

TOWN OF DAVIE POLICE PENSION PLAN MINUTES

**February 12, 2019
4:00 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 – Mr. Greg Brilliant on February 12, 2019 at 4:00 P.M. at 13790 N.W. 4th Street, Suite 105, Sunrise, Florida.

TRUSTEES PRESENT:

Mr. Thomas DiMeglio – Board Chairman; Mr. Lawrence Davis - Board Secretary; Mr. Jack Mackie, Mr. Paul Ortenzo and Mr. Ed Taylor–Trustees; Mr. Danny Perez – Trustee Training Program.

ABSENT:

None

OTHERS PRESENT:

Mr. Greg Brilliant - Plan Administrator; Mrs. Patty Ostrander - Administrative Assistant; Mr. David Lee – Dahab Consulting; Mr. Don Dulaney - Dulaney & Company; Mr. Stu Kaufman & (Ms. Blanca Greenwood·left at 6:15 P.M.) - Klausner, Kaufman, Jensen & Levinson; Mrs. Janna Hamilton (arrived at 4:20 P.M. & left at 6:20 P.M.) – Garcia Hamilton; Ms. Jeanine Bittinger and Mr. Richard Cristini (left at 4:35 P.M.) – Davidson, Jamieson, & Cristini; Mr. John Mullins & Mr. Craig Feldman (left at 5:05 P.M.) – Lyrical Asset Management; and Mr. David Chow & Mr. Terrence Fennessy (left at 5:35 P.M.) – Clearbridge.

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

PUBLIC DISCUSSION:

None

CONSENT AGENDA:

None

AUDITOR REPORT:

Appearing on behalf of the auditing firm Davidson, Jamieson, & Cristini, Mr. Richard Cristini and Ms. Jeanine Bittinger presented the Town of Davie Police Pension Plan Independent Auditor's Report & Financial Statements September 30, 2018 and 2017. The opinion stated, "In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Town of Davie Police Pension Plan as of September 30, 2018 and 2017, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America." The audit established the Plan Fiduciary Net Position as a percentage of total pension liability to be 86.47%, as noted on page 30 of the financial statements.

Mr. Ortenzo made a motion to accept the Financial Statements for the Plan for the September 30, 2018 fiscal year as presented, which was seconded by Mr. Davis. Motion carried 4-0 (Mr. Macke was not present for this vote).

LYRICAL ASSET MANAGEMENT - LCV:

Appearing on behalf of Lyrical Asset Management, Mr. Craig Feldman and Mr. John Mullins presented the fourth quarter 2018 return. Mr. Feldman began with information of no changes within the firm to include investment team, employees, and their process. Mr. Feldman then introduced Mr. John Mullins, a member of the four person portfolio management team. Mr. Mullins explained that their investment ideology focuses upon deep value stocks, high quality businesses with simple business models. This has allowed them to maintain a small, but very much diversified, portfolio of only 33 stocks. LAM has executed only forty five trades since its inception (10 years) and their annualized turnover has been 14.5%. Their goal is to outperform the benchmark by 5% to 10%. The 2019 YTD return is reported at 11.9% versus the R1000V return of 7.8%. The fourth quarter of 2018 return is reported at -18.4% versus the R1000V return of -8.3%, a large underperformance. These returns were reported net of fees.

CLEARBRIDGE – LCG:

Appearing on behalf of ClearBridge Investments, Mr. David Chow and Mr. Terrence Fennessy presented the fourth quarter 2018 return. Mr. Chow introduced Mr. Fennessy as the new portfolio representative for the Plan. Mr. Fennessy stated that their investment philosophy is to invest in leadership companies where they believe the market price underestimates the magnitude of future growth. He advised that ClearBridge utilizes a thirteen person central research team supporting two portfolio managers with a high conviction, concentrated, low turnover approach to investing. The 2019 YTD return is reported at 8.90% versus the R1000G return of 8.99%, a slight underperformance. The fourth quarter of 2018 return is reported at -12.98% versus the R1000G return of -15.89%, an outperformance of 291 basis points. These returns were reported gross of fees. Mr. Chow has advised he will be leaving the firm and Mr. Fennessy will be the representative for the Davie portfolio going forward.

