

TOWN OF DAVIE POLICE PENSION PLAN

Minutes

August 18, 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 August 18, 2015 at 5:02 P.M. at 13790 N.W. 4th 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. Bob Dorn, Plan Administrator & Mrs. Patty Ostrander – Administrative Assistant – Precision Pension Administration, Inc; Ms. Janna Hamilton – Garcia Hamilton; Ms. Deneen Bingham & Mr. Dave Griffin – Snow Capital & Mr. David Lee – Dahab.

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

PUBLIC DISCUSSION:

No public comments presented

CONSENT AGENDA:

APPROVAL OF THE MINUTES:

The Board of Trustees reviewed the minutes for the July 13, 2015 meeting. Mr. Dorn inquired if there were any changes required to the cited minutes. Several changes were offered which were duly noted. A Motion was made by Mr. Davis to approve the minutes. The Motion was seconded by Mr. Mackie. The Motion passed 5-0.

WARRANT 648

This Warrant was for payment of \$736.72 to Ed Taylor for reimbursement for the FPPTA June 2015 Conference. A Motion was made by Mr. Mackie to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 5-0.

WARRANT 649

This Warrant was for payment of \$755.60 to Jack Mackie for reimbursement for the FPPTA June 2015 Conference. A Motion was made by Mr. Taylor to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 5-0.

Warrant 650

This Warrant was for payment to Rhumblin Advisors in the amount of \$3,026.00 for investment management services for the second quarter of 2015. A Motion was made by Mr. Taylor to approve as outlined. The Motion was seconded by Mr. Mackie. The Motion passed 5-0.

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WARRANT 651

This Warrant was for payment of \$6.73 to Larry Davis for mailing reimbursement for his annual yearly disclosure form. A Motion was made by Mr. Taylor to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

Warrant 652

This Warrant was for payment to Garcia Hamilton Equity Account in the amount of \$10,872.33 for investment management services for the second quarter of 2015. A Motion was made by Mr. Taylor to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

Warrant 653

This Warrant was for payment to Garcia Hamilton Fixed Income Account in the amount of \$23,474.76 for investment management services for the second quarter of 2015. A Motion was made by Mr. Taylor to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

Warrant 654

This Warrant was for payment to Goldstein Schechter Koch in the amount of \$200.00 for Final billing on connection with the audit year ending 09-30-14. A Motion was made by Mr. Mackie to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

Warrant 655

This Warrant was for payment to State Street Global Advisors in the amount of \$1,774.87 for investment management services for the second quarter of 2015. A Motion was made by Mr. Davis to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

Warrant 656

This Warrant was for payment to TAMRO Capital Partners, LLC., in the amount of \$25,097.75 for investment management services for the second quarter of 2015. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Mackie. The Motion passed 5-0.

Warrant 657

This Warrant was for payment to Dulaney & Company in the amount of \$3,313.75 for actuarial services through June 2015. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Mackie. The Motion passed 5-0.

Warrant 658

This Warrant was for payment to FPPTA in the amount of \$1,350.00 for conference registration for the October FPPTA Trustee School for Mr. Brilliant, Mr. DiMeglio and Mr. Mackie. A Motion was made by Mr. Taylor to approve as outlined. The Motion was seconded by Davis. The Motion passed 5-0.

Warrant 659

This Warrant was for payment to Klausner Kaufman Jensen & Levinson in the amount of \$1,160.00 for legal serviced through July 2015. A Motion was made by Mr. Taylor to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

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WARRANT 660

This Warrant was for payment of \$738.80 to Greg Brilliant for reimbursement for June 2015 FPPTA Conference. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Mackie. The Motion passed 5-0.

WARRANT 661

This Warrant was for payment of \$25,000.00 to Mr. Mark Williams as a one-time partial lump sum DROP Distribution. Mr. Dulaney verified funds are available. A Motion was made by Mr. Davis to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

Warrant 662

This Warrant was for payment to Dahab Associates, Inc. in the amount of \$16,380.59 for Investment Monitoring services for the second quarter of 2015. A Motion was made by Mr. Taylor to approve as outlined. The Motion was seconded by Mr. Mackie. The Motion passed 5-0.

