

**TOWN OF DAVIE POLICE PENSION PLAN**  
**Minutes**

May 08, 2012  
5:00 P.M.

The regular meeting of the Board of Trustees of the Town of Davie Police Pension was called to order on behalf of the Board by the Plan Administrator Dave Williams on May 8, 2012 at 5:05 p.m. at the Town of Davie police Department, 1230 South Nob Hill Road in Davie, Florida

**TRUSTEES PRESENT:**

Mr. Greg Brilliant, Chairman, Mr. Larry Davis, Secretary, Mr. Jack Mackie, Board Trustee, Mr. Ed Taylor, Board Trustee and Mr. Thomas DiMeglio, Board Trustee

The Board had a quorum to conduct an official meeting.

**OTHERS PRESENT:**

Mr. Adam Levinson, Board Attorney, - Klausner, Kaufman, Jensen & Levinson; Mrs. Janna Hamilton – Garcia, Hamilton & Associates; Mr. Mike Harhai and Mrs. Deneen Bingham – Buckhead Capital; Mr. David Lee – Dahab & Associates; Mr. Yiu - Don Dulaney & Company; Mr. David Williams and Mr. Bob Dorn – Precision Pension Administration, Inc.

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

**CONSENT AGENDA FOR APPROVAL:**

**WARRANT 246:**

This Warrant is for Mr. Jack Mackie for trustee reimbursement for attendance at the Klausner Client Conference March 2012. The amount for the warrant is \$88.60. Mr. Taylor made a motion to approve this warrant. Mr. Davis seconded this motion. The motion passed 5-0.

**WARRANT 247:**

This Warrant is for Dahab Associates, Inc., for professional services rendered from January 01, 2012 to March 31, 2012. The invoice number is Davie2012a. . The amount for the warrant is \$8,750.00. Mr. Taylor made a motion to approve this warrant. Mr. DiMeglio seconded this motion. The motion passed 5-0.

**WARRANT 248:**

This Warrant is for FPPTA for Mr. Larry Davis to attend the Trustee Conference in June 2012. The amount for the warrant is \$500.00. Mr. Taylor made a motion to approve this warrant. Mr. DiMeglio seconded this motion. The motion passed 5-0.

**WARRANT 249:**

This Warrant is for Nancy Cook for her to receive a \$1,000.00 per month starting June 1, 2012 and then each month thereafter until her DROP balance is exhausted as determined by the Board's Actuary. Mr. Davis made a motion to approve this warrant. Mr. Taylor seconded this motion. The motion passed 5-0.

**WARRANT 250:**

This Warrant is for Nancy Cook to receive \$50,000.00 (one time only) from her DROP account monitored by the Board's Actuary. Mr. Taylor made a motion to approve this warrant. Mr. DiMeglio seconded this motion. The motion passed 5-0.

**WARRANT 251:**

This Warrant is for Nancy Cook to receive \$50,000.00 (one time only) from her DROP account on March 1, 2013 monitored by the Board's Actuary. Mr. Davis made a motion to approve this warrant. Mr. Taylor seconded this motion. The motion passed 5-0.

**WARRANT 252:**

This Warrant is for FPPTA for Mr. Jack Mackie to attend the Trustee Conference in June 2012. The amount for this warrant is \$500.00. Mr. Taylor made a motion to approve this warrant. Mr. DiMeglio seconded the motion. The motion passed 5-0.

**WARRANT 253:**

This Warrant is for TAMRO Capital Partners, LLC, for management services rendered from January 01, 2012 to March 31, 2012. The amount for the warrant is \$14,863.49. Mr. Taylor made a motion to approve this warrant. Mr. DiMeglio seconded this motion. The motion passed 5-0.

**WARRANT 254:**

This Warrant is for FPPTA for Mr. Greg Brilliant to attend the Trustee Conference in June 2012. The amount for this warrant is \$500.00. Mr. Taylor made a motion to approve this warrant. Mr. DiMeglio seconded the motion. The motion passed 5-0.

**WARRANT 255:**

This Warrant is for FPPTA for Mr. Tom DiMeglio to attend the Trustee Conference in June 2012. The amount for this warrant is \$500.00. Mr. Taylor made a motion to approve this warrant. Mr. Davis seconded the motion. The motion passed 5-0.

**WARRANT 256:**

This Warrant is for Garcia, Hamilton & Associates for management services rendered from January 01, 2012 to March 31, 2012. The invoice number is 23310. The amount for the warrant is \$36,654.42. Mr. Mackie made a motion to approve this warrant. Mr. Taylor seconded this motion. The motion passed 5-0.

