

# TOWN OF DAVIE POLICE PENSION PLAN

## Minutes

June 12, 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 Bob Dorn on June 12, 2012 at 5:09 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 and Mr. Thomas DiMeglio, Board Trustee

Mr. Ed Taylor, Board Trustee – excused absence.

The Board had a quorum to conduct an official meeting.

### **OTHERS PRESENT:**

Mr. Adam Levinson, Board Attorney, - Klausner, Kaufman, Jensen & Levinson; Mr. David Lee – Dahab & Associates; Mr. Dulaney - Don Dulaney & Company; Mr. Bob Dorn and Mrs. Patty Ostrander – Precision Pension Administration, Inc.

### **CONSENT AGENDA FOR APPROVAL:**

#### **WARRANT 259:**

This Warrant is for State Street Global Advisors for Investment Fees from January – March 2012. The amount for this warrant is \$2,088.44. Mr. DiMeglio made a motion to approve this warrant. Mr. Davis seconded this motion. The motion passed 4-0.

#### **WARRANT 260:**

This Warrant is for Larry Davis for reimbursement for financial for mailing. The amount for this warrant is \$5.75. Mr. Mackie made a motion to approve this warrant. Mr. DiMeglio seconded this motion. The motion passed 4-0.

#### **WARRANT 261:**

This Warrant is for Wells Fargo FOB Craig Richards for a full payment of his DROP account. The amount for this warrant is \$44,453.38. Mr. DiMeglio made a motion to approve this warrant. Mr. Mackie seconded this motion. The motion passed 4-0.

#### **WARRANT 262:**

This Warrant is for Mark Williams for a one time partial DROP distribution. The amount of the warrant is \$40,000.00. Mr. DiMeglio made a motion to approve this warrant. Mr. Mackie seconded this motion. The motion passed 4-0.

**WARRANT 263:**

The Board had a discussion and requested a bill reduction due to the amount of funds spent on legal fees for Brian Jenkins recapture of an over payment. The original bill for all legal services was for \$2,250.00. The Board requested that Mr. Levinson reduce the bill by \$250.00. Mr. Levinson agreed to the reduction. This Warrant is for Klausner, Kaufman, Jensen & Levinson for legal services through May 31, 2012. The amount of this warrant is \$2,000.00. Mr. DiMeglio made a motion to approve this warrant as amended. Mr. Mackie seconded this motion. The motion passed 4-0.

**WARRANT 264:**

This Warrant is for Dulaney & Company for actuarial services through May 31, 2012. The amount of this warrant is \$6,306.25. Mr. DiMeglio made a motion to approve this warrant. Mr. Davis seconded this motion. The motion passed 4-0.

**APPROVAL OF THE MINUTES:**

The Board of Trustees reviewed the minutes for the May 08, 2012 meeting. Mr. Dorn asked if there were any changes required to the minutes of the May 08, 2012 meeting. No changes were offered. Mr. Mackie made a motion to approve the May 08, 2012 meeting minutes. Mr. DiMeglio seconded the motion. The motion passed 4-0. Mr. Brillant signed the approved minutes.

**ATTORNEY REPORT:**

Mr. Levinson advised at the last meeting there was some concern regarding the payment of actuary fees for members who keep requesting calculations on various topics. Mr. Levinson passed out copies to the Board Members of the Administrative Rules Regarding Buybacks of Military and Prior Police Service that was adopted in 2007. Mr. Levinson advised that the current rule states the following: Participants will not be billed for the actuary's cost of calculating one buyback request. A Participant's initial buyback request may contain any combination of military or prior police service. Participants shall be billed, based on the actuary's standard fee schedule, for subsequent buyback calculations following a Participant's free initial request.

