

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

February 11, 2014

The regular meeting of the Board of Trustees of the Town of Davie Police Officers' Pension Plan was called to order on behalf of the Board by the Plan Administrator, Bob Dorn, on February 11, 2014 at 5:04 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 - Trustee, and Mr. Thomas DiMeglio - Trustee.

**EXCUSED ABSENCE:**

Mr. Ed Taylor- Trustee

Note: There was a quorum present to conduct an official meeting.

**OTHERS PRESENT:**

Mr. Adam Levinson - Board Attorney; Mr. Bob Dorn and Mrs. Patty Ostrander – Precision Pension Administration, Inc.; Mr. Don Dulaney - Actuary for Dulaney & Company; Mr. David Lee - Dahab & Associates; Janna Hamilton - Garcia, Hamilton & Associates; and Mr. David Griffin - Buckhead Capital Management.

**PUBLIC DISCUSSION:**

There was no public discussion. No one from the public was present.

**CONSENT AGENDA**

**APPROVAL OF MINUTES:**

The Board of Trustees reviewed the minutes for the January 14, 2014 meeting. Mr. Dorn asked if there were any changes that needed to be made. Mr. DiMeglio offered his changes which were duly noted. Mr. Davis made a Motion to approve the minutes as amended. Mr. Mackie seconded the Motion. The Motion passed 4-0.

**WARRANT RATIFICATION/APPROVAL**

**WARRANT 454:**

This Warrant was for payment to Rhumblin Advisors for investment advisory fees for the fourth quarter of 2013. This Warrant amount is for \$2,686.00. Mr. DiMeglio made a Motion to approve this Warrant. Mr. Mackie seconded this Motion. The Motion passed 4-0.

**WARRANT 455:**

This Warrant was for payment to Garcia, Hamilton & Associates for management fees from 10-01-13 through 12-31-13. This Warrant amount is for \$37,928.40. Mr. DiMeglio made a Motion to approve this Warrant. Mr. Mackie seconded this Motion. The Motion passed 4-0.

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**WARRANT 456:**

This Warrant was for reimbursement of expenses to Trustee Lawrence Davis for the IFEBP October/2013 conference. This Warrant amount is for \$923.14. Mr. Mackie made a Motion to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 4-0.

**WARRANT 457:**

This Warrant was for payment to TAMRO Capital Partners Inc., for management fees for the fourth quarter 2013. This Warrant amount is \$24,030.16. Mr. Mackie made a Motion to approve this Warrant. Mr. DiMeglio seconded this Motion. The Motion passed 4-0.

**WARRANT 458:**

This Warrant was for payment to Goldstein, Schechter & Koch for audit services. The invoice number is 111183. This Warrant amount is for \$5,000.00. Mr. Davis made a Motion to approve this Warrant. Mr. DiMeglio seconded this Motion. The Motion passed 4-0.

**WARRANT 459:**

This Warrant was for payment to Salem Trust for custodial fees from 10-01-13 to 12-31-13. This Warrant amount is for \$9,190.67. Mr. Mackie made a Motion to approve this Warrant. Mr. DiMeglio seconded this Motion. The Motion passed 4-0.

**WARRANT 460:**

This Warrant was for payment to Klausner, Kaufman, Jensen & Levinson for legal services rendered through January/2014. This Warrant amount is for \$2,360.00. Mr. DiMeglio made the Motion to approve this Warrant. Mr. Mackie seconded this Motion. The Motion passed 4-0.

**WARRANT 461:**

This Warrant was for payment to Trustee Jack Mackie for reimbursement for FPPTA pension conference in February/2014. This Warrant amount is for \$960.58. Mr. DiMeglio made the Motion to approve this Warrant. Mr. Mackie seconded this Motion. The Motion passed 4-0.

**OLD BUSINESS:**

Mr. Dorn advised the Board that Mr. Jenkins financial situation has not changed. Mr. Dorn advised that Mr. Jenkins made a payment of fifty dollars towards his debt to the plan.

**NEW BUSINESS:**

There was no new business.

**INVESTMENT MANAGER’S REPORT(S):**

**BUCKHEAD CAPITAL MANAGEMENT:**

Mr. David Griffin made the presentation for Buckhead Capital Management. Mr. Griffin advised that there were no changes to their investment process or the investment advisors for the company. Mr. Griffin did advise that Mr. Terry Miller who was in client services will be retiring soon.

