

# TOWN OF DAVIE POLICE PENSION PLAN

## Minutes

November 10, 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 November 10, 2015 at 5:03 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. Bob Dorn, Plan Administrator – Precision Pension Administration, Inc.; Mrs. Patty Ostrander – Administrative Assistant; Mr. David Lee – Dahab & Associates; Mr. Paul Williams – Davie Police Officer; Ms. Janna Hamilton – Garcia Hamilton & Associates; Ms. Deneen Bingham & Mr. Dave Griffin - Snow Capital Management.

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 October 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 684

This Warrant was for payment to FPPTA for Trustee Taylor to attend the October 2015 pension conference. The amount of this Warrant is \$804.33. A Motion was made by Mr. Mackie to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

### WARRANT 685

This Warrant was for payment to Trustee and Fiduciary Insurance Services, Inc for renewal and the bond number is #CCPZF510534004. The amount of this Warrant is \$552.00. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Mackie. The Motion passed 5-0.

### WARRANT 686

This Warrant was for payment to all retirees eligible for a COLA increase pursuant to Ordinance 2001-15 & 2006-03. The necessary COLA amounts for each eligible retiree for the calendar year of 2016 were completed by the Actuary. A Motion was made by Mr.

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DiMeglio to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 5-0.

**WARRANT 687**

This Warrant was to TAMRO Capital Partners, LLC for investment services for the third quarter of 2015. This amount of this warrant is \$22,212.93. A Motion was made by Mr. Taylor to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 5-0.

**WARRANT 688**

This Warrant was to State Street Global Advisors for services form 07-01-15 to 09-30-15. This amount of this warrant is \$2,266.81. A Motion was made by Mr. Taylor to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 5-0.

**WARRANT 689**

This Warrant was for payment to FPPTA for Trustee Brillant to attend October 2015 pension conference. The amount of this Warrant is \$126.50. A Motion was made by Mr. Davis to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

**WARRANT 690**

This Warrant was to Davidson, Jamieson & Cristini, P.L. for audit services. The amount of this warrant is \$7,500.00. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Mackie. The Motion passed 5-0.

**WARRANT 691**

This Warrant was to Dulaney & Company for actuarial services through 09-30-15. This amount of this warrant is \$4,200.00. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Mackie. The Motion passed 5-0.

**WARRANT 692**

This Warrant was to Garcia Hamilton & Associates, L.P. for equity investment services form 07-01-15 to 09-30-15. This amount of this warrant is \$8,780.88. A Motion was made by Mr. Mackie to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

**WARRANT 693**

This Warrant was to Garcia Hamilton & Associates, L.P. for bond investment services form 07-01-15 to 09-30-15. This amount of this warrant is \$23,457.69. A Motion was made by Mr. Mackie to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

**WARRANT 694**

This Warrant was to Mr. Gregory Jansen for his final rollover of the remaining DROP funds in his account. The amount of this Warrant was for \$107,436.40. The amount was calculated by the Actuary. A Motion was made by Mr. Taylor to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

**WARRANT 695**

This Warrant to Mr. Robert Dorn for postage reimbursement for Plan business. The amount of this Warrant is \$117.00. A Motion was made by Mr. Taylor to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 5-0.

**WARRANT 696**

This Warrant to Klausner, Kaufman, Jensen & Levinson for legal services through October/2015. This amount of this warrant is \$800.00. A Motion was made by Mr. Mackie to approve as outlined. The Motion was seconded by Mr. Taylor. The Motion passed 5-0.

**WARRANT 697**

This Warrant was to Dahab & Associates, Inc. for professional services from 07-01-15 through 09-30-2015. The amount of this Warrant is \$16,043.29. A Motion was made by Mr. Taylor to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

**WARRANT 698**

This Warrant was to Trustee Davis for reimbursement for FPPTA November/15 conference. The amount of this Warrant is \$778.00. A Motion was made by Mr. Mackie to approve as outlined. The Motion was seconded by Mr. Taylor. The Motion passed 5-0.

**WARRANT 699**

This Warrant was to FPPTA for the 2016 membership for the Plan. The amount of this Warrant is \$600.00. A Motion was made by Mr. Taylor to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

**WARRANT 700**

This Warrant was to Retirees William Coyne, Edward Taylor and James Ewing in the amount of ten dollars each pursuant to the mandatory minimum disbursement to all retirees who have DROP funds in the Plan. A Motion was made by Mr. Mackie to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0.

