

TOWN OF DAVIE POLICE PENSION PLAN

Minutes

May 10, 2016

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, Mr. Bob Dorn on May 10, 2016 at 5:01 P.M. at 13790 N.W. 4th Street, Suite 105, Sunrise, Florida.

TRUSTEES PRESENT:

Mr. Greg Brilliant – Chairman; Mr. Larry Davis – Secretary (arrived at 5:08 PM); Mr. Thomas DiMeglio - Trustee, Mr. Jack Mackie – Trustee; Trustee Ed Taylor.

ABSENT:

None

OTHERS PRESENT:

Mr. Adam Levinson Board Attorney; Mr. Bob Dorn, Plan Administrator – Precision Pension Administration, Inc.; Patty Ostrander – Precision Pension Administration, Inc. (left at 6:00 PM); Mr. Don Dulaney – Dulaney & Associates; Mr. Jeffrey Arndt – Davie Police Officers; Richelle Hayes – American Realty Advisors; Janna Hamilton – Garcia Hamilton & Associates; David Lee – Dahab & Associates; Peter Hapgood – Intercontinental Real Estate:

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 April 12, 2016 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.

RATIFICATION OF WARRANTS

The Board reviewed Warrants 756 through 766. These Warrants were signed by the Plan administrator and two Trustees prior to the meeting and also paid to various vendors. Mr. Taylor made a Motion to approve Warrants 756 through 766 for payment. Mr. Mackie seconded the Motion. The Motion passed 5-0.

WARRANT 756:

This Warrant was to Mr. Jeffrey Arndt for his re-occurring monthly retirement benefit payment starting on June 1, 2016. The amount of this Warrant is for \$5,791.92.

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WARRANT 757:

This Warrant is for Mr. Jeffrey Arndt's DROP account rollover to another qualified retirement plan. The amount of this Warrant is for \$338,195.96. This amount represented 80% of his total DROP account and this is the first of two transfers. This transfer will occur on June 1, 2016.

WARRANT 758:

This Warrant was to Mr. Michael Davis for his re-occurring monthly retirement benefit payment starting on May 1, 2016. The amount of this Warrant is \$7,284.93

WARRANT 759:

This Warrant was paid to State Street Global Advisors for investment management fees for the period from 01/01/16 to 03/31/16. The invoice number is #SSGABA2274220. The amount of this Warrant is \$2,052.36.

WARRANT 760:

This Warrant was to Rhumblin Advisors for investment management fees for the 1st quarter of 2016. The invoice number is #4mdavie2016Q1. The amount of this Warrant is \$1,210.00

WARRANT 761:

This Warrant was paid to Garcia Hamilton & Associates for fixed income investment management fees for the period from 01/01/16 to 03/31/16. The invoice number #26975. The amount of this Warrant is \$24,158.38.

WARRANT 762:

This Warrant was paid to Garcia Hamilton & Associates for equity investment management fees for the period from 01/01/16 to 03/31/16. The invoice number is #26941. The amount of this Warrant is \$11,243.07

WARRANT 763:

This Warrant was paid to FPPTA for Trustee Jack Mackie's attendance fees at the FPPTA June/2016 pension conference. The amount of this Warrant is \$550.00.

WARRANT 764:

This Warrant was paid to ClearBridge Investments LLC, for investment management fees for the ClearBridge I account and this is for the period from 01/01/16 to 03/31/16. The invoice number is #DAVIE_MC033116. The amount of this Warrant is \$8,106.96.

WARRANT 765:

This Warrant was paid to ClearBridge Investments LLC, for investment management fees for the ClearBridge II account and this is for the period from 01/01/16 to 03/31/16. The invoice number is #DAVIE_MC2033116. The amount of this Warrant is \$8,176.38.

WARRANT 766:

This Warrant was paid to FPPTA for Trustee Larry Davis attendance fees at the FPPTA June/2016 pension conference. The amount of this Warrant is \$550.00.

APPROVAL OF WARRANTS

WARRANT 767

This Warrant is to Snow Capital Management for Investment Management fees from 01-01-16 through 02-17-16. The amount of this Warrant is \$2,870.00. A Motion was made by Mr. Mackie to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

WARRANT 768

This Warrant is to Lyrical Asset Management for Investment Management fees for the first quarter of 2016. The amount of this Warrant is \$1,730.77. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Taylor. The Motion passed 5-0.