Mr. Davis inquired if this rule covers requests made during a divorce proceeding because he felt that is where the Plan gets most of its requests. Mr. Levinson advised that doesn't clearly cover the issue you presented. Mr. DiMeglio presented the scenario that if a person requests a calculation for a divorce and then wants a final retirement calculation, does that mean when the Member retires that the Member will have to pay for this service. Mr. Davis advised that he thought that would not be fair. The Board discussed what they deemed fair for the Members and the Plan for actuary services for individual Members.

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After the discussion, the Board decided to change the current administrative rule. The new change will be that the member will receive one free actuary calculation for any reason whether it is for a prior police service, military or a divorce, and they will receive a final close out retirement calculation of benefits. Each additional calculation will be paid for by the Member to the Board. The Board requested that the Plan Administrator would be the "gate keeper" for all calculations as they can check the files to see if a previous calculation has been done for the requesting member. The Plan Administrator will obtain an estimate from the actuary for the requested service and then contact the Member for payment. Once the payment has been received, the Plan Administrator will then contact the Actuary to conduct the calculations for the Member. Mr. Levinson advised that he will draft a new administrative rule regarding this change for the next meeting.

Mr. Levinson stated that there was a question at the last meeting on the previous month's bill regarding a discussion with Attorney Kim O'Connor. Mr. Levinson e-mailed this Attorney and the members name was not mentioned, however it was clarified in the e-mail that it was a Davie Police Member. Mr. Levinson presented a copy of the e-mail confirming what he verbally told the Board.

Mr. Levinson advised the Board of House Bill 401. Mr. Levinson advised that House Bill 401 generally nullifies upon divorce or annulment the designation of a spouse as a beneficiary of non-probate assets such as life insurance policies, individual retirement accounts, and payable on death accounts. Certain state-administrated retirement plans (Florida Retirement Systems) are exempt from the bill. If the provisions of the bill apply, an asset will pass as if the former spouse predeceased the decedent. The bill also specifies criteria for a payor of a non-probate asset to use in identifying the appropriate beneficiary. The bill specifically provides that the payor is not liable in some circumstances for transferring an asset to the beneficiary identified through the bill's criteria. Mr. Levinson advised that this bill will affect the Town of Davie Police Pension Plan because it is not excluded from these provisions. Mr. Levinson advised that the beneficiary forms may have to be changed. Mr. Levinson advised that the Board depends on the documents that members sign in order to conduct business. Mr. Levinson advised that he will advise the Board at a future meeting regarding this Bill 401.

Mr. Levinson asked the Board if they would like to participate in the AG Opinion Request. Mr. Levinson advised that several other pension attorneys are all going to be working together on this to limit the cost to all Pension Boards that participate in this request. Mr. Levinson asked the Board Members in attendance if they want to participate in this request. Mr. Levinson advised that he will be sending out a memo to all of his clients regarding this topic to see if they want to participate. The Board advised Mr. Levinson that they will not take action at this time and wait until they receive the memo from his office to make a decision.

Mr. Levinson advised that a recent court ruling found that a local plan cannot declare bankruptcy to remove their liability from paying pensioners.

**ACTUARY:**

Mr. Dulaney advised that he received a letter from the Division of Retirement. Mr. Dulaney gave a copy of the letter to all of the Board Members for their review. Mr. Dulaney advised that the Division of Retirement performs actuarial reviews of Florida's local government retirement plans to ensure that they are being funded in an actuarially sound manner in accordance with Part VII of Chapter 112, Florida Statutes. Mr. Dulaney advised that in 2009, in an effort to ensure compliance with these provisions, the Division of Retirement began requiring that local retirement plan contributions must minimally equal the amount of contributions determined using the percentage of payroll method. This was intended to eliminate recurring actuarial losses due to payroll growth underestimation. With several years of experience accumulated to evaluate the effectiveness of the percentage of payroll contribution requirement, the Division of Retirement has determined that the use of this method is not required for compliance of Chapter 112 of the Florida Statutes. Mr. Dulaney advised that the Division of Retirement is requiring the local governments should confer with retirement board actuary to select and maintain a contribution method that best fits the funding requirements of the plan and satisfies the legislative intent found in the Florida Statutes. Mr. Dulaney advised that the two methods to choose from are the percentage of payroll or a fixed dollar contribution. Mr. Dulaney advised that the fixed dollar amount is easy to budget for the Town of Davie and the State of Florida to follow as well as in the audit process. Mr. Dulaney advised that the percentage of payroll caused a delay in the audit process this year for the plan. Mr. Dulaney advised that the fixed dollar contribution gives the Town of Davie clear knowledge what they have to pay the fund at the end of the year. Mr. Dulaney suggested adopting the methodology of fixed dollar contributions. The Board discussed this issue and decided on the fix dollar contribution. Mr. DiMeglio made a motion for the Plan to use the methodology of fixed dollar contribution. This motion was seconded by Mr. Mackie. Motion carried 4-0.

