

**TOWN OF DAVIE POLICE PENSION PLAN
MEETING MINUTES
February 13, 2024
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 13, 2024, at 1:30 P.M. The meeting was conducted remotely due to concerns regarding the potential spread of Covid-19 and its innumerable 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 (left at 2:45 P.M.); Mr. Larry Davis – Secretary; Mr. Jack Mackie, Mr. Danny Perez, and Mr. Ed Taylor - Trustees. All Trustees were in attendance via remote access.

ABSENT and/or EXCUSED:

None

OTHERS PRESENT:

Mrs. Patty Ostrander – PPA Administrative Assistant; Mr. Stu Kaufman – Klausner, Kaufman, Jensen, & Levinson; Mr. David Lee – Dahab and Associates; Mr. Don Dulaney – Dulaney & Company; Mr. Eric Leventhal – KSDT (left at 1:50 P.M.); Ms. Janna Hamilton and Mr. Benjamin Monkiewicz – Garcia Hamilton (arrived at 2:35 P.M. and left at 3:05 P.M.); Ms. Richelle Cook – American Realty (arrived at 3:00 P.M. and left at 3:25 P.M.); Mr. Jim Pontone and Mr. Richard Keenan – Hardman Johnston (arrived at 3:25 P.M. and left at 3:45P.M.); Mr. William Ackerman – Town of Davie Budget & Finance Director. All those present were in attendance via remote access.

PUBLIC DISCUSSION:

None received.

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NEW/UNFINISHED BUSINESS:

None

CONSENT AGENDA:

None

WARRANTS APPROVED BY BOARD:

After review and consideration of Plan warrants #1865 – 1899 inclusive, a Motion to approve was made by Mr. Taylor, Seconded by Mr. Davis. Motion passed 5/0.

APPROVAL OF THE MINUTES:

The Board reviewed the minutes from the November 14, 2023, quarterly meeting of the Town of Davie Police Pension Plan. A Motion was made to approve the minutes by Mr. Taylor, Seconded by Mr. Mackie. Motion passed 5/0.

AUDITOR REPORT - KSDT:

Reporting on behalf of the audit firm of KSDT was Mr. Eric Leventhal. Mr. Leventhal presented to the Board of Trustees, the Town of Davie Police Pension Plan Independent Auditor's Report & Financial Statements September 30, 2023, and 2022. 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, 2023, and 2022, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America." A motion was made to accept the "DRAFT" Audit results subject to the actuarial information presented on page 22 and footnote 6 to reflect what is being presented by Dulaney's GASB 67 report. The Motion by Mr. Davis and Seconded by Mr. Taylor. Motion passed 5/0. A Motion to authorize the Board Chairman to sign the Management Representative letter and the finalized version of the audited financial statements was made by Mr. Taylor and Seconded by Mr. Mackie. Motion passed 5/0. This concluded the report.

The report may be viewed in its entirety on the Pension Plan website at:
<https://mydpdpension.org/modules/stateDocs/reports.asp>

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ATTORNEY REPORT – KKJ&L:

Reporting on behalf of KKJ&L was Mr. Stu Kaufman. Mr. Kaufman advised the Board of Trustees that at present, there are no new developments in the Clarivate litigation but that the item should remain on the meeting agendas going forward.

Mr. Kaufman next spoke regarding the new State of Florida Division of Retirement mandate that the Form 1 required to be completed and submitted by all Trustees, will now be filed electronically directly with the Division of Retirement and no longer to the Supervisor of Elections for each County. This process is in effect for the current year’s reporting period and will continue until further advised.

An additional new mandate implemented by the Division of Retirement is the Comprehensive Annual Report. By Friday, Dec. 15, 2023, in accordance with section 112.662(4) Florida Statutes, each retirement system or plan was required to submit a comprehensive report on governance policies concerning vote decisions and adherence to fiduciary standards, including the exercise of shareholder rights. This report was completed and filed by the Plan Administrator as required by the State. This concluded the report.

