

TOWN OF DAVIE POLICE PENSION PLAN
Minutes

November 12, 2013

The regular meeting of the Board of Trustees of the Town of Davie Police Officers' Pension Plan was called to order on behalf of the Board by the Plan Administrator, Bob Dorn, on November 12, 2013 at 4:02 p.m. at the Town of Davie Police Department, 1230 South Nob Hill Road in Davie, Florida.

TRUSTEES PRESENT:

Mr. Greg Brilliant –Chairman, Mr. Larry Davis-Secretary, Mr. Jack Mackie-Trustee, Mr. Ed Taylor-Trustee and Mr. Thomas DiMeglio-Trustee.

Note: There was a quorum present to conduct an official meeting.

OTHERS PRESENT:

Mr. Adam Levinson- Board Attorney; Mr. Bob Dorn and Mrs. Patty Ostrander – Precision Pension Administration, Inc.; Mr. Don Dulaney- Actuary for Dulaney & Company; David Lee –Dahab & Associates; Mr. Robey D. Newsom – Comerica Bank; Mr. Steve Richter & Mrs. Glenda Webb – US Bank; Mr. Amed A. Avila – Fiduciary Trust International; Deneen Bingham & Michael Harhai – Buckhead Capital Management; Janna Hamilton & Daniel Kallus – Garcia Hamilton & Associates;

PUBLIC DISCUSSION:

It should be noted that there was no-one from the public and thus, there was no public discussion.

INTERVIEWS OF CUSTODIAN BANKS:

Mr. Lee advised that he conducted a search for three custodial banks and has coordinated the process for the Board. The three banks that are present today for the interview process are Comerica Bank, Fiduciary Trust International and US Bank. Mr. Lee advised that the presentations for each bank are set for approximately 25 minutes each.

COMERICA BANK PRESENTATION:

Mr. Robey Newson made the presentation for Comerica Bank. Mr. Newson advised Mrs. Ryans would be the account representative for Davie Police Pension Plan if the Board decides upon their bank for services. Mr. Newson advised their focus for new business is for mid-size corporations and institutions. Comerica Bank was established in 1849, it is among the 30 largest banking companies in the U.S. and the #11 bank among commercial business lenders. Some other information is that they have over 1,000 clients and \$97 billion in trust assets, trust powers in all 50 states, over 400 professionals in Comerica's trust division, in-house compliance attorneys and relationship managers that average over 18 years in the industry.

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Mr. Newson advised that Comerica is large enough to offer the technology that the plan needs and small enough to offer high-touch, personal service the plan deserves. Comerica Bank can provide as master trustee safekeeping and settlement securities, line item tracking of mutual fund investments, timely and accurate investment accounting, easy to use web-based technology, on-time pension payments and tax reporting. They can provide service delivered by a seasoned Client Service Team that has no turnover of key contacts, attentive and responsive service and the goal is to proactively share expertise and best business practices to the client. They provide a master trust service delivered at a competitive price. They have a broad working partnership with a relationship bank.

Mr. Newson advised that they have a veteran client service team operating from a single location. They have custody online integrated service platform using advance, web-based technology. They use SunGard security programs. They have a dedicated benefit payment team and online access. They have GASB 40 reporting. They can provide custom reporting for their clients.

Mr. Newson advised that their benefit payment services are committed to retirees. The payment services can make payments via check, EFT or direct deposit. The benefit payment services team is trained and experienced with a toll-free call center number for retirees. They have tax reporting and lump-sum check payments.

Mr. Newson advised that Comerica Bank makes a commitment to plan sponsors. They complete monthly reporting, monthly decedent audit, customized reporting for their clients, and on-line viewing for their accounts and retiree information.

Mr. Newson advised that the relationship team is also the conversion team for the transition. The team customizes a conversion plan and coordination of all internal sources. The team's goal is to provide a minimal impact on the Davie Police Pension Plan. The conversion period will take one to two months. They conduct death checks on retirees each month.

Mr. Newson ended his presentation with the following: We believe that Comerica Bank is the custodial choice for the Davie Police Pension Plan. The Davie Police Pension Plan's needs are a great fit with Comerica's core competencies and market focus. Our continual investment in systems and staff ensures that our veteran client service team has the technology and tools to meet the Davie Police Pension Plan's service delivery needs now and in the future. We are the right size so you would be a highly valued Comerica client, ensuring continued focus on service delivery excellence. Mr. Newson stated that the Bank listens, understands and will make it work for the plan.

Mr. Lee presented to the Board a fee document that indicates that the total approximate costs for Comerica Bank services would be \$33,620.48. The following questions were asked to Mr. Newson:

- How long does it take the bank to process a warrant/invoice for payment? Mr. Newson advised same day to one day.

