

TOWN OF DAVIE POLICE PENSION PLAN
Minutes

May 12, 2015
5:00 P.M.

The regular meeting of the Board of Trustees of the Town of Davie Police Pension Plan was called to order on behalf of the Board by the Plan Administrator, Bob Dorn on May 12, 2015 at 5:02 P.M. at 13790 N.W. 4th Street, Suite 105, Sunrise, Florida.

TRUSTEES PRESENT:

Mr. Greg Brilliant – Chairman; Mr. Larry Davis – Secretary; Mr. Thomas DiMeglio & Mr. Ed Taylor – Trustees.

ABSENT:

Mr. Jack Mackie -Trustee

OTHERS PRESENT:

Mr. Adam Levinson - Board Attorney; Mr. Don Dulaney – Dulaney & Company, Board Actuary; Mr. David Lee – Dahab Associates; Mrs. Deneen Bingham & Mr. Dave Griffin – Snow Capital (left at 6:35 P.M.); Mrs. Janna Hamilton – Garcia Hamilton (left at 6:35 P.M.); Mr. Bob Dorn & Mrs. Patty Ostrander – Precision Pension Administration, Inc.

It should be noted that there was a quorum for the Board to have an official meeting.

CONSENT AGENDA:

APPROVAL OF THE MINUTES:

The Board of Trustees reviewed the minutes for the April 14, 2015 meeting. Mr. Dorn inquired if there were any changes required to the cited minutes. A change was offered by Mr. Davis and duly noted. A Motion was made by Mr. Davis to approve the minutes. The Motion was seconded by Mr. Taylor. Motion passed 4-0.

WARRANT 621

Payment of \$12,917.28 to Garcia Hamilton – Equity Account for Investment Management fees the period 01-01-15 through 03-31-15. Motion by Mr. Taylor to approve as outlined, seconded by Mr. Davis. Motion passed 4-0.

WARRANT 622

Payment of \$2,323.10 to State Street Global Advisors for Investment Management fees for the period 01-01-15 through 03-31-15. Motion by Mr. DiMeglio to approve as outlined, seconded by Mr. Davis. Motion passed 4-0.

WARRANT 623

Payment of \$24,890.74 to TAMRO Capital Partners, LLC for Investment Management fees for the period 01-01-15 through 03-31-15. Motion by Mr. DiMeglio to approve as outlined, seconded by Mr. Davis. Motion passed 4-0.

Warrant 624

Payment of \$2,442.50 to Dulaney & Company, Inc. for Actuarial services through March 2015. Motion by Mr. DiMeglio to approve as outlined, seconded by Mr. Davis. Motion passed 4-0.

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WARRANT 625

Partial Lump Sum DROP Distribution of \$47,194.68 to Mr. James Wollschlager (as calculated by our Board Actuary). Motion by Mr. DiMeglio to approve as outlined, seconded by Mr. Davis. Motion passed 4-0.

WARRANT 626

Payment of \$12,917.28 to Garcia Hamilton – Fixed Income Account for Investment Management fees the period 01-01-15 through 03-31-15. Motion by Mr. Taylor to approve as outlined, seconded by Mr. Davis. Motion passed 4-0.

Warrant 627

Payment of \$1,238.25 to Klausner, Kaufman, Jensen & Levinson for legal services through April 30, 2015. Motion by Mr. DiMeglio to approve as outlined, seconded by Mr. Davis. Motion passed 4-0.

Warrant 628

Payment of \$9,293.80 to Fiduciary Trust Company International for Custodial Fees for the period ending March 31, 2015. Motion by Mr. Davis to approve as outlined, seconded by Mr. Taylor. Motion passed 4-0.

WARRANT 629

Second DROP Rollover into a qualified plan in the amount of \$21,256.12 to Mr. William Bamford (as calculated by our Board Actuary). Motion by Mr. DiMeglio to approve as outlined, seconded by Mr. Taylor. Motion passed 4-0.

WARRANT 630

Second DROP Rollover into a qualified plan in the amount of \$95,032.54 to Mr. John Stokes (as calculated by our Board Actuary). Motion by Mr. Taylor to approve as outlined, seconded by Mr. DiMeglio. Motion passed 4-0.

WARRANT 631

DROP Rollover into a qualified plan in the amount of \$118,118.71 to Mr. Kelly Drum (as calculated by our Board Actuary). Motion by Mr. Taylor to approve as outlined, seconded by Mr. DiMeglio. Motion passed 4-0.

Warrant 632

Payment of \$16,502.35 to Dahab & Associates, Inc. for Professional services for the period 01-01-15 through 03-31-15. Motion by Mr. Taylor to approve as outlined, seconded by Mr. DiMeglio. Motion passed 4-0.

