

TOWN OF DAVIE POLICE PENSION PLAN

Minutes

February 13, 2018
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 February 13, 2018 at 4:01 P.M. at 13790 N.W. 4th Street, Suite 105, Sunrise, Florida.

TRUSTEES PRESENT:

Mr. Greg Brilliant – Chairman; Mr. Thomas DiMeglio - Trustee, Mr. Jack Mackie- Trustee, & Mr. Ed Taylor – Trustee.

ABSENT:

Mr. Lawrence Davis – Secretary.

OTHERS PRESENT:

Mr. Adam Levinson, Board Attorney- Klausner, Kaufman, Jensen & Levinson; Mr. Don Dulaney, Board Actuary – Dulaney & Company; Mr. Bob Dorn, Plan Administrator – Precision Pension Administration, Inc.; Patty Ostrander – Precision Pension Administration, Inc.; Mr. Daniel Perez, active member, Mr. Paul Ortenzo, active member; Mr. David Lee, Performance Monitor – Dahab & Associates; Mr. Richard Cristini and Ms. Jeanine Bittinger, Board Auditors – Davidson, Jamieson & Cristini, P.L., Ms. Richelle Hayes – American Realty Advisors, Craig Feldman & David Roeske – Lyrical Asset Management & Ms. Janna Hamilton – Garcia Hamilton & Associates (arrived at 4:30 P.M.).

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:

The following Warrants were reviewed and approved by the Board:

MINUTES:

The Board reviewed the January 09, 2018 Town of Davie Police Pension Plan meeting minutes. Trustee Taylor made a Motion to approve the January 09, 2018 meeting minutes. Trustee DiMeglio seconded the Motion. The Motion passed 4-0.

WARRANT 1010

This Warrant is to LMCG for investment manager fees for the fourth quarter of 2017. The amount of this Warrant is for \$16,160.25. A Motion was made by Trustee DiMeglio to approve this Warrant. Trustee Taylor seconded the Motion. The Motion passed 4-0.

WARRANT 1011

This Warrant is to Dahab & Associates for investment monitoring for the third quarter of 2017. The amount of this warrant is \$17,632.05. A Motion was made by Trustee DiMeglio to approve this Warrant. Trustee Taylor seconded the Motion. The Motion passed 4-0.

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WARRANT 1012

This Warrant is to Garcia Hamilton & Associates for management fees for the third quarter of 2017. The amount of this warrant is \$24,316.92. A Motion was made by Trustee Taylor to approve this Warrant. Trustee DiMeglio seconded the Motion. The Motion passed 4-0.

WARRANT 1013

This Warrant is to PNC Capital Advisors for investment management fees for the third quarter of 2017. The amount of this Warrant is for \$19,770.02. A Motion was made by Trustee Taylor to approve this Warrant. Trustee DiMeglio seconded the Motion. The Motion passed 4-0.

WARRANT 1014

This Warrant is to Clearbridge Investment, LLC for investment management fees for the mid cap account for the fourth quarter of 2017. The amount of this Warrant is for \$14,790.41. A Motion was made by Trustee DiMeglio to approve this Warrant. Trustee Taylor seconded the Motion. The Motion passed 4-0.

WARRANT 1015

This Warrant is to Clearbridge Investment, LLC for investment management fees for the large cap account for the fourth quarter of 2017. The amount of this Warrant is for \$13,360.67. A Motion was made by Trustee Taylor to approve this Warrant. Trustee DiMeglio seconded the Motion. The Motion passed 4-0.

WARRANT 1016

This Warrant is to Dulaney & Company for actuarial services rendered through December 2017. The amount of this Warrant is for \$6,315.00. A Motion was made by Mr. Taylor to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 4-0.

WARRANT 1017

This Warrant is to Davidson, Jamieson & Cristini for audit of the Financial Statements for the year ended September 30, 2017. The amount of this Warrant is for \$14,000.00. A Motion was made by Trustee Taylor to approve this Warrant. Trustee DiMeglio seconded the Motion. The Motion passed 4-0.

WARRANT 1018

This Warrant is to Davidson, Jamieson & Cristini for preparation of the Plan's 2017 Annual Report. The amount of this Warrant is for \$3,500.00. A Motion was made by Trustee Taylor to approve this Warrant. Trustee DiMeglio seconded the Motion. The Motion passed 4-0.

WARRANT 1019

This Warrant is to Paul Ortenzo for trustee reimbursement for the FPPTA Winter School. The amount of this Warrant is for \$823.96. A Motion was made by Trustee DiMeglio to approve this Warrant. Trustee Taylor seconded the Motion. The Motion passed 4-0.

