

TOWN OF DAVIE POLICE PENSION PLAN

Minutes

May 9, 2017
4:00 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 9 2017 at 4:00 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 - Trustee, Mr. Ed Taylor– Trustee; Jack Mackie - Trustee

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; Daniel Perez – Member of Plan; Paul Ortenzo – Member of Plan; Ms. Janna Hamilton – Garcia Hamilton & Associates; Natalie Marvi-Romeo – PNC Capital Advisors; Pete Hapgood – Intercontinental Real Estate Corp.;

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 February 14, 2017 meeting. Mr. Dorn asked if there were any changes required to the cited minutes. Several changes were offered which were duly noted. A Motion was made by Trustee Davis to approve the minutes. The Motion was seconded by Trustee DiMeglio. The Motion passed 5-0.

The Board of Trustees reviewed the minutes for the March 14, 2017 meeting. Mr. Dorn asked if there were any changes required to the cited minutes. Several changes were offered which were duly noted. A Motion was made by Trustee Davis to approve the minutes. The Motion was seconded by Trustee Taylor. The Motion passed 5-0.

The following Warrants were reviewed and approved by the Board:

WARRANT 880

This Warrant is to National Conference on Public Employee Retirement System (NCPERS) for Trustee Larry Davis to attend this conference. This amount of this Warrant is \$800.00. A Motion was made by Trustee Taylor to approve as outlined. The Motion was seconded by Trustee DiMeglio. The Motion passed 5-0.

WARRANT 881

This Warrant is Retiree James Carney for a one-time partial DROP disbursement from his DROP account. This amount of this Warrant is \$30,000. A Motion was made by

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Trustee Taylor to approve as outlined. The Motion was seconded by Trustee DiMeglio. The Motion passed 5-0

WARRANT 882

This Warrant is to National Conference on Public Employee Retirement System (NCPERS) for Trustee Greg Brilliant to attend this conference. This amount of this Warrant is \$800.00. A Motion was made by Trustee Taylor to approve as outlined. The Motion was seconded by Trustee Davis. The Motion passed 5-0.

WARRANT 883

This Warrant is to National Conference on Public Employee Retirement System (NCPERS) for Trustee Thomas DiMeglio to attend this conference. This amount of this Warrant is \$800.00. A Motion was made by Trustee Taylor to approve as outlined. The Motion was seconded by Trustee Davis. The Motion passed 5-0.

WARRANT 884

This Warrant is to Dulaney & Company for actuarial services rendered to the Plan through January 2017 This amount of this Warrant is \$7,922.50 A Motion was made by Trustee Taylor to approve as outlined. The Motion was seconded by Trustee DiMeglio. The Motion passed 5-0.

WARRANT 885

This Warrant is to Dulaney & Company for actuarial services rendered to the Plan through February 2017. This amount of this Warrant is \$8,655.00. A Motion was made by Trustee DiMeglio to approve as outlined. The Motion was seconded by Trustee Taylor. The Motion passed 5-0.

WARRANT 886

This Warrant is to Klausner, Kaufman, Jensen & Levinson for legal services rendered to the Plan through March 2017 This amount of this Warrant is \$2,905.00 A Motion was made by Trustee Mackie to approve as outlined. The Motion was seconded by Trustee Taylor. The Motion passed 5-0.

WARRANT 887

This Warrant is for reimbursement to Trustee Larry Davis to attend this Klausner pension conference. This amount of this Warrant is \$51.36. A Motion was made by Trustee DiMeglio to approve as outlined. The Motion was seconded by Trustee Taylor. The Motion passed 5-0.

WARRANT 888

This Warrant is to Lyrical Asset Management for investment services rendered to the Plan through second quarter of 2017. This amount of this Warrant is \$17,661.74 A Motion was made by Trustee DiMeglio to approve as outlined. The Motion was seconded by Trustee Mackie. The Motion passed 5-0.

