

TOWN OF DAVIE POLICE PENSION PLAN
Minutes

November 13, 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 November 13, 2012 at 5:07 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 & Mr. Thomas DiMeglio - Board Trustees.

EXCUSED ABSENCE

Mr. Ed Taylor - Board Trustee was not present and it was an excused absence.

OTHERS PRESENT:

Mr. Adam Levinson - Board Attorney; Mr. David Lee; Board Investment Monitor; Mr. Don Dulaney – Board Actuary; Mr. Bob Dorn & Mr. David Williams – Precision Pension Administration, Inc.; Mrs. Deneen Bingham & Mr. Michael Harhai – Buckhead Capital Management; & Mrs. Janna Hamilton – Garcia Hamilton & Associates.

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

CONSENT AGENDA FOR APPROVAL:

WARRANT 291:

Payment of \$650.00 to Precision Pension Administration for the June 2012 quarterly newsletter. Mr. Davis made a motion to approve this warrant. Mr. DiMeglio seconded this motion. The motion passed 4-0.

WARRANT 292:

Payment of \$250.00 to Precision Pension Administration for increase in administrative fees effective September 01, 2012. Mr. Davis made a motion to approve this warrant. Mr. Mackie seconded this motion. The motion passed 4-0.

WARRANT 293:

Payment of \$8,750.00 to Dahab Associates, Inc. for professional services rendered from July 1, 2012 through September 30, 2012. Mr. DiMeglio made a motion to approve this warrant. Mr. Mackie seconded this motion. The motion passed 4-0.

WARRANT 294:

Payment of \$853.25 to Klausner, Kaufman, Jensen & Levinson for legal services through September 30, 2012. Mr. Mackie made a motion to approve this warrant. Mr. DiMeglio seconded this motion. The motion passed 4-0.

WARRANT 295:

Payment of \$57.15 to Precision Pension Administration for reimbursement for postage for yearly confirmation receipt mailing for retired members. Mr. Davis made a motion to approve this warrant. Mr. DiMeglio seconded this motion. The motion passed 4-0.

WARRANT 296:

Payment of \$2,321.25 to Dulaney & Company, Inc. for actuarial services rendered through September, 2012. Mr. DiMeglio made a motion to approve this warrant. Mr. Mackie seconded this motion. The motion passed 4-0.

WARRANT 297

Payment of \$842.22 to Greg Brilliant for reimbursement for travel & expenses for the June 2012 FPPTA Trustee School. Mr. DiMeglio made a motion to approve this warrant. Mr. Brilliant seconded this motion. The motion passed 4-0.

WARRANT 298

Payment of \$1,620.00 to Rhumblin Advisors for investment advisory fees through September 30, 2012. Mr. DiMeglio made a motion to approve this warrant. Mr. Mackie seconded the motion. The motion passed 4-0.

WARRANT 299

Payment of \$1,250.00 to Goldstein, Schechter & Koch for progress bill regarding audit work. Mr. Davis made a motion to approve this warrant. Mr. Mackie seconded the motion. The motion passed 4-0.

WARRANT 300

COLA adjustment for Mr. William Coyne, effective August 01, 2012 as calculated by Dulaney & Company. Mr. DiMeglio made a motion to approve this warrant. Mr. Mackie seconded the motion. The motion passed 4-0.

WARRANT 301

COLA adjustment for Mr. Timothy Crotty effective October 01, 2012 as calculated by Dulaney & Company. Mr. DiMeglio made a motion to approve this warrant. Mr. Mackie seconded the motion. The motion passed 4-0.

WARRANT 302

Payment of \$15,579.21 to TAMRO Capital Partners, LLC for services through September 30, 2012. Mr. DiMeglio made a motion to approve this warrant. Mr. Mackie seconded the motion. The motion passed 4-0.

WARRANT 303

Payment of \$838.14 to Mr. Jack Mackie for reimbursement for travel & expenses for the October, 2012 FPPTA Trustee School. Mr. DiMeglio made a motion to approve this warrant. Mr. Brilliant seconded this motion. The motion passed 4-0.