WARRANT 769

This Warrant is to Fiduciary Trust International for Custodial Fees for the period ending 12/31/15 for the Lyrical account. The amount of this Warrant is \$610.77. A Motion was made by Mr. Davis to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

NEW / UNFINISHED BUSINESS:

Mr. Dorn advised that the WEDGE investment contracts were executed and six million five hundred thousand dollars transferred to WEDGE for investment.

Mr. Dorn also advised that PNC Capital Advisors contract has been executed and seven million dollars has been transferred to them for investment.

Mr. Dorn advised that LMCG Investments' contract has been approved by Mr. Levinson and executed by the Chairman Mr. Greg Brilliant. Mr. Dorn advised that Fiduciary Trust opened a new LMCG Investment account for the Plan. Mr. Dorn advised that the funding for LMCG Investments account will come from transfers from the ClearBridge II account and the remaining amount from the R & D account. All of the funds will be transferred to the LMCG Investment account on May 17, 2016. Mr. Dorn advised that the ClearBridge II account will be closed after the transfers. Mr. Dorn advised that he spoke to Mr. Lee regarding the aforementioned cited actions and Mr. Lee agreed with them.

ACTUARY REPORT:

Mr. Dulaney spoke to the Board about the monthly DROP reports. Mr. Dulaney advised that the quarterly reports will have the correct number and the other months will not have the real estate returns included in the report so that the members can have their DROP report on a monthly basis. Mr. Dulaney asked the Board to add some disclaimer language to the bottom of the DROP reports stating the aforementioned. The Board agreed to this. The Board advised Mr. Dulaney to only do monthly DROP statements for active members and retired members will still receive the quarterly reports. Mr. Dulaney acknowledged this direction from the Board. Mr. Dulaney advised that he mailed out the quarterly DROP reports to the retired members and then gave copies of the active members DROP reports to Trustee DiMeglio. Mr. DiMeglio advised that he will deliver these statements to the active member's police departmental mailboxes. Mr. Dulaney advised that he will send copies of all DROP statements to Mr. Dorn next week.

The Board directed Mr. Dulaney to conduct a cost study for the Tier II members increase in the percentages in the final average earnings. Mr. Dulaney advised the process to the Board and possibly changing some of the assumptions percentages for retirement. Mr. Dulaney advised that he would work on this study.

Mr. Dulaney advised that he is working on two benefit calculations for Matthew Drake and Maureen Themis-Fernandez who will be entering the DROP in the next few months. Mr. Dulaney reminded the Board that the mortality tables will be changing in January/2017 as required by State Law.

MONITOR REPORT:

Mr. David Lee made the presentation for Dahab & Associates. Mr. Lee advised that there have been no personnel changes in his firm.

On March 31, 2016, the Plan was valued at \$129,193,972 which was an increase of \$520,629 from December quarter's ending value. Last quarter, the Plan posted withdrawals totaling \$1,546,509, which offset the portfolio's net investment return of \$2,067,138.

For the period since March 2011, the Plan has recorded net contributions totaling \$12.7 million and recorded net investment gains of \$34.7 million. In the first quarter, the composite portfolio gained 1.6% which ranked in the 16th percentile of the Public Fund universe.

Mr. Lee reviewed each investment category along with the returns with the Trustees. The mid cap equity returns and fixed income returns both beat the benchmarks. The large cap equities comprised 27.9% of the total portfolio (\$36 million), while mid cap equities totaled 15.8% (\$20.4 million). The portfolio's international equity segment was valued at 10.5 million representing 8.2% of the portfolio while real estate component's \$14.9 million which totaled 11.6% of the portfolio. The fixed income representative 29.6% and the remaining 7.0% was comprised of cash & equivalents (\$9.1 million).

Mr. Lee advised that the Plan has four new managers (Wedge, PNC, ClearBridge & LMCG) which will be in the next quarter's report.