WARRANT 889

This Warrant is to LMCG Investments for investment services rendered to the Plan through first quarter of 2017. This amount of this Warrant is \$17,661.74 A Motion was

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made by Trustee DiMeglio to approve as outlined. The Motion was seconded by Trustee Davis. The Motion passed 5-0.

WARRANT 890

This Warrant is for reimbursement to Plan Administrator Robert Dorn for stamps and labels for Plan purposes. This amount of this Warrant is \$204.09. A Motion was made by Trustee DiMeglio to approve as outlined. The Motion was seconded by Trustee Davis. The Motion passed 5-0.

WARRANT 891

This Warrant is Garcia Hamilton & Associates for fixed income investment services rendered to the Plan through first quarter of 2017. This amount of this Warrant is \$26,317.27. A Motion was made by Trustee DiMeglio to approve as outlined. The Motion was seconded by Trustee Taylor. The Motion passed 5-0.

WARRANT 892

This Warrant is to Dahab & Associates for professional services rendered to the Plan through fourth quarter of 2016. This amount of this Warrant is \$17,055.35. A Motion was made by Trustee Taylor to approve as outlined. The Motion was seconded by Trustee DiMeglio. The Motion passed 5-0.

WARRANT 893

This Warrant is Garcia Hamilton & Associates for equity income investment services rendered to the Plan through first quarter of 2017. This amount of this Warrant is \$24,281.89. A Motion was made by Trustee Davis to approve as outlined. The Motion was seconded by Trustee DiMeglio. The Motion passed 5-0.

WARRANT 894

This Warrant is for reimbursement to Trustee Taylor to attend this FPPTA New York pension conference. This amount of this Warrant is \$1,568.27. A Motion was made by Trustee DiMeglio to approve as outlined. The Motion was seconded by Trustee Mackie. The Motion passed 5-0.

WARRANT 895

This Warrant is Clearbridge Investment for equity income investment services rendered to the Plan through first quarter of 2017. This amount of this Warrant is \$13,280.98. A Motion was made by Trustee DiMeglio to approve as outlined. The Motion was seconded by Trustee Davis. The Motion passed 5-0.

WARRANT 896

This Warrant is to FPPTA for Trustee Larry Davis to attend this June/2017 pension conference. This amount of this Warrant is \$650.00. A Motion was made by Trustee Taylor to approve as outlined. The Motion was seconded by Trustee DiMeglio. The Motion passed 5-0.

WARRANT 897

This is a voided Warrant

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WARRANT 898

This Warrant is to Dahab & Associates for professional services rendered to the Plan through first quarter of 2017. This amount of this Warrant is \$17,232.45. A Motion was made by Trustee Taylor to approve as outlined. The Motion was seconded by Trustee Mackie. The Motion passed 5-0.

WARRANT 899

This Warrant is PNC Capital Advisors for equity income investment services rendered to the Plan through first quarter of 2017. This amount of this Warrant is \$17,512.25. A Motion was made by Trustee Mackie to approve as outlined. The Motion was seconded by Trustee DiMeglio. The Motion passed 5-0

WARRANT 900

This Warrant is to Klausner, Kaufman, Jensen & Levinson for legal services rendered to the Plan through April/2017. This amount of this Warrant is \$4,355.00 A Motion was made by Trustee DiMeglio to approve as outlined. The Motion was seconded by Trustee Mackie. The Motion passed 5-0.

NEW / UNFINISHED BUSINESS:

No new or unfinished business

ACTUARY REPORT:

Mr. Dulaney made the presentation for Dulaney and Associates to the Board.

Mr. Dulaney advised that he submitted page 6A of the Annual Report to the Auditors regarding the use of state funds which has to be attached to the Annual Report that the Auditors are preparing.

Mr. Dulaney reviewed with the Board a cost study if the Board would lower the assumed funding rates. The following is a summary of the study:

	Current	Alternate	Alternate	Alternate
Funding Rate Assumption	7.60%	7.50%	7.25%	7.00%
Covered Payroll	\$15,278,632	Same	Same	Same
Town Cost- % of Payroll	\$6,566,704 43.0%	\$6,839,364 44.8%	\$7,519,192 49.2%	\$8,224,696 53.8%
Increase from Current Amount % of Payroll Increase	N/A N/A	\$272,660 1.8%	\$952,488 6.2%	\$1,657,992 10.9%

The Board discussed this cost study but no action will be taken on this information at this time.