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- What is your due diligence in receiving the warrant/invoice for payment through your internal controls? Mr. Newson advised that the benefit service team first verifies the signatures are the correct ones authorized for the Board, if there is any indication that something is incorrect for the request, the team will call or e-mail the plan administrator for verification.
- On your custodial statements, besides your monthly report, will you do an annual summation report? Mr. Newson advised that they will complete monthly and annual reports. They will customize reports for the plan if needed.
- Have you lost any clients over the past year? If so, why? Mr. Newson advised that they have gained some new clients but lost only two that he is aware of because of business mergers.
- During the transition period, do you mirror/dry run the current custodian for benefit services? Mr. Newson advised that they will conduct a dry run for one month to ensure that all payments are correct.
- What is your due diligence when you send a check out to a person, retiree, or vendor and with modern technology, they use their cell phone to deposit the check, they then go into the bank to cash it again. How will the bank find out this happened and when? Mr. Newson advised that the team will find out within a few days of the second payment and the worst time frame would be at the end of the month. They will put a stop payment on the second check and then attempt to recover the funds. They will notify the Plan of what occurred.
- Mr. Levinson inquired if Comerica Bank would agree in the contract that the law would be under the State of Florida, venue would be Broward County and the Bank would agree to be a higher fiduciary standard than normal Florida law has? Mr. Newson advised that if they have done this with their other Florida clients then he would assume they would do it for this plan. He advised that he would have to check with the legal department for the exact answer and would get back to Mr. Lee.
- Mr. Levinson advised that when the securities are transferred, who will handle the security litigation filing? Mr. Newson advised that he if they didn't have the securities, then they would notify the previous custodian to file, if they don't then they would do the filing for the plan.
- Mr. Levinson inquired if they do a complete historical of the previous custodian's information? Mr. Newson advised that they do not.

FIDUCIARY TRUST INTERNATIONAL:

Mr. Amed Avila made the presentation for Fiduciary Trust International Bank. They offer a range of custody services for clients with varying needs.

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Mr. Avila advised that they provide master custody services for clients who maintain relationships with one or multiple investment managers. The benefits to the client are the following: one consolidated view of your assets, safekeeping of your assets in a trust company, sophisticated single-view accounting reporting and most important a personalized service.

Mr. Avila advised that the Davie Police Pension Plan should decide on Fiduciary Trust because they were founded in 1931, provide a board range of wealth management services to various different type of clients, custody represents a strategic business for Fiduciary Trust, been safe keeping clients assets for over 80 years, clients assets are never co-mingled, they are a subsidiary of Franklin Resources, backed by the strength of global asset management institution, entrusted with over \$47.7 billion in assets, with the best personal service to the clients and retirees.

Mr. Avila advised that the commitment to personalized service is the best in the industry. They have a single point of contact for more personalized service. Fiduciary Trust is dedicated to providing the highest level of client service possible. In a custodial relationship, communication with our client is of the utmost importance. We make every effort to ensure that effective communication with our client continues throughout the relationship so that we are able to be responsive to their needs. They provide high quality services combined with efficient systems. They have a personalized service using a team approach. They have typical service construction with one primary relationship officer with 2-3 client service specialists. Their experienced teams have low turnover for consistency of service. The average tenure of relationship officers is approximately 18 years in the industry.

They have the expertise in serving the needs of pension plans, investment advisors, foundations, endowments, high net worth individuals and family officers. They emphasize the importance of building long-term client relationships. The average relationship is over 13 years with their clients. They have more than 100 relationships with clients for over 20 years and several clients with relationships for over 50 years.

They have a focus on a full range of custodial services with an even greater focus on efficiency. The primary services include the following: worldwide securities settlement and custody through sub-custodian network of JP Morgan Chase, income collection, corporate action processing and proxy services, cash management, multi-currency portfolio accounting and reporting, and benefit distribution processing. Some other specialized services include performance management and analytics, tax preparation, bill paying and banking services.

They have a comprehensive accounting and reporting system. They have an integrated multi-currency trade-date accounting system. They have a single trust accounting system to process domestic and global activity. They have flexible reporting to meet specific needs. The reporting system is tailored to the client's needs. The system can be viewed by multiple users and consolidated reporting. They have online web-enabled access to portfolio information with account activity and portfolio holdings. The portfolio information is offered in multiple forms that are hard copy, ad-hoc inquiry, and data extract. They have unitization accounting and reporting. They have monthly benefit

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payment check registers.

