

# TOWN OF DAVIE POLICE PENSION PLAN

## Minutes

June 9, 2015

5:00 P.M.

The regular meeting of the Board of Trustees of the Town of Davie Police Pension Plan was called to order on behalf of the Board by the Plan Administrator, Bob Dorn on June 09, 2015 at 5:02 P.M. at 13790 N.W. 4<sup>th</sup> Street, Suite 105, Sunrise, Florida.

### **TRUSTEES PRESENT:**

Mr. Greg Brilliant – Chairman; Mr. Larry Davis – Secretary; Mr. Thomas DiMeglio, Mr. Ed Taylor & Mr. Jack Mackie – Trustees.

### **ABSENT:**

None.

### **OTHERS PRESENT:**

Mr. Adam Levinson - Board Attorney; Mr. Don Dulaney – Board Actuary; Mr. David Lee – Dahab Associates; Mr. Bob Dorn, Plan Administrator – Precision Pension Administration, Inc.

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

### **CONSENT AGENDA:**

#### **APPROVAL OF THE MINUTES:**

The Board of Trustees reviewed the minutes for the May 12, 2015 meeting. Mr. Dorn inquired if there were any changes required to the cited minutes. A change was offered by Mr. Davis and Mr. Brilliant which was duly noted. A Motion was made by Mr. DiMeglio to approve the minutes. The Motion was seconded by Mr. Davis. Motion passed 5-0.

#### **WARRANT 633**

This Warrant was for payment of \$255.79 to Fiduciary Trust for custodial fees for the Snow Capital account from 02/23/15 through 03/31/15. A Motion was made by Mr. Mackie to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

#### **WARRANT 634**

This Warrant was for payment of \$258.73 to Fiduciary Trust for custodial fees for the Lyrical Asset Management account from 02/23/15 through 03/31/15. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Mackie. The Motion passed 5-0.

#### **WARRANT 635**

This Warrant was for payment of \$1,952.50 to Dulaney & Company for actuarial services rendered through April/2015. A Motion was made by Mr. Mackie to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

#### **Warrant 636**

This Warrant was for payment of \$ 1,613.50 to Klausner, Kaufman, Jensen and Levinson for legal services rendered through May/2015. The invoice number is 16847. A Motion

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was made by Mr. Taylor to approve as outlined. The Motion was seconded by Mr. Mackie. The Motion passed 5-0.

**NEW / UNFINISHED BUSINESS:**

Mr. Taylor requested that the next meeting be changed if possible to Monday, July 13, 2015 at 4:00 P.M. instead of July 14, 2015. The Board agreed to this change. Also, the Board discussed the August/2015 meeting date. The Board agreed to change the date to August 18, 2015 if the necessary investment managers can attend on this date. Mr. Dorn advised that he would report back to the Board on this at the next meeting.

**ATTORNEY REPORT:**

Mr. Levinson advised that he will give a brief presentation on Senate Bill 172 (SB 172). Mr. Levinson advised that SB 172 is effective on July 01, 2015. All police and fire Boards shall provide a detailed accounting report and operate under an administrative expense budget. The Board shall provide a detail accounting report of its expenses for each fiscal year to the Plan sponsor and the Department of Management Services. The Board is also required to make the report available to each member of the plan and post the report on the Board's website, if the Board has a website. Mr. Levinson advised that his firm is suggesting that future Summary Plan Descriptions be amended to indicate that the detail accounting report is available upon request and it is posted on the web site. The report must include all administrative expenses that for the purpose of this requirement are expenses relating to any legal counsel, actuary, plan administrator, and all other consultants, and travel and other expenses. The expense budget shall operate for the fiscal year and if it is amended, the Board must provide a copy of the amended budget to the plan sponsor and make a copy available to the plan members. If the Board operates under the September 30<sup>th</sup> through October 1<sup>st</sup> fiscal year, the new administrative expense budget must be prepared and made available prior to October 01, 2015.

Under SB 172, the new minimum multiplier is 2.75%. Plans with multiplier less than 2.75% are grandfathered in and need not raise their multiplier in effect on July 1, 2015. If the multiplier is raised to 2.75% (or higher), then the grandfathered plan may thereafter decrease the multiplier to less than 2.75%.