INVESTMENT MANAGERS REPORT:

GARCIA HAMILTON & ASSOCIATES:

Ms. Hamilton made the presentation for Garcia Hamilton & Associates. Ms. Hamilton advised that there were no personnel changes or investment philosophy changes to the firm. The market valuations are back to the upper end of historical ranges. The earnings estimates continue its downward trend which reflects a weakness in the global economy. The full year 2016 earnings are projected to be essentially flat relative to 2015.

The portfolio gained 1.6% in the quarter which was ahead of the benchmark Russell 1000 Growth Index. The portfolio's quality positioning accounted for most of the outperformance, as high quality stocks held up quite well during the turbulence of the first half of the quarter. The portfolio remains conservatively positioned with a meaningful overweight in high-quality stocks. The fiscal year to date return is 7.5% and the

benchmark's return is 8.1%. Crude oil prices have become the measuring stick of global economic growth. Supply looks to be well above demand, suggesting lower-for-longer crude oil prices and persistent fears of recession, deflation, and credit risk.

The three top producing stocks for the portfolio were Yum!Brands, JM Smucker and Johnson & Johnson. The three top under performing stocks were Express Scripts, Goldman Sachs, and Celgene.

The fixed income return for the quarter was 3.5% which beat the benchmark's return of 3.0%. The fiscal year return for fixed income is 3.2% and the benchmark's return is 2.4%. The fixed income returns have beaten the benchmark in the three, and five year returns.

INTERCONTINENTAL REAL ESTATE CORPORATION:

Mr. Peter Hapgood made the presentation for Intercontinental Real Estate Corporation. Mr. Hapgood advised that there were no personnel changes, nor changes in investment philosophy with the firm.

Mr. Hapgood advised that private real estate (17.3%) outperformed stocks (7.4%) and bonds (1.7%). Real estate has performed in double digit returns over the last five years. Mr. Hapgood advised that the net asset value of the portfolio is \$7,292,172. The Plan has investment \$6,000,000 since 10/2014. The quarter return was 0.91%. The one-year return is 12.17%. The returns since inception are 11.19%.

Mr. Hapgood reviewed the strategy of the firm which is a multi-disciplinary investment strategy targeting an average annual cash yield of 6-8% and a total return of 10%. The portfolio will be diversified geographically. The investment will be in all property types (office, multi-family, industrial & retail).

Mr. Hapgood advised that vacancies have improved substantially from the peaks experienced during the recession. It is expected that rent inflation to continue to gain momentum over the next 3-5 years.

AMERICAN REALTY ADVISORS:

Richelle Hayes made the presentation for American Realty Advisors. Mrs. Hayes advised that there have been no personnel changes or any changes in investment philosophy.

Mrs. Hayes advised that American Realty Advisors are one of the largest privately-held real estate investment managers in the U.S. The management experience of the professionals is 23 years. There is over 7.3 billion in assets under management. They have 154 properties across the U.S. They have 399 institutional investors. They have ten offices nationwide providing ability to meet investor needs.

Risk control forms the basis of our investment process. They have four fundamental principles in core real estate strategy. The four principles are (1) focus on income, (2) invest in significant innovation hubs/growths clusters, (3) target supply constrained markets, and (4) capture economic diversity to reduce risk. American Realty Advisors identifies and invest in markets that we believe possess superior drivers of real estate

demand. By investing in high-quality assets in these dynamic markets American Realty Advisors seeks to provide its clients with a more stable risk-controlled investment strategy that benefit from the strong demand growth in the U.S. economy over the long term.

American Core Realty Fund is a diversified open-end commingled fund that invests primarily in high-quality core income producing office, industrial, retail and multi-family properties that are all located in or near major metropolitan markets/submarkets nationwide.

The Plan has contributed \$2,372,000 which has produced \$490,841 in net income along with \$939,064 in appreciation for a total ending net asset value of \$3,801,905. The gross one-year return is 13.35% and the net one-year return is 12.11%. Both returns were slightly less than the benchmarks. Since inception, the portfolio has returned a total net return of 11.80%.

