

TOWN OF DAVIE POLICE PENSION PLAN

Minutes

January 8, 2013

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 January 8, 2013 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. Thomas DiMeglio, Board Trustee and Mr. Ed Taylor, Board Trustee

OTHERS PRESENT:

Mr. Adam Levinson, Board Attorney, - Klausner, Kaufman, Jensen & Levinson; Mr. Don Dulaney - Don Dulaney & Company; Mr. Bob Dorn & Patty Ostrander - Precision Pension Administration, Inc.; & Clement Johns- Goldstein, Schechter, Koch & Associates

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

CONSENT AGENDA: WARRANT RATIFICATION/APPROVAL:

RATIFICATION:

WARRANT 324:

This Warrant is for Retired Member John Carney for a one-time partial DROP distribution. The amount for this warrant is \$35,000.00. Mr. Taylor made a motion to approve this warrant. Mr. DiMeglio seconded this motion. The motion passed 5-0.

WARRANT 325:

This Warrant is for Retired Member John Carney for a continual monthly DROP distribution the funds are completely distributed. The amount for this warrant is \$3,000. Mr. Taylor made a motion to approve this warrant. Mr. DiMeglio seconded this motion. The motion passed 5-0. This Warrant was executed previously by Greg Brilliant, Chairman and Bob Dorn, Plan Administrator.

WARRANT 326:

This Warrant is for Dahab Associates, Inc. for professional service rendered from October 1, 2012 through December 31, 2012. The Invoice number is Davie2012d. The amount for this warrant is \$ 8,750.00. Mr. Taylor made a motion to approve this warrant. Mr. DiMeglio seconded this motion. The motion passed 5-0. This Warrant was executed previously by Greg Brilliant, Chairman and Bob Dorn, Plan Administrator.

WARRANT 328:

This Warrant is for Dulaney & Company, Inc., through November 2012. The amount of the warrant is \$4,868.75. Mr. DiMeglio made a motion to approve this warrant. Mr. Taylor seconded this motion. The motion passed 5-0.

WARRANT 329:

This Warrant is for Klausner, Kaufman, Jensen & Levinson for professional services rendered through November 29, 2012. The invoice number is #14338. The amount of this warrant is \$992.00. 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 December 2012 meeting. Mr. Dorn asked if there were any changes required to the minutes of the December 2012 meeting. Mr. Levinson advised that he requested that the motion on page six of the minutes be changed from "to represent" to "to negotiate". Mr. Davis made a motion to approve the December 2012 meeting minutes with the aforementioned changed. Mr. Mackie seconded the motion. The motion passed 5-0.

OLD BUSINESS:

Mr. Brilliant inquired if Mr. Jenkins made his December 2012 payment to the plan. Mr. Dorn advised that Mr. Jenkins made his November 2012 payment in the amount of \$150.00. Mr. Dorn advised that Mr. Williams has e-mailed Mr. Jenkins several times, but with no responses at this point. Mr. Levinson advised to keep him posted. No discussion on this topic.

NEW BUSINESS:

Mr. Dorn advised the Board that the 5th member position term is expired. Mr. Dorn advised that this position is currently held by Mr. Ed Taylor. Mr. Dorn advised that this position is elected by the Board Members (Brillant, DiMeglio, Davis & Mackie). Mr. Dorn advised that he would take nominated for this position by the Board. Mr. Mackie nominated Mr. Ed Taylor for the 5th member position. Mr. DiMeglio seconded this nomination. Mr. Dorn asked if there were any other nominations. There were no other nominations. Mr. Mackie made a motion that that Mr. Ed Taylor be appointed by the Board as the 5th member. Mr. DiMeglio seconded the motion. The motion passed 4-0.

Mr. Davis inquired whether the Board should have completed the nomination & appointment of the 5th member prior to the approval of the minutes & warrant. Mr. Levinson advised the Board that the 5th member term is expired but will remain on the

Board and all powers of this position until the Board conducts the election for the new 5th member. No other discussion on this issue.