It was a great year to be invested in equity markets. All news was good news in 2013. Lower quality equities continued to do better than higher quality ones in the fourth quarter, with stocks rated B or worse in the S&P 500 returning an average of 10.3% compared with a 9% for stocks rated B+ or better. For the entire year, lower quality stocks outperformed higher quality ones by 11.0%. The returns by quality rating are on an equal-weighted basis and the rating reflect the long-term growth and stability of a company's earnings and dividends, with higher ranked companies generally having higher margins, lower debt levels, and higher returns on equity. The Russell 2000 Index of small cap stocks also ended the year at a record high. For all of 2013, growth stocks edged out value stocks, gaining 32.8% vs 32.0%. Every sector in the S&P 500 provided positive returns for the quarter and year. The Consumer Discretionary stocks provided the highest return (42.8%) and Telecommunications stocks performed the worst (11.4%).

The Barclays U.S. Aggregate Bond Index, which is a broad measure of the U.S. bond market, lost 0.1% for the fourth quarter and during the entire year it lost 2.0%. Higher quality and longer duration-term bonds suffered more than shorter maturity, lower quality issues.

The Federal Reserve made a decision to begin reducing the open-ended program of bond purchases known as Quantitative Easing III (QEIII) from 85 billion to 75 billion. The market viewed this decision as a signal that the economic recovery had momentum. The primary issue for investors is how the historically unprecedented monetary stimulus will affect the bond and equity market. For the equity markets to continue to rise, earnings must grow, multiples increase, or both. For earnings to grow revenues need to grow or profit margins need to increase? Most growth in corporate earnings over the last several years has come from increasing profit margin. Recent growth has been much more difficult to come by, as significant excess capacity still exists throughout much of the economy. Under these conditions, we continue to focus on managing risks in our client portfolio. In equities, we look for attractively valued companies with solid balance sheets, strong free cash flow, and shareholder friendly capital allocation policies.

The market value of the equity under investment is \$19,139,609.00. The fourth quarter return was 9.44% which slightly under performed the Russell 1000 Value Index (10.01%). The one year return for the plan was 29.87% and the Index return was 32.53%. The best performing stocks for the quarter was General Electric Company (GE), Exxon Mobile and Black Rock. The three worst performing stocks in the plan were Annaly Capital Management, Cisco Systems, and Atwood Oceanics.

The market value of the bonds under investment is \$12,581,801.00. The fourth quarter return was 0.03% AND THE Barclays Aggregate Index return was -0.14%. The bond investment for the plan returned -1.48% for the year and the Index return was -2.02%.

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Mr. Lee asked what should the Trustees expect from Buckhead Capital for their equities under investment in 2014? Mr. Griffin advised that if the market grows in an average year, the returns should be a slow incremental growth in equities. If the market becomes a sell off, then the strategy used by Buckhead will help increase its value to the plan. If the market continues like it did last year, the returns will be good but slightly under the index because of the quality issue in stock selection and the strategy used.

**GARCIA, HAMILTON & ASSOCIATES:**

Mrs. Janna Hamilton made the presentation for Garcia, Hamilton & Associates. Mrs. Hamilton advised that their equity investment philosophy has not changed and there were no changes in personnel in their company.

Mrs. Hamilton advised that the fourth quarter returns were strong in the S&P 500 (10.5%) and the Russell Growth (10.4%). The U.S. Federal Reserve remained the focus on the QEIII decision. Investors grew quite comfortable this quarter that a shift in Federal Reserve leadership from Ben Bernanke to Janet Yellen would result in no change to the current accommodative policy. As such, the implicit Federal Reserve directive seems to be for increased risk and equities remain the asset class to be in. The high beta stocks led across economic sectors and industry groups and the cyclical sectors outperformed defense sectors overall. The outlook currently calls for 10% earnings growth in 2014, but estimates have trended lower over the past few months which are still reflecting a sluggish global economy. The market values remain reasonable with the low interest rate environment.

The portfolio holdings continue to deliver solid earnings relative to expectations. The stock selection was a positive factor despite a continued headwind from higher quality A+ rated stocks. The Financials, Consumer Staples and Consumer Discretionary were the sectors with the most positive relative contributions while industrials were notable negative contributor. CVS Caremark was up 27% and Walt Disney was up 20% for the quarter. These were the two top gainers in the portfolio. Cisco Systems and W.W. Granger was the negative performers in the portfolio. The Market outlook remains constructive based on the underlying support from ongoing central bank actions and expectations for improving economic conditions. The portfolio remains meaningfully overweight in high quality stocks.