They have a dedicated conversion/transition team for the plan. They have established conversion team(s) that consists of the same experienced professionals who will serve on the relationship team. He advised that with the full cooperation of the former custodian and under the direction of the client's instruction to transfer the relationship, the process should be completed in approximately 30 days. The conversion plan will be designed specifically for your plan. The plan would be to expedite onboarding (contract and compliance) for a smoother transition, transfer account information promptly, review asset and retiree lists to ensure completeness and accuracy, conduct a dry run as if we would be making the payments and compare it to the current custodian, conduct training, establish information and reporting requirements tailored to a client's needs. Once the transition is complete, to keep managing the relationship with the Board and Plan Administrator. They would have a single point of contact and have regular in person visits to ensure high level of service. They would be available to attend any meeting that the Board wants them to. They also provide death checks on the social security site every three months for the Board.

Mr. Avila ended his presentation with the following: Fiduciary Trust has a commitment to safekeeping and personal service for their clients. They have been safekeeping assets for over 80 years. They have global platform and resources. They have a commitment to personal service. They use SunGard programs for their security on the programs. They have a comprehensive accounting and reporting system. They have a dedicated conversion team for this plan. They pride themselves on providing the best possible service with professionalism and dedication to their clients.

Mr. Lee advised that the price for Fiduciary Trust International is approximately \$45,656.79. Mr. Lee advised that this is approximately the same price as what the Board is paying for its current custodian. The following questions were asked to Mr. Avila:

- How long does it take the bank to process a warrant/invoice for payment? Mr. Avila advised same day to one day.
- What is your due diligence in receiving the warrant/invoice for payment through your internal controls? Mr. Avila advised that they would first verify the signatures are the correct ones authorized for the Board, and if anything seems wrong, they initiate their call back system. They call back the plan administrator immediately and will not process the warrant/invoice until they are satisfied that the warrant is valid.
- On your custodial statements, besides your monthly report, will you do an annual summation report? Mr. Avila advised that they will complete monthly and annual reports. They will customize reports for the plan if needed.
- Have you lost any clients over the past year? If so, why? Mr. Avila advised that they did lose some clients over the past year because one of their key employees retired and there was a void in their service which three clients changed to new

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custodian. They have now taken steps to cross train everyone in each of our offices to perform the jobs of everyone else in the office. Mr. Avila advised that they did make a mistake and corrected it so their client services would improve.

- During the transition period, do you mirror/dry run the current custodian for benefit services? Mr. Avila advised that they will conduct a dry run for one month to ensure that all payments are correct. Mr. Avila advised that this dry run would be just like we made the payments to retirees and vendors. Mr. Avila advised that they will not take the process over until we are 100% correct on our dry runs. Mr. Avila advised that they send out checks a day before if the normal day falls on a holiday so the retirees receive their funds with no disruption because of the holidays.
- What is your due diligence when you send a check out to a person, retiree, or vendor and with modern technology, they use their cell phone to deposit the check, they then go into the bank to cash it again. How will the bank find out this happened and when? Mr. Avila advised that they would know anywhere between a day and a week. They will make arrangements to immediately stop the second check and attempt to recover any funds if they have been transferred.
- Mr. Levinson inquired if Fiduciary Trust would agree in the contract that the law would be under the State of Florida, venue would be Broward County and the Bank would agree to be a higher fiduciary standard than normal Florida law has? Mr. Avila advised that if they have done this with their other Florida clients then would do for the Davie Police Pension Plan.
- Mr. Levinson advised that when the securities are transferred, who will handle the security litigation filing? Mr. Avila advised that he if they didn't have the securities, then they would notify the previous custodian to file, if they don't then they would do the filing for the plan.
- Mr. Levinson inquired if they do a complete history of the previous custodian's information? Mr. Avila advised that they attempt to obtain as much information, both current and historical from the previous custodian.

U.S. Bank:

Mr. Steven Richter and Mrs. Glenda Webb made the presentation to the Board for U.S. Bank. Mr. Richter advised that he is the business development officer for U.S. Bank. Mrs. Webb is a relationship manager for U.S. Bank. Mr. Richter advised that Carol Millican will be the account manager for this fund.

Mr. Richter advised the following: U.S. Bank Institutional Trust & Custody provides the high-tech solutions institutional clients expect from one of the nation's largest banks while maintaining a highly-customized and personal approach to client service. Our commitment to consistent growth is grounded in strategic focus on institutional trust & custody market, regional approach to client administration, knowledgeable and tenured

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professionals who deliver personalized service and our technology provides timely, accurate reports customized to the client's needs.