ACTUARY REPORT – DULANEY & CO:

Reporting on behalf of Dulaney & Company was Mr. Don Dulaney. The Board was directed to page 1 of the GASB 67 report and reminded of the four-year smoothing process utilized by the Plan in an effort to somewhat minimize the effects of any monumental deviations in market performance. The components of the net pension liability of the Town at September 30, 2023 were as follows:

Total Pension Liability	\$262,335,602
<u>Plan fiduciary net position</u>	<u>(\$205,412,366)</u>
<u>Town net pension liability</u>	<u>\$56,923,236</u>

Plan fiduciary net position as a % of total pension liability – 78.30%

The total pension liability at September 30, 2023 was determined using an actuarial valuation as of October 1, 2022, with update procedures used to roll forward the total pension liability to September 30, 2023.

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Mr. Dulaney then directed the Board to page 1 of the Actuarial Valuation Report. On page 1 it was stated that the Town contributed its entire contribution for the 10/1/2022 – 9/30/2023 plan year in a single payment of \$6,150,000 on 10/27/2022, rather than making contributions throughout the plan year. From the 10/1/2022 valuation report, the Town's minimum funding requirement (MFR) was \$7,857,292, but the MFR as of 10/27/2022 was only \$7,571,643, resulting in a shortfall contribution of \$1,421,643 (\$6,150,000 - \$7,571,643). The Town used \$1,217,979 of the cumulative Prepaid Town Contribution on 10/1/2022 of \$5,480,073 (as shown on Table IV, item B.1. on the 10/1/2022 actuarial valuation report), plus \$203,664 "excess" Chapter 185 contributions from the State (\$1,247,409 actual - \$1,043,745 assumed), to meet its MFR.

On page 4 it was stated that, "to the best of our knowledge, this report fairly and accurately represents the liabilities of the fund as of October 1, 2023, based on the participant data and asset information provided by the Plan Administrator, the Plan provisions, and the actuarial assumptions set forth herein. We believe that these assumptions are reasonable both individually and, in the aggregate, and represent our best estimate of anticipated experience. All calculations set forth herein conform to generally accepted actuarial principles and practices and comply with our understanding of the current requirements of the IRC."

Based upon the reports as presented by Mr. Dulaney, a Motion was offered by Mr. Taylor that the Plan continue at its present assumed rate of return, 6.95%, for this year, each of the next several years, and the long term thereafter. The Motion received a second from Mr. Mackie. Motion passed 5/0. This concluded the report.

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AMERICAN REALTY CORE REALTY:

Reporting on behalf of American Realty was Ms. Richelle Cook. 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. Directing the Board to page 7 of the presentation book, Ms. Cook reported the investment summary with inception to date totals stated as \$3.5m in contributions, \$1,641,742 in net income, and \$1,793,338 in appreciation for an ending net asset value of \$6,935,080.

For the QE 12/31/2023, the Plan had a gross return of -6.0%, which underperformed the benchmark NFI-ODCE return of -4.8% by 1.2% net of fees. The total portfolio net return was -6.2% as compared to -4.8% for the NFI-ODCE return, an underperformance of 1.4% net of fees.

Ms. Cook then directed the Board to page 8 where the ARA Core Property Fund snapshot as of QE 12/31/2024 was contained. Currently the Fund has 88 investments across 254 buildings with a gross asset value of \$7.52B. The Fund has returned 7.3% on an annualized basis since 12/2013 inception. This concluded 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. Ms. Hamilton advised that it had been a good quarter for GH&A with their outperformance of the benchmark by 1.2% gross and 1.1% net of fees.

Mr. Monkiewicz advised the Board that navigating the ever-fluctuating market has required a very disciplined approach and they have begun to recapture some of their investment returns. With home prices rising and interest rates exceptionally high, the residential sales market has seen far fewer transactions than would be considered the norm. For 2024 they anticipate fixed-income returns to be in the high single-digit range with no further Fed increases in the prime interest rate.

For QE 12/31/2023, the Garcia Hamilton Fixed Income portfolio returned 7.9%, which was 1.1% above the Custom Fixed Income Index's return of 6.8% and ranked in the 3rd percentile of the Core Fixed Income universe.

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Over the trailing year, this portfolio returned 5.4%, which was 0.1% below the benchmark's 5.5% return and ranked in the 90th percentile. Since December 2013, the account returned 2.2% on an annualized basis and ranked in the 65th percentile, outperforming the benchmark return of 1.7% over the same timeframe. This concluded the report.