**NEW / UNFINISHED BUSINESS:**

Mr. Brilliant advised that he has spoken to the Police Union leaders regarding the front loading of the DROP with annual vacation and sick time. Mr. Brilliant advised that the Union leaders did not give him an exact date of when they could all meet at this time. The Board instructed Mr. Adam Levinson, Board Attorney to draft a letter to the Police Union summarizing the issues and possible solutions to this topic. This issue is pending.

Mr. Davis suggested at the last meeting that he would like to discuss the fossil fuel divestment for public plans. Mr. Davis advised that he understands that the returns are vital to the continuing growth of the Plan for the Town and its members, but would like to look into the divestment of fossil fuels for the Plan.

Mr. Lee then gave a presentation on this issue. A movement started in various states regarding the divestment of fossil fuels. Fossil fuel divestment takes the fossil fuel industry to task for its culpability in the climate crisis. By naming this industry's singularly destructive influence and by highlighting the moral dimensions of climate change the

fossil fuel divestment movement can help break the hold that the fossil fuel industry has on our economy and our governments.

There have been successful divestment campaigns in recent history, including those targeting Darfur, tobacco advertising, and South African Apartheid. The opposition does come from emerging markets which need the carbon emissions from fossil fuels in their growing economies. These emerging markets argue that the U.S.'s industrial revolution was one of the biggest carbon emission periods in the history of mankind which was needed to develop their economy and now it's their (emerging markets) turn to use the fossil fuel to develop their economies. Another issue for all companies is what energy source do they change to? The energy alternatives in certain fields are not advanced enough to supply the necessary energy for human activity. Another issue is what stock and/or companies do you consider fall under the fossil fuel divestment. Mr. Lee advised that he has some union pension plans that do not invest in companies that do not use union employees. Some states have mandated some type of divestment in various fossil fuel stocks.

Mr. Brilliant and Mr. Mackie inquired as to what the Plan's returns would be like if we did the fossil fuel divestment? Mr. Lee advised that in the recent short term, the Plan's returns would have been higher, but historically, it would have been lower with fossil fuel divestment. Mr. Taylor inquired that if we did do fossil fuel divestment, how would we proceed? Would we do it incremental over a long period? Mr. Lee advised that the first issue would be to identify the stocks that are involved with fossil fuels/CO2 emissions. The next issue would be to decide where to transfer the investments that would yield the same or better returns than the companies that are identified as fossil fuel divestment category. Mr. Lee advised that this would most likely happen over a long period of time, if it could happen at all.

Mr. Davis submitted to the Board a copy of an article from "The Guardian" ([www.theguardian.com](http://www.theguardian.com)) which states that over 2,000 individuals and 400 institutions are committed to pulling their investments funds from the fossil fuel companies. This represents approximately \$2.6 trillion dollars in investment funding. Another organization that started a climate campaign is called "350.org"

The Board discussed the aforementioned information. The Board instructed Mr. Lee to identify which stocks they have in the Plan's portfolio that would be considered fossil fuels stocks, how we could divest in fossil fuels over time, to conduct further research/analysis on this matter as to how we can receive equal to better returns if we did the fossil fuel divestment and be prepared to discuss these issues during the February/2016 meeting. Mr. Lee agreed to this. Mr. Brilliant advised that he likes the idea, but this divestment in fossil fuels can't lower the expected returns for the Plan. All the Board members agreed to this statement. This issue is pending for future meeting.

## **INVESTMENT MANAGERS**

### **SNOW CAPITAL**

Ms. Bingham started the presentation for Snow Capital Management. She advised an overview of the current market conditions. During the third quarter of 2015, the S & P 500 Index delivered a negative 6.45% return. The only exception to this was the Utilities

sector. The best performing S & P 500 sector was the defense Utilities sector up over 3% while Energy was down 19% and the Materials sectors down 18%. Strong employment, rising capital spending and increased personal spending should support growth in the coming months. Long-term growth may be subdued to declining corporate profit margins, high debt levels, higher levels of savings, political uncertainty and weaker economics abroad which will depress exports. The market expects the Fed hike in December/2015 but will probably come in January/2016 which higher interest rates are not expected to be a significant headwind as rates remain in a historic context. The latest report indicated unemployment fell to 5.1% which is right in the middle of the Fed's estimated of the labor market's sweet spot. With jobless claims at historic lows, consumer pricing increasing and housing start rising, wage growth should follow.

