

**TOWN OF DAVIE POLICE PENSION PLAN
MEETING MINUTES
February 14, 2023
1:30 P.M.**

The regular meeting of the Town of Davie Police Pension Plan Board of Trustees was called to order on behalf of the Board by Mr. Greg Brilliant – Precision Pension Administration – on February 14, 2023, at 1:30 P.M. The meeting was conducted remotely due to on-going concerns regarding the potential spread of Covid and its numerous variants. There was a quorum present to conduct an official meeting of the Davie Police Pension Plan Board of Trustees.

TRUSTEES PRESENT:

Mr. Paul Ortenzo – Chairman; Mr. Larry Davis – Secretary; Mr. Jack Mackie, Mr. Danny Perez, and Mr. Ed Taylor - Trustees. All Trustees were in attendance remotely for the meeting.

ABSENT and/or EXCUSED:

None

OTHERS PRESENT:

Mrs. Patty Ostrander (remote) – PPA Administrative Assistant; Mr. Stu Kaufman (remote) – Klausner, Kaufman, Jensen, & Levinson; Mr. David Lee (remote) – Dahab and Associates; Mr. Don Dulaney (remote) – Dulaney & Company; Ms. Richelle Cook and Mr. Scott Darling (remote) – American Realty (arrived at 1:55 P.M. and left at 2:24 P.M.); Ms. Janna Hamilton and Mr. Benjamin Monkiewicz – Garcia Hamilton (arrived at 2:25 P.M. and left at 2:53 P.M.); Mr. Jim Pontone and Mr. Richard Keenan – Hardman Johnston (arrived at 2:53 P.M. and left at 3:27P.M.); Ms. Kristen DeLotta – Davie Police Officer (arrived at 1:42 P.M. and left at 2:45 P.M.).

PUBLIC DISCUSSION:

None submitted.

NEW/UNFINISHED BUSINESS:

None

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CONSENT AGENDA:

None

WARRANTS APPROVED BY BOARD:

After review and consideration of Plan warrants #1728 – 1744 inclusive, a Motion to approve was made by Mr. Davis, seconded by Mr. Taylor. Motion passed 5/0.

APPROVAL OF THE MINUTES:

The Board reviewed the minutes from the January 10, 2023, Town of Davie Police Pension Plan Board of Trustees meeting. A Motion was made to approve the minutes as amended by Mr. Davis, seconded by Mr. Mackie. Motion passed 5/0.

ATTORNEY REPORT – KKJ&L:

Reporting on behalf of KKJ&L was Mr. Stu Kaufman. Regarding the Clarivate litigation, there is nothing new to report and Counsel is awaiting a schedule for their oral arguments on the Motion to Dismiss to be issued by the Judge overseeing the case.

Administrative Rule #1 and #2 Update – Mr. Kaufman advised that upon review it was found that Administrative Rule #1 needed no changes to remain relevant. Rule #2 will be discussed at a future meeting as there will be language changes submitted to the Board for approval prior to adoption of the amended version. This concludes the report.

ACTUARY REPORT – DULANEY & CO:

Reporting on behalf of Dulaney & Company was Mr. Don Dulaney. Mr. Dulaney advised that he has been reviewing the impact of a possible change from the current three-year smoothing method to possibly a four- or five-year smoothing. This change would assist in mitigating the impact of the FY 2022 market losses and distribute the positive return of FY 2021 across a longer reporting period. This concludes the report.

AMERICAN REALTY CORE REALTY:

Reporting on behalf of American Realty was Ms. Richelle Cook and Mr. Scott Darling. Ms. Cook thanked the Board for their continued participation and belief in the American Realty Core Property Fund. She stated that ARA is 100% employee owned and client focused.

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On December 31, 2022, the Davie Police Pension Plan's American Realty Advisors Core Realty portfolio was valued at \$8,065,073, a decrease of \$485,751 from QE 9/30/2022. For the trailing ten years, the portfolio has equaled or outperformed the NCREIF ODCE benchmark.

Mr. Darling advised that ARA envisions an overall repricing of approximately 10-15% in commercial real estate. Mr. Davis inquired if by "overall repricing" Mr. Darling was ultimately stating a loss of value to which Mr. Darling stated yes and went on to advise that market pricing of assets will take a few quarters to catch up with this write down. A 5% write down was taken in 4Q2022 and another 5% should be expected in 1Q2023. Mr. Darling advised they believe there is a reasonable chance of a negative real estate return for 2023, with a negative 1Q2023, a negative 2Q2023, a zero return for 3Q2023, and a slightly positive 4Q2023. Mr. Darling concluded by advising that they believe their average annual net return target for 2022 to 2026 continues to be in the 6-8% range. This concludes the report.