Mr. Richter advised that U.S. Bank provides regionally-based, highly customized services to over 3,800 clients with over \$959 billion in assets under administration. We have our core services that include custody, global custody, trustee and direct management. We have value added services that include master trust accounting, performance reporting, online access, portfolio analytics, insurance analytics, benefit payments, securities lending, cash solutions portal and a money center. We have over 30 locations across the United States and a location in Jacksonville, Florida.

Mr. Richter advised that U.S. Bank currently serves more than 340 pension clients and the payment service team processes approximately 169,000 payments per month. U.S. Bank has been providing benefit services for 43 years. The systems used by the bank can accommodate evolving requirement of plan participants, as well as providing the controls, functionality, and value our plan sponsors require. We offer a variety of benefit payment support services and options for plan administrators to key information online or work with a dedicated account manager and benefit payment specialist for execution of services. The client service team will include a pay specialist who works directly with your account manager and account associate. The pay specialist's responsibilities include processing all payment activity for the client and ensure the client's tax forms are created accurately on an annual basis.

We look at our relationship managers as the quarterback to the client's relationship with U.S. Bank service teams. The relationship manager offers trust administration, serves as a dedicated resource for the client, conducts annual relationship review and recommends client-specific solutions. Our account manager acts as your local day to day administrative and operational point person. The account manager knows the client, the client's account and the needs of the client. The account manager monitors account activity and executes daily transactions. The account manager coordinates the collaboration of various U.S. Bank service teams including the conversation team, securities settlement team, income collection team; benefit payment team, and the proxy/corporate action team. Our trade service representative is the facilitator and coordinator who work directly with the client's investment managers and brokers. The trade services representative also resolves pending/failing trade issues; monitors cash positions and settle trades.

U.S. Bank has memberships that include the Federal Reserve, National Financial Services (mutual funds), DTCC (Depository Trust & Clearing Corporations) and the Options Clearing Corporation. U.S. Bank's technology system called SEI which is owned by U.S. Bank. The system operates in a virtual real time environment that provides efficient systems interfaces and downloads. The system does work with SunGard programs. U.S. Bank invests very significant dollars in upgrades each year to its system.

The key benefit payment solutions include daily lump sum and off cycle processing, periodic processing, tax services, death audit and outstanding check reports created monthly, benefit payment specialist assigned to each client relationship along with a

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primary and secondary back up and a toll-free hotline available to answer participant questions. U.S. Bank began utilizing Administrative Systems, Inc (ASI) which is the state of the art system for benefit payment processing in June/2006 to provide online functionality for clients. This system includes web-based benefit payment system providing 24/7 secure internet access, ability to view, print or download reports in PDF format, robust search capabilities, windows 7 compliant, online participant tax forms, and up to date federal and state tax calculations.

The conversion process will have the relationship manager oversee the entire transition process. The transition process will have a customized plan that ensures a smooth transition minimizing client effort. We will have proactive communication with all parties and ongoing administration. A normal conversion process will take approximately 8 weeks.

Mr. Richter ended the presentation with the following: The Davie Police Pension Plan should develop a relationship with U.S. Bank because we have the resources and financial stability of the 5th largest commercial bank in the country, dedicated regional approach to service provided by industry experts with over thirty locations, customized and flexible approach to client service, tenured and knowledgeable professionals, outstanding operations support, consistent high quality service and a competitive fee schedule. Mr. Richter advised that we want to do business with this plan.

Mr. Lee advised that the price for U.S. Bank is approximately \$23,368.93. Mr. Lee advised that this price is less than its current custodian. The following questions were asked to Mr. Richter and Mrs. Webb:

- How long does it take the bank to process a warrant/invoice for payment? Mrs. Webb advised same day.
- What is your due diligence in receiving the warrant/invoice for payment through your internal controls? Mrs. Webb advised that they would first verify the signatures are the correct ones authorized for the Board. If they felt that anything was wrong, then they would call and determine whether the warrant is valid and should be processed.
- On your custodial statements, besides your monthly report, will you do an annual summation report? Mrs. Webb advised that they will complete monthly and annual reports. They will customize reports for the plan if needed. The monthly reports can be accessed on the tenth of the following month.
- Have you lost any clients over the past year? If so, why? Mrs. Webb advised that they did lost two clients over the past year that she is aware of because of client's merger.
- During the transition period, do you mirror/dry run the current custodian for benefit services? Mr. Richter and Mrs. Webb stated that they have a normal process that takes 2-3 months and a lot depends on how much the previous

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custodian is willing to work with them in the transition. Mrs. Webb gave a long answer to this question and eventually advised that they do mirror the previous custodian's payment to ensure accurate benefit payment prior to completely taking over the account.