CLEARBRIDGE – MCC:

Continuing to report on behalf of ClearBridge Investments, Mr. David Chow and Mr. Terrence Fennessy presented the fourth quarter 2018 return. Mr. Derek Deutsch was scheduled to teleconference but was called away and unable to do the mid cap report. Mr. Fennessy reported that the portfolio performance has been lacking due to portfolio managers holding assets too long and failing to establish a stronger sell discipline. He advised that this flaw has been identified and addressed going forward. The fourth quarter 2018 return is reported at -17.76% versus the RMI return of -15.37%, an underperformance of 239 basis points. Mr. Fennessy closed by stating his apology for not being sufficiently prepared to present the mid cap report, in the unexpected absence of Mr. Deutsch.

GARCIA HAMILTON – FIXED:

Appearing on behalf of Garcia Hamilton & Associates, Mrs. Janna Hamilton presented the fourth quarter 2018 return. Mrs. Hamilton reported there to be no changes in the firm with regard to management, personnel, or investment strategy. GH&A has over \$13 billion in assets under management with 60% of those assets being from public funds.

Mrs. Hamilton advised that the bonds held are A rated or better with an average duration of 4.1 as compared to the Bloomberg Barclays Aggregate average duration of 5.8. On page 12 of the GH&A presentation booklet, the Portfolio pie chart shows a diversification of approximately 24% in agencies, 8% in mortgages, 21% in treasuries, 47% in corporates, and less than 1% in cash and/or equivalents. This diversification would seem to show an approximately 23% overweighting in corporates. However, Mrs. Hamilton explained that they are in fact underweighted as 45%-50% of the corporates are floating rate bonds which are not counted in the sector weighting. The fourth quarter 2018 return is reported at 1.02% versus the Bloomberg Barclays Aggregate return of 1.64%, a slight underperformance. For the first quarter 2019, Mrs. Hamilton reported the fund is up 1.08%. She thanked the Board for their confidence in GH&A to handle the fixed income portion of the portfolio.

MONITOR REPORT – DAHAB:

Mr. David Lee presented on behalf of Dahab Associates. Mr. David Lee advised that during the fourth quarter 2018, the Composite portfolio lost 9.6%, which ranked in the 84th percentile of the Public Fund universe. Over the trailing twelve month period, the portfolio returned -5.0%, which ranked in the 66th percentile. Since December 2008, the account has returned 8.7% annualized and ranked in the 38th percentile. Mr. Lee reported that on December 31, 2018, the Davie Police Pension Plan was valued at \$157,780,477, a decrease of \$11,583,038 from the September ending value. Last quarter, the account recorded total net contributions of \$5,118,410, which partially offset the account's \$16,701,448 net investment loss for the period. As of the end of January 2019, Mr. Lee advised that the portfolio value is approximately \$165,000,000 due to positive market performance during January. Mr. Lee stated that going forward into 2019, the Plan should anticipate single digit returns as the market remains uneasy over politically influenced, changing world markets to include a China trade deal and Brexit.

APPROVAL OF THE MINUTES:

The Board reviewed the January 08, 2019 Town of Davie Police Pension Plan meeting minutes. Mr. Davis made a motion to approve the minutes, seconded by Mr. Ortenzo. The Motion passed 4-0 (Mr. Mackie had stepped out prior to the vote).

WARRANTS APPROVED BY BOARD:

WARRANT 1177

Payment of \$22,147.08 to Garcia Hamilton for management fees for the fourth quarter of 2018. Motion to approve as outlined by Mr. Mackie, seconded by Mr. Davis. Motion passed 5-0.

WARRANT 1178

Payment of \$16,737.34 to LMCG Investments for management fees for the fourth quarter of 2018. Motion to approve as outlined by Mr. Mackie, seconded by Mr. Taylor. Motion passed 5-0.

WARRANT 1179

Payment of \$24,102.94 to Lyrical Asset Management for management fees for the first quarter of 2019. Motion to approve as outlined by Mr. Taylor, seconded by Mr. Davis. Motion passed 5-0.

WARRANT 1180

Pre-Retirement In-Service non line of duty death benefit for Ms. Jennifer Rosen. Motion to approve as outlined by Mr. Mackie, seconded by Mr. Taylor. Motion passed 5-0.

WARRANT 1181

Normal retirement benefit for Mr. Jamie Horvitz. Motion to approve as outlined by Mr. Mackie, seconded by Mr. Taylor. Motion passed 5-0.