Each plan sponsor must create a share plan/supplemental defined contribution plan within the local law plan for the payment of special benefits. The new share plan must be adopted upon entering into a collective bargaining agreement on or after July 01, 2015, or by October 01, 2015, for non-collectively bargained service. The new share plan may or may not receive any funding. Any share plan in existence on March 01, 2015, shall be deemed to be a defined contribution plan in compliance with Florida Statutes 175 and 185. Mr. Levinson advised that he is trying to get clarification from the State on whether we can have administrative rules set up for the share plan or do we actually have to have a share plan set up which will initially not be funded. Mr. Brillant advised that the contract for the police expires in October/2016.

The use of premium taxes provides that half of the additional premium taxes received above the 2012 level must be split between special benefits paid into a share plan, and the other 50% being used by the plan sponsor to offset defined benefit plan costs. The parties are permitted to deviate from this default outcome by mutual consent. Mr. Levinson advised that his firm is suggesting that the Board request their actuary to

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evaluate their premium tax status on the new base premium tax revenue and the new calendar 2012 threshold.

Structurally, SB 172 establishes three separate outcomes for the use of premium tax revenue. First, share plans in existence on December 1, 2000 are exempt from SB 172. Second, the parties can mutually agree to use their premium taxes as they see fit. Third, if the parties do not mutually agree upon the use of premium tax revenue then the default provisions of sections 175.351 and 185.35 are triggered.

SB 172 substantially amends Chapter 175 and 185. The legislation will have a different impact on different plans and will need to be carefully studied. All plans must comply with SB 172's expense reporting and budgeting requirements prior to the end of this fiscal year. The parties will have the next collective bargaining agreement to decide whether or not to abide by SB 172's default provisions governing the use of premium tax revenue.

Mr. Levinson presented to the Board Administrative Rules 1 through 6. The Board made some minor language changes to the Administrative Rules. Mr. Levinson advised that he will make the necessary changes and present them to the Board at the next meeting. Mr. Levinson presented to the Board the new Administrative Rule (#7) regarding "Rules Governing DROP Account, 20% Holdback & Interest on Final DROP Distribution". Mr. Levinson reviewed the new rule with the Board. The Board made some minor changes to the draft rule and Mr. Levinson advised that he will present this new rule for review and approval at the next meeting. Mr. Levinson advised that once Administrative Rule 7 is approved, the Board should consider putting this rule with the necessary DROP forms prior to a member entering the DROP. The Board agreed to this suggestion. Mr. Levinson advised that the Board will probably have to have an Administrative Rule for the share plan.

### **ACTUARY REPORT:**

Mr. Dulaney advised that when he performed the computations for the 12/31/14 DROP account balances for inactive members they discovered that Mr. Mahnken was receiving a monthly DROP withdrawal of \$1,600.00. As of December /2014 Mr. Mahnken's DROP account had a negative balance of \$980.17. In other words, Mr. Mahnken only should have received \$619.83 instead of \$1,600.00 in the December/2014 payment. Mr. Dulaney advised that his company did not send out the DROP statements for the first quarter of 2015. Mr. Dulaney advised that they set it aside so they could address Mr. Mahnken's DROP account and got involved in other work related items. They did not discover the mistake again until the DROP statements were due for the second quarter which was about the middle of May/2015. Mr. Dulaney advised that it is clearly his company's fault and their mistake. Mr. Dulaney advised that he contacted the Chairman and Mr. Dorn to inform them of the issue. Mr. Dulaney advised that Mr. Dorn stopped the monthly DROP withdrawal for Mr. Mahnken. The last payment for a DROP withdrawal was May/2015. Mr. Mahnken erroneously received monthly payments of \$1,600.00 for the months of January/2015 through May/2015 as well as an overpayment of \$980.17 in December 2014 due to his company's error. The total amount of overpayment is \$8,980.17 plus the interest owed of \$747.42.