Warrant 663

This Warrant was for payment to FPPTA in the amount of \$450.00 for conference registration for the October FPPTA Trustee School for Mr. Taylor. A Motion was made by Mr. Taylor to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 5-0.

Warrant 664

This Warrant was for payment to Fiduciary Trust International in the amount of \$664.93 for Quarterly custodial fees for Snow Capital for the second quarter. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Mackie. The Motion passed 5-0.

Warrant 665

This Warrant was for payment to Fiduciary Trust International in the amount of \$659.62 for Quarterly custodial fees for Lyrical Asset Management for the second quarter. A Motion was made by Mr. Mackie to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 5-0.

Warrant 666

This Warrant was for payment to Fiduciary Trust International in the amount of \$8,797.92 for Quarterly custodial fees for misc. vendors for the second quarter. A Motion was made by Mr. Mackie to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 5-0.

Warrant 667

This Warrant was for payment to Patty Ostrander in the amount of \$49.00 for postage stamps for the office. A Motion was made by Mr. Taylor to approve as outlined. The Motion was seconded by Mr. Mackie. The Motion passed 5-0.

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NEW / UNFINISHED BUSINESS:

Mr. Levinson reviewed with the Board proposed Administrative Rule #7. The topic of this Administrative Rule is governing DROP accounts with a 20% holdback & earnings on final DROP distributions. Mr. Levinson advised that when a DROP account participant requests a full distribution of their DROP balance, the following procedures shall apply. The Administrator shall distribute 80% of the DROP account balance as the end of the quarter as soon as administratively possible. The remaining 20% will be distributed when the returns are reported and verified by the actuary and investment consultant. In order to then expedite calculation of the final investment earnings/losses, the remaining 20% holdback will only include cash, fixed income, and equity returns for any further months, until the entire remaining balance is distributed. Members shall be notified if their DROP balance declines to \$15,000.00 or less. Following notification, the entire DROP balance shall be paid in a single lump sum as soon as administratively possible, unless the member requests a rollover. The Board discussed this proposed rule and decided that this was for the best to administer the DROP accounts. Mr. Taylor made a Motion to accept Administrative Rule # 7. The Motion was seconded by Mr. Davis. The Motion passed 5-0. Mr. Dulaney advised that DROP member Mr. James Wollschlager is currently below the \$15,000.00 account balance. The Board decided that since Administrative Rule #7 occurred after he went below the minimum balance that they will allow him to keep his funds in the DROP account. Mr. Taylor advised that he would like letters sent to all current DROP retirees advising them of Administrative Rule # 7. Mr. Dorn advised that he would send the letters to all active and retired DROP members as well as add this rule to the DROP packet for new DROP members.

ACTUARY REPORT:

Mr. Dulaney advised that House Bill 1309 mandates that the Board change its mortality table to the table used by the FRS pension plan. Mr. Dulaney advised that the current mortality table used by the Plan is the RP-2000. Mr. Dulaney advised that the FRS table used is a hybrid of various RP-2000 tables and using a Scale BB to project future improvements in mortality. The change of mortality tables will cost the Town of Davie \$572,100 which is a 4.2% of estimated cost of covered payroll. The Board discussed this change and the costs. The change has to be implemented for the 2016 valuation report. The Board decided to have Mr. Brillant bring this information to the Town of Davie to discuss. This issue is pending for a future meeting.

Mr. Dulaney advised that he is performing a permissive service purchase calculation for Mr. Richard Schwab. Mr. Dulaney advised that Mr. Schwab is passed his normal twenty year retirement and has already purchased 10% permissive service credit in the past. Mr. Dulaney advised that Mr. Schwab can't purchase an amount which will be more than 95% of his benefit under the Town Ordinance. Mr. Dulaney advised that he would have to do a calculation so that the maximum he could obtain is 95% benefit. The Board agreed to this. Mr. Dulaney advised that he will use the last date for purchase of September 30, 2015. Mr. Dorn advised that Mr. Schwab advised that he wanted to enter the DROP on October 1, 2015, but the Plan has not received any documents as of this date.