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WARRANT 1020

This Warrant is to IFEBP for Chairman Greg Brilliant to attend the Certificate Series Classed in June 2018. The amount of this Warrant is for \$3675.00 A Motion was made by Trustee DiMeglio to approve this Warrant. Trustee Taylor seconded the Motion. The Motion passed 4-0.

WARRANT 1021

This Warrant is to Greg Brilliant for trustee reimbursement for the FPPTA Winter School. The amount of this Warrant is for \$964.73. A Motion was made by Trustee DiMeglio to approve this Warrant. Trustee Taylor seconded the Motion. The Motion passed 4-0.

WARRANT 1022

This Warrant is to Klausner, Kaufman, Jensen & Levinson for legal services through January 2018. The amount of this Warrant is for \$2,355.00. A Motion was made by Trustee DiMeglio to approve this Warrant. Trustee Taylor seconded the Motion. The Motion passed 4-0.

WARRANT 1023

This Warrant is to Ernie Barcia for Return of Contributions. The amount of this Warrant is for \$6,732.88. Trustee DiMeglio made a Motion to approve this Warrant. Trustee Taylor seconded the Motion. The Motion passed 4-0.

WARRANT 1024

This Warrant is to Dahab & Associates for investment monitoring for the fourth quarter of 2017. The amount of this warrant is \$17,632.05. A Motion was made by Trustee DiMeglio to approve this Warrant. Trustee Taylor seconded the Motion. The Motion passed 4-0.

WARRANT 1025

This Warrant is to Tom DiMeglio for trustee reimbursement for the FPPTA Winter School. The amount of this Warrant is for \$951.82. A Motion was made by Trustee Taylor to approve this Warrant. Trustee Mackie seconded the Motion. The Motion passed 4-0.

WARRANT 1026

This Warrant is to Daniel Perez for trustee reimbursement for the FPPTA Winter School. The amount of this Warrant is for \$935.74. A Motion was made by Trustee DiMeglio to approve this Warrant. Trustee Taylor seconded the Motion. The Motion passed 4-0.

WARRANT 1027

This Warrant is to Edward Taylor for trustee reimbursement for the FPPTA Winter School. The amount of this Warrant is for \$1,032.74. A Motion was made by Trustee DiMeglio to approve this Warrant. Trustee Mackie seconded the Motion. The Motion passed 4-0.

WARRANT 1028

This Warrant is to Jack Mackie for trustee reimbursement for the FPPTA Winter School. The amount of this Warrant is for \$1,089.40. A Motion was made by Trustee Taylor to approve this Warrant. Trustee DiMeglio seconded the Motion. The Motion passed 4-0.

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WARRANT 1029

This Warrant is to Steven Rachlin for a DROP Rollover. Trustee Taylor made a Motion to approve this Warrant. Trustee DiMeglio seconded the Motion. The Motion passed 4-0.

NEW / UNFINISHED BUSINESS:

Mr. Dorn reviewed the current per diem policy with the Board of Trustees. The Board discussed the issue and decided to keep the current per diem policy in place with no changes at this time.

AUDITOR REPORT:

Mr. Richard Cristini and Ms. Jeanine Bittinger made the presentation to the Board for Davidson, Jamieson & Cristini, P.L.

Mr. Cristini submitted to the Board the Financial Statement as of September 30, 2017 and 2016 (Audit Report). Mr. Cristini advised that the auditor's responsibility is to express an opinion on the financial statements of the Plan based upon the audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. In our opinion, the financial statements referred to were presented fairly, in all material respects, the fiduciary net position of the Town of Davie Police Pension Plan as of September 30, 2017 and 2016, and the changes in fiduciary net position for the year then ended in accordance with the accounting principles generally accepted in the United States.