Mr. Dulaney advised that the Plan should not suffer a financial loss because of an oversight by his company. Mr. Dulaney advised that his company now has developed a

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new program so this issue will not happen again in the future. Mr. Dulaney advised that his firm is prepared to make the Plan whole with interest. The Board discussed this issue and requested input from Mr. Levinson regarding this issue. Mr. Levinson advised that the normal procedure is to have the member pay back the plan with interest since it was a mistake and the member benefited from the error and did not advise the Board of the overpayments. Mr. Levinson advised that the Board can (1) make the member pay the whole amount plus interest in a lump sum payment, (2) make the member pay the whole amount plus interest over a twelve month period with the funds for repayment taken out of his monthly benefit payments, (3) repayments over a longer period if the Board so desires or (4) have the actuary pay the entire amount and the member would receive a benefit of the overpayments. The Board decided that they should give Mr. Mahnken an opportunity to speak to the Board prior to them making a decision. The Board decided to hold a hearing on this issue at the next meeting. Mr. Dorn advised that he will send a certified letter along with a notice and agenda to Mr. Mahnken for the next meeting. This issue is pending until the next meeting.

Mr. Dulaney advised that he is working on the requirements for Senate Bill 534. Mr. Levinson advised that the deadline for this is June 29, 2015. Mr. Dulaney advised that he has a draft of some of the requirements of the Chapter 60T provisions, additional actuarial disclosures required under section 112.664, F.S. The Board reviewed the information given to them by Mr. Dulaney.

### **MONITOR REPORT:**

Mr. Lee presented to the Board the plan return (net), assumed rate, and the plan allocation for equity, fixed income, alternatives and cash percentages for a five year period. Mr. Dorn advised that this will be put on the web site for the required Senate Bill 534 disclosure and the link will be given to the Town of Davie so they can put it on their web site. The Board reviewed the information and accepted it.

### **PLAN ADMINISTRATOR:**

Mr. Dorn advised that Capital Institutional Services (CAPIS) sent a revised agreement for commission recapture. Historically, CAPIS has retained a \$0.0175 per share price and the new rate will be \$0.0125 and rebate the remaining commission to the fund. Mr. Dorn advised that Mr. Levinson (Board Attorney) and Mr. Lee (Monitor) both reviewed and agree with this new agreement. Nothing has changed with the previous agreement except for the pricing. Mr. Davis made a Motion to accept the new revised agreement with CAPIS. Mr. DiMeglio seconded the Motion. The Motion passed 5-0. Mr. Brilliant and Mr. Davis executed the agreement.

Mr. Dorn advised that the quotes for the fiduciary insurance for the Board will be presented to the Board at the next meeting. The Board will have three companies to choose from for the period of 8/1/15 through 8/1/16.

Mr. Dorn advised that we received three responses from auditors for services to the Plan. Mr. Dorn advised that the companies are (1) S I Gordon & Company, PA, (2) Grau & Associates, and (3) Davidson, Jamieson & Cristini, P.I. The Board reviewed each of the three proposals submitted. Mr. Davis made a suggestion to have an actual interview of the three aforementioned companies at the next meeting. All of the Trustees agreed with this. Mr. Dorn advised that he would contact each of the companies and request their presence at the next meeting.

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Mr. Dorn presented to the Board a draft budget as a requirement for the Senate Bill 172. Mr. Dorn advised that the budget has to be approved prior to October 1, 2015 for the next fiscal year. The Board discussed the draft budget and made some changes to the draft. The final budget proposal will be presented to the Board at the next meeting. Mr. Dorn advised that the Budget will be put on the Plan's web site and given to the Town of Davie and the Department of Management Services, once it is approved.

Mr. Dorn advised the Board that U.S. Investment Fund, LLC did a capital call in the amount of \$402,723.18 that was due on May 28, 2015. The funds were taken from the Garcia Hamilton & Associates Fixed Income account. The transfer occurred with no issues. Mr. Dorn advised that the Board had approved these transfer(s) during the September 9, 2014 meeting.

**ADJOURN:**

Mr. Davis made a Motion to adjourn the meeting. Mr. DiMeglio seconded the Motion. Motion passed 5-0. The meeting was adjourned at 7:30 P.M.



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Greg Brilliant, Chairman