Mr. Dulaney advised the Board agreed to several previous changes in the assumed rate of return and assumed salary increases. Mr. Dulaney advised that they completed several actuary studies and calculations regarding this Plan. Mr. Dulaney advised that the assumption rate of 7.9% would mean the Town of Davie required funding of the Plan would be \$6,236,000 or 47.9% of covered payroll. Mr. Dulaney advised that the assumption rate of 7.75% would mean the Town of Davie required funding of the Plan would be \$6,488,000 or 49.9% of covered payroll. The change in assumption rate to 7.75% will increase the cost to the Town of Davie by \$252,000. Mr. Dulaney advised that if we also change the salary assumption rate from 6.25% to 5.75% it would reduce the cost to the Town of Davie, however the change was not warranted at this juncture. Mr. Dulaney advised that if the Board wanted to change the mortality table it would increase the cost further. Mr. Dulaney advised that the Board to only change the assumption rate to 7.75% at this time and make no other changes to the assumptions. Mr. Dulaney advised the Board to look at other changes to the assumptions next year.

Mr. Levinson also agreed with Mr. Dulaney in suggesting that the Board can look at making changes to the assumptions again next year. The Board agreed to change only the assumption rate at this time and no other assumptions at this time.

Mr. Dorn suggested to the Board that a motion be made to retract the previous motion to change the assumption rate of return from 7.9% to 7.75% and the assumed salary increase from 6.25% to 5.75% that was made in March/2012 meeting. Mr. DiMeglio made a motion to retract the previous motion to change the assumption rate of return from 7.9% to 7.75% and the assumed salary increase from 6.25% to 5.75% that was made in March/2012 meeting. Mr. Davis seconded the motion. The motion carried 4-0. Mr. DiMeglio made a motion to change the Assumption Rate from 7.9% to 7.75%. Mr. Davis seconded the motion. Motion carried 4-0.

Mr. Davis left the meeting at 6:00 p.m.

**NEW BUSINESS:**

Mr. Lee presented the Investment Guidelines Addendum # 3 for the management guidelines for TAMRO Capital Partners. Mr. Lee advised that he spoke with representatives from TAMRO and the document presented are the agreed to changes between them. Mr. Lee advised the Board of some grammatical corrects to the document. Mr. Lee then advised of the following material changes to the guidelines were added: (page one) under Style Designation- the bench mark will be the Russell 2000 Index, (page two) under Equity Objectives- over a full market, usually defined as a three to five year time horizon, equity performance should be equal or greater than the return of the Russell 2000 Index and (page three) – under Miscellaneous- item 7- No commingled or mutual funds may be used with the exception of the bank STIF funds. Mr. Lee advised that the changes are reasonable for TAMRO because there portfolio features a small capitalization equity style.

Mr. Mackie made a motion to approve the Investment Guidelines Addendum #3 for the management guidelines for TAMRO Capital Partners. Mr. DiMeglio seconded the motion. Motion carried 3-0. Mr. Lee signed the document and then Mr. Brilliant signed the document. Mr. Lee requested Mr. Dorn to send two copies to TAMRO Capital Partners so they can sign the document. Mr. Dorn agreed to this and also advised that he will send Mr. Lee a copy of the executed document. Mr. Dorn advised that a copy will be sent to the State of Florida and Town of Davie Clerk.