ATTORNEY REPORT:

Mr. Levinson advised the Board that he and Mr. Dorn attended the Davie Police FOP meeting on April 21 & 25, 2016 to discuss the Senate Bill 172 and the tax issue on transferring accumulated leave into the Plan. Mr. Levinson advised that he did a power point presentation on the summary points of the plan to the members and then gave out two informational documents covering SB 172 and the transferring of leave to the Plan. Mr. Levinson advised that he worked on the handouts with Mr. Dorn. Mr. Dorn advised that he had the power point summary and the two handouts put on the announcement page on the Police Pension web site. Mr. Levinson advised that he laid out the facts and several different solutions to the FOP Board and the members for the cited topics. Mr. Levinson and Mr. Dorn advised that they received positive feedback from the members on the presentation.

Mr. Levinson advised that there was a public records request sent to the Plan which his firm and the plan administrator worked on. The requested wanted various information about current and former DROP members. Mr. Levinson advised that most of the information did not have to be disclosed because it was protected under state law. Mr. Levinson also advised that the Plan does not have to make lists on public records requests if the Plan doesn't already have the requested lists. Mr. Levinson advised that the same request also was sent to the Davie Fire Pension Plan. Mr. Dorn advised that this person also sent this request to the Hollywood Police Pension Fund. Mr. Levinson sent the items that could be disclosed to the Town of Davie Clerk's Office to meet the Plan's obligations under public records requests.

Mr. Levinson advised that he is reviewing the "Frequency Asked Questions" under the DROP packet given to all members entering the DROP. This review was being done because of a member's questions on two issues. Mr. Levinson advised that he would get back to the Board at the next meeting.

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PLAN ADMINISTRATOR REPORT:

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 Mr. Jeffrey Arndt submitted all the necessary documents for his retirement. The Board reviewed the documents. The Board approved Mr. Arndt's benefit payment to start on June 1, 2016. Mr. Dorn also advised the Board that Mr. Arndt submitted all the necessary forms to transfer his entire DROP account to another qualified plan. The Board reviewed these documents. The Board approved the transfers.

Mr. Dorn advised that Mr. Michael Davis submitted all the necessary documents for his retirement. The Board reviewed the documents and approved the benefit payment to start on May 1, 2016.

Mr. Dorn advised that Mrs. Maureen Themis-Fernandez submitted all her necessary documents to enter the DROP on July 1, 2016. The Board reviewed the documents and approved of her entering the DROP on the aforementioned date.

Mr. Dorn advised that Mr. Matthew Drake submitted all his necessary documents to enter the DROP on September 1, 2016. The Board reviewed these documents and approved of him entering the DROP on the aforementioned date.

Mr. Dorn advised that the FPPTA is holding its Board of Directors election during the June/2016 conference. Mr. Dorn advised that one member of the Board is allowed to vote for the Board. Mr. Dorn gave the background information to the Trustees on the resumes of the four candidates for the two open positions on the FPPTA Board. The Board decided to allow Secretary Larry Davis to vote for the Board at the upcoming conference. Secretary Davis agreed to this.

Mr. Dorn advised that the elections for the Board were held in December/2015. Mr. Dorn inquired to the Board to decide on the chairman and secretary positions. The Board agreed to keep Mr. Brilliant as Chairman and Mr. Davis as Secretary. Mr. Mackie made a Motion to nominate Mr. Brilliant as Chairman for the Town of Davie Police Pension Plan. Mr. DiMeglio seconded the Motion. The Motion passed 5-0. Mr. Mackie made a Motion to nominate Mr. Davis as Secretary for the Town of Davie Police Pension Plan. Mr. DiMeglio seconded the Motion. The Motion passed 5-0.

Mr. Dorn advised that he will have next fiscal year's budget in draft form for the next meeting. Mr. Dorn advised that all items are under budget thus far in this fiscal year. Mr. Dorn advised that all of the SB 534 disclosure items are on the police pension web site and the Town of Davie Clerk's Office and Finance Department were given links to the disclosure page. Mr. Dorn advised that the Town of Davie Clerk's Office informed him that the link is now on the Town's web page.

OPEN DISCUSSION:

None

ADJOURN:

Mr. Taylor made a Motion to adjourn the meeting. Mr. Mackie seconded the Motion. Motion passed 5-0. The meeting was adjourned at 7:16 P.M.



Greg Brilliant, Chairman