Mr. Dulaney advised the Board about his discussions with the Town of Davie Finance Director, William Ackerman regarding the IRC Section 415(b) limits in relation to the Davie Police Pension DROP Plan. The following is a summary of the items Mr. Dulaney spoke about to Mr. Ackerman:

- If the DROP account balance at the conclusion of the members' active employment is not definitely determinable, i.e., there is uncertainty as to the amount of the member's DROP balance; thus, the DROP is deemed to be a

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Defined Contribution DROP (DC DROP). Thus, the value of the DROP account balance is not included in the analysis as to whether or not the IRC Section 415(b) limit has been exceeded.;

- Because the DROP account balance for each member is based on the Plan's actual rate of return, it is not definitely determinable, and therefore the Davie Police Pension Plan DROP is a DC DROP. This means that the total DROP account balances is not included in the analysis as to whether or not the IRC Section 415(b) limit has been exceeded;
- We believe that that "front loading" of the DROP with accrued leave amounts should be included in the IRC Section 415(b) limits analysis. This would involve converting such amount into the actuarially equivalent annual annuity, and adding that figure to the actual annual pension benefit, in order to test the sum against the Section 415(b) limit;
- Based upon examples we have prepared for the Plan, with a large front loading amounts of \$165,100, we are confident that there would not be any benefits in excess of the current IRC Section 415(b) limits, under the current Plan provisions;
- We will perform testing on an annual basis to disclose in the future valuation reports that the Plan benefits are not projected to exceed the IRC Section 415(b) limits.

The Board discussed the above information with Mr. Dulaney. At this time, there is no action that needs to be taken regarding the IRC Section 415(b).

Mr. Dulaney advised that Chapter 60-T report will be submitted to the Plan Administrator regarding mandatory disclosure(s) for the Plan. Mr. Dorn advised that he will post the report on the web site once he receives the report.

INVESTMENT MANAGERS:

PNC CAPITAL ADVISORS

Ms. Natalie Marvi-Romeo made the presentation to the Board for PNC Capital Advisors.

Ms. Natalie Marvi-Romeo gave an overview of her company's investment process. The three core principles for PNC Capital Advisors are (1) cash flow (best measure of corporate performance), (2) Capital Allocation (determines value creation) and (3) Shareholder Value (is based on long-term ownership of profitable & growing business).

The Town of Davie Police Pension Plan's beginning account balance was \$7,000,000. The balance at the end of the quarter was \$8,756,125. The quarter return was -2.25% and the benchmark's return was 2.47%. The return since inception is 11.60% and the benchmark's return since inception is 23.38%. Ms. Natalie Marvi-Romeo explained to the Board the main reasons for some underperformance in returns were because of stock selection as well as lack of expected growth in several companies. Ms. Natalie Marvi-Romeo advised that there were no personal or investment philosophy changes at PNC Capital Advisors during the last quarter.

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INTERCONTINENTAL REAL ESTATE:

Mr. Peter Hapgood made the presentation to the Board for Intercontinental Real Estate.

Mr. Hapgood gave an overview of the company to the Board. Intercontinental Real Estate has a gross asset value of \$6.1 billion dollars with a net asset value of \$3.1 billion dollars. Their leverage on their properties is currently at 41%. They have a total of approximately 875 commercial tenants and have approximately 91.6% of all their properties leased.

Mr. Hapgood advised that Intercontinental Real Estate investment objectives are to (1) preserve and protect investor's capital, (2) generate current income on invested capital in the range from 6-8%, (3) create potential for capital appreciation, and (4) accomplish an average annual total return of 10%. Intercontinental Real Estate's properties are classified as (1) Core (46% of their properties), (2) Core Plus (44% of their properties) and (Value Added (10% of their properties).