Mr. Cristini advised that as of September 30, 2017, the Plan's membership had 106 retired members receiving benefits, 36 DROP retirees, 2 terminated employees entitled to benefits but not yet receiving them. There are 144 retirees and beneficiaries for this Plan. There are 98 current vested active members and 79 current active non-vest employees for a total of 177 active members,

Mr. Cristini advised the following statements of changes in fiduciary net position for the Plan as of September 30, 2017 and 2016:

<u>ADDITIONS</u>	<u>2017</u>	<u>2016</u>
Contributions:		
• Employer	\$6,472,000	\$5,672,500
• Participants:	\$1,417,689	\$1,359,147
• Buy-Backs:	\$686,748	\$365,598
• DROP Contributions (rollovers)	\$129,155	\$221,440
TOTAL CONTRIBUTIONS:	\$8,705,592	\$7,618,685

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INTERGOVERNMENTAL REVENUE:

Chapter 185 state excise tax rebate: \$905,664 \$858,749

INVESTMENT INCOME:

Net Appreciation (depreciation) \$14,225,333 \$8,359,333

In fair value of investments

Interest: \$1,077,186 \$1,247,586

Dividends: \$1,508,886 \$1,313,166

Commissions rebate: \$1,327 \$6,884

Class Action Settlements: \$2,151 \$19,879

Other: \$900 \$0.00

Investment income: \$16,815,783 \$10,946,848

Less Investment Expenses: \$668,544 \$460,883

TOTAL NET INVESTMENT INCOME: \$16,147,239 \$10,485,965**TOTAL ADDITIONS: \$25,758,495 \$18,963,399****DEDUCTIONS:**

Benefits;

• Age and Service: \$5,341,326 \$4,978,004

• Disability \$207,107 \$222,128

• Drop Payments: \$451,264 \$1,238,624

• Refund of Contributions: \$36,851 \$42,243

• Administrative Expenses: \$197,732 \$192,512

Total Deductions: \$6,234,280 \$6,673,511

Net Increase in Net Position: \$19,524,215 \$12,289,888

Net Position at Beginning of Year:**(10/01/2016) \$133,536,652 \$121,246,764****Net Position at End of Year:****(09/30/2017) \$153,060,867 \$133,536,652**

Mr. Cristini reviewed with the Board the description of the Plan benefits and the investment allocation (50% in Domestic Stocks, 12.50% in International Stocks, 10.00% in Real Estate and 27.50% in Domestic Stocks) as of September 30, 2017. The return on pension plan investment, net of pension plan investment expenses was 11.80%. There was \$7,120,763 designated for the DROP accounts in the Plan. Mr. Cristini reviewed GASB 72 requirements that measure investments at a fair value. There were no Plan amendments for this audit. The Plan's fiduciary net position as a percentage of total pension liability was at 84.74% as of September 30, 2017. Mr. Cristini advised that this is one of the best numbers of all of his clients. The Plan's fiduciary net position as a percentage of the total pension liability as of September 30, 2015 was 81.02%. Mr. Cristini advised that the Investment expenses was .44% as a percentage of the Plan's

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net position and the administrative expenses was 0.13% (slight decrease from previous year) as a percentage of Plan's net position. Mr. Cristini advised that it is very good when these expenses are less than 1%. The Board discussed this report. The Board inquired to the auditors of the cost for the self-directed DROP audit for next year. Mr. Cristini advised that it will cost anywhere from \$1,000.00 to \$5,000 more. Mr. Cristini advised the audit work is like doing another DROP and accounting for the Plan. Mr. Brilliant advised that they will need to contact the Union of the cost of this going forward. Trustee Taylor made a Motion to approve the Financial Statements (audit report) as of September 30, 2017 and 2016. Trustee Mackie seconded the Motion. The Motion passed 4-0.

Mr. Cristini advised that their current contract with the Board expired for this audit. Mr. Cristini presented to the Board a new three-year audit contract for 2018 (\$24,000), 2019 (\$25,000) and 2020 (\$26,000). Mr. Levinson (Board Attorney) had previously reviewed the contract, approved the language and format of this agreement. The Board reviewed and discussed this contract. Trustee Taylor made a Motion to approve the new three-year (2018-2020) auditor's contract with Davidson, Jamieson & Cristini and to execute all necessary agreements. Trustee Mackie seconded the Motion. The Motion passed 4-0.

INVESTMENT REPORTS:

GARCIA HAMILTON & ASSOCIATES:

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

Ms. Hamilton advised that there were no personnel changes in the firm. Ms. Hamilton gave an overview of the organization and structure of the firm to the Board. Ms. Hamilton gave an overview of their current market conditions. Ms. Hamilton advised that as of 12/31/2017, the portfolio had approximately \$38,907,072 in bonds for the Pension Plan. Ms. Hamilton advised that their key tools they use for their clients are (1) sector rotation, (2) controlled interest rate anticipation and yield curve positioning.

