

# TOWN OF DAVIE POLICE PENSION PLAN

## Minutes

December 8, 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 December 8, 2015 at 4:05 P.M. at 13790 N.W. 4<sup>th</sup> Street, Suite 105, Sunrise, Florida.

### TRUSTEES PRESENT:

Mr. Greg Brilliant – Chairman; Mr. Larry Davis – Secretary; Mr. Thomas DiMeglio - Trustee, Mr. Jack Mackie – Trustee & Mr. Ed Taylor – Trustee (arrived at 4:15 P.M.)

### ABSENT:

None.

### OTHERS PRESENT:

Mr. Adam Levinson- Board Attorney; Mr. Don Dulaney – Board Actuary; Mr. Bob Dorn, Plan Administrator – Precision Pension Administration, Inc. Mr. David Lee – Dahab & Associates; James ‘Doc’ Savage & Brian Angerame – Clear Bridge Investments; Richard Wells & Caldwell Calame - Wedge Capital Management; and Thomas Capobianco & James Gribbell – LMCG Investments.

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

### PUBLIC DISCUSSION:

No public comments presented.

### CONSENT AGENDA:

### APPROVAL OF THE MINUTES:

The Board of Trustees reviewed the minutes for the November 10, 2015 meeting. Mr. Dorn inquired if there were any changes required to the cited minutes. Several changes were offered which were duly noted. A Motion was made by Mr. Davis to approve the minutes. The Motion was seconded by Mr. Taylor. The Motion passed 5-0.

### WARRANT 701

This Warrant was to Fiduciary Trust International for custodial fees for the period ending 09-30-2015. This amount of this Warrant is \$538.89. A Motion was made by Mr. Mackie to approve as outlined. The Motion was seconded by Mr. Taylor. The Motion passed 5-0.

### WARRANT 702

This Warrant was to Fiduciary Trust International for custodial fees for the period ending 09-30-2015. This amount of this Warrant is \$596.71. A Motion was made by Mr. Taylor to approve as outlined. The Motion was seconded by Mr. Mackie. The Motion passed 5-0.

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**WARRANT 703**

This Warrant was to Fiduciary Trust International for custodial fees for the period ending 09-30-2015. This amount of this Warrant is \$8,381.99. A Motion was made by Mr. Taylor to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

**WARRANT 704**

This Warrant was to Dulaney & Company for actuarial services rendered through October/2015. This amount of this Warrant is \$5,182.50. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Mackie. The Motion passed 5-0.

**WARRANT 705**

This Warrant was to Dulaney & Company for actuarial services rendered through September/2015. This amount of this Warrant is \$4,200.00. A Motion was made by Mr. Taylor to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

**WARRANT 706**

This Warrant was to Klausner, Kaufman, Jensen & Levinson rendered through November/2015. This amount of this Warrant is \$1,130.00. A Motion was made by Mr. Mackie to approve as outlined. The Motion was seconded by Mr. Taylor. The Motion passed 5-0.

**NEW / UNFINISHED BUSINESS:**

Mr. Levinson advised that he held an 11:00 A.M. meeting at his office this morning with the Town of Davie Police Union Representatives Mark Leone (Union President) and Mark Drake (Vice-chairman). Others who attended this meeting were Mr. Dorn (Plan Administrator), Mr. Bob Klausner (attorney) and Mrs. Bonnie Jensen (attorney), Mr. Greg Brilliant (Pension Board Chairman). Mr. Levinson advised that the purpose of the meeting was to speak to the Union leaders about the frontloading of vacation, sick and holiday time into the DROP for its members. Mr. Levinson advised that he outlined various possible solutions to the current front loading issue. Mr. Klausner advised that he would have the tax attorney who is associated with their law firm draft an easy to read memo with all of the necessary references to explain to the members. A question was posed as to when a decision had to be made on this. Mr. Klausner advised that he believes that if this gets done by the end of the current contract (contract expires 9/30/2016) it would be appropriate. Mr. Dorn advised the Board that Mr. Levinson, Mr. Klausner and Mrs. Jensen spoke in great detail about the issue, the possible solutions, and possible tax consequences for the members and a given time frame for this to be decided upon by the Union and Town. Mr. Levinson advised that at this point it is up to the Union to get with its members and decide what they want to do and then meet with the Town to either put this topic in the up-coming contract or some type of letter of agreement.