Mr. Griffin spoke about the portfolio. The portfolio returned a negative 18.77% and the Russell 1000 Value Index return was negative 10.38%. Stock selection in the Financials, Energy and Industrials sectors had the largest negative impact on our relative results. Poor results in the financial sectors were largely due to Genworth Financial, Voya and Metlife. All three stocks decreased by double digit return during the period. Among the laggards in the Industrial sector were shares in Triumph Group, Kennametal, and Chicago Bridge & Iron. Within the Energy sector, shares in Ultra Petroleum and Chesapeake were notable detractors. Our sector weightings, which are solely a consequence of our stock selections, had a negative impact on our relative return for the quarter. Our lack of exposure to the Utilities sector, which was the only sector within the Russell 1000 Value Index that posted positive returns during the third quarter, had a negative impact for the quarter. Conversely, the underweight stance to the weak performing Energy sector had a positive impact on performance. The portfolio is composed of companies with expected earnings growth slightly lower than that of the benchmark and the dividend yield is below that of the benchmark index. Mr. Griffin advised that the main reason for the performance in the third quarter was the stock selection. The Snow Capital has not had a change in personnel or their stock selection process. Mr. David Lee advised that Snow Capital returns will be a little more volatile than other managers. Mr. Lee advised that the returns have been negative, but when the market moves in another direction, it is expected for the returns to also move in a positive manner.

#### **GARCIA HAMILTON & ASSOCIATES**

Ms. Hamilton gave the presentation for Garcia Hamilton & Associates. There has been no change in personnel or in their investment philosophy. The S & P 500 and Russell 1000 Growth Index both produced negative returns for the quarter. The earnings estimate cuts spread beyond the energy sector which is due to a slowing global economic activity and a stronger U.S. dollar. The third quarter earnings look to be 6.4% below year ago levels while full year 2015 earnings are now projected to be 0.7% below 2014 levels. The U.S. Federal Reserve sowed much due to confusion by not raising its benchmark interest rates in September after suggesting for weeks an interest rate hike was forthcoming. It is unclear if higher interest rates or additional stimulus will be next. The blue chip stocks underperformed during the quarter.

The portfolio had a negative 7.1% and the Russell 1000 Growth Index return was negative 5.3%. All index funds had an across the board negative returns. The portfolio year to date return was negative 3.6% and the Russell 1000 Growth Index year to date

return was negative 1.5%. Adverse stock selection accounted for all the underperformance as conservatively positioned companies were not well-rewarded during the quarter. Many long term portfolio holdings experienced disappointing price action. The Portfolio remains conservatively positioned with a meaningful overweight in high-quality stocks balanced by exposure to asset management companies which typically benefit from rising financial markets.

There were three stocks that worked for the portfolio and they were (1) Home Depo, (2) Hershey Company, and (3) J.M. Smucker. There were three stocks that underperformed and they were (1) CF Industrials, (2) Goldman Sachs, and (3) Blackrock.

The fixed bond return was 1.9% and the Barclays Capital Aggregate return was 1.2%. Our duration remains longer than the benchmark index and we remain underweight in corporate bonds versus the index. The spread product was mostly negative this month with only one of the four sectors posting a positive excess return. Asset-backed securities were the bright spot with a positive return. The agency and corporate sectors were the worst performers during the quarter with negative returns. In the short term, we continue to believe rates will remain range bound with a bias towards lower.

**MONITOR REPORT:**

Mr. Lee gave the presentation for Dahab & Associates. The Domestic equities lost ground across the entire board. Large cap names fared better than small cap stocks. In the large cap space, growth outperformed value, while the reverse was true for the small cap. The US dollar weakened slightly relative to the Euro. All the returns were negative for stocks. Real Estate was the positive return for the Plan during the quarter. The Plan's total return for the quarter was negative 4.8% and the shadow index was negative 4.2%. The Large Cap Equity, Mid Cap Equity, Small Cap Equity and International Equity all had negative returns. Real Estate and Fixed Income had positive returns.

The market value of the plan at the end of the quarter was \$120,865,757. This is down from the start of the quarter. The plan had a market value at the end of the October/2015 of \$130,939,891 which was due to the prepayment of the Town of Davie's contributions and investment returns for October.

The asset allocation is as follows: Large Cap Equity (29.1%), Mid Cap Equity (9.8%), Small Cap Equity (8.3%), International Equity (8.5%), Real Estate (11.4%), Fixed Income (29.9%) and Cash (2.9%). The individual investment managers allocation percentage is as follows: Vanguard (15.5%), Garcia Hamilton equity (5.8%), Lyrical (4.4%), Snow Capital (4.0%), Rhumblin (9.8%), TAMRO (8.6%), Johnston (4.7%), SSgA (3.8%), American Realty (2.7%), Intercontinental (5.7%), UBS (3.0%), Garcia Fixed Income (31.1% and Cash (0.8%).