AUDIT:

Mr. Clement Johns represented Goldstein, Schechter, Koch & Associates (GSK) and presented the Board a draft copy of the audit they performed for the plan. Mr. Clement Johns advised that he will give a brief overview of the audit process before going into the specifics of the audit.

Goldstein, Schechter, Koch & Associates 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audits provide a reasonable basis for our opinion. The financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We have audited the financial statements of the plan net assets of the Town of Davie Police Pension Plan as of September 30, 2012 and 2011 and the related statements of changes in plan net assets for the years then ended.

Mr. Clement Johns advised that there were no ordinance changes to the plan during the fiscal year of October 1, 2011 to September 30, 2012. There were no policy changes.

Mr. Clement Johns advised that the first two pages of the audit report describe the audit process. He advised that page 3 through page 8 describe the financial statements in the audit report.

Mr. Clement Johns advised that page 9 of the audit report state the following: In 2012 the Fund assets in cash and cash equivalents were \$3,493,821; Total receivables were \$364,487; Total investments at fair value were \$89,973,442; Total assets were \$93,831,750; Total liabilities were \$5,612,608 and the total net assets held for trust pension benefits were \$88,219,142.

Mr. Clement Johns advised that the largest liability for the plan was the assets in the deferred retirement option plan, which totaled \$4,663,060. The total net assets held for 2011 was \$72,353,153. The increase of total net assets from 2011 to 2012 was \$15,865,989.

Mr. Clement Johns advised the following are the contributions made to the plan: Town of Davie contributed \$6,203,084, the members contributed 1,000,501 and the State of Florida contributed \$644,262. The total contributions to the plan were \$7,847,847. Comparing 2011 contributions to 2012: the Town contributed more funds in 2012, the

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members contributed less (this was due to less buybacks) in 2012 and 2011 and the state contributed more in 2012 than 2011.

Mr. Clement Johns advised that the 2012 investment income of net appreciation was \$11,957,981 and the interest/dividends were \$ 2,258,887. The 2011 investment income net appreciation was a negative \$1,250,576 and the interest/dividends were \$1,959,668. The total investment income for 2012 was \$14,216,868 compared to 2011 investment income was \$709,092. As you can see that that the plan did great in 2012 compared to 2011.

The total additions to the plan in 2012 are \$20,903,755. The total additions in 2011 were \$ 7,754,075.

The 2012 deductions were as follows: benefits paid \$4,817,431, refunds of contributions \$45,866 and administrative expenses were \$174,469. The total deductions for 2012 are \$ 5,037,766.

If you take the 2012 total additions to the plan (\$20,903,755) and subtract the 2012 total deductions (\$5,037,766) which gave the plan a total net increase of \$15,865,989.

Mr. Levinson requested that in next year's audit on the plan membership section that the auditor break down the Tier One and Tier Two members instead of just active members. Mr. Clement John advised that he will note that for next year.

Mr. Clement John advised that the funding requirements for valuations prior to October 1, 2012 disclosed a specific dollar amount (fixed dollar contributions method) for the minimum required employer contributions which was based on the actuarially projected payroll. For the year ended September 30, 2011, at the request of the Division of Retirement, the Town was required to contribute an amount based on the actuarially determined percentage of actual pensionable payroll (percentage of payroll method). The actuarially determined percentage was 49.2% for the fiscal year ended September 30, 2011. Effective May 20, 2012, the Division of Retirement mandated that local governments confer with the Plan's actuary to select and maintain a contribution method (percentage of payroll or fixed dollar contributions) that best fit the funding requirements of the Plan. For the year ending September 30, 2012, the Plan determined to use the fixed dollar contributions amount. As covered earlier, the Town contributed \$6,203,804 to the plan in 2012. The Town of Davie did make all necessary payments to the plan.

Mr. Clement Johns advised that the 2012 total financial management expenses were \$403,659, investment consultant fees are \$35,000, and custodial fees are \$32,914. The total investment expenses in 2012 were \$471,573.

