process. The team's process tends to do best when macro factors are more muted and companies can better control their destiny via their strong financial flexibility. Our demand for holdings to possess sustainable free cash flow (FCF) through the cycle can be a short-term headwind in market environments where risk appetites increase dramatically, and highly cyclical stocks are significant strong performers. However, as the cycle matures, we believe companies with durable asset bases, sustainable FCF, and flexible balance sheets should be the long-term outperformers versus the benchmark.

Performance overview

As of December 31, 2023

Performance history (%)

	MONTH TO DATE	QUARTER TO DATE	YEAR TO DATE	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION (12-May-15)
Portfolio - Gross	6.61	10.75	15.22	15.22	10.73	13.56	9.52
Portfolio - Net	6.56	10.61	14.64	14.64	10.18	12.99	8.97
Russell 1000 Value Index	5.54	9.50	11.46	11.46	8.86	10.91	8.05

The Board was pleased that Allspring has outperformed the benchmark over the last 5 years by 208 basis points⁹.

Brandywine Global

The representatives cited, provided a portfolio update, outlining Traditional Fundamental Factors that were identified as:

Valuation

Price-to-book
 Price-to-earnings

Quality

Return on Equity (ROE)
 ROE Growth
 Share Buyback
 Book Growth

Sentiment

Price Momentum
 Price Trend
 Price Volatility

Dynamic Large Cap Value

December 31, 2023

Performance Summary

	Fourth Quarter	YTD 2023	Since Inception* (2/23/2022)
Hollywood Police Pension System (Gross)	7.61%	9.07%	2.99%
Net Of Fees	7.49%	8.58%	2.53%
Russell 1000 Value	9.50%	11.46%	3.32%

AndCo Consulting

Mr. Vavrica provided a flash report as of February 29, 2024:

Asset Allocation & Performance	Allocation		Performance(%)								
	Market Value \$	%	MTH	QTD	YTD	FYTD	1 YR	3 YR	5 YR	Inception	Inception Date
Total Fund Composite (Gross)	452,209,763	100.0	2.75	3.47	3.47	11.54	15.50	6.68	9.41	8.14	10/01/1992
Total Policy			3.67	3.84	3.84	13.36	16.37	6.05	9.20	7.54	
Total Fund Composite (Net)	452,209,763	100.0	2.71	3.40	3.40	11.44	15.17	6.23	8.97	7.74	10/01/1992
Total Policy			3.67	3.84	3.84	13.36	16.37	6.05	9.20	7.54	

Mr. Vavrica noted a drawdown from Sawgrass¹⁰ and Corient¹¹ to the R&D Account that was required to fund benefits.

⁹ One basis point is equal to 1/100th of 1%, or 0.01%. In decimal form, one basis point appears as 0.0001 (0.01/100). Basis points (BPS) are used to show the change in the value or rate of a financial instrument, such as 1% change equals a change of 100 basis points and 0.01% change equals one basis point.

¹⁰ \$50,000.00.

¹¹ 1.5 million dollars.

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Mr. Vavrica stated that the Board may wish to raise cash before the next meeting for anticipated capital calls. After review and discussion¹² Mr. Boyd made a motion to liquidate 2 million dollars from Rhumblin S&P 400 Index Fund, 2 million dollars from Sawgrass and 1 million dollars from Waycross. Seconded by Mr. Djokic. All board members voted yes.

Mr. Vavrica cited ZCM was retained in late 2023 by the Plan to manage a small cap core allocation. ZCM will be renamed to F/m Investments effective March 31, 2024.

NEW BUSINESS

Barbieri – Credited Service: Mr. Kaufman advised that the member was terminated and rehired as a result of arbitration. The member and the city are in a dispute regarding the reinstatement date(s). This matter will be on hold until the matter is settled.

Graziani, Michael – Buyback: Member was rehired and never contacted the Office of Retirement to discuss his buyback of prior time with the Plan. During the audit process the matter was discovered. Mr. Williams felt it would be appropriate to notify the member of his ability to buy his prior service back. Mr. Kaufman felt the request was reasonable and 90 days should be provided upon notification. Mr. Djokic made the motion to notify the member and provide him 90 days to buy back his prior Hollywood Police service. Motion was seconded by Mr. Strauss. All board members voted yes.

OLD BUSINESS

Mr. Kaufman provided updates on the following security litigation matters:

- General Motors – Case Pending.
- Nextera – Case Pending.
- Adobe – Close Out.
- Gilead – Case Pending.
- Citrix – Close Out.
- Boeing – Close Out¹³.

OPEN DISCUSSION

No open discussion ensued.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 12:05 P.M.

The next scheduled meeting is May 17, 2024 at 10:30 A.M.

Respectfully submitted,

APPROVED:

P. Laskowski, Secretary

D. Strauss, Chairperson

¹² With input from Mr. Vavrica.

¹³ Passive Class Member.