**INVESTMENT MANAGER INTERVIEWS**

Mr. Lee advised that each investment manager would be given thirty minutes for their presentation.

**CLEARBRIDGE INVESTMENTS:**

Mr. James 'Doc' Savage and Mr. Brian Angerame made the presentation for ClearBridge Investments.

ClearBridge is a well-established global investment manager with a legacy dating back more than 50 years. The headquarters are in New York. It is operating with investment independence, wholly-owned subsidiary of Legg Mason. It has approximately 216 employees.

ClearBridge investments' are time-tested investment process that has guided the firm throughout its history. An investment philosophy focused on quality of businesses, long term approach with portfolio turnover significantly lower than its peers, an investment culture developed over five decades that is dedicated to training and advancement, independent risk management supported by a team of seven risk and portfolio analytics professionals and innovative compensation program aligning ClearBridge with its client's objectives. They spoke about the employees experience and the various job titles for the main investment personal.

They spoke about their investment process and their account concentrates on 50-80 stocks at one time. Their process starts with quantitative screening, fundamental research, portfolio construction and portfolio review process. They spoke in great length about each of these processes. The Board discussed these processes with the representatives. They advised that they have beaten the Russell Midcap Index and the S & P Mid Cap Index in the one year, three year and five year return periods. They gave a list of public fund clients and they spoke about their fee structure.

**WEDGE CAPITAL MANAGEMENT:**

Mr. Richard Wells and Mr. Caldwell Calame made the presentation for Wedge Capital Management.

They advised that their firm has \$11.2 billion under management, founded in 1984, and is owned by 8 general partners. Their business includes approximately 17% public funds which is about \$1.9 billion. The average investment team experience is 17 years. They have beaten the Russell Mid Cap Value Index and the Russell Mid Cap Index during one year, three year and five year return periods.

By systematically applying proprietary quantitative analysis and fundamental research we identify undervalued stocks that, they believe are well-positioned to provide strong investment returns. By integrating risk management throughout the process, they seek to deliver returns with less downside risk. They use their quantitative analysis with their analyst fundamental research to receive an outcome of stocks with unrecognized potential. They spoke about their overall investment process which starts with the stock universe, screening models, analyst research and then portfolio construction. The Board discussed these processes with the representatives they have a team approach with a time horizon for stocks for 3-5 years in a long term investment for the portfolio. They usually have less than 10-30% stock turnover in a given year. They believe they are different than other managers because of their research in time arbitrage (longer holding of stocks), identification of mispricing (understand why their view is different from the consensus), cohesive team of generalists (allows for more flexibility

and improved perspectives) and robust quantitative tools (creates discipline and efficiencies). They gave a list of public fund clients and they spoke about their fee structure.

**LMCG INVESTMENTS:**

Mr. James Gribbell and Mr. Thomas Capobianco made the presentation for LMCG Investments, LLC.

They gave an overview of their company. LMCG was founded in 2000 and is headquartered in Boston. Investment management is their only business. They have 66 employees and 29 investment professionals. They have \$6.9 billion under management. They have a disciplined investment process with focus on risk management. They have 24 employee partners. Their management team averages 27 years of experience and their investment team averages 25 years of experience. They gave a list of all of their public fund clients for the Board to review and fee structure.

They spoke about their mid cap core equity strategy. They use a combination strategy that has Mid Cap Value and a Small/Mid Cap Growth to develop their Mid Cap Core product. Their investment process develops a full understanding on why the stock is priced inexpensively, conduct a total analysis of the business, industry and competitive landscape, identify the catalyst for the stock to return to fair value, portfolio construction and risk management. They generally hold between 60-80 securities in their portfolio. The Board discussed the investment process with the representatives. They usually have 70% value and 30% growth stocks in their portfolio. They advised that they have beaten the bench marks in the last three and five year periods.

**MONITOR REPORT:**

The Board discussed the presentations with Mr. Lee. After a long discussion on the various managers, the Board decided to select Wedge Capital Management and ClearBridge Investments. The Board decided to give each investment manager \$6.5 million. A Motion was made by Mr. Mackie to hire Wedge Capital Management pending approval of the contracts from the Board attorney and to invest \$6.5 million with this manager. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0. A Motion was made by Mr. Mackie to hire ClearBridge Investments pending approval of the contracts from the Board attorney and to invest \$6.5 million with this manager. The Motion was seconded by Mr. Davis. The Motion passed 5-0. The Board decided to no longer use Rhumbline as their Mid Cap investment manager. A Motion was made by Mr. Mackie to terminate the investment contract with Rhumbline. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0. Mr. Lee advised that he would contact all of the managers and inform them of the Board's decisions.