- What is your due diligence when you send a check out to a person, retiree, or vendor and with modern technology, they use their cell phone to deposit the check, they then go into the bank to cash it again. How will the bank find out this happened and when? Mrs. Webb advised that they would know at the end of the month when they do the monthly reports.
- Mr. Levinson inquired if U.S. Bank would agree in the contract that the law would be under the State of Florida, venue would be Broward County and the Bank would agree to be a higher fiduciary standard than normal Florida law has? Mr. Richter advised that he would have to check with his legal department on this.
- Mr. Levinson advised that when the securities are transferred, who will handle the security litigation filing? Mr. Richter and Mrs. Webb advised that if they didn't have the securities, then they would notify the previous custodian to file; if they don't then they would do the filing for the plan.
- Mr. Levinson inquired if they do a complete historical of the previous custodian's information? Mr. Richter and Mrs. Webb advised they would only obtain a recent history of data.
- How many clients would the account manager handle at any one time? Mrs. Webb advised that the account manager would handle approximately 35 clients.

Mr. Lee opened the discussion period with reviewing the pricing of each of the banks that gave the presentation. Mr. Lee advised that all of the banks are all good and can do the job. All of the trustees spoke about each of the banks and gave their viewpoints of who they would prefer. After a very thorough discussion on the three presentations, the Board decided upon Fiduciary Trust. Trustee Mackie made a Motion to select Fiduciary Trust as their new custodian. Trustee DiMeglio seconded the Motion. The Motion passed 5-0. Mr. Lee advised that he would notify the banks of the selections of the Board. Mr. Levinson advised that he would work with the legal department of the bank to obtain a contract for services.

CONSENT AGENDA

APPROVAL OF MINUTES:

The Board of Trustees reviewed the minutes for the October 8, 2013 meeting. Mr. Dorn asked if there were any changes that needed to be made. Mr. Davis made some grammatical corrections to the minutes. Mr. Mackie made a Motion to approve the minutes as amended. Mr. DiMeglio seconded the Motion. The Motion passed 5-0.

WARRANT RATIFICATION/APPROVAL:

WARRANT 417:

This Warrant was for payment to Mr. Jack Mackie for reimbursement for attending a FPPTA Trustee school in October/2013. This Warrant amount is for \$758.25. Mr. Davis made a Motion to approve this Warrant. Mr. Taylor seconded this Motion. The Motion passed 5-0. The Warrant was signed by Mr. Brilliant and Mr. Davis.

WARRANT 418:

This Warrant was for payment to the International Foundation of Employee Benefit Plans Association. This Warrant amount is for \$810.00. Mr. Davis made a Motion to approve this Warrant. Mr. DiMeglio seconded this Motion. The Motion passed 5-0. The Warrant was signed by Mr. Brilliant and Mr. Davis.

WARRANT 419:

This Warrant was for payment to Rhumblin Advisors for investment advisory fees for the 3rd quarter of 2013. This Warrant amount is for \$2,072.00. Mr. Taylor made a Motion to approve this Warrant. Mr. Davis seconded this Motion. The Motion passed 5-0. The Warrant was signed by Mr. Brilliant and Mr. Davis.

WARRANT 420:

This Warrant was a reoccurring DROP payment to Retiree Scott Kiso. This Warrant amount is for \$3,000.00 each month. Mr. Dorn and Mr. Williams executed this Warrant because the Warrant had to be at the bank for processing before the 15 of the month so that Mr. Kiso would receive the payment on November 1, 2013. Mr. Davis made a Motion for ratification of this Warrant. Mr. Taylor seconded this Motion. The Motion passed 5-0.

WARRANT 421:

This Warrant was for payment to Garcia Hamilton & Associates for management fees from 7-1-2013 through 09-30-2013. The invoice number is 24321. This Warrant amount is for \$38,241.96. Mr. Davis made a Motion to approve this Warrant. Mr. Taylor seconded this Motion. The Motion passed 5-0. The Warrant was signed by Mr. Brilliant and Mr. Davis.

WARRANT 422:

This Warrant was for payment to Mr. Thomas DiMeglio for reimbursement for attending a FPPTA Trustee school in October/2013. This Warrant amount is for \$780.92. Mr. Mackie made a Motion to approve this Warrant. Mr. Taylor seconded this Motion. The Motion passed 5-0. The Warrant was signed by Mr. Brilliant and Mr. Davis.