Ms. Hamilton advised the following investment returns:

	<u>Quarter</u>	<u>1-Year</u>	<u>3-year</u>	<u>5-Year</u>	<u>10-Year</u>
Fixed Income:	0.9%	3.9%	2.7%	3.1%	5.6%
Benchmark:	0.4%	3.5%	2.2%	2.1%	4.0%

LYRICAL ASSET MANAGEMENT:

Mr. Craig Feldman and Mr. David Roeske made the presentation for Lyrical Asset Management to the Board.

Mr. Roeske advised that there were no personnel changes in the firm. The firm currently has approximately 9 billion under advisement for investments. They currently have 27 employees. A review of their stock selection is they seek investments with a minimum of 35% upside to fair value, only invest in good

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business, generally capable of producing double-digit returns on investment capital, only invest in businesses that we can understand and analyze and avoid situations that are excessively complex or require specialized technical knowledge and do not seek or require a visible stock catalyst, event or trigger. The portfolio construction is from a bottom-up, diversified and long-term approach. The total investment from the Plan is 8 million on 2/24/2015 and its current value is \$11,066,589.

Mr. Feldman is an associate portfolio manager for the firm and advised the following:

	<u>2018-YTD</u>	<u>2017</u>	<u>2016</u>
Net Returns:	3.7%	21.3%	15.3%
Benchmark (Russell 1000 value)	3.9%	13.7%	17.3

Mr. Feldman advised that they sold only four stocks since 2/13/2017 and added four during that same time period. Mr. Feldman reviewed their sell discipline and also their process for purchasing stocks.

AMERICAN REALTY ADVISORS:

Ms. Richelle Hayes made the presentation for American Realty Advisors to the Board.

Ms. Hayes reviewed the organizational structure of the firm and that there have been no personnel changes to the firm. The headquarters for the firm is now located in Los Angeles, California. They are 100% employee-owned, have 9 offices in the United States, 68 properties they own and 8 billion under advisement. Ms. Hayes advised that American Realty Advisors is the leading privately held real estate investment manager.

American Realty Advisors is a diversified open-end commingled fund. We invest primarily in high-quality core income-producing office, industrial, retail and multi-family properties. The core of the Fund's mission is to provide its investors with a broad based private commercial real estate exposure and attractive risk-adjusted returns. The target performance is 7-9% gross returns over a full market cycle.

Ms. Hayes advised that the Pension Plan contributed \$3,500,000, had net income of \$738,524, appreciation of \$1,121,485 for an ending net asset value as of December 31, 2017 of \$5,451,009. The following is the performance history of the portfolio for the Plan:

	<u>4Q-2017</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>
Income (gross)	0.97	4.02%	4.25%	4.64%
Appreciation	0.75%	3.95%	5.70%	6.02%
Total Portfolio: (Gross)	1.73%	8.08%	10.12%	10.87%
NFI-ODCE:				
(Gross- Benchmark)	2.07%	7.62%	10.42%	11.53%
Total Portfolio Net:	1.45%	6.90%	8.91%	9.65%
NFI-ODCE (Net)	1.85%	6.66%	9.42%	10.52%

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Ms. Hayes advised that they have over 534 unique tenants which is a reduction from 820 at the beginning of 2016. The average lease length is 6.1 years compared to the benchmark which is 4.5 years. No single tenant comprises more than 5% of the portfolio's total revenue. They are purchasing newer buildings and selling off some of their older buildings. They are developing a new project on 4th Street in Delray Beach, Florida which the company is very excited about.

MONITOR REPORT

Mr. David Lee made the presentation for Dahab & Associates. Mr. Lee advised that it was a good quarter as everything was on the upside for the Pension Plan. On 12/31/2017, the Pension Plan was valued at \$164,926,501. This amount represented an increase of \$12,285,421 since the 9/30/2017 report and this was due to investment returns and contributions to the Pension Plan.