NEW / UNFINISHED BUSINESS:

Mr. Dorn presented to the Board the SSgA transaction security agreement which was tabled from the last meeting. Mr. Levinson & Mr. Lee reviewed the document and approved it. A Motion to execute this document was made by Mr. DiMeglio, seconded by Mr. Taylor. Motion passed 4-0. Mr. Brilliant and Mr. Davis executed the document. Mr. Dorn advised that he will forward this document to SSgA.

Garcia Hamilton – Equity Account Report

Mrs. Hamilton informed the Board that they received the U.S. Investment Management Award for Institutional Investor of Fixed Income Investment Grade Manager of the Year for the second year.

Mrs. Hamilton advised that stock process traded in a rather narrow range through the quarter. Earnings estimates were reduced steadily, reflecting disappointing economic activity, falling energy process, and a strengthening U.S. dollar. The actions of the Central Bank remained the primary factor driving stock prices. The U.S. Federal Reserve set the stage for an eventual hike in short term rates while the European Central Bank embarked on a quantitative easing program. Lower quality and smaller cap stocks fared best in the first quarter.

Mrs. Hamilton indicated that as of March 31, 2015, the Equity portfolio had a market value of \$10,333,821.19. The asset allocation was 96.1% in equities, and 3.9% in cash. The total quarterly return was 2.6%. Equities returned 2.6% compared to the Russell 1000 which had 3.8%. The fiscal year to date return was 8.1% and the benchmark was 8.4%. The high quality portfolio provided returns similar to the benchmark with lower volatility for the last twelve months ended March 31, 2015.

Health Care stocks posted strong gains across all market capitalizations on a combination of anticipated product approvals, merger & acquisition activity, increase access under the Affordable Care Act, and relatively low exposure to foreign currency volatility. Biotechnology names performed best fueled by positive results from several early staged clinical trials. Consumer Discretionary stocks anticipated the positive effects of falling energy prices on consumer spending. Potentially rising interest rates weighed on the Utility sector, as did pending environmental legislation. Energy stocks fell alongside crude oil and other commodity prices. Extended capital spending cuts may be needed to achieve U.S. crude oil supply/demand balance. Consumer Staples is the largest sector overweight, partially due to the portfolio's quality bias and partially in anticipation of lower gasoline prices boosting consumer spending. Three stocks in the portfolio, Costco, Wal-Mart and Estee Lauder should experience gains. The portfolio has an underweight in Information Technology because of an underweight position in Microsoft and Facebook.

The three best performing stocks in the portfolio were Cinemark Holdings, Inc, Walt Disney Company, and Roper Industries. The three under performing stocks were National Oil well Varco Inc, W.W. Granger Inc, and Stratasy, Ltd.

Investment advisors remain extremely optimistic. Despite unprecedented attempts to ease policy, the real and nominal levels of growth in the monetary aggregates remain stable near historical averages. The S & P 500 has reached our estimate of fair value. The twelve month forward earnings estimates have begun to decline, primarily due to lower energy process and rising dollar. This is typically an obstacle to meaningful gains in prices.

Mr. Dorn asked Mrs. Hamilton if there were any organizational or personal changes to the firm. Mrs. Hamilton advised that there were none.

Garcia Hamilton – Fixed Income Account Report

Mrs. Janna Hamilton indicated that as of March 31, 2015, the Fixed Income portfolio had a market value of \$40,365,129.61. Our asset allocation was 99.6% in Fixed Income and 0.4% in cash. Our total quarterly return was 1.9%. Equities returned 2.0% compared to the Barclay's Capital Aggregate which had 1.6%. The fiscal year to date return was 4.5% and the benchmark was 3.4%.

Our duration remains longer than the benchmark index, and we remain underweight corporate bonds versus the index. In the short term, we continue to believe rates will remain range bound with a bias towards lower.

Snow Capital – Large Cap Account Report

Mrs. Bingham introduced Mr. Dave Griffin who is now working at Snow Capital. Mrs. Bingham advised that they had the Plan's fund for the month of April/2015 and the return was 0.95% and the benchmark was 0.93%. The Plan's funds invested with Snow Capital Management are currently at \$5,730,285.00 in equities and \$121,005.00 in cash. Mrs. Bingham advised similar statements about the various sectors as Mrs. Hamilton did.

Mrs. Bingham advised that Financials and Health Care sectors were the largest detractors from our relative results. Our sector weighting, which is solely a consequences of our stock selections had a negative impact on our relative return for the quarter. The three best performing stocks in the portfolio were Ultra Petroleum Corp, Avnet, Inc., and Axiall Corp. The three underperforming stocks in the portfolio were Community Health Systems, Bank of America Corp, and Genworth Financial.

The portfolio features significant over weight positions in Materials, Financials and Information Technology sectors. Our under weights are in the defensive sectors, Utilities, Consumer Staples, and Health Care. The heaviest weighting in Financials was with banks such as J P Morgan, and Bank of America. We also have a large allocation to Information Technology with our top holdings in Hewlett-Packard, Avnet and NCR.