The portfolio holdings in equities had a market value on 12/31/2013 of \$15,133,169.90. The fixed income had a market value on 12/31/2013 of \$19,851,979.77. They also had approximately \$700,297.34 in cash & equivalents. The equities return for the fourth quarter was 11.1% and the benchmark index return was 10.4%. The equities return for the year was 29.2% and the benchmark index return was 33.5%. Since inception, the equities annualized return was 9.3% compared to the benchmark return of 8.2%. The fixed income return for the fourth quarter was 1.0% and the benchmark return was -0.1%. The bond return for the year was a flat 0.0% return and the benchmark return was -2.0%. Since inception, the bond annualized return was 6.4% and the benchmark return was 5.8%.

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This was the best year for stocks in the S&P 500 with a return of 32.4% since 1997. Most of the gain resulted in stock prices rose steadily through the year despite disappointing earnings growth to be just 5.9%. The yield provided a return of 2.8% of return. Since bottoming in early 2009, advances in the U.S stock market have been driven by the Federal Reserve actions aimed at increasing liquidity, driving down interest rates, and triggering investor rotation into riskier asset categories. Lower quality stocks continue to exhibit market leadership relative to high quality as investors embrace higher risk exposures and individual company fundamentals continue to take a back seat as a driver of stock returns.

Mr. Davis advised that the higher quality is not giving so much of the upside as the lower quality stocks but the protection on the downside will not be so dramatic for the plan. Mr. Lee advised that is why the Board decided to invest in the Vanguard Large Cap fund to capture more of the upside while still having the two other large cap managers to protect on the downside for the plan.

**DAHAB & ASSOCIATES:**

Mr. David Lee made the presentation for Dahab & Associates. Mr. Lee advised that he will be brief on the market overviews since the previous two investment managers covered the topic for the Board. Mr. Lee advised that unemployment rate dropped to 6.7%. Large cap growth stocks posted the strongest performances and the small cap growth posted the weakest return.

On December 31, 2013, the plan value was at \$118,563,519.00. This was an increase of \$11,201,031 from the September/2013 quarter ending of \$107,362,488.00. Last quarter, the plan posted net contributions equaling \$5,123,378 plus a net investment gain equaling \$6,077,654.00. Over the trailing twelve month period, the portfolio return 16.7% and since December/2008 the portfolio return was 12.7%.

The fourth quarter returns were as follows: Large Cap Equity return was 10%, Mid Cap Equity return was 8.3%, Small Cap Equity return was 5.2%, International Equity return was 5.3%, Real Estate was 3.3% and Fixed Income return was 0.6%. The total return for the fourth quarter net of fees was a 5.3% return for the portfolio.

The asset allocation is as follows: Large Cap Equity is 36.8%(\$43,599,446), Mid Cap Equity is 9.6%(\$11,336,349), Small Cap Equity is 9.4%(\$11,115,295), International Equity is 9.5%(\$11,225,663), Real Estate is 5.8%(\$6,913,976), Fixed Income is 26.4%(\$31,316,065) and Cash is 2.6%(\$3,056,725).

TAMRO return for the year was 29.3% and the benchmark return was 38.8%. This was an underperformance by the investment company. The last three quarters have brought down the year numbers and the trailing year numbers. This was one bad year for TAMRO. They made some mistakes on stock selection, but Mr. Lee doesn't think this will continue because of a long track record. Mr. Lee advised that he will monitor this going forward.

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Mr. Lee advised that the transfer of funds from fixed income to real estate investment helped the overall performance of the plan this year. Mr. Lee advised that he wants to balance the three large cap investment managers overall investment funds from the plan. Mr. Lee proposed to the Board to transfer \$500,000 from Garcia, Hamilton & Associates Large Cap Fund to Vanguard Large Cap Fund and also transfer \$3,500,000.00 from Buckhead Large Cap Fund to Vanguard Large Cap Fund. Mr. Lee advised that this will give the plan a little better capture on the upside of the market in large caps while still protecting the downside with the other two large cap managers. The Board discussed this issue with each Trustee speaking their opinions on the matter. Mr. Davis made the Motion to transfer \$500,000 from Garcia, Hamilton & Associates Large Cap Fund to Vanguard and transfer \$3,500,000 from Buckhead Capital Management Large Cap Fund to Vanguard Large Cap Fund on or before March 7, 2014. Mr. Mackie seconded the Motion. The Motion passed 4-0.

**ATTORNEY’S REPORT:**

Mr. Adam Levinson advised that he has reviewed and approved the contract for the new custodian bank, Fiduciary Trust. Mr. Greg Brilliant executed the contract. Mr. Lee advised that he would inform Salem Trust of the Boards decision to change custodial banks. Mr. Dorn advised that he would send the contract to Fiduciary Trust.