Mr. Lee advised that the Small Cap manager is slightly underperforming. The Board discussed this and decided to do a Small Cap manager search. Mr. Lee advised that he would have the information for the January/2016 meeting.

Mr. Lee advised that the fund does have some cash in the R & D account. Mr. Lee advised that he is suggesting to leaving these funds in the account at this time and would make a future recommendation for investment at a later time. The Board agreed to leave the remaining funds in the cash account at this time.

The Board discussed with Mr. Lee the investment returns regarding Snow Capital. The Board agreed to speak about this next month with Mr. Lee.

**ACTUARY REPORT:**

Mr. Dulaney advised that he is working his portion of the annual audit and he should be able to meet the Auditor's deadline to have the GASB 67 report done by the end of the year for them.

Mr. Dulaney advised that he has completed Mr. Paul Williams benefit numbers and will be giving the statement to him.

**ATTORNEY REPORT:**

Mr. Levinson presented to the Board the National Conference on Public Employee Retirement Systems (NCPERS) Code of Conduct for Public Pension Service Providers packet for the Trustees to review. The Board agreed to discuss this at the next meeting.

Mr. Levinson also explained to the Board about the insurance premium tax (IPT) database reminder. As a reminder the insurance premium taxes are used to offset Town contributions or are being paid into a share plan. The reason that Mr. Levinson is speaking about this now is to provide a friendly reminder to the Board that the collection of these funds is mutually beneficial for the Plan and the Town. The Department of Revenue provides a data base for the Town to use to update any new annexations, new construction and areas under which police or fire services are being contractually provided by inter-local agreement. It is not safe to assume that the database is automatically registering your recent information. This is particularly true if there has been turnover in your Town in the positions for working with the Department of Revenue, as the IPT database contact person. Mr. Levinson submitted to the Board a memo that can be given to the Town's assigned IPT database contact person. The Board agreed to have the memo sent to the Town. Mr. Dorn advised that he would do this.

Mr. Levinson advised that he has spoken to Mr. Brilliant about the Plan being the lead plaintiff in a class action lawsuit against a company called EROS. The issue is that the company issued accounting statements which overstated the actual fiscal numbers for the company. The numbers were inflated. The Plan had stock in this company through TAMRO, their investment manager. The Board discussed this issue and the Board agreed to be the lead plaintiff in the case. Mr. Davis made a Motion for the Plan to be the lead plaintiff in a lawsuit against EROS and for the Chairman to execute any and all necessary documents for this case. The Motion was seconded by Mr. Taylor. The Motion passed 5-0. Mr. Levinson advised that he would have the Chairman sign a retainer agreement next week.

**PLAN ADMINISTRATOR:**

Mr. Dorn advised that a death check has been conducted and there have been no new reported death(s) of retired members.

Mr. Dorn advised that he has received the new contracts from American Realty for the additional investment of one million five hundred thousand dollars which the Board approved at the November 8, 2015 meeting. The contract was reviewed and approved

by Mr. Levinson (Board Attorney). The contract was executed by Mr. Brilliant (chairman). and later by American Realty. Mr. Dorn advised that we are in the waiting stage until American Realty request the funds.

Mr. Dorn advised that as per the Boards instructions from the last meeting, one million five hundred thousand was moved from the Plan's R & D account to the Garcia Hamilton & Associates Fixed Income account.

Mr. Dorn advised the Board that Mr. Dexter Riley has completed all the necessary DROP forms and has notified the Town that he would enter the DROP on 12/1/2015

**OPEN DISCUSSION:**

Mr. Brilliant advised the Board that he would like to have the various investment managers attend at least one meeting a year. Mr. Davis also advised that he would like for this to occur. The Board directed Mr. Dorn and Mr. Lee to make these arrangements for future quarterly meeting.

**ADJOURN:**

Mr. DiMeglio made a Motion to adjourn the meeting. Mr. Mackie seconded the Motion. Motion passed 5-0. The meeting was adjourned at 7:50 P.M.

  
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Greg Brilliant, Chairman