WARRANT 304

Payment of \$37,675.50 to Garcia, Hamilton & Associates, L.P. for management fees through September 30, 2012. Mr. DiMeglio made a motion to approve this warrant. Mr. Mackie seconded the motion. The motion passed 4-0.

WARRANT 305

Payment of \$600.00 to FPPTA for the 2013 membership fee. Mr. Mackie made a motion to approve this warrant. Mr. Davis seconded the motion. The motion passed 4-0

WARRANT 306

Payment of \$1,050.00 to Klausner, Kaufman, Jensen & Levinson for legal services through October 29, 2012. Mr. Mackie made a motion to approve this warrant. Mr. DiMeglio seconded the motion. The motion passed 4-0.

WARRANT 307

Payment of \$1,251.25 to Dulaney & Company, Inc. for professional actuarial services through October, 2012. Mr. DiMeglio made a motion to approve this warrant. Mr. Mackie seconded the motion. The motion passed 4-0.

WARRANT 308

Pursuant to Ordinance 2001-15 & 2006-03, Mr. Dulaney conducted the annual review to identify retired members eligible for a Cost of Living Increase. Back up material identified member, the amount of increase, & the effective date for the calendar year 2013. Mr. DiMeglio made a motion to approve this warrant. Mr. Davis seconded the motion. The motion passed 4-0.

APPROVAL OF THE MINUTES:

The Board of Trustees reviewed the minutes for the September 18, 2012 meeting. Mr. Dorn asked if there were any changes required to the minutes. No changes were offered. Motion by Mr. Mackie to approve the minutes, seconded by Mr. DiMeglio. Motion passed 4-0. Mr. Brilliant signed the approved minutes.

OLD BUSINESS:

Mr. Brilliant inquired if Mr. Jenkins made his October 2012 payment to the plan. Mr. Dorn confirmed payment was made. Mr. Dorn distributed a payment history to the Board that indicated that Mr. Jenkins has made six payments thus far. The total amount paid to date is \$893.65. The total amount outstanding is \$1,580.72. No other questions or discussion on this topic.

NEW BUSINESS:

No new business discussed.

INVESTMENT MANAGER'S REPORT:

BUCKHEAD CAPITAL MANAGEMENT

Mr. Mike Harhai advised that the U.S. economy continues to grind along at a slow to moderate pace with most economic indications showing anemic growth. The so-called "Fiscal Cliff" looms closer, with its possible 600 billion of tax increases & benefit losses scheduled to take effect in early 2013 unless the legislative compromises intervene. U.S. corporations still continue to perform well with corporate cash flow continuing to run at high levels. U.S. corporations still do not need to borrow cash because of their cash flow. The biggest event of the quarter was another move by the Federal Reserve to implement another round of stimulus to the economy. With employment growth slowing somewhat at mid-year, the Fed implemented QEIII by pledging to purchase \$40 billion worth of Agency mortgage-backed securities, while maintaining Operation Twist & continuing to reinvest their portfolio pay downs. The committee also decided to keep the low 0% to ¼ % Fed funds rate through mid-2015.

Mr. Harhai advised that Buckhead portfolios performed very well during the quarter, & continued to be well-ahead of each respective benchmark for the year to date. Overall, the portfolio duration is slightly shorter than the bench mark duration, but corporate duration is significantly greater, with the result being substantial outperformance with the protection against an eventual increase in interest rates.

Mr. Harhai advised that their equity return was 6.06% for the quarter verse 6.60% for the benchmark. Also, the fiscal year returned 25.64% versus 30.92% for the benchmark. Mr. Harhai advised that they are a high quality stock manager who protects your investment in a down market more than the benchmark & in an up market will slightly underperform compared to the benchmark.

Mr. Harhai advised that the equities market value is \$14,662,948. The fixed income market value is \$15,002,748. The cash & equivalents is \$2,348,291. The total market value for the plan under Buckhead Capital Management is \$32,013,987. Mr. Harhai advised that the most weighted equity sector is financials & the least weighted is telecommunications services.