Mr. Dulaney advised that he would have the retiree COLA report completed for the next meeting. Mr. Dulaney advised that he spoke to Mr. Doug Beckendorf, State Actuary regarding his calculation method used for the 60-T requirement. Mr. Dulaney advised

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that Mrs. Brown advised that the frozen method can be used in the calculation for the 60-T report. Mr. Dulaney advised that he would update the report for the next meeting.

ATTORNEY REPORT:

Mr. Levinson advised that he discussed with Mr. Brilliant a few days prior to the meeting regarding a class action lawsuit against a company named ICONX which their security litigation firm believes they have a case against this firm. One of the main reasons is that this firm mislead on reporting account earnings. Mr. Levinson advised that the Plan had some financial losses with this firm. Mr. Levinson advised that he is requesting that this Plan become the lead plaintiff in the lawsuit. Mr. Levinson reminded the Board that all costs and losses are covered by the attorneys and it will not cost the Board to participate in the lawsuit. Mr. Levinson advised the Board of the benefits of being a lead plaintiff in class actions suits. The Board discussed this issue. Mr. Taylor made a Motion to become the lead plaintiff and/or participate in the lawsuit against ICONX. Mr. DiMeglio seconded the Motion. The Motion passed 5-0. Mr. Brilliant executed the necessary court forms for this lawsuit.

Mr. Levinson advised the Board that the Division of Retirement has been requested to answer a myriad of questions regarding Senate Bill 172. Mr. Levinson advised that the Division of Retirement sent a question and answer form to various attorneys to answer some of the questions on the topic of mutual consent. Mr. Levinson gave a synopsis of the responses from the Division of Retirement. The following is what the Division of Retirement advised: For non-collectively bargained service, mutual consent requires approval of the terms of the agreement by the plan sponsor and a majority of the police or firefighter members of the plan. For collectively bargained service, mutual consent requires approval of the terms of the agreement by the plan sponsor to the terms of the agreement and members' collective bargaining representative. In either case, both parties must consent to the terms of the agreement without contract imposition. The department urges participating plans to explicitly identify the existence of the mutual consent and the terms to which the parties have mutually consent in the contract provisions, with signatures of authorized representatives from each party attesting specifically to the mutual consent. The annual report will contain a place for the board to represent to the department that the plan is, or is not operating under the mutual consent agreement, and the terms of such agreement. Supporting documents must be submitted to the department upon creation or amendment of mutual consent provisions. Can the plan sponsor and members mutually consent to reduce benefits below the chapter minimums? No, the statute specifically requires that chapter minimum benefits and standards must be met to engage in mutual consent agreement, with exception of plans that did not meet chapter minimums as of October 1, 2012. Mr. Levinson advised that this Plan met the minimums on the October 1, 2012 date. What is the duration of the mutual consent? The duration of mutual consent agreement, once entered, will remain in place until the parties through collective bargaining consent to change or revoke the agreement. Can Mutual consent be entered into retroactively? In the year of implementation, agreements for mutual consent may be dated retroactively to October 1, 2015, or before; but may not be applied prior to the effective date of law which is July 1, 2015. Mr. Levinson advised that there are still outstanding questions and will keep the Board informed when the Division of Retirement answers these questions.

Mr. Levinson gave the Board draft letters and orders for divorced members. Mr. Levinson advised that he gets contacted by various divorce attorneys for members

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regarding information and court orders. Mr. Levinson advised that he would like to discuss this information with the Board at the next meeting.