**Warrant 257:**

This Warrant is for Klausner, Kaufman, Jensen & Levinson for legal services through April 30, 2012. The invoice number is 13842. The amount for this warrant is \$1,410.00. Mr. Taylor made a motion to approve this warrant. Mr. DiMeglio seconded the motion. The motion passed 5-0.

**WARRANT 258:**

This Warrant is for Dulaney & Company, Inc. for actuarial services through April 2012. The amount for this warrant is \$4,045.00. Mr. Taylor made a motion to approve this warrant. Mr. Davis seconded this motion. The motion passed 5-0.

**APPROVAL OF THE MINUTES:**

The Board of Trustees reviewed the minutes for the March 13, 2012 meeting. Mr. Williams asked if there were any changes required to the minutes of the March 13, 2012 meeting. No changes were offered. Mr. Taylor made a motion to approve the March 13, 2012 meeting minutes. Mr. DiMeglio seconded the motion. The motion passed 5-0.

The Board of Trustees reviewed the minutes for the April 10, 2012 meeting. Mr. Williams asked if there were any changes required to the minutes of the April 10, 2012 meeting. Mr. Davis suggested that the comments made by Mr. Taylor should be included with regard to members paying for actuarial services for dissolution of marriages. Mr. Davis made a motion to approve minutes with the amendment for the April 10, 2012 meeting minutes. Mr. Mackie seconded the motion. The motion passed 5-0.

**NEW BUSINESS:**

Mr. Williams advised the Board that contact was made with Mr. Jenkins; Mr. Jenkins verbally agreed to pay approximately \$143.00 a month until he has paid the pension plan back the full amount of approximately \$2,600.00. Mr. Williams advised that Mr. Levinson drafted an agreement for this payment plan and they are waiting on Mr. Jenkins to execute it.

**ATTORNEY REPORT:**

Mr. Levinson advised that the IRS issued an IRS Notice 2012-29 on "Proposed Normal Retirement Age Rules". Mr. Levinson advised that the Davie Firefighters Pension Fund wanted the following information clarified by the IRS. Mr. Levinson advised that the purpose of the proposed Normal Retirement Age Regulation (NRA) is to ensure that all qualified retirement plans, including government retirement plans, are truly meant for retirement. The rule was issued in response to the growing incidence of "retire-re-hire" practices by state and local government employees. In many of those instances, the rehire of a retiree was accompanied by the continued payment of the retirement benefit along with the salary for the rehired service. In the past, the Division of Retirement for the State of Florida has opposed these practices unless the member changed professions in receiving Chapter 175/185 insurance premium tax distributions.

Mr. Levinson advised that the ruling by the IRS on this subject, have led to the conclusion that the rule will not affect service based retirement (20 and out, for example), except for those systems that will pay officers a pension along with a salary if rehired. Mr. Levinson advised that Section 402 of the Tax Code allows in service distribution after normal retirement age. The new regulation, which is scheduled to take effect in January/2013, will not affect nor require attainment of any age for the purpose of entering the DROP or simply separating from service.

Mr. Levinson advised that if the plan was to provide for an in-service distribution, that would be permissible if the officer retired and was rehired in the year in which he or she turned 50 years of age, or older.

The new rule will not affect the DROP. Participation in the DROP is not a "distribution". It is the deferred receipt of the defined benefit. The member has no ability to access the DROP money while employed and it is a permissible subject for a post-separation "roll-over." Mr. Levinson advised that to summarize the new rule in its current draft would be that the new rule will not prevent or affect retirement, including entry into the DROP, based on service regardless of age.

Mr. Levinson advised that he just quickly reviewed the proposed new beneficiary form that Mr. Williams provided. Mr. Levinson commented that he liked the social security number collection disclosure statement at the bottom of the proposed form.

Mr. Davis asked Mr. Levinson if charging to do more than one calculation can or should be done by the Board for members who want multiple calculations. Mr. Levinson advised that there are many ways in which the Board can do this, for example, all employees can receive one calculation and pay for the rest or if the employee uses the calculation the member would not have to pay for it, but if the member chooses not to use the calculation then the member would have to pay. Mr. Levinson advised that there is no formal Board administrative rule on this topic. Mr. Brilliant requested that we put this topic on the agenda for the next meeting to discuss. Mr. Davis advised that he would like the administrator to search the minutes to see if this was ever discussed prior from the Board. The Board agreed to discuss this at the next meeting.

Mr. Levinson advised that the auditor received a letter from the Division of Retirement with the purpose of determining if the assumption rate is attainable. Mr. Levinson advised that Mr. Lee would have to write a letter to the Division of Retirement advising if the assumption rate is attainable for the short term, intermediate term and long term. Mr. Lee advised that he believes that it is attainable and would write the letter to the Division of Retirement.