HARDMAN JOHNSTON ASSET MANAGEMENT:

Reporting on behalf of Hardman Johnston Asset Management was Mr. Richard Keenan & Mr. Jim Pontone. Mr. Pontone advised the Board that they are trying diligently to improve upon their underperformance and fully understand the frustrations of the Board with their performance. They continue to average 25% to 35% turnover annually in the portfolio while also limiting their China exposure.

On December 31st, 2023, the Davie Police Pension Plan's Hardman Johnston International Equity Group Trust portfolio was valued at \$24,187,365, an increase of \$1,180,515 from the September ending value of \$23,006,850. Last quarter, the portfolio recorded \$47,173 in net withdrawals, which partially offset the fund's net investment return of \$1,227,688. In the absence of income receipts for the quarter, the portfolio's net investment return figure was the result of \$1,227,688 in realized and unrealized capital gains.

For the QE 12/31/2023, the Hardman Johnston International Equity Group Trust portfolio returned 5.4%, which was 5.1% below the MSCI EAFE Index's return of 10.5% and ranked in the 96th percentile of the International Equity universe. Over the trailing twelve-month period, the portfolio returned 6.4%, which was 12.5% below the benchmark's 18.9% return, and ranked in the 94th percentile. Since December 2013, the account returned 6.5% on an annualized basis and ranked in the 23rd percentile. For comparison, the MSCI EAFE Index returned an annualized 4.8% over the same time frame. This concluded the report.

DAHAB ASSOCIATES:

Reporting on behalf of Dahab Consulting was Mr. David Lee. Mr. Lee advised the Board that for the fourth quarter (QE 12/31/2023), the Composite portfolio returned 7.4%, which was 0.1% below the Davie Police Manager Shadow Index's return of 7.5% and ranked in the 64th percentile of the Public Fund universe. Over the trailing year, the portfolio returned 12%, which was equal to the benchmark's 12% return, ranking in the 66th percentile.

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Since December 2013, the portfolio returned 6.8% annualized and ranked in the 50th percentile. The Davie Police Shadow Index returned an annualized 7.2% over the same time period.

On December 31st, 2023, the Davie Police Pension Plan was valued at \$219,338,360, representing an increase of \$18,374,588 from the September 30, 2023, ending value of \$200,963,772. For the last quarter, the Fund posted net contributions equaling \$3,295,444 plus a net investment gain equaling \$15,079,144. Total net investment return was the result of income receipts, which totaled \$865,595 and net realized and unrealized capital gains of \$14,213,549.

On December 31st, 2023, large cap equities comprised 31.8% (\$69.8 million) of the total portfolio, while mid cap equities totaled 7.6% (\$16.8 million). The account's small cap equity segment was valued at \$26.0 million, representing 11.8% of the portfolio, while the international equity component's \$24.2 million totaled 11%. The real estate segment totaled 15.2% of the portfolio's value and the fixed income component made up 18.9% (\$41.5 million). The remaining 3.5% was comprised of cash and equivalents (\$7.8 million).

The Board then discussed with Mr. Lee their lack of satisfaction with the investment performance by some of the Plan money managers, to include Hardman Johnston. Their continued underperformance has eroded the confidence the Board once had and they need to be placed on notice that any continued underperformance on their part could result in termination. Mr. Lee stated he understood completely and would make the necessary notifications on behalf of the Board. This concluded the report.

This report may be reviewed in its entirety at the Pension Plan website at: <https://www.mydpdpension.org/index2.asp>

PLAN ADMINISTRATOR - PPA:

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

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OPEN DISCUSSION:

Attendance at conferences other than FPPTA was discussed with the Board agreeing that any educational conferences should be vetted for their value to the Plan and a determination made by the Board as to such attendance. Currently the Board retains membership in the Florida Public Pension Trustees Association (FPPTA), the International Foundation of Employee Benefit Plans (IFEBP), as well as the National Conference on Public Employee Retirement Systems (NCPERS). Each of these organizations has shown they can provide meaningful educational opportunities for pension plan trustees.

ADJOURN:

A Motion was made at 4:17 p. m. to adjourn by Mr. Davis with a Second by Mr. Mackie. The Motion passed without dissent, 4/0, as Mr. Ortenzo had stepped away.

The next meeting is tentatively scheduled for May 14, 2024, at 1:30 P.M.

CHAIRMAN FOR THE BOARD

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Paul Ortenzo