NAME	Quarter	FYTD	1--Year	3-Years
Total Portfolio	4.1%	4.1%	15.3%	7.5%
Benchmark	3.8%	13.4%	13.4%	7.8%
Vanguard	6.6%	6.6%	21.8%	11.5%
Benchmark	6.6%	6.6%	21.8%	11.5%
Lyrical LCV	5.6%	5.6%	22.2%	--
Benchmark	5.3%	5.3%	13.6%	8.6%
ClearBridgeLCG	6.9%	6.9%	----%	--
Benchmark	7.9%	7.9%	30.2%	13.8%
Wedge Cap	5.3%	5.3%	18.6%	--
Benchmark	5.5%	5.3%	13.3%	9.0%
ClearBridge Mid Cap	4.0%	4.0%	14.3%	----
Benchmark	6.1%	6.1%	18.5%	9.6%
PNC	4.7%	4.7%	11.3%	--
Benchmark	3.3%	3.3%	14.6%	9.9%
LMCG	6.6%	6.6%	20.2%	--
Benchmark	4.6%	4.6%	22.1%	10.3
HardmanJohnston	5.5%	5.5%	38.3%	12.1%
Benchmark	4.3%	4.3%	25.6%	8.3%
American Reality	1.7%	1.7%	8.1%	10.1%
Intercontinental	2.8%	2.8%	8.7%	12.1%
UBS	2.4%	2.4%	6.3%	8.8%
Benchmark	2.1%	2.1%	7.6%	10.4%
Garcia Fixed Income	0.9%	0.9%	3.9%	2.7%
Benchmark	0.4%	0.4%	3.5%	2.3%

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Mr. Lee advised that there are no current recommendations for any changes to the asset allocation. Mr. Lee advised that some suggestions maybe made in the near future to move funds from an index manager to a more active investment manager. Mr. Lee advised that based on the investment policy and the asset allocation the Pension Plan can achieve the investment return assumption based upon the current market conditions.

ATTORNEY REPORT:

Mr. Adam Levinson made the presentation for Klausner, Kaufman, Jensen & Levinson. Mr. Levinson advised the topics in Senate Bill 980 and House Bill 1363 to the Board. Currently, there has been no movement by the State on these bills.

Mr. Levinson advised that the Internal Revenue Services (IRS) released its updated standard mileage rate for 2018. The new mileage rate is 54.5 cents per mile driven after January 1, 2018.

Mr. Levinson advised the Internal Revenue Code that establishes the required minimum distribution (RMD) standards. These standards mandate that the distribution of a participant's accrued benefit under qualified plan must commence the later of the calendar year in which the participant attains age 70 ½ or the calendar year in which the participant retires. Mr. Dulaney advised that he will be reviewing this IRS standard with Mr. Dorn to determine if any of the retired DROP members are affected by this standard.

Mr. Levinson advised that he will be working with Mr. Dorn on the policy for Terminal Leave Accounts and the Rollovers into the DROP for the members along with updating the DROP forms and applications.

ACTUARY REPORT:

Mr. Dulaney made the presentation for Dulaney & Company.

Mr. Dulaney advised that the actuarial valuation report will be ready for the next meeting and he is waiting on the decision if the Board will change the investment return assumption which is currently at 7.6%. Mr. Brilliant had discussions with the Town Manager and Finance Director regarding this issue and they are in favor of reducing the investment return assumption to 7.5%. The Board then discussed this issue. The Town's cost for this fiscal year will be \$5,956,301 or 38.7% of covered payroll if the investment return assumption is lowered to 7.5%. Mr. Dulaney advised that his pension plan clients are all moving the investment return assumption closer to 7.0% over time. Trustee Mackie made a Motion to change the investment return assumption to 7.5% retroactive to 10/1/2017. Trustee Taylor seconded the Motion. The Motion passed 4-0. Mr. Dulaney advised that he would make the necessary changes and notify the State.

Mr. Dulaney advised that the Town has been making pre-paid contributions each year to the Pension Plan and the Town has built up a prepaid amount of approximately \$2.6 million as of 10/1/2017. Mr. Dulaney advised that the Town will use some of this prepaid amount towards their contribution this year. The amount the Town will use is \$508,907.

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PLAN ADMINISTRATOR:

Mr. Dorn advised that death checks were conducted with no information to report on this issue.

Mr. Dorn advised that DROP member Mr. Ronnie Martin made his benefit option selection (10-year certain).

Mr. Dorn advised that Mr. Jeffrey Stewart has submitted all necessary documents to enter the DROP on 3-1-2018. The Board acknowledged this.

Mr. Dorn advised that there was one refund of pension contribution to ex-member Ernie Barcia.

Mr. Dorn advised that their IT person is working with the Town's IT Department to obtain the payroll data for the Plan. Mr. Dorn advised that he would have a new newsletter draft for the Board to review at the next meeting.

Mr. Dorn advised that they are still obtaining the medical records for Thomas Squarini from the Town of Davie.

OPEN DISCUSSION:

There were no items discussed for open discussion.

ADJOURN:

Trustee DiMeglio made a Motion to adjourn the meeting. Mr. Trustee Taylor seconded the Motion. Motion passed 4-0. The meeting was adjourned at 6:41 P.M.



Greg Brilliant, Chairman

FOR THE BOARD