Mr. Lee advised that the Plan is slightly underweighted in the International equity allocation and slightly over weighted in Fixed Income. Mr. Lee advised that the Plan has approximately 6.3 million currently in the cash account. Mr. Lee advised that we are slightly underweighted in the Garcia Hamilton & Associates Large Cap equity fund and would suggest to the Board that the Plan transfer 1.5 million to this fund. The Board discussed this issue and agreed to this suggestion. Mr. Taylor made a Motion to transfer 1.5 million from the cash account to the Garcia Hamilton & Associates Large Cap equity

fund. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0. Mr. Dorn advised that he will contact the bank to make the transfer.

Mr. Lee advised that he is also suggesting transferring 1.5 million to American Realty. Mr. Lee advised that American Realty usually does not have a long wait period for the transfer and is the most conservative real estate manager that the Plan currently has. The Board discussed this issue and agreed with this suggestion. Mr. Mackie made a Motion to transfer 1.5 million from the cash account to American Realty account. The Motion was seconded by Mr. Taylor. The Motion passed 5-0.

Mr. Lee also advised that he is suggesting transferring 1.5 million to the mid cap manager because they are slightly underweighted in this asset class. The Board discussed this issue and decided to wait until next month after they decide whether they will select an active manager or split the funds and have an active and passive mid cap manager.

Mr. Lee advised that the small cap manager is slightly underperforming. The Board discussed this and decided to do a Small Cap manager search. Mr. Lee advised that he would have the information for the January/2016 meeting. The Board agreed to leave the remaining funds in the cash account at this time.

**ACTUARY REPORT:**

Mr. Dulaney advised that he has completed Mr. Crotty's new monthly benefit calculation because Mr. Crotty has changed his beneficiary. The change in the monthly benefit amount will begin on December 1, 2015.

Mr. Dulaney advised that the Town of Davie made their pre-payment contribution to the plan. Mr. Dulaney submitted to the Board the estimated benefit calculations for Mr. Paul Williams who is going to enter the DROP on 01/01/2016.

Mr. Dulaney submitted to the Board all active DROP members' statements from the last quarter. Mr. DiMeglio advised that he will deliver the statements to the active members.

Mr. Dulaney advised that he has received the notice from the Town of Davie requesting the actuarial valuation report be completed, approved by the Board and submitted to the Town by 02/12/2016. Mr. Dulaney advised that he will meet the necessary deadlines for the reports.

**ATTORNEY REPORT:**

Mr. Levinson advised the Board that he will discuss the new divorce packet at the December/15 meeting.

Mr. Levinson presented to the Board the National Conference on Public Employee Retirement Systems (NCPERS) Code of Conduct for Public Pension Service Providers packet for the Trustees to review. This is an effort from NCPERS to get all public pension boards to participate in this effort. Mr. Levinson reviewed the packet with the Board. The Board decided that they wanted more time to review and it was decided to put this topic on the agenda for the next meeting. Mr. Brillant instructed Mr. Dorn to put this on the December/15 agenda.

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**PLAN ADMINISTRATOR:**

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

Mr. Dorn advised that the auditors were in the pension office during the last week in October/2015. The auditors concluded their on-site audit work and they also finished their on-site work with the Town of Davie Finance Department.

Mr. Dorn advised that he has sent beneficiary forms to numerous active members who have to update their forms and submit original forms. This is an on-going process until we get 100% compliance. Mr. Dorn advised that since there is a new HR person in the Police Department, this process may have better compliance in the future.

Mr. Dorn advised that Mr. Paul Williams submitted all his necessary DROP documents and will be entering the DROP plan starting 01/01/2016.

Mr. Dorn advised that Mr. Crotty changed his beneficiary form to have his brother be his main beneficiary. This caused a change in Mr. Crotty's monthly benefit payment. The change in his monthly benefit amount will start on December 1, 2015.

Mr. Dorn advised that the Department of State has sent in their annual records management compliance statement. This form requires the Plan to disclose how many cubic feet of records were disposed of during the 2014/2015 fiscal year. Mr. Dorn advised the Board that no records were disposed of during this time period. The form needs to be executed by the chairman, Mr. Brilliant. Mr. Taylor made a Motion for the Chairman, Mr. Brilliant to sign the document. Mr. Mackie seconded the Motion. The Motion passed 5-0. Mr. Brilliant signed the document. Mr. Dorn advised that that he would send the form via mail to the Department of State.

**OPEN DISCUSSION:**

The Board discussed that there is an election in December/2015 for the two elected positions on the Board. Mr. DiMeglio and Mr. Brilliant both advised that they are running for these positions again.

The Board discussed that the next meeting on December 8, 2015 will start at 4:00 PM. All the members agreed.

**ADJOURN:**

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

  
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Greg Brilliant, Chairman