

TOWN OF DAVIE POLICE PENSION PLAN
Minutes

August 12, 2014
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 August 12, 2014 at 5:00 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, Board Trustee, Mr. Thomas DiMeglio, Board Trustee and Mr. Ed Taylor, Board Trustee

EXCUSED ABSENCE:

None

OTHERS PRESENT:

Mr. Adam Levinson, Board Attorney, - Klausner, Kaufman, Jensen & Levinson; Mr. Bob Dorn & Mrs. Patty Ostrander – Precision Pension Administration, Inc.; Mr. Don Dulaney - Dulaney & Associates; Mr. David Lee – Dahab & Associates; Mrs. Janna Hamilton & Mr. Curt Rohrman – Garcia, Hamilton & Associates, Mr. David Griffin - Buckhead Capital Management.

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

CONSENT AGENDA:

APPROVAL OF THE MINUTES:

The Board of Trustees reviewed the minutes for the July 8, 2014 meeting. Mr. Dorn asked if there were any changes required to the cited minutes. No changes were offered. Mr. Davis made a motion to approve the July 8, 2014 minutes. Mr. Mackie seconded the motion. The motion passed 5-0. Why 3-0 if 5 members present?

Note: Warrants 508 through 516 were paid prior to this meeting. These warrants were for ratification.

WARRANT 508

This Warrant was for reimbursement to Trustee Lawrence Davis for expenses regarding the mailing of his financial report form to the Supervisor of Elections. The amount for this Warrant is \$6.48. Mr. Taylor made a Motion to approve this warrant for payment. Mr. Mackie seconded this Motion. The Motion passed 5-0.

WARRANT 509

This Warrant was for payment to Dulaney & Company for actuarial services rendered for May/2014. The amount for this warrant is \$4,693.75. Mr. Mackie made a Motion to approve this Warrant for payment. Mr. Taylor seconded this Motion. The Motion passed 5-0.

WARRANT 510

This Warrant was for reimbursement to Trustee Greg Brilliant for expenses regarding the FPPTA conference in June/2014. The amount for this warrant is \$1,060.04. Mr. DiMeglio made a Motion to approve this warrant for payment. Mr. Mackie seconded this Motion. The Motion passed 5-0.

WARRANT 511

This Warrant was for reimbursement to Trustee Thomas DiMeglio for expenses regarding the FPPTA conference in June/2014. The amount for this warrant is \$716.68. Mr. Taylor made a Motion to approve this Warrant for payment. Mr. Mackie seconded this Motion. The Motion passed 5-0.

WARRANT 512

This Warrant was for payment to Rhumblin Advisors for investment services rendered for second quarter 2014. The amount for this warrant is \$2,815.00. Mr. DiMeglio made a Motion to approve this Warrant for payment. Mr. Mackie seconded this Motion. The Motion passed 5-0.

WARRANT 513

This Warrant is for John Nasta for reoccurring monthly benefit payment effective August 01, 2014 in the amount of \$7,800.33. This payment will continue each month until it is stopped by the Board. Mr. DiMeglio made a Motion to approve this Warrant for payment. Mr. Mackie seconded the Motion. The Motion passed 5-0.

WARRANT 514

This Warrant is for This Warrant was for payment to Professional Indemnity Agency, Inc for fiduciary liability insurance for the Board. This will provide coverage from August 1, 2014 until August 1, 2015. The amount for this warrant is \$12,883.33. Mr. DiMeglio made a Motion to approve this Warrant for payment. Mr. Davis seconded this Motion. The Motion passed 5-0.

WARRANT 515

This Warrant was for payment to Buckhead Capital Management for investment services rendered for second quarter 2014. The amount for this warrant is \$27,768.81. Mr. DiMeglio made a Motion to approve this Warrant for payment. Mr. Mackie seconded this Motion. The Motion passed 5-0.

WARRANT 516

This Warrant was for payment to TAMRO Capital Partners for investment services rendered for second quarter 2014. The amount for this warrant is \$23,839.33. Mr. Davis made a Motion to approve this Warrant for payment. Mr. DiMeglio seconded this Motion. The Motion passed 5-0.