Mr. Levinson asked Mr. Williams if he received a call from a representative from the Town of Davie in recent days. Mr. Williams indicated he did. Mr. Levinson asked Mr. Williams about the inquiry. Mr. Williams advised that the representative asked if retiree death checks were being conducted. Mr. Williams advised that monthly death checks were being conducted electronically and that annual written verification was also being practiced. Mr. Williams advised that the results of a monthly death check verification was provided via e-mail to the Trustees.

**ACTUARY:**

At the last meeting, Mr. Dulaney made a study presentation with regard to assumption changes (assumed rate of return & assumed salary increases).

Mr. Yiu Lai advised that the Board agreed to lower the assumption rate of return & the salary increase assumption as a result of that presentation. Mr. Lai advised that if the Board would made the following actuary changes: (1) rate of return assumption from 7.90% to 7.75% & salary increase assumption from 6.25% to 5.75%. The estimated cost associated with these changes was projected to be approximately 0.3% of covered payroll.

Mr. Lai advised that he and Mr. Dulaney discussed this after the meeting at their office and completed further calculations. Mr. Lai advised that they concluded that if the Board made these changes proposed, the actual cost of covered payroll would be 54.6% of covered payroll, and not the originally projected 52.6%. In either case, last year the cost was valued at 49.2%.

Mr. Lai now advised the Board to keep the assumptions the same as it was last year. Mr. Levinson asked Mr. Lee if the assumption rate from the previous year is attainable for the short term, intermediate term and long term. Mr. Lee advised that it is attainable. Mr. Levinson advised that he would suggest to the Board to wait until the next meeting so Mr. Dulaney could bring further data for the Board to review to make this decision. The Board agreed to wait until the next meeting to receive the actuarial valuation report and to decide whether to formally adopt the assumption rate changes or maintain the current assumptions.

Mr. Lai asked the Board, how long does a member have to pay for the permissive service credit purchase? Mr. Brilliant advised that a member has five years to payback this purchase. Mr. Levinson also agreed to this.

Mr. Lai gave the Board a spread sheet of the list of members with fund credits.

**INVESTMENT MONITOR:**

Mr. David Lee advised that the economy continued in the domestic improvement and the continued troubles in Europe. The U.S. economy expanded during the first quarter of 2012 at an estimated 2.2% rate. The growth resulted from higher inventories, increased personal spending, and corporate plant and equipment purchases. Exports and imports were largely offsetting. Reduced spending at all levels of government muted the advance. The equity markets produced strong returns, with virtually all S&P, and Russell indices posting double-digit returns. The US dollar weakened relative to the Euro. The year-over-year CPI increased by 2.65%.

Mr. Lee advised that on March 31, 2012, the Davie Police Pension Plan was valued at \$88,892,571.00, representing an increase of \$7,279,555.00 from the December/2011 quarter's ending value of \$81,613,016.00. The total net investment return was the result of income receipts, which totaled \$528,568.00 and net realized and unrealized gains of \$6,421,198.00. Mr. Lee advised that since March 2007, the total fund return has been 7.9% return.

Mr. Lee advised that the Total Gross Composite Portfolio return gained 8.5%, which ranked 21<sup>st</sup> percentile of the Public Fund Universe. The Total Net Return was 8.4%. The Large Cap Equity returned 13.1% which was above there index return. The Mid Cap Equity returned 13.5% which was the same as the index return. The Small Cap Equity returned 14.5% which was above the index return. The International Equity returned 10.1% which was .09% less than the index return. The Real Estate returned 3.0% which was above the index return. The Fixed Income gained 2.2% which was above the return of the index return.

Mr. Lee advised that the asset allocation at the end of the first quarter was comprised as follows: Large Cap Equities was 36.4% of Total Fund \$32,372,687, Mid Cap Equities was 7.4% of total Fund \$6,620,184, Small Cap Equities was 7.6% of total Fund \$6,758,843, International Equities was 10% of total Fund \$8,853,082, Real Estate was 2.5% of total Fund \$2,228,440, Fixed Income was 34.0% of total Fund \$30,200,055 and the remaining 2.1 % was of cash and equivalent \$1,859,281.

Mr. Lee advised that the plan had high increases compared to other plans during a five year period from March/07 to March/12. Mr. Lee advised that the plan had a beginning value of \$58,533,755 in March/07 and the beginning value of \$88,892,571 in March/12. Mr. Lee advised that the income during this time period were \$8,741,154 and the capital gains were \$9,100,432.

Mr. Davis asked Mr. Lee if our position in the international market a good investment at this point with all of the reported problems/issues in international markets? Mr. Lee advised that the two international funds are still doing well, with the understanding that the Johnston Fund will give greater protection of the downside then the upside. Mr. Lee advised that the Johnston Fund will trail the index slightly in the upside and do better in down markets.