WARRANT 1182

Drop Distribution request for Mr. Tom DiMeglio. Motion to approve as outlined by Mr. Taylor, seconded by Mr. Davis. Motion passed 4-0 (Mr. DiMeglio abstained from the vote due to conflict)

WARRANT 1183

Payment of \$16,000.00 to Davidson Jamieson & Cristini for audit progress billing. Motion to approve as outlined by Mr. Mackie, seconded by Mr. Taylor. Motion passed 5-0.

WARRANT 1184

Payment of \$17,214.20 to PNC Capital Advisors for management fees for the fourth quarter of 2018. Motion to approve as outlined by Mr. Davis, seconded by Mr. Taylor. Motion passed 5-0.

WARRANT 1185

Payment of \$6,931.25 to Dulaney & Company for actuarial services for the month of December 2018. Motion to approve as outlined by Mr. Taylor, seconded by Mr. Davis. Motion passed 5-0.

WARRANT 1186

2019 COLA Adjustments for retirees as per Dulaney & Company's calculations. Motion to approve as outlined by Mr. Taylor, seconded by Mr. Mackie. Motion passed 5-0.

WARRANT 1187

Payment of \$12,574.43 to Clearbridge Mid Cap for management fees for the fourth quarter of 2018. Motion to approve as outlined by Mr. Taylor, seconded by Mr. Davis. Motion passed 5-0.

WARRANT 1188

Drop Distribution request for Mr. John George. Motion to approve as outlined by Mr. Taylor, seconded by Mr. Mackie. Motion passed 5-0.

WARRANT 1189

Payment of \$2,845.00 to Klausner, Kaufman, Jensen & Levinson for legal services for the month of January 2019. Motion to approve as outlined by Mr. Taylor, seconded by Mr. Davis. Motion passed 5-0.

WARRANT 1190

Payment of \$17,889.02 to Dahab & Associates for Monitor services for the fourth quarter of 2018. Motion to approve as outlined by Mr. Taylor, seconded by Mr. Mackie. Motion passed 5-0.

WARRANT 1191

Payment of \$769.91 to Fiduciary Trust Company International for R & D custodial fees for the fourth quarter of 2018. Motion to approve as outlined by Mr. Taylor, seconded by Mr. Mackie. Motion passed 5-0.

WARRANT 1192

Payment of \$2,274.24 to Fiduciary Trust Company International for Mutual Fund custodial fees for the fourth quarter of 2018. Motion to approve as outlined by Mr. Taylor, seconded by Mr. Mackie. Motion passed 5-0.

WARRANT 1193

Payment of \$3,976.57 to Fiduciary Trust Company International for GHA Fixed custodial fees for the fourth quarter of 2018. Motion to approve as outlined by Mr. Taylor, seconded by Mr. Mackie. Motion passed 5-0.

WARRANT 1194

Payment of \$1,445.02 to Fiduciary Trust Company International for Lyrical custodial fees for the fourth quarter of 2018. Motion to approve as outlined by Mr. Taylor, seconded by Mr. Mackie. Motion passed 5-0.

WARRANT 1195

Payment of \$862.64 to Fiduciary Trust Company International for Clearbridge custodial fees for the fourth quarter of 2018. Motion to approve as outlined by Mr. Taylor, seconded by Mr. Mackie. Motion passed 5-0.

WARRANT 1196

Payment of \$814.26 to Fiduciary Trust Company International for LMCG custodial fees for the fourth quarter of 2018. Motion to approve as outlined by Mr. Taylor, seconded by Mr. Mackie. Motion passed 5-0.

WARRANT 1197

Payment of \$968.06 to Fiduciary Trust Company International for PNC custodial fees for the fourth quarter of 2018. Motion to approve as outlined by Mr. Taylor, seconded by Mr. Mackie. Motion passed 5-0.

WARRANT 1198

Payment of \$1,715.32 to Fiduciary Trust Company International for Clearbridge custodial fees for the fourth quarter of 2018. Motion to approve as outlined by Mr. Taylor, seconded by Mr. Mackie. Motion passed 5-0.

WARRANT 1199

Payment of \$1,032.99 to Jack Mackie for reimbursement for the FPPTA Conference. Motion to approve as outlined by Mr. Taylor, seconded by Mr. Davis. Motion passed 4-0 (Mr. Mackie abstained).