WARRANT 517

This Warrant was for payment to State Street Global Advisors for investment services rendered for second quarter 2014. The amount for this warrant is \$1,623.45. Mr. DiMeglio made a Motion to approve this Warrant for payment. Mr. Mackie seconded this Motion. The Motion passed 5-0.

WARRANT 518

This Warrant was for payment to Garcia Hamilton & Associates for investment services rendered for second quarter 2014. The amount for this warrant is \$18,065.21. Mr. DiMeglio made a Motion to approve this Warrant for payment. Mr. Davis seconded this Motion. The Motion passed 5-0.

WARRANT 519

This Warrant was for payment to Salem Trust Company for payment from overdraft during the transfer from Salem Trust to Fiduciary Trust. The amount for this warrant is \$1,657.12. Mr. DiMeglio made a Motion to approve this Warrant for payment. Mr. Mackie seconded this Motion. The Motion passed 5-0.

WARRANT 520

This Warrant was for payment to FPPTA for Trustee Jack Mackie to attend the Oct/2014 school. The amount for this warrant is \$450.00. Mr. Davis made a Motion to approve this Warrant for payment. Mr. Taylor seconded this Motion. The Motion passed 5-0.

WARRANT 521

This Warrant was for payment to Klausner, Kaufman, Jensen & Levinson for legal services rendered for July/2014. The amount for this warrant is \$1,970.00. Mr. Taylor made a Motion to approve this Warrant for payment. Mr. DiMeglio seconded this Motion. The Motion passed 5-0.

WARRANT 522

This Warrant was for payment to Fiduciary Trust Company for custodial services rendered for the period ending June 30, 2014. The amount for this warrant is \$6,676.85. Mr. Davis made a Motion to approve this Warrant for payment. Mr. Mackie seconded this Motion. The Motion passed 5-0.

WARRANT 523

This Warrant was for payment to Dulaney & Company for actuarial services rendered for July/2014. The amount for this warrant is \$1,657.50. Mr. Taylor made a Motion to approve this Warrant for payment. Mr. Mackie seconded this Motion. The Motion passed 5-0.

WARRANT 524

This Warrant was for reimbursement to Trustee Edward Taylor for expenses regarding the FPPTA conference in June/2014. The amount for this warrant is \$948.39. Mr. Mackie made a Motion to approve this Warrant for payment. Mr. Davis seconded this Motion. The Motion passed 5-0.

OLD BUSINESS:

Mr. Dorn advised that the "Operating Rules & Procedures" discussion will be on Agenda for the September 9, 2014 meeting.

No change regarding the Jenkins situation for repayment.

NEW BUSINESS:

There was no new business.

INVESTMENT MANAGERS REPORTS:

BUCKHEAD CAPITAL MANAGEMENT:

Mr. David Griffin presented Buckhead Capital Management report to the Board. There were no changes in the investment process.

The U.S. Stock market advanced to new highs in the second quarter as investors focused on a series of positive economic reports. The S & P 500 posted sixteen record high closes as it went over 1000 days without a correction of 10% or more which is the fifth longest stretch since 1928. The advance was broadly based with all economic sectors posting returns. Large cap stocks outperformed their smaller cap counterparts, with the Russell 1000 returning 5.1% compared to 2.1% for the Russell 2000. There was very little difference in performance between value and growth among large cap stocks. Lower quality stocks again led the market. Over the last twelve months, lower quality stocks have outperformed higher quality stocks by 8.3%.

Buckhead Capital's value equity composite has returned 4.39% in the second quarter, compared with a 5.1% for the Russell 1000 value benchmark. The fiscal year to date return is 18.95 % and the Russell 1000 benchmark is 19.12%. The greatest contribution to the portfolio's performance came from stock selection in the Energy sector. The three main stocks were ConocoPhillips, Halliburton, and Devon. The main detractors were in the Consumer Discretionary sector (American eagle) and Health Care sector (Express Scripts). During the second quarter, we initiated positions in American International Group and increased our position in Now, Inc, which was a spin off from National Oilwell Varco.