The dividend yield is below that of the benchmark index which is due primarily to our lower exposure to Consumer Staples, Utilities and Telecoms. The average market cap is lower than that of the benchmark. Our relative market cap varies over time and is a residual of our stock selection. The portfolio is composed of companies with expected earnings growth lower than that of the benchmark. Our debt to equity ratio is currently higher than that of the benchmark.

Mr. Dorn asked Mrs. Bingham if there were any changes to Snow Capital Management personal or organization since the Plan hired them. Mrs. Bingham explained to the Board that they ended their limited partnership with AMF. Mrs. Bingham advised that AMF was a limited partner with Snow Capital and their relationship ended a year earlier. Also, this information was sent to all clients in its annual disclosure. AMF had no active participation in the daily organization at Snow Capital.

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PERFORMANCE MONITOR'S REPORT - Dahab:

Mr. Lee distributed the Investment Guidelines for Snow Capital. Mr. Lee reviewed the Investment Guidelines with the Board. A Motion to approve same was made by Mr. DiMeglio, seconded by Mr. Taylor. Motion passed 4-0.

Mr. Lee then circulated a redline copy of the Investment Guidelines to the Board for approval. The changes to the Investment Guidelines were (1) wording of Trustees to Board in the document, (2) benchmark for Fixed Income was changed to Barclays Capital Aggregate Index, (3) asset allocation was changed to increase Real Estate to 10% and decrease Bonds to 27.5%, (4) remove Buckhead Capital from Large Cap equities and add Lyrical Asset Management and Snow Capital Management, (5) Target allocation to Snow Capital and Lyrical to 3.75% and Garcia Hamilton to 7.5%, and (6) remove Buckhead Capital from the bonds and increase Garcia Hamilton from a target of 16.0% to 27.5%. The Board discussed each of these issues. A Motion to approve the Town of Davie Police Pension Plan's Investment Guidelines - Revised May 2015 was made by Mr. DiMeglio, seconded by Mr. Davis. Motion passed 4-0.

Mr. Lee advised that as of March 31, 2015, the Plan was valued at \$130,047,083. Mr. Lee advised that since March/2010 the Plan has recorded net investment gains of \$45.6 million. Mr. Lee advised that the Plan has a portfolio return of 9.6% per annum since March/2010. Mr. Lee advised that the first quarter total return was 2.5% (gross) and the net return was 2.4%.

Mr. Lee advised that the first quarter returns for Large Cap Equity was 1.0%, Mid Cap Equity was 5.3%, Small Cap Equity was 3.3%, International Equity was 6.8%, Real Estate 2.8% and Bonds was 1.9%. Mr. Lee advised that the Plan is slightly under target weight allocation in Small Cap Equity, International Equity, Real Estate and slightly overweight in Large Cap Equity and Fixed Income. Mr. Lee advised that the underweight is all less than 1.8% in each asset and the overweight is no more than 1.9% in each asset. Mr. Lee advised that there will be a rebalance in Fixed Income and Real Estate when the Real Estate Managers request additional funds for investment. Mr. Lee advised that the other under and over weighting is acceptable by him and he will continue to monitor this issue.

Mr. Lee advised that he wanted to point out to the Board that the International Equity manager Johnston's return for the quarter was 8.2% compared to the benchmark of 5.0%. The one year return for Johnston was 11.3% and the benchmark return was -0.5%.

Mr. Dorn advised that Intercontinental sent their ADV and privacy policy to the plan. Mr. Dorn advised that there was a section that covered insurance mat not cover all losses due to catastrophic losses. A copy was given to the Board as well as Mr. Lee and Mr. Levinson to review. Mr. Lee advised that this is common clause in the ADV forms to cover wars, riots, nuclear reactions, etc. Mr. Lee advised that this is not a change in their ADV, but a clarification on this topic. No action was needed on this topic.

ATTORNEY REPORT:

Mr. Levinson distributed a draft of an Administrative Rule regarding COLA's for retired members for the Board to review. The first page of the document recites the COLA section in the Town Ordinance that covers cost of living adjustments under sections 3.2.1. The clarification of this rule is that the cost of living adjustments for surviving spouse claiming benefits of a Plan Participant shall be calculated based on the deceased

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Plan Participant's initial form of payment plus any and all cost of living adjustments received before the retiree's death. The Plan defines Participant where the context so indicates, as including "persons claiming benefits accrued by a Participant". For purposes of providing actuarially equivalent benefits under the COLA, the Board interprets the term "Plan Participants" as including all joint annuitants and beneficiaries, not limited to spouses. For purposes of calculating the 30% COLA cap, the COLA shall continue to be paid to joint annuitants and beneficiaries for the same period that the benefits would otherwise have been paid to the retiree, notwithstanding the selection of an actuarial equivalent option. This rule shall operate retroactive to March 7, 2001, the effective date of Ordinance 2001-15. Mr. Dulaney advised that this rule will have no actuarial impact on the Plan. A Motion to accept the COLA Administrative Rule as amended was made by Mr. DiMeglio. This Motion was seconded by Mr. Davis. Motion passed 4-0. The Board discussed having all the Administrative Rules in a numbering system. Mr. Levinson gave examples from other Boards as well as a section for each rule of a revised date. The Board discussed this issue and agreed to have a numbers system and a revised date section. Mr. Levinson advised that he will work on this for the Board.