NEW/UNFINISHED BUSINESS

Mr. Taylor requested clarification on an Administrative Rule regarding the cessation and/or holding of further benefit payments to any member involved in pension forfeiture proceedings. Mr. Taylor advised that during a legal issues segment at the FPPTA conference, it was suggested that plans enact some such language in the form of an Administrative Rule. Mr. Kaufman (KKJL) advised he will review the Administrative Rules to be certain that is contained therein. If not currently addressed via Administrative Rule, Mr. Kaufman will draft the appropriate language.

ATTORNEY REPORT:

Mr. Stu Kaufman and Ms. Blanca Greenwood were present on behalf of Klausner, Kaufman, Jensen & Levinson. Mr. Kaufman reported on correspondence which had been requested at the prior meeting regarding a change of beneficiary request, in contradiction with divorce settlement terms. A letter was sent to Mr. Q. Taylor regarding this requested change. There has been no response to the letter. Additionally, a letter was sent to the family of a deceased benefit recipient regarding an overpayment of benefits. The family sent a reimbursement check to the Plan which was deposited with Fiduciary Trust. Mr. Davis requested information on the Plan credit card policy which Mr. Kaufman advised would be ready for the next meeting. Mr. Kaufman also discussed the Summary Plan Description (SPD) and the need for an update to be completed. He advised the Board that Ms. Greenwood will begin working on the draft update. Mr. Kaufman also advised the Board of a Bill which has been proposed in the Florida House of Representatives, HB 265, and the need to monitor its progress as it could potentially impact the Board in conducting its business. The session begins March 05, 2019 and KKJ&L will keep the Board advised as to any progress of this Bill.

ACTUARY REPORT:

Mr. Don Dulaney was present on behalf of Dulaney & Company. Mr. Dulaney provided the Board with copies of the Actuarial Valuation of the Town of Davie Police Pension Plan as of October 01, 2018. This actuarial valuation develops the required minimum retirement plan payment for the fiscal year beginning October 1, 2018 and ending September 30, 2019 under the Florida Protection of Public Employee Retirement Benefits Act and Chapter 185. The minimum payment consists of payment of annual normal cost plus amortization of the unfunded actuarial accrued liability over various periods, and interest, as prescribed by law. Further, Mr. Dulaney advised GASB 67 has been completed and GASB 68 will be completed this week and submitted to the Town of Davie as required for their CAFR. Mr. Dulaney completed his review for the Board of the Valuation Report and a motion was made to adopt the report by Mr. Davis, it was seconded by Mr. Mackie and approved by a 5-0 vote. Mr. Dulaney gave the annual benefit statements to Mrs. Ostrander for distribution to the membership.

PLAN ADMINISTRATOR:

Mr. Brilliant advised the Board of the Town's insistence that a security certificate be obtained for the Plan website due to our Plan members using identical passwords to their Town access programs. It has been determined in speaking with Town I.T. Director Nelson Martinez and our Plan I.T. manager Ken Kornheisl that the approximate cost to achieve this Town required security will be approximately \$800.

It has been determined by the Town that this is required although our Plan I.T. provider feels differently. Mr. Kornheisl has been given direction to accomplish this upgrade as expeditiously as possible. It will be funded as an administrative operational cost.

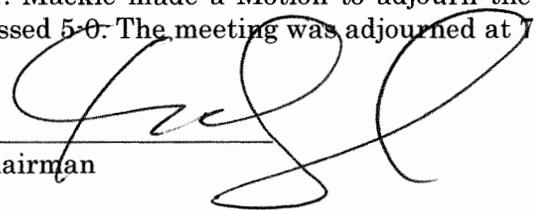
Additionally, a Town proposed ordinance change with respect to the ability to rehire previously retired members was discussed. The ordinance had been reviewed by KKJ&L during the drafting process, and Mr. Kaufman stated that their firm had no objections to the ordinance change so long as it was found to be in compliance with IRS codes and therefore would not endanger a retired member's benefits. The ordinance basically would allow the Town of Davie to rehire previously retired Davie Police Officers into SRO and Reserve Police Officer positions. There would be no further benefit accrual for these rehired members so as to comply with IRS regulations regarding same. The Board of Trustees had no stated objections.

OPEN DISCUSSION:

None

ADJOURN:

Mr. Mackie made a Motion to adjourn the meeting. Mr. Taylor seconded the Motion. Motion passed 5-0. The meeting was adjourned at 7:00 P.M.



Chairman

FOR THE BOARD