Mr. Levinson advised that there have been on-going discussions between the Police Unions, Fire Unions, and League of Cities regarding proposed amendments to Chapter 175 & 185. Mr. Levinson advised that he will keep the Board informed of this issue.

Mr. Levinson advised of his firm’s pension conference as a reminder to the Board that is held in Fort Lauderdale in March/2014.

Mr. Levinson advised of a case where financial urgency was used will be going to the Supreme Court. This will be a real interesting case for review once the court makes the decision on this issue. There is no definition in the statutes on financial urgency. Mr. Levinson advised that he will keep the Board informed of this case.

**ACTUARY’S REPORT:**

Mr. Don Dulaney made the presentation for his firm. Mr. Dulaney presented to the Board the actuarial valuation of the Town of Davie Police Pension Plan as of October 1, 2013. The following information was given to the Board by Mr. Dulaney:

The purpose of this report is to indicate appropriate contributions levels and to satisfy State requirements. The actuarial valuation develops the required minimum retirement plan payment for the fiscal year beginning October 1, 2013 and ending September 30, 2014 under the Florida Protection of Public Employee Benefits Act and Chapter 185. The anticipated State of Florida (Chapter 185) contribution is \$687,063 for 2013/2014 plan year. The anticipated member contributions will be \$974,186. The Town of Davie required contributions will be \$5,742,964 or 41.3% of the covered payroll. The current adjusted annual base Chapter 185 contribution amount is \$705,416, any actual Chapter 185 contribution amount (up to \$705,416) above the anticipated \$687,063 can be used by the Town of Davie to offset its funding requirement.

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If the Chapter 185 is below the anticipated amount, the difference must be made up by additional Town of Davie contributions.

The plan provisions remained the same as those recognized in the October 1, 2012 valuation. There were no changes in the actuarial assumptions and methods utilized in this valuation from the prior valuation.

Covered payroll including overtime increased by approximately 6.9% while the active participants also increased by 5.3%, including twelve Tier Two members. Unfunded actuarial accrued liability decreased from \$28,267,161 to \$25,742,439, primarily due to the actuarial gain of \$1,818,136 mainly from asset gains. The Town of Davie cost decreased from 43.8% to 41.3% of covered payroll.

The assumed rate of return remained the same at 7.9%. The actuarial value of asset return was 12.6% for the 2013/2013 plan year which was higher than the assumed rate of return. The participant summary is that there were 160 active employees, 1 terminated vested employee, 90 receiving benefits, and 10 DROP participants.

The total actuarial accrued liability for the plan is \$123,723,340. The actuarial value of assets is \$97,980,901. So the unfunded actuarial accrued liability is \$25,742,439. On October 1, 2012, the funded ratio for the plan was 75.4%. On October 1, 2013, the funded ratio jumped to 79.2%. Mr. Dulaney advised that this is outstanding for the plan and one of the biggest jumps in funded ratio he has seen.

Mr. Dulaney advised that this concluded his presentation. Mr. Levinson advised that a motion has to be made to accept this report. Mr. DiMeglio made a Motion to accept the actuarial valuation report of the Town of Davie Police Pension Plan as of October 1, 2013 that has been presented to the Board by Mr. Don Dulaney. Mr. Davis seconded the Motion. The Motion passed 4-0. Mr. Dulaney asked Mr. Dorn to send two copies to the State of Florida. Mr. Dorn advised that he would send to the State of Florida and Town of Davie.

Mr. Dulaney advised that he is working on several calculations for members for various reasons.

**PLAN ADMINISTRATOR'S REPORT:**

Mr. Dorn advised that Salem Trust has reimbursed the fund for the actuarial fees and DROP miscalculations which is on Warrant 459.

**OPEN DISCUSSION:**

Mr. Davis advised that he would like to speak about pension conferences out of the State of Florida. Mr. Brilliant asked Mr. Dorn to put this on the agenda for the next meeting.

Mr. Davis asked Mr. Dorn if there is a system in place to ensure that the vendors of the plan have insurance. Mr. Dorn advised that PPA checks on this once a year and will report back to him next meeting on this issue.

**ADJOURNMENT:**

Mr. Mackie made a Motion to adjourn the meeting. Mr. DiMeglio seconded the Motion. The Motion passed 4-0. The meeting was adjourned at 7:34 p.m.  
The next meeting date is March 11, 2014 at 5:00 p.m.



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Greg Brilliant, Chairman