One of the biggest investment surprises in 2014 has been the decline in interest rates. One reason for the drop in interest rates may be the slower than expected economic growth. The bond market continued to confound the experts as interest rates continued to move down during the first half of 2014. The 10-year Treasury note yield ended 2013 at a 3.03% level and the expectations were for a continuing increase in rates as the economy continued to improve and the Federal Reserve moved closer to a policy shift towards a removal of monetary accommodation. Instead of increasing, rates moved down with the 10-year Treasury reaching 2.72% at the end of March 2014. The Bond market returns were positive for the quarter and year, with the Barclays Aggregate Index up 2.04%, the Government/Credit Index up 1.92% and the Intermediate Index up 1.27%. The fixed income portfolio was up to 1.13% for the quarter and 2.30% for the fiscal year to date. The current market value of the fixed income with Buckhead Capital is \$14,038,882.00.

Mr. Griffin advised that there were some changes in the fixed income personnel. Mr. Lee inquired if they lost any clients which Mr. Griffin advised that they have lost clients. Mr. Griffin advised that the process is still the same at Buckhead and will continue as they have in the past.

GARCIA HAMILTON & ASSOCIATES:

Mrs. Janna Woods & Mr. Curt Rohrman presented Garcia Hamilton & Associates report to the Board. There were no changes in the investment process.

Mrs. Hamilton introduced Mr. Curt Rohrman to the Board for the first time. Mr. Rohrman is in charge of the equity portfolio for the plan. Mr. Rohrman gave his extensive background to the Board as well as his many achievements in the investment arena. Mr. Rohrman also advised that he has been at GSK for over eight years and that the investment process has not changed. Mr. Rohrman gave a brief overview of the investment process to the Board. There are three main parts to GSK investment philosophy which are (1) growth, (2) quality, and (3) diversification. The growth area we look to invest in companies with above-average sustainable growth and /or accelerating growth and ability to beat earnings expectations over time. The quality area is to buy companies in various quality rankings and other metrics which demonstrate quality which is evaluated very carefully before a stock is added to the portfolio. The final area is diversification which is primarily use our proprietary screening process and bottom-up work to determine relative sector weights and that portfolio constraints exists to ensure sufficient diversification to control risk.

Mrs. Hamilton advised that stocks delivered a strong return for the quarter. The equities viewed sluggish economic activity as increasing the likelihood of extended Federal liquidity. Equity investors sought higher-risk, lower quality stocks during the May/June rally. Turmoil in the Middle East, Africa and Eastern Europe boosted crude process and Energy sectors stocks.

The earnings estimates have been gradually reduced with consensus outlook currently calling for S & P 500 Index earnings growth of 6% in 2014, down from 8% just three months earlier.

Mrs. Hamilton advised that the portfolio holdings continue to deliver solid earnings relative to expectations. Stock selection was a negative factor which reflected investor preference for lower quality stocks. The portfolio remains conservatively positioned with a meaningful overweight in high-quality stocks balanced with exposure to asset management companies to benefit from rising financial markets.

The equity portfolio market value is \$14,227,296.06. The portfolio return for the quarter was 4.2% and the fiscal year to date return was 13.8 %. The three best performing stocks for the quarter were Cinemark holdings, Concho and Apple. The three underperforming stocks in the portfolio were Whole Foods Market, Dunkin brand group and Trimble Navigation.

The fixed income return for the quarter was 2.1% and the benchmark was 2.0%. The fiscal year to date return was 5.6% and the benchmark return was 3.8%. The one year return was 6.3% and the benchmark return was 4.4%. The current market value in the fixed income portfolio is \$19,070,848.60. The portfolio is over weighted in Agencies and Mortgages compared to the benchmark and under weighted in Treasuries and Corporates.

DAHAB & ASSOCIATES:

Mr. David Lee gave the presentation for Dahab & Associates to the Board. The domestic equities posted stronger returns in the second quarter than the first quarter. Mr. Lee advised that he will speak more about the plan since the previous two investment managers covered an overview of the markets.

As of June 30, 2014, the plan was valued at \$121,080,980.00 which was an increase of \$1,874,774 from the March/2014 ending value. During the second quarter, the composite returned 3.2% and over the trailing twelve month period, the portfolio return was 15.2%. The large cap equity assets returned was 4.4% for the quarter. The mid cap equity return for the quarter was 4.4%. The small cap equity return for the quarter was - 0.3%. The International equity return for the quarter was 4.9%. The real estate return for the quarter was 2.6% and the fixed income return was 2.2%.