Mr. Lee presented to the Board the contract for UBS which is a new real estate investment for the plan. Mr. Levinson advised that he has reviewed and approved the contract. Mr. Lee advised that the agreement is for one million dollars. Mr. Lee advised that the funds will come from Garcia, Hamilton & Associates (\$500,000) and Buckhead (\$500,000). Mr. Lee advised that the money managers are aware of the capital call for July 2, 2012 as well as Salem Trust. Mr. Lee advised that he will draft a letter for Mr. Dorn to execute the transfer for the Bank.

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Mr. Lee that the UBS is also requesting a signature authorization form from the Board and the Town Ordinance which authorizes the plan. Mr. Dorn advised that he would gather these items for the Board. Mr. Levinson advised that he would send Mr. Dorn a copy of the Town Ordinance 99-20 if he didn't have it. The Board reviewed the investment contract for UBS. Mr. Mackie made a motion authorizing the UBS investment of one million dollars of the plan's funds and for the Board to execute the investment contract as presented. Mr. DiMeglio seconded the motion. Motion carried 3-0. Mr. Brilliant signed the agreement. Mr. Dorn advised that he will send the contract to UBS.

Mr. Lee wanted to make a presentation to the Board for investing in value added real estate. Mr. Lee gave the pamphlets regarding real estate investments to the Board members. Mr. Lee advised that real estate is an excellent diversifier with returns superior to bonds, but inferior to most other alternative asset classes. Mr. Mackie requested that Mr. Lee make this presentation to the Board when all Board members are present. Mr. Lee advised that he will make this presentation at the next meeting he attends and requested the Board to review the pamphlets. No action was taken at this time.

Mr. Lee presented to the Board the preliminary performance of the plan's investments for the period ending May 31, 2012. Mr. Lee advised that all numbers are gross funds. Mr. Lee advised that the total portfolio for the quarter return-4.4%, the year was 3.7% and the market value is \$85,064,864. Mr. Lee advised the Plan's asset classes returns were as follows: Large Cap Equity was -7.5% for the quarter and 4.6% for the year, Mid Cap Equity was -6.7% for the quarter and 6.0 % for the year, Small Cap Equity was -7.3% for the quarter and 6.2% for the year, International Fund was -11.7% for the quarter and -2.8 for the year, Real Estate numbers for the quarter were not available and 3.0 % for the year and Fixed Income was 1.5% and 3.7% for the year.

Mr. Lee advised that Buckhead (Balanced Fund) has \$29,773,793 of the Plan's funds. Mr. Lee advised that Buckhead's return for the quarter was -2.8% and they did not beat their bench mark which was -2.3%. Mr. Lee advised that Buckhead's return for the year is at 2.9% and the bench mark is at 2.8%.

Mr. Lee advised that Garcia, Hamilton and Associates (Balanced Fund) has \$32,578,997 of the Plan's funds. Mr. Lee advised that Garcia, Hamilton and Associates return for the quarter was -3.3% and they did not beat their bench mark which was -2.5%. Mr. Lee advised that Garcia, Hamilton and Associates return for the year is at 5.3% and they are beating their bench mark which is at 4.7%.

Mr. Lee advised that Rhumblin (Mid Cap Fund) has \$6,178,756 of the Plan's funds. Mr. Lee advised that Rhumblin return for the quarter was -6.7% and their bench mark were at -6.7%. Mr. Lee advised that Rhumblin's return for the year is at 6.0% and they are slightly beating their bench mark which is at 5.9%.