Mr. Clement Johns advised that the total professional services in 2012 were \$96,691 and the total other administrative expenses in 2012 were \$77,778. The total 2012 administrative expenses were \$174,469. The total 2011 administrative expenses were \$201,245. The administrative expenses decreased by \$26,776 in 2012.

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Mr. Clement Johns advised the following as a conclusion to his presentation: there were no governance issues, no disagreements with any of the vendors, no technical issues during the audit, all statements and information requested were supplied. Mr. Clement Johns advised that the audit process went smoothly.

Mr. Davis requested that the draft audit report be presented in future years using double sided paper if possible. Mr. Clement Johns advised that he will make note of this request.

Mr. Levinson advised that if the auditor can submit a trend analysis in a spread sheet of investment expenses and administrative expenses. Mr. Levinson advised that some auditors give trend analysis reports. Mr. Clement Johns advised that he would.

Mr. Levinson reviewed the management representation letter which is from the Board to the Auditor. The Board reviewed the letter. Mr. Davis made a Motion to approve the management representative letter and to authorize Greg Brilliant, Chairman and Bob Dorn, Plan Administrator to execute the document. The Motion was seconded by Mr. Taylor. The Motion passed 5-0. Mr. Brilliant and Mr. Dorn executed the document and gave it to Mr. Clement Johns.

Mr. Mackie made a Motion to approve the audit report submitted to the Board by Goldstein, Schechter, Koch & Associates. Mr. Taylor seconded the Motion. The Motion passed 5-0.

Mr. Clement Johns advised that the State has not release their State Report forms as of this date. Once the forms are released, he will get the state report forms completed for the state report. Mr. Brilliant inquired as to when he thinks the state will release the forms. Mr. Clement Johns advised that he believes in a few days. Mr. Brilliant advised Mr. Clement Johns that the Board appreciates that they met the deadlines for completing the audit.

ATTORNEY REPORT:

Mr. Adam Levinson distributed draft copies to the Board members regarding the Summary Plan Description (SPD) for Tier 2 members. Mr. Levinson advised that the same changes for the Tier 1 officers will be for Tier 2 officers. Mr. Levinson advised that there were no ordinance changes since the last change to the Summary Plan Description in August 2011.

Mr. Levinson advised that on page 7, the normal retirement date and benefit is the major differences between Tier 1 and Tier 2 members. Mr. Levinson advised that the bottom of each page will have page numbers. Mr. Levinson advised that on page 3 a change was completed to put Dave Williams/ Precision Pension Administration as well as the address and contact numbers for Precision Pension Administration. Mr. Levinson advised that on page 5 a change was completed to once again add Precision Pension Administration.

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Mr. Levinson advised that on page 14 the following language was added, "As described below in the section titled, "Am I required to Pay for Actuarial Calculations?", members are not billed for the actuary's cost of calculating one buyback, permissive service credit or divorce calculation. Subsequent requests shall be billed, based on the actuary's standard fee schedule, for subsequent calculations following a member's free initial request. Mr. Levinson advised that the following language was deleted, "members will not be billed for the actuary's expense of calculating the first permissive service request".

Mr. Levinson advised that on page 15 the above language was also added to this page also and deleted was the following: members will not be billed for the actuary's expense of calculating the first buyback request.

Mr. Levinson advised that on page 18 the second sentence was changed to indicate that DROP participants may delay DROP distributions provided that they take a partial distribution of at least ten (\$10.00) dollars per year. Also, changed on this page was that Internal Revenue Code limits transfers to \$51,000 for 2013.

Mr. Levinson advised that on page 23 under "Am I Required to Pay for Actuarial Calculations?" the following language was once again added, "members are not billed for the actuary's cost of calculating one buyback, permissive service credit or divorce calculation. Subsequent requests shall be billed, based on the actuary's standard fee schedule, for subsequent calculations following a member's free initial request." Mr. Levinson advised that the new administrator's name and information was also added.

Mr. Levinson advised that on the last page the old actuarial data was deleted and replaced with the updated pertinent actuarial information supplied by Mr. Don Dulaney.

