

TOWN OF DAVIE POLICE PENSION PLAN

Minutes

January 12, 2016
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 January 12, 2016 at 5:01 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 - Trustee, Mr. Jack Mackie – Trustee.

ABSENT:

Trustee Ed Taylor.

OTHERS PRESENT:

Mr. Paul Daragjati- Board Attorney; Mr. Don Dulaney – Board Actuary; Mr. Bob Dorn, Plan Administrator – Precision Pension Administration, Inc.; Mr. David Lee – Dahab & Associates; Patty Ostrander – Precision Pension Administrator;

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 December 8, 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 4-0.

WARRANT 707

This Warrant was to FPPTA for Trustees Davis and Taylor to attend the October/2015 conference. This amount of this Warrant is \$900.00. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 4-0.

WARRANT 708

This Warrant was to Snow Capital Management for investment management fees from 10-01-15 through 12-31-15. This amount of this Warrant is \$6,263.00. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 4-0.

WARRANT 709

This Warrant was to Trustee Larry Davis for parking reimbursement for the FPPTA conference in October/15. This amount of this Warrant is \$57.24. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 4-0.

WARRANT 710

This Warrant was to Trustee Larry Davis for reimbursement for expenses during the Intercontinental Conference in 2015. This amount of this Warrant is \$215.50. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Mackie. The Motion passed 4-0.

WARRANT 711

This Warrant was to Dulaney & Company for actuarial services rendered through November/2015. This amount of this Warrant is \$6,537.50. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 4-0.

WARRANT 712

This Warrant was to Lyrical Asset Management for investment management fees for the first quarter of 2016. The amount of this Warrant is for \$10,185.17. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 4-0.

WARRANT 713

This Warrant was to Klausner, Kaufman, Jensen & Levinson for legal services rendered through December/2015. This amount of this Warrant is for \$2,639.50. A Motion was made by Mr. Mackie to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 4-0.

WARRANT 714

This Warrant is for a DROP disbursement to Mr. James Ewing. The amount of the Warrant is for \$11,761.13. A motion was made by Mr. DiMeglio. The Motion was seconded by Mr. Davis. The Motion passed 4-0.

WARRANT 715

This Warrant was to Rhumblin Advisors for investment management fees from 10-01-15 through 12-31-15. This amount of this Warrant is for \$2,934.00. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Mackie. The Motion passed 4-0.

WARRANT 716

This Warrant was to Garcia Hamilton & Associates for investment management fees from 10-01-15 through 12-31-15. This amount of this Warrant is for \$11,106.83 for the equity account. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Mackie. The Motion passed 4-0.

NEW / UNFINISHED BUSINESS:

Mr. Paul Daragjati spoke to the Board regarding the National Conference on Public Employee Retirement Systems (NCPERS) code of conduct. NCPERS has made recommendations for public pension service providers. The Board discussed the issue and decided at this time to take no action regarding the NCPERS code of conduct.

MONITOR REPORT:

Mr. Lee advised that he has reviewed and discussed the investment guidelines with ClearBridge Investments representatives. Mr. Lee advised that there are some changes to the investment guidelines compared to the other investment managers. Mr. Lee advised that following are the differences compared to other investment guidelines that the Board has: (1) A.D.R (American Depository Receipts) or foreign multi-national corporations shall be limited to 15% of the equity portfolio at market value compared to 10% with other managers, (2) the issuer of equity securities must have a publicly available operation record of at least three years compare to five years with other managers, (3) At all times, at least 80% of the portfolio will be invested in the securities of companies whose market capitalizations are between 500 million and 15 billion compared to no equity investments shall be made in companies with market capitalizations less than 500 million or larger than 15 billion, and (4) No more than 5.0% of the total market value of equity investments shall be invested in the equity securities of any one company at the time of purchase. Mr. Lee advised that he is giving his approval to these changes for ClearBridge Investments. The Board discussed the changes and agreed to them. Mr. Mackie made a Motion to approve the Investment Guidelines for ClearBridge Investments as well as for the execution of all necessary documents for the guidelines. Mr. DiMeglio seconded the Motion. The Motion passed 4-0. Mr. Brilliant signed the document as Chairman as well as Mr. Lee. Mr. Dorn advised that he would send the document for execution to ClearBridge Investments.

Mr. Lee presented to the Board the small cap investment manager search. Mr. Lee advised that he narrowed the search to four investment managers for the Board. The four small cap investment firms are (1) Aristotle Capital Boston, (2) LMCg Investments, (3) PNC Capital Advisors and (4) WEDGE Capital Management. Mr. Lee spoke to the Board regarding each of the aforementioned investment firms (1) investment philosophies, (2) investment styles, (3) past performance, (4) fee schedule, (5) total assets under management, and the (6) number of securities under investment. The Board discussed the topics with Mr. Lee regarding each investment firm. The Board decided to have a special meeting next month to interview each of the aforementioned investment managers. The Board directed Mr. Dorn and Mr. Lee to make the necessary notifications.

Mr. Brilliant asked Mr. Lee regarding the Snow Capital investment returns. Mr. Lee advised that Snow Capital has underperformed during the recent investment quarters. Mr. Lee advised that Snow Capital has been with the plan for just over a year and that he is giving them some more time before he makes any recommendations.