WARRANT 423:

This Warrant was for payment to State Street Global Advisors for investment fees from 07-01-2013 through 09-30-2013. This Warrant is for \$2,274.29. Mr. Davis made a Motion to approve this Warrant. Mr. Taylor seconded this Motion. The Motion passed 5-0. The Warrant was signed by Mr. Brilliant and Mr. Davis.

WARRANT 424:

This Warrant was for payment to State Street Global Advisors for investment fee for the period of 04-01-2013 through 06-30-2013. This Warrant amount is for \$1,524.28. Mr. Davis made a Motion to approve all of this Warrant. Mr. Mackie seconded this Motion. The Motion passed 5-0. The Warrant was signed by Mr. Brilliant and Mr. Davis.

WARRANT 425:

This Warrant was for payment to Mr. Thomas DiMeglio for travel reimbursement for attending IFEBP Pension Conference in Oct/2013. This Warrant amount is for \$1,155.35. Mr. Taylor made the Motion to approve this Warrant. Mr. Mackie seconded this Motion. The Motion passed 5-0.

WARRANT 426:

This Warrant was for payment to Dulaney & Company for actuarial services rendered through October/2013. This Warrant amount is for \$3,213.75. Mr. Taylor made the Motion to approve this Warrant. Mr. DiMeglio seconded this Motion. The Motion passed 5-0.

OLD BUSINESS:

Mr. Dorn advised the Board that Mr. Jenkins financial situation has not changed. Mr. Dorn advised that Mr. Jenkins advised that he was going to make smaller payments in the amount of twenty five to fifty dollars a month. Mr. Dorn advised the Board he will inform them when Mr. Jenkins starts the reduced monthly payment amount.

Mr. Dorn advised that Warrant 416 was approved last meeting in the amount of \$17,291.03 with the approval of the actuary and can be increased based upon the new investment numbers. Mr. Dorn advised that the new number based upon the bank statements is \$21,058.87. This Warrant was sent to the bank with the new amount for payment to Mr. Brigido.

NEW BUSINESS:

There was no new business.

INVESTMENT MANAGERS REPORTS:

BUCKHEAD CAPITAL MANAGEMENT:

Mr. Harhai and Mrs. Bingham made the presentation for Buckhead Capital Management. The third quarter of 2013 saw increased market volatility as investors continued to focus more on the actions of central bankers than company fundamentals. Stocks rallied in July and then gave back most of the gains in August. The market's ups and downs driven primarily by speculation about how much the Federal Reserve would decide at its September meeting to reduce the quantitative easing program. The Federal Reserve's announcement on September 18, 2013 that it was deferring any reduction in its monthly security purchases surprised most investors and led to new all-time market highs on the

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day of the announcement.

The lower quality equities in the S & P 500 continued to do better than higher quality ones, with stocks rated B or worse returning an average of 7.5% compared with a gain of 6.3% for stocks rated B+ or better. Over the last year, lower quality stocks led higher quality ones by 11.2%. The market advance in the third quarter was not evenly distributed across all types of stocks. Small cap stocks returns almost twice as much as large cap stocks. Growth stocks did better than value stocks for the third quarter. All sectors except for the telecommunications sector provided positive returns in the quarter and no sector has had a negative return for the first nine months of the year.

The assets summary is as follows: the market value of the fund is \$17,158,454, the portfolio positions have 48 stocks, the annual income is \$497,372.00 and the annualized yield is 2.9%.

The equities return 3.61% for the quarter and underperformed against the benchmark's return of 3.94%. The fiscal year to date return was 17.28% and the Benchmark's return was 22.30%. The style they have is not in favor for the current market positions. The lower quality is doing well and the high quality is not in comparison.

The three performance contributors for the quarter are VeriFone Systems, Lockheed Martin, and Halliburton. The three detractors for the quarter are Staples, Sysco Systems and Baxter. The two new additions to the portfolio are Chico's FAS and National Oilwell Varco.

The fixed income market turned a modestly positive result during the quarter as interest rates were effectively flat during the period. While the returns in the third quarter were modestly positive, the level of volatility in the market was substantial. The Plan's bond portfolio continues to carry a shorter than benchmark duration and continue to overweight high quality corporates. Real interest rates remain below average and corporates yield spreads and cash flow remains positive. We are likely to maintain these positions for the foreseeable future.

The market value is \$13,829,683 for the period ending September 30, 2013. The annual income is \$531,316 and the portfolio has 112 positions. The bond return for Buckhead Capital Management was 0.30% and the benchmark's return was 0.57%. The fiscal year to date return was -1.11% and the benchmark's return for the same period is -1.68%. The 3 year return was 3.04% and the benchmark's return was 2.86%.