Mr. Lee advised that TAMRO Capital Partners (Small Cap Fund) has 6,485,016 of the Plan's funds. Mr. Lee advised that TAMRO Capital Partners return for the quarter was -7.1% and their bench mark were at -8.1%. Mr. Lee advised that TAMRO Capital Partners return for the year is at 6.0% and they are beating their bench mark which is at 3.4%.

Mr. Lee advised that American Core Realty (Real Estate) has \$2,228,440 of the Plan's funds. Mr. Lee advised that American Core Realty's returns were not in for the quarter. Mr. Lee advised that American Core Realty return for the year is at 3.0% and they are beating their bench mark which is at 2.8%.

Mr. Lee advised that Johnston (International Equity Fund) has \$4,420,569 of the Plan's funds. Mr. Lee advised that Johnston's return for the quarter was -10.6% and their bench mark was -13.0%. Mr. Lee advised that Johnston's return for the year is at -2.2% and they are beating their bench mark which is at -3.4%.

Mr. Lee advised that SSgA (International Equity Fund) has \$3,399,293 of the Plan's funds. Mr. Lee advised that SSgA's return for the quarter was -13.0% and their bench mark was -13.0%. Mr. Lee advised that Johnston's return for the year is at -3.5% and they are not beating their bench mark which is at -3.4%.

Mr. Brilliant asked Mr. Lee is he thinks the Plan should either pull back or no longer invest in the International market due to all of the problems with the Euro and various countries on the verge of bankruptcy? Mr. Lee advised that he would not suggest it at this time because you don't want to try and time the markets. Mr. Lee advised that we made the guidelines to investment in the International market for a long term investment and not for the short term. Mr. Brilliant advised that it seems that the International Asset class portion is hurting the plan more than any other asset class. Mr. Lee advised that the International Asset is less than ten percent of the Plan's assets and their negative impact is very small on the overall performance of the plan. Mr. Lee advised that this was a tough quarter in all asset classes as the markets shifted due to numerous domestic and foreign issues. Mr. Brilliant asked how long you hold onto an investment that is giving negative returns. Mr. Lee advised that the International Asset class can be funded up to 12% of the total fund but this class is currently under this number at this time. Mr. Lee advised that each asset class is like a piece of a puzzle that will work together over time. Mr. Lee advised that he is recommending keeping the investment in the International Asset class at this time. There was no further discussion on this topic at this time.

Mr. Lee advised that he would not make any changes to where the new money is disbursed to the various asset classes.

**PLAN ADMINISTRATOR:**

Mr. Dorn advised the Board that the following three retired members will be getting cost of living increases (cola): Leonard Mancinelli (from \$6,133.30 to \$6,255.97), Robert

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Spence (from \$3,905.23 to \$3,983.33) and Michael Homenick (from \$4,157.33 to \$4,240.48). Mr. Dorn advised that the Actuary (Yiu Lai) confirmed the numbers for these increases.

Mr. Dorn informed the Board that Mr. Brian Jenkins did not make his payment to the Plan for the month of June/2012 at this time. Mr. Dorn advised that he would keep the Board update on this matter.

Mr. Dorn reminded the Board that their 2011 Financial Forms need to be completed and returned. Mr. Brillant, Mr. DiMeglio and Mr. Mackie all advised that they will mail in the forms themselves.

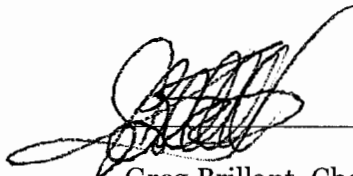
Mr. Dorn advised that Mr. Williams added several more forms to the web site. Mr. Dorn advised that this will be a continual process. Mr. Dorn asked the Board Members to keep checking the web site so that they can give ideas to improve it.

**OPEN DISCUSSION:**

None

**ADJOURN:**

Mr. DiMeglio made a motion to adjourn the meeting. Mr. Mackie seconded the motion. The Motion passed 3-0. The meeting was adjourned at 6:20 p.m.



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Greg Brillant, Chairman