Mr. Levinson distributed a memo from Keith Brinkman for the Boards information regarding "Rules Implementing Chapter 60T-1.0035, Florida Administrative Code Additional Actuarial Disclosures required under section 112.664 F.S. The Board discussed this new rule from the State and the impact on the Plan. Mr. Levinson advised that Board that they should include a cover memorandum regarding new disclosures to be put on the web site and forwarded with the report from the actuary.

Mr. Levinson talked about SB 172 and informed the Board that if this bill passes, the Board will have to create a SHARE Plan as well as a budget that the Board must include for the new fiscal year. Mr. Levinson advised that he will keep the Board updated on this Bill.

Mr. Levinson advised the Board that he had a discussion with Mr. Dorn regarding having "Testamentary Trusts" as an option for a member's beneficiary. Mr. Levinson advised that a member can have a Testamentary Trust as a beneficiary for an option regarding DROP beneficiaries to include only funds in their DROP account. Mr. Levinson advised that a Testamentary Trust could be a beneficiary for a member who chooses a ten-year certain benefit option, but a Testamentary Trust could not be a beneficiary for any other benefit options for a member. One of the reasons is the time period for payments and another reason is the actuarial calculation of benefit amounts because a trust has no date of birth or ending date (death date). The Board discussed this issue and agreed with Mr. Levinson's opinion on this issue. The Board advised that there should be an Administrative Rule on this topic.

ACTUARY REPORT:

Mr. Dulaney discussed Page 6A from the Audit and how his office has created a customized form for this report going forward. He presented a copy for the Board to review.

Mr. Dulaney brought the most recent active DROP statements to the meeting and Mr. DiMeglio will distribute to the members. A copy was given to Mrs. Ostrander for filing purposes.

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Mr. Dulaney brought the most recent active DROP statements to the meeting and Mr. DiMeglio will distribute to the members. A copy was given to Mrs. Ostrander for filing purposes.

PLAN ADMINISTRATOR:

Mr. Dorn advised the Board that the State Report that was submitted to the Town Manager was sent back with a few mistakes in the report. Mr. Dorn also reminded the Board that this report was sent to the State by the Auditors without Board Approval. For those reasons and several others, the Board will get quotes from several Auditors for the Fiscal Year Audit 15-16. Mr. Dorn advised that corrections were made and resubmitted to the State and Town.

Mr. Dorn advised the Board that Mr. DiMeglio will enter the DROP effective May 01, 2015. Mr. Dorn advised that Mr. DiMeglio submitted all necessary documents. The Board reviewed the documents and accepted them.

Mr. Dorn advised the Board that he is starting to get quotes for the Fiduciary Insurance renewal. Mr. Dorn advised that we are in the process of obtaining E & O Insurance from all the vendors. Mr. Dorn advised that he will report back to the Board at the next meeting the progress of this endeavor.

Mr. Dorn advised that since the investments in real estate, the quarterly and monthly returns are delayed for a time period anywhere from 4 to 6 weeks after the investment period. This delay is causing a problem when a member wants to transfer all of his/her funds from their DROP account. The current procedure is that a member will received 80% of his total account as fast as administratively possible and then the remaining 20% when the returns are reported. This extended delay is not covering the time period for interest on the members account because of the real estate delay in reporting. The delay period in reporting will cause a member to not have get interest on some of the funds for the final transfer. The Board discussed this issue. The Board decided that the remaining 20% of the member's fund for the transfer will not include real estate returns and will only include equities and bonds returns. Mr. Levinson advised that the Administrative Rule will have to be change to include this. A Motion was made by Mr. Davis that the 20% of the members DROP account will only include equities and bond interest in total transfers out of the Plan so there is no excess delay in the transfer. The Motion was seconded by Mr. DiMeglio. The Motion passed 4-0.

Mr. Dorn advised that a death check was completed and there were no new members on the list. Mr. Dorn advised the Board to contact Mrs. Ostrander if they want to attend the FPPTA conference in June/2015 so that she can register them.

ADJOURN:

Mr. DiMeglio made a Motion to adjourn the meeting. Mr. Davis seconded the Motion. Motion passed 4-0. The meeting was adjourned at 7:35 P.M.


Greg Brilliant, Chairman