Mr. Hapgood advised that the Plan initially invested \$6,000,000 between 9/3/13 & 7/8/15. The Plan's net asset value with Intercontinental Real Estate is \$8,152,449. The return for the quarter was 1.71% and the benchmark's return for the quarter was 1.77%. The 1 year rolling return was 13.81% and the benchmark's rolling one year return was 8.34%. The three year rolling return for the Plan was 13.77% and the three-year rolling return for the benchmark was 11.79%.

Mr. Hapgood advised that most real estate markets have reached or are about to reach peak occupancies for the cycle. The supply of properties have reach up to demand which means that rental growth will be much more moderate going forward at a 1-2% per year basis on a national average. Mr. Hapgood advised that there were no personal or investment philosophy changes at Intercontinental Real Estate during the last quarter.

GARCIA HAMILTON & ASSOCIATES:

Ms. Hamilton made the presentation to the Board for Garcia Hamilton & Associates.

Ms. Hamilton advised that value of the equity portfolio at the end of the quarter was \$7,249,427.52. The return on the equity portfolio for the quarter was 7.1% and the benchmark's return was 8.9%. Ms. Hamilton advised that the portfolio was closed as directed by the Board. The funds were liquidated and transferred to Fiduciary Trust as instructed. Mr. Dorn confirmed this information to the Board.

Ms. Hamilton advised that the value of the fixed income portfolio at the end of the quarter was \$38,851,021.91. The fixed income portfolio return for the quarter was 1.0% and the benchmark's return for the quarter was 0.8%. The fiscal year to date fixed income return was -1.6% and the benchmark's return for the same period was -2.2%.

Ms. Hamilton gave an overview of the fixed income markets to the Board. Ms. Hamilton advised that the Spread Product was generally a positive contributor during the past quarter as well as the Agency sector. Ms. Hamilton advised that they are maintaining their positioning in anticipation of a flatter yield curve over the next several months.

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MONITOR REPORT:

Mr. Lee gave the presentation to the Board for Dahab & Associates.

Mr. Lee gave an overview of the investment markets for the Board. On March 31, 2017, the value of the Plan was at \$144,903,688 which represents an increase of \$3,796,593 from the December quarter's ending value of \$141,107,095. The total portfolio return for the quarter was 4.1% and over the trailing twelve-month period, the portfolio return was 11.1%.

Mr. Lee gave the following March 31, 2017 portfolio allocation to the Board:

<u>Investment Type</u>	<u>% of Total Portfolio</u>	<u>Target % of Total Portfolio</u>	<u>Cash Value</u>
Large Cap Equity	29.8%	30.0%	\$43.1 million
Mid Cap Equity	11.1%	10.0%	\$16.0 million
Small Cap Equity	10.4%	10.0%	\$15.1 million
International Equity	8.5%	12.5%	\$12.4 million
Real Estate	12.0%	10.0%	\$17.3 million
Fixed Income	26.6%	27.5%	\$38.6 million
Cash & Equivalents	1.6%	0.0%	\$ 2.3 million

Mr. Lee advised that the portfolio is under allocated in the International Equity section of the portfolio. Mr. Lee suggested to the Board to have some cash diverted to this investment category as well as some funds from the fixed income categories. The Board agreed to this. Trustee Mackie made a Motion to transfer some cash from the R & D account and fixed income accounts to the International equity account in an effort to increase the target investment amount for the portfolio. The Motion was seconded by Trustee DiMeglio. The Motion passed 5-0.

Mr. Lee gave the following manager performance summary to the Board for the quarter ending 3/31/2017:

<u>Manager</u>	<u>Quarter Return</u>	<u>Benchmark Return</u>
Vanguard 500	6.1%	6.1%
Garcia Equity	7.1%	8.9%
Lyrical	7.2%	3.3%
Clearbridge	4.3%	5.1%
Wedge	6.1%	3.8%
PNC	-2.2%	2.5%
LMCG	6.8%	5.3%
Johnston	12.3%	6.6%
American Realty	2.3%	1.8%
Intercontinental	1.7%	1.8%
UBS	1.2%	1.8%
Garcia Fixed Income	1.0%	0.8%

Mr. Lee advised that most every investment category was up and the portfolio had a good return on investment for the quarter.