~~Mr. Harhai advised that the three best performance contributors to the plan were Allstate, Cisco & New York Community Bank. The three worst performing stocks were Staples, Wellpoint & Dow. Mr. Harhai advised that they just added three new stocks to the portfolio which are Agilent Technologies, Caterpillar & Express Scripts. Mr. Harhai advised that Agilent Technologies is a measurement company that provides bio-analytical & electronic measurement solutions to the communications, electronic, life science & chemical analysis industries. The Caterpillar Company is the world's largest manufacturer of heavy construction & mining equipment as well as engines & machines for other companies. Express Scripts is the largest pharmacy benefit management service provider in North America.~~

Mr. Harhai advised that the fixed income for the quarter returned 2.02% versus the benchmark of 1.59%. The return for the fiscal year was 6.11% versus the benchmark of 5.16%. Mr. Harhai advised that they outperformed the benchmark for the quarter & the fiscal year. Mr. Harhai advised that they are underweighted in treasuries & overweighted in corporate.

Mr. Harhai believes that the next fiscal year will possible return single digit returns & not double digit in the equity area.

GARCIA HAMILTON & ASSOCIATES

Mrs. Janna Hamilton advised that quarter & fiscal year ended on a high note. For the quarter, stocks advanced up in the S&P 500 to 6.4% & the Russell 1000 Growth up 6.1%. Stocks started out strong in July & moved steadily higher throughout the quarter. The catalysts were the coordinated central bank actions which included the announcement of the QE3 here in the U.S. The energy, information technology & consumer discretions were the top sectors. The market valuation levels remain attractive at 13X forward earning, cheap relative to history.

Mrs. Hamilton cited that the portfolio holdings delivered another quarter of strong earnings. Stock selections were a positive factor despite headwind from low quality leadership across the sectors. The portfolio remains meaningfully overweight in high quality stocks, slightly biased to economically-sensitive sectors.

Mrs. Hamilton advised that the equities returned 6.5% for the quarter & the Russell 1000 Growth Index returned 6.1% return. The fiscal year return was 26.8% which slightly underperformed the benchmark that was at 29.2%. Since inception (May 31, 1995), their firm has returned 8.5% return while the benchmark over the same period was 7.1%.

Mrs. Hamilton stated that the fixed income return was 3.5% for the quarter & the Barclays Capital Aggregate benchmark was 1.6%. The fiscal year return was 10.7% & the benchmark was 5.2%. The annualized last five years the return was 8.5% & the benchmark for the same time period was 6.5%.

Mrs. Hamilton advised that the blended account returned for the quarter was 4.9% & the benchmark was 3.9%. The fiscal year return for the blended account was 18.5% & the benchmark was 17.1%. Since inception (May 31, 1995), their firm has returns for the blended accounts were 8.0% & the benchmark was 6.7%.

Mrs. Hamilton announced that the equities portion had a market value of \$18,290,794.40, the fixed income had a market value of \$16,262,211.65 & the cash/equivalents had a market value of \$727,797.78. The total current market value that they have under investment is \$35,280,803.83.

Mrs. Hamilton indicated that for the first time since 2009, the S&P 500 Index quarterly profits are in danger of falling below year-ago levels. Corporations have maintained impressive profits gains through cost containment actions & overseas expansion. Now, companies earning are coming in less than expected. There is very little distinction between the growth & value stocks across the major indices. Once a clear trend in fundamentals is established, either upward or downward, performance differentiation between styles or capitalization ranges will emerge.

All sectors posted positive returns during the period, with the exception of the S&P Utilities. Highlighting how little fundamentals mattered & sector returns seemed almost random. Specifically, Industrials & Consumer Staples posted similar performances. Typically, these two areas move in opposite directions in a shifting economy.

The growth expectations earnings for the S&P 500 companies has deteriorated from a 15% expectation a year ago to a current call of a 3% decline. These declines bear witness to the degree that the U.S. corporations were banking in a much stronger global economy at this point in the cycle. Of the companies that have preannounced Q3 earnings results, four have missed for every one that has beaten expectations. This is the worst reading since Q3 2001 & much higher than the historical average of two negatives preannouncements for every positive.