At the end of the second quarter, large cap equities comprised 35.0% of the total portfolio (\$42.4 million), while mid cap equities totaled 10.1% (\$12.2 million). The account's small cap equity segment was valued at 11.0 million which represented 9.1% of the portfolio. The international equity component was valued at \$11.7 million which represented 9.6% of the portfolio. The real estate segment totaled 6.0% of the portfolio value and the fixed income made up 27.8% (\$33.6 million). The remaining 2.4% was comprised of cash & equivalents (\$2.9 million).

The large cap and small cap did not perform as well as the benchmarks which hurt the overall performance of the plan. The small cap return was -0.3 and its bench mark were 2.0. Mr. Lee advised that TAMRO (small cap manager) can still rebound and perform like they have in the past but we will monitor them closely. TAMRO has a great track record with the plan over time. The Buckhead large cap equity ranked 82 in their rankings which they did not beat their benchmark again.

Mr. Lee asked the Board to discuss the idea of rebalancing the large cap section again by taking funds from the active managers and moving it to the index fund. The amount will be approximately two million from each manager to the index fund. Mr. Lee spoke about possibly moving the Buckhead fixed income to another fixed income manager. Buckhead fixed income has done well the last two quarters but lagged behind the benchmark prior to the last two quarters. Also, Buckhead fixed income portfolio reported losing 38% of its fixed income clients along with the fact that this plan will be Buckhead's largest fixed income client. The Board agreed to cover these two topics at the next meeting and Mr. Lee advised that he would attend.

ATTORNEY REPORT:

Mr. Levinson advised the Board of some of the changes regarding money market accounts. Mr. Levinson spoke about the possible lawsuit against CommVault. Mr. Levinson gave an overview of the case to the Board which was the same facts as in the previous meeting. Mr. Levinson gave a copy of the complaint to Mr. Greg Brilliant, Chairman, to review and execute.

Mr. Levinson advised Mr. Dorn sent him the new contract for the auditor for this year's audit. Mr. Levinson advised that he reviewed and will approve the contract on a legal basis pending several minor changes that GSK agreed to. Mr. Levinson advised that the Board can vote on this with the changes and have the Chairman execute the documents later. The Board agreed to this. Trustee Mackie made a Motion to approve the hiring of GSK and for the Chairman to execute the contract once the contract has been approved by the Board's Attorney. The Motion was seconded by Mr. Davis. The Motion passed 5-0.

Mr. Levinson advised the Board of the 185 distribution to the plan.

Mr. Levinson gave a brief overview of a topic of the 13th check and profit sharing calculations that the Trustees may be hearing about in future conferences.

ACTUARY:

Mr. Dulaney advised that he is still talking with the Town of Davie regarding the assumption rates and other related issues. Mr. Dulaney advised that he sent out the DROP statements for the retirees and gave copies of active member's DROP statements to the Chairman to put in the members work mailboxes.

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Mr. Dulaney advised the following is the Plan's net earnings which are based upon the monitor's information: April/2014 return was -0.02%, May/2014 return was +1.34% and June/2014 return was +1.80%.

Mr. Dulaney advised that the 185 funds are now over the amount in excess of \$43,000. Chairman Brilliant advised that during the last contract agreement this issue becomes a non-factor now.

Mr. Dulaney advised that he finished the Stephen Alston calculation for permissive service credit and submitted this to the Board.

PLAN ADMINISTRATOR:

Mr. Dorn disseminated the monthly expense report for the Board to review. The Board reviewed this report with no inquires.

Mr. Dorn advised that representatives from GSK finished the corrections to the Annual Report last week and submitted them to the State. Mr. Dorn advised that he will keep the Board updated as warranted.

Mr. Dorn advised that four retirees did not receive their COLA increase. There were various reasons due to custodial and actuarial issues, but all members will have the correct COLA increase for the September 1, 2014 payment and retro COLA payments will occur according to the bank by the middle of August/2014.

OPEN DISCUSSION:

No Open Discussion.

ADJOURN:

Mr. Mackie made a Motion to adjourn the meeting. Mr. DiMeglio seconded the Motion. The Motion passed 5-0. The meeting was adjourned at 6:45 p.m.



Greg Brilliant, Chairman