Mr. Lee concluded his presentation by requesting the Board that he attends next month's meeting to discuss asset allocation going forward.

**INVESTMENT MANAGER -- BUCKHEAD CAPITAL:**

Mr. Mike Harhai advised that Buckhead Capital Management, LLC has 1.7 Billion in assets under management, no changes to our investment process, 100% employed owned, invested along with our clients, and consistent team investment professionals managing your funds.

Mr. Harhai advised that continued slow growth in the economy and the absence of any fare-ups in the European debt crisis led to a steady increase in equity prices through the quarter. Differences between investment styles were muted, small and large cap stocks both doing well.

Mr. Harhai advised that the best performing sectors were financials, information technology, and consumer discretionary. The worst performing sectors were energy, telecommunications, and utilities. Mr. Harhai advised that the best performing stocks in your fund were JP Morgan Chase which was up 95 basis points, Exelis up 67 basis points and Microsoft up 67 basis points. The worst performing stocks were HP down 25 basis points, Exelon down 19 basis points and Duke Energy down 10 basis points. Mr. Harhai advised that Cisco Systems is the largest stock holding with a market value of \$611,235 and PepsiCo the second large stock holding with a market value of \$463,455.00. The equity portion of the fund returned 11.11% for the first quarter.

Mr. Harhai advised that the fixed income beat the index for the quarter. The fixed income return was 1.20% and the index was .30%. The fixed income strategy has not changes. The Fed is still keeping interest rates low and will remain that way until 2014 from what they are reporting currently.

**INVESTMENT MANAGER – GARCIA, HAMILTON & ASSOCIATES:**

Mrs. Janna Hamilton advised that the company's investment strategy has not changed and their philosophy of growth (investing in companies with above-average sustainable growth with the ability to beat earning expectations), quality (buy quality stocks using various rankings and other metrics to carefully evaluate the stock) and diversification (used as a screening process and bottom-up work to determine relative sector weights to ensure control risks).

Mrs. Hamilton advised that the portfolio returned another quarter of strong earnings reports. Stock selection a slightly positive factor despite headwinds from low –quality market leadership across sectors. Portfolio remains meaningfully overweight in high quality stocks with a bias towards economically-sensitive sectors. The outlook remains positive based on still low market valuation and expectations for solid earnings growth in 2012.

Mrs. Hamilton advised that the equity portion of the fund returned 14.8% return compared to the S & P 500 at 12.6%. The fixed income returned 3.0% and the index returned .30%. Mrs. Hamilton advised that since inception (5/31/95) their equities portion of the fund has returned 8.7% and the fixed income returned 6.6% during this period.

Mrs. Hamilton advised that the portfolio composition was as follows: equities were 51.5% with a market value of \$17,354,232.70, fixed income 46.5% with a market value of \$15,639,957.82 and cash & equivalents with a market value of \$652,886.86.

Mrs. Hamilton advised that growth stocks fared consistently better than value stocks during the first quarter. The continued improvements in US economic activity, progress of the European debt crisis, and supportive actions from most central banks encouraged investors back into the equities investing. The volatility was low and gains were steady with each month of the quarter posting positive returns. The best performing stocks in

**TOWN OF DAVIE POLICE PENSION PLAN - Minutes**

**April 10, 2012**

**Page 8 of 8**

your portfolio was Tempur-Pedic International (61%), Cummins (up 37%), and Amphenol (up 32%). The worse stock in the portfolio was Carbo Ceramics which was down 14%.

Mrs. Hamilton advised that the market factors support and upside in 2012. These assumptions are based on US economy ok in 2012, absence of Euro collapse, some political uncertainties resolved, housing bottoms, and it's an election year.

Mrs. Hamilton advised the fixed income portfolio is as follows: Corporates (53%), Mortgages (33%), Treasuries (5%), Agencies (5%) and cash (4%). Mrs. Hamilton advised that the Fed has made strong indications that they will not be increasing interest rates until 2014.

**PLAN ADMINISTRATOR:**

Mr. Williams sought and received approval of the revised beneficiary form as presented. Mr. Taylor made a motion to approve the new beneficiary form. Mr. Mackie seconded the motion. The Motion passed 5-0. Mr. Brilliant asked Mr. Williams when the new form will be on the website. Mr. Williams advised that it will be on web site before the end of the week.

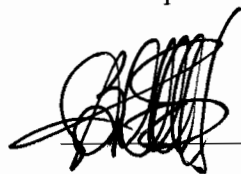
Mr. Williams advised that he had no new information to report at this time.

**OPEN DISCUSSION:**

None

**ADJOURN:**

Mr. Taylor made a motion to adjourn the meeting. Mr. Mackie seconded the motion. The Motion passed 5-0. The meeting was adjourned at 6:40 p.m.



Greg Brilliant, Chairman