Mr. Levinson advised that he will bring a final version to the February/2013 meeting for the Board to approve for the Tier Two Summary Plan Descriptions.

Mr. Brilliant and Mr. Taylor inquired to Mr. Levinson about their interpretation of when a Tier 2 employee can enter into the DROP. The point of the discussion is that a Tier 2 Member after completing 10 years of service and reach the age of 55 will be able to DROP but can't enter the DROP based upon their interpretation. Mr. Levinson advised that he would have to review the ordinances. Mr. Levinson had the ordinances which are Town of Davie ordinances 2011-19 and 2005-13. The main ordinance is from the October 1, 2010 which puts the limits for a total of 30 years of service with no more than 5 years in the DROP plan. The Board discussed their interpretations and they concluded that it should be possible for a Tier 2 member is complete 10 years of service with the age of 55 to enter the DROP. Mr. Levinson advised that the Board can interpret this as long as no actuarial impact to the plan. Mr. Levinson asked Mr. Dulaney if there would be an actuarial impact if the Board interprets the ordinances in this matter. Mr. Dulaney advised that he would have to research this matter and will report back to the Board at the next meeting regarding this issue. Mr. Levinson advised that he would also research this matter to give the Board more information at the next meeting.

Mr. Levinson gave the Board an overview of the new proposed legislation that is effects future state funds that are distributed to the cities. Mr. Levinson advised that this new legislation could be interpreted to have a new base year of March 1, 2013 for the purpose of funding requirements. Mr. Levinson advised that some states have funding holidays in which the state and cities don't pay some years to assist the governmental agencies in required payments to pension plans. Mr. Levinson advised that this has not happen in Florida, but concerns should be made because of the Naples memorandum and this new legislation may open the door for this funding holiday or if the plan wasn't 100% funded that State money could not be used to supplement benefits. Mr. Levinson advised that he will keep the Board posted on this and other legislation that may affect the plan.

Mr. DiMeglio inquired to Mr. Levinson if the State can take benefits away from our members? Mr. Levinson advised that benefits can't be changed because of the contract and this would have to be done by the Unions and Town of Davie for benefits to be changed. Mr. Levinson advised that benefit earned can't be changed, but prospective changes can be done for future benefits.

ACTUARY:

Mr. Dulaney advised the Board that Yiu Lai, long-time associate for his company is leaving for health issues. Mr. Dulaney advised that his company has hired Ms. Faye Albert, F.S.A., with whom he has known for over 20 years will join his company today. Mr. Dulaney advised that they are going to be going through a transitional period, but this should go smoothly.

Mr. Dulaney advised that Yiu Lai had gather most of the data necessary for the actuarial report and he feels confident he will then have the actuarial report on the February 12, 2013 meeting for the Board to review and approve. Mr. Dulaney advised that he will send it to the Town Administrator on February 13, 2013 so we can meet the requested deadline by the Town Administrator.

Mr. Dulaney advised that his new e-mail address is dulaneyactuarial@gmail.com.

PLAN ADMINISTRATOR:

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

Mr. Dorn advised the Board that we are stilling trying to get the necessary "You are Alive" forms back from retirees. Mr. Taylor inquired how many still need to respond. Mr. Dorn advised that there are three missing responses, but their names do not come up as decease in computer checks. The Board advised to send out another notice. The Board advised that if the retirees don't respond by the next meeting, then will direct the Plan Administrator to stop the retirement payments.

OPEN DISCUSSION:

Mr. Davis inquired to the Chairman if the Plan is allowing for out of State pension conferences. Mr. Davis advised that the International Foundation classes he would like to attend. Mr. Brilliant advised that he would agree for the out of State attendance because the course given by that association are very informative and beneficial to the plan. Mr. Brilliant advised to have the Plan Administrative send information to the Trustees on the International Foundation up-coming courses and pension conferences.

ADJOURN:

Mr. Davis made a motion to adjourn the meeting. Mr. Taylor seconded the motion. The Motion passed 5-0. The meeting was adjourned at 6:48 p.m.


Greg Brilliant, Chairman
Charles J. Davis, Secretary