ACTUARY REPORT:

Mr. Dulaney submitted to the Board his calculations he completed regarding member Daniel Laguna's divorce calculations.

Mr. Dulaney advised that he is currently working on members Gambino and Brent's calculations.

Mr. Dulaney presented to the Board the GASB 67 report. Mr. Dulaney reviewed the report with the Board. The report covers the fiscal year from October 1, 2014 through September 30, 2015. Mr. Dulaney advised that the total pension liability is \$149,499,434.

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The plan fiduciary net position is \$121,252,670. The Town of Davie's net pension liability, formerly known as unfunded liability is \$28,252,670.

Mr. Dulaney used the following actuarial assumptions for this report: (1) 3.00% inflation, (2) projected salary increases is 5.50%, (3) projected COLA's are 2.0% with a limit of 130% of the original pension benefit, the first annual COLA will commence on the fifth anniversary of retirement, (4) investment rate of return is 7.60 compounded annually, net pension plan investment expense, including inflation and (5) the mortality rates using the RP-2000 Mortality Table.

Mr. Dulaney explained to the Board what the discount rate is. The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that the Town member contributions will be made at the current contributions rates and the contributions from the Town will be made at statutorily required rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected benefit payments of current Plan members. Therefore, the long term expected rate of return on pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability of the Town using the discount rate of 7.60%, as well as what the employer net position liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.60% - net pension liability would be \$46,504,714) or 1-percentage point higher (8.60% - net pension liability would be \$13,136,975) than the current rate of 7.6% (net pension liability would be \$28,252,670).

The historical annualized compounded return is 5.7% for the Plan. Mr. Dulaney advised that return number is lower than other years on a historical basis because the previous year's low investment returns. The Board discussed the report with Mr. Dulaney. Mr. Davis made a Motion to accept the GASB 67 report completed by Mr. Dulaney. The Motion was seconded by Mr. DiMeglio. The Motion passed 4-0.

ATTORNEY REPORT:

Mr. Paul Daragjati gave a fact pattern for a member who is in the DROP and would like to now backload his DROP with his remaining (1) holiday pay, (2) vacation leave, & (3) sick leave that he has accumulated since front loading the DROP with the aforementioned time. The member is in the final year of his DROP. Mr. Daragjati reviewed with the Board Administrative Rule # 2 which covers the aforementioned fact pattern. The Board discussed this issue and decided that there are some language sections that seems to conflict. In Administrative Rule # 2, Section 2, it has "annual basis" and in Section 3, it has first year DROP participation only which could cause a member into believing that he could possibly conduct more than one deposit into the DROP account. The Board called Trustee Taylor for some interpretation of what was the intent of the front loading of the DROP in 2006. Mr. Taylor advised via the telephone that the discussion in 2006 was to allow the member to deposit the amount of time accumulated to the maximum allowable amount under the IRS rule(s) and there was never any discussion regarding the back loading of the DROP at that time. Mr. Daragjati asked what has been the past practice for the Board. Mr. Dorn advised that for the last five years, only front loading has been done and no-one has every asked about back

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loading. The Board decided not to allow back loading into the DROP and will notify the Police Union so that they can bring this up at contract negotiations that are soon occurring with the Town of Davie. Mr. Davis made a Motion to have members entering the DROP to only allow the front loading of accumulated time in the first year of entering the DROP. The Motion was seconded by Mr. DiMeglio. The Motion passed 4-0.

Mr. Paul Daragjati advised that his firm is working on the ClearBridge and Wedge on the investment contacts for the Board and both should be ready very soon.

Mr. Paul Daragjati advised that Internal Revenue Service (IRS) has recently released its updated standard mileage rate for 2016. The new rate is 54 cents per mile for miles driven after January 1, 2016. This is down from last year's 57.5 cents. The Board agreed to this change and directed Mr. Dorn to change the travel reimbursement forms to the new mileage rate. Mr. Dorn advised that he would make the necessary changes.

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 audit is almost completed by the auditors and they will be presenting the audit report at the next meeting.

Mr. Dorn advised the Board that Mr. Steven Rachlin has completed all the necessary DROP forms and has notified the Town that he would enter the DROP on 2/1/2016. Mr. Dorn advised that there was a DROP disbursement for Retired Member Mr. Ewing this month.

Mr. Dorn advised that Mr. Brillant and Mr. DiMeglio won the election held by the Police Union in December/2015 for the elected trustee positions for the Town of Davie Police Pension Plan.

OPEN DISCUSSION:

Mr. Davis advised that Board that he would like to attend the NCPERS pension conference in May/2016. The Board discussed the issue and agreed to Mr. Davis attending the conference.

Mr. Brillant advised that several members would like a members section on the web site to access their DROP account calculations. Mr. Dorn advised that he will start working on this project for the Board. Mr. DiMeglio also gave Mr. Dorn several items to change on the web site.

ADJOURN:

Mr. Davis made a Motion to adjourn the meeting. Mr. Mackie seconded the Motion. Motion passed 4-0. The meeting was adjourned at 6:45 P.M.



Greg Brillant, Chairman