INVESTMENT MANAGERS:

GARCIA HAMILTON & ASSOCIATES:

Mrs. Janna Hamilton presented the report to the Board for Garcia Hamilton & Associates. Mrs. Hamilton gave an overview of the market. Stock prices traded at an extremely tight range through the quarter, ending nearly unchanged. The S&P 500 Index gained 0.3% while the Russell 1000 Growth Index inched 0.1% higher. Earnings estimates continue to be cut on a combination of sluggish economic activity, a strong U.S. dollar, and lower energy sector profits. The second quarter earnings look to be 4% below last year earning levels. The full year 2015 earnings are now projected to be essentially flat. Lower quality stocks outperformed high-quality stocks in the second quarter. Stocks generating little or no profit were among the largest gainers. Utilities stocks declined as interest rates rose. Forward projects for the S&P 500 Index earnings continue to decline.

The portfolio gained 0.9% in the quarter which was 83 basis points better than the benchmark. Stock selection provided the outperformance which contributed 137 basis points. Quality factors hurt the performance by 35 basis points. The market outlook remain constructive through dislocations around an initial interest rate hike are possible. Portfolio remains conservatively positioned with a meaningful overweight in high-quality stocks balance by exposure to asset management companies which typically benefit from rising financial markets.

The fiscal year to date return for the portfolio is 9.5% which was higher than the Russell 1000 Growth Index which return was 8.9%. The one year return is 12.8% which is also higher than the Index which return was 10.6%. The portfolio usually has between 50-75 holdings at any given time. The portfolio is overweight in asset management firms and underweighted in Informational technology and Health Care. The top five companies for the portfolio this quarter were: Goldman Sacs Group, Walt Disney Co, Yum! Bands Inc, CF Industries Holdings Inc and Dunkin' Brands Group Inc. The five worst performing stocks for this quarter were: Wynn Resorts Ltd, Hershey Co, Blackrock Inc, Qualcomm Inc and Cinemark Holdings.

The fixed income for the portfolio return was -2.6% which did not beat the bench mark which was at -1.7%. The one year return is 2.3% and the benchmark return is 1.9%. The three year return is 3.8% and the benchmark return is at 1.8%. Due to the rise in rates, the bond market delivered negative performance for the quarter. The spread product was mixed this quarter with three of the four sectors providing modest returns. Asset-backed securities were the leader followed by agencies and mortgage-backed securities. Corporate Bonds were the disappointment for this quarter. Our duration remains longer than the benchmark index, and we remain underweight in corporate bonds versus the index. In short term, we continue to believe rates will range bound with a bias towards lower. Inflation expectations remain extraordinarily stable at relatively low levels. Mrs. Hamilton advised the Board that there have been no personnel or investment philosophy changes within the company.

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SNOW CAPITAL MANAGEMENT:

Ms. Deneen Bingham gave a brief synopsis of their company's overview of the market which was similar to what Mrs. Hamilton stated.

Stock selection in the Financials, Health Care, and Industrials sectors were the largest contributors to our relative results. Results in the financial sector were due largely to American International Group, MetLife, and JP Morgan. All three stocks increased by double digit during the period. Community health Systems was the winner within the health Care Sector. Within the Industrials, AGCO and Triumph Group each spiked during the quarter. Hindering relative performance during the quarter was stock selection in the Materials and Consumer Staples sectors. Among the laggards in the Material sector were shares in Axiall and Owens-Illinois. Within the Consumer Staples our holdings in Avon Products and Wal-Mart sold off during the quarter. Our sector weightings, which are solely a consequence of our stock selections, had a positive impact on our relative return for the quarter. The overweight allocation to the strong performing Financial sector and our lack of exposure to Utilities which performed poorly during the quarter had the largest impacts on the allocation effects during the second quarter. The return for the quarter was -1.34% and the benchmark return was -1.53%. Mrs. Bingham advised the Board that there have been no personnel or investment philosophy changes within the company.

MONITOR REPORT: DAHAB & ASSOCIATES:

Mr. David Lee made the presentation to the Board for Dahab & Associates. Mr. Lee advised that as of the June 17, 2015, Federal Reserve Board Chair Yellen stated that the economic activity was expanding moderately. She also noted that inflation was tame and that both capital expenditures and exports were weak. She probably viewed the July 3, 2015 jobs reports as net positive, but not necessary sustaining. The Board's minutes also revealed several concerns: (1) Greek debt crisis, (2) painfully slow growth among emerging markets countries; and (3) a possible market and economic bubble in China, the world's second largest economy. All told, it is unclear whether the long anticipated interest rate hike will occur any time soon. Despite positive economic indicators, US and off-shore equity markets were volatile and weak amidst the uncertainty.