Mr. Lee advised that the Buckhead Capital Management fee has been changed because of the transfer of the funds into the index fund. An addendum to their contract was proposed to the Board. For the fixed income portfolio the fee is 0.25 of 1% on all assets under management. The second change was to the equity portfolio which is now 0.55% of 1% on the first 10 million and 0.50 of 1% on the remaining assets. The change would take place on July 1, 2013 and agreed not to change for the next three years. Mr. Lee advised that the previous fee was a bungled fee structure. Mr. Levinson reviewed the one page document and gave his approval. Mr. Mackie made a Motion to approve aforementioned

changes to the fee structure for Buckhead Capital Management. Mr. Taylor seconded the Motion. The Motion passed 5-0. Mr. Brilliant and Mr. Davis executed the document.

GARCIA HAMILTON & ASSOCIATES:

Mrs. Janna Hamilton and Mr. Daniel Kallus made the presentation for Garcia Hamilton & Associates. A short overview of the market showed that stocks continued to go higher for the third quarter. The S & P 500 was up 5.2% and the Russell 1000 Growth was up 8.1% for the third quarter. The global central banks remained the focus with equities and bonds dictated by perceived changes in liquidity by the Federal Reserve. The riskier low quality stocks continue to lead the market. Sector returns followed no single theme as defensive and cyclical sectors were represented among both winners and losers. The energy and health care were the leading sectors.

This portfolio's holdings continued to deliver solid earnings relative to expectations. The stock selection was a negative factor because of low quality leadership across all sectors. The sector allocation was also a negative factor due to an overweight in financials and underweight in health care. The market outlook remains constructive based on underlying liquidity support from ongoing central bank actions and expectations for improving economic conditions. This portfolio remains overweight in high quality stocks. The market really lacks fundamentals in the growth of stocks.

The portfolio had \$17,233,146.63 in equities, \$18,405,852.21 in fixed income and \$548,131.24 in cash & equivalents. The total market value under investment by Garcia Hamilton & Associates is \$36,187,130.08 at the end of the third quarter in 2013. The equities returned 6.5% for the quarter and the benchmark's return was 8.1%. The fiscal year to date in equities return was 16.3% and the benchmark's return for the same period is 20.9%. The annualized last three years return for equities was 14.4% and the benchmark's return was 16.9%.

Performance favored small capitalization stocks. Investors believed the accelerating domestic economic growth forecasts and the Federal Reserve's desire for increased risk-taking. For the first time in several quarters the investment style was a meaningful factor in performance as growth stocks beat value stocks across market capitalizations. The advances in the U.S. stock market have been driven by the Federal Reserve actions aimed at increasing liquidity, driving down interest rates, and triggering investor rotation into riskier asset categories. The fundamentals continue to take a back seat as a driver of stock returns.

Three stocks that had a positive return were Polaris Industries, Cegene and CF Industries. Three stocks that did not perform well for the quarter were Kellogg Company, Cisco systems, and Baxter International. The top five holdings in the portfolio are Apple, Disney, Affiliated Managers, Coca-Cola, and Qualcomm.

The fixed income investment goal is to outperform our benchmarks, net of fees, over a full market cycle using a high quality strategy with less risk and low turnover. On September 30, 2013, the Federal Reserve decided not to taper the bond purchasing

program. They felt that an abrupt rise in rates since spring could slow the pace of improvement in the economy and the labor market. This news sent the treasury prices, gold and S & P 500 soaring, while the dollar slumped. The bond market delivered positive performance for the quarter with a return on the Barclays Aggregate Index of 0.57% and return on the Barclays Capital Intermediate Government Credit Index of 0.62%. The spread product was mixed as three out of four sectors delivered positive excess returns. We remain overweight in corporate bonds with an emphasis on financial, and we have been extending some of our credits to take advance of the steep yield curve. The bond portfolio for Garcia Hamilton & Associates portfolio contains the following allocation: 44% in Corporates, 30% in Mortgages, 12% in Agencies, 11% in Treasuries, and 3% in cash. The bond return for the quarter was 0.7% and the benchmark's return was 0.6%. The fiscal year to date return was 0.1% and the benchmark's return was -1.9%. The annualized last three years return was 4.5% and the benchmark's return was 2.9%.

MONITOR'S REPORT:

Mr. David Lee made the presentation for Dahab & Associates. The domestic equities posted positive returns. The growth stocks beating value stocks. The smaller cap sizes returns were better than larger cap sizes. The U.S. dollar weakened relative to Euro. The Davie Police Plan was valued at \$107,362,488 on September 30, 2013. The value of the plan increased \$5,975,223 since the June/2013. The last quarter had an increase of \$1,359,001 in net contributions and \$4,616,222 in net investment returns.