Mrs. Hamilton explained that they run a diversified portfolio for the plan. They are slightly underweighted in consumer staples & slightly over weighted in Industrials. Their outlook for the up-coming year remains positive but risks remain in the U.S. year end "Fiscal Cliff" & federal deficits loom large.

Mrs. Hamilton advised that their top holdings for the plan are Apple, IBM, Qualcomm, Microsoft, Coca-Cola, Google & Roper Industries. Mrs. Hamilton advised that they still feel good about Apple & they will continue to hold this stock even with its current dip in price. Mrs. Hamilton advised that their investment goal is to outperform our benchmarks, net fees, over a full market cycle using a high quality strategy with less risk & low turnover.

Mrs. Hamilton spoke briefly on the fixed income portfolio. The portfolio is over-weighted in corporate & under-weighted in treasuries. The portfolio has less duration & more of a spread than the benchmark.

MONITOR REPORT:

Mr. David Lee indicated that the Plan had a total market value of \$93,496,354, which was an increase of \$6,412,243 since the last quarter. The total fund return for the quarter was 4.9%. The Large Cap Equity return for the quarter was 6.3%. The Mid Cap Equity return for the quarter was 5.4%. The Small Cap Equity return for the quarter was 8.0%. The International Equity return for the quarter was 7.1%. The Real Estate return for the quarter was 2.7% & the Fixed Income for the quarter was 2.8%.

The asset allocation for the quarter was as follows: Large Cap was 34.9% (32 million), Mid Cap was 7.1% (6.6 million), Small Cap was 7.7% (7.2 million), International Equity was 9.5% (8.8 million), Real Estate was 3.6% (3.3 million) & the fixed income was 33.5% (31.3 million). The remaining 3.7% was comprised of cash & equivalents (3.4 million). Mr. Lee cited that the plan is very close to its target percentages for asset allocation. The plan is slightly under its target in the International Equity & Real Estate. Mr. Lee advised that he will be here at the next meeting to discuss an increase in the real estate section of the portfolio. The real estate section has a current 3.5% of the funds & the target is 5.0%. Mr. Lee advised that he will speak about another type of real estate investment to add to these current holding. Mr. Lee stated that he does not recommend a shift or change in any asset allocation at this time.

Mr. Lee announced that the plan returned 17.8% for the fiscal year, compared to the shadow index which returned 18.0%. This represented a very slight underperformance, but overall a very good year for the plan. Mr. Lee cited that the Plan assets were valued at \$64,224,940 for the quarter ending September 30, 2007. Since that time through investment returns & continued contributions, the Plan is now valued at \$3,496,354 as of September 30, 2012.

ATTORNEY REPORT:

SUMMARY PLAN DESCRIPTION:

Mr. Adam Levinson distributed draft copies of the Summary Plan Description (SPD), and gave a detailed outline of the changes for the Board to consider. A final draft will be presented for approval at the December 11, 2012 meeting.

SECURITY LITIGATION:

Mr. Levinson informed the Board that the Judge granted a motion to dismiss the class action lawsuit against Rightnow Technologies, Inc. Mr. Levinson had several discussions with the attorney's from the law firm of Robbins, Geller, Rudman & Dowd, LLP, who is representing the Plan in this case. Mr. Levinson advised that the Board has to make a decision on whether to appeal the Judge's order. After some discussion by the trustees, Mr. Davis & Mr. Brilliant advised that they wanted additional information to make an informed decision in this matter. Mr. Levinson advised that he will schedule a conference call for the next meeting with the law firm to discuss this issue further.

SECURITY MONITORING FIRM:

Mr. Levinson advised that the law firm of Bernstein, Litowitz, Berger & Grossman, LLP, has offered to provide portfolio monitoring services for the plan. The monitoring is for free with no obligation to hire the firm in case there is reason for potential claims. The agreement is for the firm to monitor the securities & to have electronic access to the portfolio information. Mr. Brilliant inquired if this is redundant because they have a firm already doing this. Mr. Davis along with Mr. Levinson advised that it would be good to have another set of eyes to review the portfolio information. The Board discussed this issue & all Board members agreed to use the firm for this service. Mr. Davis made a

motion for the Board to enter into the monitoring agreement with the aforementioned law firm & to direct either the Chairman or Plan administrator to execute all necessary contracts, or letters of engagement for this service. Mr. Mackie seconded this motion. The motion passed 4-0.