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ATTORNEY REPORT:

Mr. Levinson made the presentation for Klausner, Kaufman, Jenson and Levinson to the Board.

Mr. Levinson reviewed the draft policy on the Plan's Trustees-In-Training Administrative Policy with the Trustees. The Trustees discussed this issue and then agreed to this. This Administrative Policy will be label number 9 for the Plan. Mr. Taylor made a Motion to approve the Administrative Policy on Trustee-In Training. The Motion was seconded by Trustee DiMeglio. The Motion passed 5-0. Mr. Levinson advised that he will have the final draft of the policy ready for execution by the Chairman at the next meeting.

Mr. Levinson reviewed the draft policy on the Plan's Security Litigation Administrative Policy with the Trustees. The Trustees discussed this issue and then agreed to the policy. This Administrative Policy will be number 10 for the Plan. Trustee DiMeglio made a Motion to approve the Administrative Policy on Security Litigation. The Motion was seconded by Trustee Mackie. The Motion passed 5-0. Mr. Levinson advised that he will have the final draft of the policy ready for execution by the Chairman at the next meeting.

Mr. Levinson gave a brief update on the proposed changes to the FRS retirement system and also noted that there were no changes to the local pension plans.

Mr. Davis inquired if all of our custodian contracts have provision to enforce them to complete the necessary claims on behalf of the Board in class action suits. Mr. Levinson advised that he will review this issue for the next meeting.

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 Mr. Robert Anton completed his DROP forms and will enter the DROP on May 1, 2017. Mr. Dorn advised that after Mr. Anton submitted his forms it was discovered that his divorce decree stated that his ex-wife must be his beneficiary to his pension benefit. Mr. Anton initially submitted his current wife as a beneficiary. Mr. Dorn advised he spoke to Mr. Levinson on this matter. Mr. Dorn advised that Mr. Anton submitted another beneficiary form having his ex-wife as his beneficiary. The Board acknowledged his entry into the DROP.

Mr. Dorn advised that Mr. Mark Johnston has submitted his DROP forms and will enter the DROP on July 1, 2017. After submitting his DROP forms, Mr. Johnston wanted to postpone his DROP entry date for another month but then decided not to postpone the entry date. The Board acknowledged his entry into the DROP.

Mr. Dorn advised that the Plan has received liability insurance from all of the vendors associated with the Plan.

Mr. Dorn disseminated the State of Florida Financial Disclosure forms to each Trustee. Mr. Levinson explained to the Board that the forms must be submitted to the Supervisor of Elections and if the forms are not filed before September/ 2017, the trustee can be

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fined by the State of Florida. All of the trustees acknowledged this and advised they would file these forms.

Mr. Dorn submitted to the Trustees a draft of the 2017/2018 Administrative Expense Budget. The budget is mandatory as per state law. The Trustees reviewed and discussed the budget. Trustee Taylor made a Motion to approve the 2017/2018 Administrative Expense Budget. The Motion was seconded by Trustee Mackie. The Motion passed 5-0. Mr. Dorn advised that he would have the budget posted on the disclosure page of the Plan's web site and also file it with the Town Clerk's Office.

OPEN DISCUSSION:

Trustee Davis advised that he would like to attend the International pension conference on October 22-25, 2017. The Board agreed to this. Trustee DiMeglio advised that he would attend the June FPPTA conference.

Mr. Dorn advised that a DROP Box for the transfer of information to the Trustees will be set up by Precision Pension Administration IT person. Mr. Dorn advised that it will be set up before July meeting.

ADJOURN:

Trustee Mackie made a Motion to adjourn the meeting. Trustee DiMeglio seconded the Motion. Motion passed 5-0. The meeting was adjourned at 7:12 P.M.



Greg Brilliant, Chairman
FOR THE BOARD