Overall, the portfolio return was 4.5% net of fees and the shadow index return was 4.7%. The one year return was 10.8% net of fees and the shadow index was 13.1%. The underperformance came from the large cap stocks and the small cap stocks.

Mr. Lee advised that TAMRO has been productive asset manager for the fund but has missed during this period and fiscal year. TAMRO's third quarter return was 9.0% and the benchmark's return was 10.2%. The fiscal year to date return was 20.7% and greatly underperformed the benchmark's return was 30.0%. Mr. Lee reviewed for the Board on how TAMRO performed over a three, five and since inception against the benchmarks. Mr. Lee advised that they underperformed in seven out of eight sectors they were in during the quarter. We will monitor this situation going forward.

Also, the underperformance in the large cap stocks was attempted to be corrected by the purchase of the large cap index fund last month and the purchase of more of the large cap index fund next month. As a reminder, our large cap investment managers give us protection on the down side of the market and not as much as the market in the upside of the market. Mr. Lee reviewed for the Board how Garcia Hamilton and Buckhead performed over a three, five and since inception period. Mr. Lee reviewed the style of these managers and they are doing what we want them to do at this point in downsized protection.

The asset allocation of the fund is as follows as of September 30, 2013: large cap equities comprised 32.1% of the total portfolio (\$34.4 million), mid cap equities totaled 9.8% of the total portfolio (10.5 million), small cap equities totaled 8.1% of the total portfolio

(\$8.7 million), international equity totaled 9.9% of the total portfolio (10.7 million), real estate totaled 6.3% and fixed income component totaled 30% of the total portfolio (32.2 million) and cash & equivalents totaled 3.8% of the total portfolio (\$4.1 million).

ATTORNEY'S REPORT:

Mr. Levinson advised that he made the appropriate changes to the administrative rules governing public participation. He advised that these changes were approved in the previous meeting. The first change as section "D" which states that the first agenda item at each regular meeting shall be "public discussion" for fifteen minutes. The second approved changed was in section "D" which states that members of the public who wish to speak under public discussion for either a regular or special meeting shall place their name on a sign-in-list, containing their complete name and a brief discussion of the topic they wish to discuss. All of the other rules remain the same.

ACTUARY'S REPORT:

Mr. Don Dulaney advised that he has prepared a letter to all nine active DROP employees who were issues incorrect DROP statements because of the incorrect bank. The letter states that the revised fund statement for the DROP shows your account balance as of June 30, 2013. This statement shows details of your account for the most recent quarter, the year 2013, and from your initial entry into the DROP. The monthly earnings information used to produce the new statements was provided by Dahab & Associates. The investment performance for the plan is as follows: April/2013 was +0.78%, May/2013 was +0.61%, and June/2013 was -1.54%. The revised June 2013 investment performance return was revised from -1.49% to -1.54% due to revised custodial statements for June/2013. Mr. Dulaney advised that he would send these letters and statements to the nine active DROP members with Board approval. The Board directed Mr. Dulaney to disburse the letters and statements. The Board discussed this negative perception they are receiving from the members because of the incorrect statements from their members. The Board directed Mr. Dorn to write a letter to Salem Trust to attempt to get reimbursement from them for the lost balance numbers for its members for the incorrect published bank statements that the vendors used to calculate the initial incorrect numbers and the cost for the actuary for recalculating the DROP statements for a second time. Mr. Levinson advised that he would review this document prior to sending it to Salem Trust.

Mr. Dulaney advised he is working with the auditor on this year's audit. He is also in the process of making calculations for members who recently entered the DROP plan.

PLAN ADMINISTRATOR'S REPORT:

Mr. Dorn advised that they are working with the Auditor in the audit process for the Board.

Mr. Dorn advised the Board that the second transfer letter will be sent to Salem Trust to move the additional five million dollars to the large cap index fund by December 10,

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2013.

Mr. Dorn advised that Member Joseph Squarini made a payment to the Board for purchase of permissive service time in the amount of \$119,534.86. This amount was sent to Salem Trust and deposited. The amount represented an increase multiplier of 8.52%.

OPEN DISCUSSION:

Mr. Davis advised that he would like to discuss paperless Board meetings and would like to discuss the issue at the next meeting. The Board agreed.

ADJOURNMENT:

Mr. Davis made a Motion to adjourn the meeting. Mr. Taylor seconded the Motion. The Motion passed 5-0. The meeting was adjourned at 7:46 p.m.

The next meeting date is December 10, 2013 at 5:00 p.m.



Greg Brillant, Chairman