GARCIA HAMILTON & ASSOCIATES:

Reporting on behalf of GH&A was Ms. Janna Hamilton & Mr. Ben Monkiewicz. Ms. Hamilton thanked the Board for the long investment relationship with GH&A. On December 31, 2022, the Davie Police Pension Plan's Garcia Hamilton Fixed Income portfolio was valued at \$29,918,974, representing an increase of \$485,138 over the QE 9/30/2022 balance. Since December 2012, the portfolio returned 1.7% annualized and ranked in the 27th percentile. This represented a 70 basis point outperformance of the Custom Fixed Income Index.

Mr. Monkiewicz advised the Board that their strategy of defensive duration short positions saved the portfolio from worse returns during the quarter. As the Federal Reserve has continued with interest rate adjustments in response to rising inflation, they now have adjusted to a marginally long position in anticipation of easing inflation, lower interest rates, and a gradually decreasing consumer price index. This concludes the report.

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HARDMAN JOHNSTON ASSET MANAGEMENT:

Reporting on behalf of Hardman Johnston Asset Management was Mr. Richard Keenan & Mr. Jim Pontone. Mr. Pontone advised that Hardman Johnston Global Advisors remains 100% employee owned with interests fully aligned with their clientele. He pointed out that Hardman Johnston has successfully navigated numerous market cycles and remained a top decile manager since inception.

On December 31, 2022, the Davie Police Pension Plan's Hardman Johnston International Equity Group Trust portfolio was valued at \$22,922,308, representing an increase of \$3,787,709 over the QE 9/30/2022 valuation.

During the fourth quarter, the Hardman Johnston International Equity Group Trust portfolio gained 19.7%, which outperformed the MSCI EAFE Index's return of 17.4% and ranked in the 12th percentile of the International Equity universe. Since December 2012, the portfolio returned 7.6% annum and ranked in the 20th percentile. By comparison, the MSCI EAFE Index returned 5.2% per annum over the same period. This concludes the report.

DAHAB ASSOCIATES:

Reporting on behalf of Dahab Consulting was Mr. David Lee. He advised the Board that as of December 31, 2022, the Davie Police Pension Plan was valued at \$202,193,940, representing an increase of \$13,823,992 over the QE 9/30/2022 valuation.

For the fourth quarter 2022, the Composite portfolio returned 5.2%, which was 0.4% above the Davie Police Pension Plan Manager Shadow Index's return of 4.8% and ranked in the 68th percentile of the Public Fund universe. Over the trailing year, the portfolio returned -15.3%, which was 1.6% below the benchmark's -13.7% return, ranking in the 83rd percentile.

Based upon the lack of "downside protection" from several managers and the need to rebalance the portfolio, the Board discussed with Mr. Lee options for the future of Plan investments. Mr. Lee presented the Board with the Large Cap Growth manager search results to compare with performance of the current manager, ClearBridge. Mr. Lee pointed out that most LCG managers have struggled to keep pace in the current market conditions.

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After review by Mr. Lee of these search results, the Board decided that they would like presentations from Atlanta Capital and Fiera. A Motion was made by Mr. Davis with a Second by Mr. Mackie. Motion passed 5/0 and Mr. Lee advised he would make the necessary arrangements for the presentations to occur at the next Board meeting.

Additional conversations were had regarding the rebalancing of the Plan. It was decided that the ClearBridge Mid Cap account would be closed and \$6mm of the assets moved to the Vanguard Mid Cap Index Fund (VMCIX). The remainder of the assets would remain in the Plan R&D account. Motion was made by Mr. Perez and a Second by Mr. Taylor. Motion passed 5/0.

As part of rebalancing the portfolio, a decision was made to move \$2mm from the ClearBridge LCG to Garcia, Hamilton, & Associates fixed income account. Motion was made by Mr. Taylor with a Second by Mr. Davis. Motion passed 5/0.

Mr. Brilliant advised the Board of a recently received Serenitas Credit Gamma Fund performance report and the fact that they had been able to produce positive returns even through the tumultuous market conditions experienced during the past fiscal year. The Board had been presented with information on the investment at a previous meeting, but the decision at that time was that the investment was not right for the Plan. The Board discussed the pros and cons of the investment with Mr. David Lee. After much discussion, a Motion was made by Mr. Perez with a Second by Mr. Mackie to invest \$10mm with the Serenitas Credit Gamma Fund Series A. Motion passed 5/0.

The Board, guided by Mr. Lee, offered the above direction for instituting the rebalancing effort prior to making the Serenitas Fund investment. This concludes the report.

PLAN ADMINISTRATOR - PPA:

No new information to share with the Board at this time. This concludes the report.

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OPEN DISCUSSION:


None

ADJOURN:

A Motion was made at 4:25 p.m. to adjourn by Mr. Mackie with a Second by Mr. Perez. The Motion passed without dissent, 5/0.

The next meeting is tentatively scheduled for May 9, 2023, at 1:30 P.M.

CHAIRMAN FOR THE BOARD

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Paul Ortenzo