On June 30, 2015, the Town of Davie Police Pension Plan was valued at \$127,611,732. This was a decrease from the March/2015 ending value of \$130,047,083. Last quarter, the account recorded total net withdrawals of \$1,904,403 in addition to \$530,948 in net investment income losses. Since June of 2010, the Plan has recorded net contributions totaling \$12.3 million and generated net investment gains totaling \$49.3 million.

For the second quarter, the composite portfolio return was -0.4%, which ranked in the 66th percentile of the Public Fund universe. Over the trailing year, the portfolio net return was 5.4% which ranked in the 8th percentile. Since June/2010, the portfolio returned 10.9% on an annualized basis and ranked in the 48th percentile.

AT the end of the second quarter, Large Cap equities comprised 31.4% of the total portfolio (\$40.1 million), while Mid Cap equities totaled 10.2% (\$13.0 million). The Plan's Small Cap equity totaled 9.1% (\$11.6 million), the Real Estate totaled 10% (\$12.7 million) and the Fixed Income totaled 29.3% (37.4 million). The remaining 1.0% was comprised of Cash & Equivalents (\$1.3 million).

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The Large Cap, Small Cap, beat their bench marks, while Mid Cap, Real Estate, International, and Fixed Income did not beat their bench markets for the quarter. Overall, the fiscal year to date return (gross) is 6.1% which is in the 10th percentile of public funds.

Mr. Lee advised that there is some market uncertainty and the near future has many factors moving the market at this time. Mr. Lee advised the Board that he does not have allocation changes at this time to suggest to the Board. Mr. Lee asked the Board if they were interested in possibly conducting a search for an active Mid Cap investment manager. Mr. Lee advised that the Plan currently has an index fund (Rhumbline) for the Mid Cap investments. Mr. Lee advised that an active Mid Cap investment manager is hard to beat the index funds, but he believes it is worth looking into at this point and that the investment amount could be split between an active and an index fund or after the search to remain with the current fund. The Board discussed this issue and decided to conduct a search. Mr. Taylor made a Motion to have Dahab & Associates conduct a search for an active and other index funds for the Mid Cap investments. Mr. Mackie seconded the Motion. The Motion passed 5-0. Mr. Lee advised that he would conduct the search and let the Board know when this is completed. Mr. Lee advised that this may not be completed before the next meeting. Mr. Lee advised the Board that there have been no personnel changes within the company.

PLAN ADMINISTRATOR:

Mr. Dorn advised that all monies to the over payment for Mr. Mahnken have been paid to the Plan. This issue is closed.

Mr. Dorn advised that the Administrative Expense Budget has been sent to the Division of Retirement, Town of Davie Finance Department and Clerk's Office. The budget has also been put on the web site.

Mr. Dorn advised that a death check has been conducted and there has been no new reported death(s) to retired members.

Mr. Dorn advised that the contracts have been executed by the new auditor and the audit work has been started. Mr. Dorn advised that he notified the previous auditor that their services will not be renewed.

Mr. Dorn advised that we are updating the data base for the Plan and are sending out new beneficiary forms to active members. The old form does not contain enough information for updating the data base.

Mr. Dorn advised that the annual confirmation forms to retired members have been sent to the retired members. Mr. Dorn advised that he will keep the Board updated to the progress of this at the next meeting.

OPEN DISCUSSION:

Mr. Davis requested the Board change the September 8, 2015 meeting date to September 15, 2015. The Board agreed to the date change for the meeting. Mr. Dorn advised that he would notify the Town of Davie Clerk's Office of the change of date.

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ADJOURN:

Mr. DiMeglio made a Motion to adjourn the meeting. Mr. Taylor seconded the Motion. Motion passed 5-0. The meeting was adjourned at 7:25 P.M.



Greg Bryant, Chairman