BILLING MATTER:

Pursuant to warrant 287 that was approved on September 18, 2012, Mr. Levinson reviewed the matter. He indicated that the Plan was entitled to one hour credit which will be applied in the next billing cycle. The Board gave their concurrence.

SECURITY LITIGATION FILING:

Mr. Levinson advised that he received a letter from Salem Trust Company regarding class action processing enhancements. Mr. Levinson advised that he reviewed the contract between the Plan & Salem Trust. Mr. Levinson advised that he had several discussions with the CEO of Salem Trust regarding this matter. Mr. Levinson informed Salem Trust that they are under contractual obligation for class action processing under the current contract with this plan. Upon doing so, Mr. Levinson indicated that Salem Trust will continue to follow the contract & all of the services agreed upon. Mr. Levinson advised that no action has to be taken with regard to this matter. Mr. Williams complimented Mr. Levinson & his firm for their decisive action, keen observations & the expeditious interpretation of the Salem Trust Agreement which saved the Plan money.

ACTUARY:

Mr. Don Dulaney advised that the Town Administrator (Mr. Richard Lemack) has made a written request to all of the Town's Pension Boards to have the updated actuarial valuations completed by February 13, 2013. Mr. Dulaney inquired when the audit report was going to be reviewed & approved by the Board. Mr. Dorn advised that the auditors are scheduled to present the Financial Statements at the January 8, 2013 meeting. Mr. Dulaney advised that he will present the actuarial report at the February 12, 2013 meeting for the Board to review & approve.

Mr. Dulaney inquired if active employees were still expecting salary increases in the 2012-2013 fiscal year? Mr. Brillant stated that a segment of the employees are entitled to increases. Mr. Dulaney will monitor for assumption purposes.

Mr. Dulaney stated that the State of Florida - Division of Retirement changed the 6A form for the Annual Report. The 6A form is completed by the Actuary on behalf of the Plan.

PLAN ADMINISTRATOR:

Mr. Dorn advised that all retirees who were due COLA increases for November & December 2012 will receive them on time. Mr. Dorn has been working with Mr. Dulaney & Salem Trust Representatives to ensure that the members receive there COLA's in a

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timely manner. Mr. Dorn outlined that Salem Trust requested an individual warrant for any retiree who is receiving a COLA for the first time. Further, Salem Trust requested a warrant along with the spread sheet (prepared by the Board Actuary – Dulaney & Company) for all other 2013 annual COLA increases. Mr. Levinson reflected that this action increases the level of checks & balances between the Plan and the bank. Mr. Brilliant concurred.

Mr. Dorn disseminated the Plan expense report for the Board to review. The Board reviewed this report with no inquires.

Mr. Dorn distributed the Salem Trust class action information report for the period through September 30, 2012 to the Board members.

Mr. Dorn advised that the Audit process is moving along with no issues at this point. Mr. Dorn advised that Chelsea Wilson (who works in the payroll department in the Town of Davie) has been a great help in getting all the necessary information. Mr. Dorn advised that the Auditors are schedule to conduct an onsite review on December 13, 2012. Mr. Levinson advised that he would like a letter to the Town Administrator indicating that we received this notification to have the report completed by February 13, 2013 & we are on schedule for this date. Mr. Dorn advised that Mr. Williams already spoke to Mr. Lemack & informed him of the process & that we are on schedule to meet his February 13, 2013 date. Mr. Levinson then advised that a letter would not be required.

Mr. Brilliant & Mr. Levinson inquired if notifications are sent out to retirees who receive COLA's. Mr. Dorn confirmed same.

OPEN DISCUSSION:

There were no issues in open discussion.

ADJOURN:

Mr. Mackie made a motion to adjourn the meeting. Mr. DiMeglio seconded the motion. The Motion passed 4-0. The meeting was adjourned at 6:54 p.m.



Greg Brilliant, Chairman