

# TOWN OF DAVIE POLICE PENSION PLAN

## Minutes

February 9, 2016  
4:00 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 February 9, 2016 at 4:06 P.M. at 13790 N.W. 4<sup>th</sup> Street, Suite 105, Sunrise, Florida.

### TRUSTEES PRESENT:

Mr. Greg Brilliant – Chairman; Mr. Larry Davis – Secretary; Mr. Thomas DiMeglio - Trustee, Mr. Ed Taylor– Trustee (arrived 4:36 P.M.)

### ABSENT:

Mr. Jack Mackie - Trustee

### OTHERS PRESENT:

Mr. Adam Levinson- Board Attorney; Mr. Don Dulaney – Board Actuary; Mr. Bob Dorn, Plan Administrator – Precision Pension Administration, Inc.; Mr. David Lee – Dahab & Associates; Mrs. Patty Ostrander – Precision Pension Administration; Ms. Megan Burrows - UBS Trumbull Property Fund; Mr. Richard Cristini and Ms. Jeanine Bittinger - Davidson, Jamieson & Cristini, P.L.; Ms. Janna Hamilton and Mr. Jeffrey Detwiler – Garcia Hamilton & Associates; Ms. Deneen Bingham and Mr. Nathan Snyder - Snow Capital Management;

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 January 12, 2016 meeting. Mr. Dorn asked if there were any changes required to the cited minutes. Several changes were offered which were duly noted. A Motion was made by Mr. DiMeglio to approve the minutes. The Motion was seconded by Mr. Davis. The Motion passed 3-0. (Mr. Taylor was not present for this vote).

### WARRANT 717

This Warrant is to Garcia Hamilton & Associates for the fixed income investment fees from 10-01-15 through 12-31-15. This amount of this Warrant is \$23,370.82. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 3-0. (Mr. Taylor was not present for this vote).

### WARRANT 718

This Warrant is to Mr. Samuel Capota for a refund of pension contributions. This amount of this Warrant is \$30,120.60. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 3-0. (Mr. Taylor was not present for this vote).

**WARRANT 719**

This Warrant is to TAMRO Capital Partners for the investment fees from 10-01-15 through 12-31-15. This amount of this Warrant is \$21,642.78. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 3-0. (Mr. Taylor was not present for this vote).

**WARRANT 720**

This Warrant is to FPPTA for Trustee Larry Davis' re-certification fees for 2016. This amount of this Warrant is \$30.00. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Brilliant. The Motion passed 3-0. (Mr. Taylor was not present for this vote).

**WARRANT 721**

This Warrant is to Mr. Scott Kiso for a DROP disbursement. This amount of this Warrant is \$5,000.00. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 3-0. (Mr. Taylor was not present for this vote).

**WARRANT 722**

This Warrant is to TAMRO Capital Partners for the investment fees for the first quarter of 2016. This amount of this Warrant is \$4,258.73. A Motion was made by Mr. Davis to approve as outlined. The Motion was seconded by Mr. DiMeglio. The Motion passed 3-0. (Mr. Taylor was not present for this vote).

**WARRANT 723**

This Warrant is to Mr. William Coyne for a DROP disbursement. This amount of this Warrant is \$7,000.00. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 3-0. (Mr. Taylor was not present for this vote).

**WARRANT 724**

This Warrant is to State Street Global Advisors for the investment fees from 10-01-15 through 12-31-15. This amount of this Warrant is \$2,175.16. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 3-0. (Mr. Taylor was not present for this vote).

**WARRANT 725**

This Warrant is to National Conference on Public Employees Retirement Systems (NCPERS). This amount of this Warrant is \$250.00. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 3-0. (Mr. Taylor was not present for this vote).

**WARRANT 726**

This Warrant is to Mr. Paul Brugman for his re-occurring monthly benefit payment starting on March 1, 2016. This amount of this Warrant is \$7,305.34. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 3-0. (Mr. Taylor was not present for this vote).

**WARRANT 727**

This Warrant is to Klausner, Kaufman, Jensen & Levinson for legal services rendered through January/2016. This amount of this Warrant is \$1,431.25. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 3-0. (Mr. Taylor was not present for this vote).

**WARRANT 728**

This Warrant is to Trustee Larry Davis for reimbursement of expenses for the January/2016 FPPTA Trustees School. This amount of this Warrant is \$936.05. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Brilliant. The Motion passed 3-0. (Mr. Taylor was not present for this vote).

**WARRANT 729**

This Warrant is to Dulaney & Company for actuarial services rendered through December/2015. This amount of this Warrant is \$4,936.25. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 3-0. (Mr. Taylor was not present for this vote).

**WARRANT 730**

This Warrant is to Trustee Greg Brilliant for reimbursement of expenses at the Intercontinental Conference. This amount of this Warrant is \$116.48. A Motion was made by Mr. DiMeglio to approve as outlined. The Motion was seconded by Mr. Davis. The Motion passed 3-0.

Note: Trustee Ed Taylor arrived at the meeting (4:36 P.M.)

**NEW / UNFINISHED BUSINESS:**

No new or unfinished business

The Board decided to change the Agenda and allow the Auditors to make their presentation first followed by the actuary.

**AUDITOR'S REPORT:**

Mr. Richard Cristini and Ms. Jeanine Bittinger made the auditor's report for Davidson, Jamieson & Cristini, P.L.

They stated that they have audited the financial statements of the Town of Davie Police Pension Plan (Plan), which comprised the statements of fiduciary net position as of September 30, 2015, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements. They advised that their function is to express an opinion on these financial statements based on their audits. The standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. They stated that they believe that the audit evidence they have obtained is sufficient and appropriate to provide a basis for their audit opinion. They advised that in their opinion, the financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

They reviewed for the Board the assets and liabilities for the Plan as of September 30, 2015. The receivables were \$1,701,381.00 and the total investments at fair value were \$119,414,468.00. The prepaid expenses were \$439,916.00. The total assets were \$121,557,833.00. The liabilities were \$101,357.00 for accounts payable and \$209,712.00 for accounts payable for broker-dealers. The total liabilities were \$311,069.00. The Plan's net position restricted for pensions were \$121,246,764.00.

In 2015 the contributions to the Plan was as follows: The Town contributed \$5,797,600.00, the members contributed \$1,128,753, Buy-backs were \$256,789, DROP accounts were \$106,274 and the Chapter 185 state excise tax rebate was \$784,261.00. The total contributions were \$8,073,677.00. There was an investment loss for the year but with interest, dividends, commission rebates and class action lawsuit settlements there was a net investment income of \$844,685.00 for 2015 fiscal year. The deductions were for benefit payments, refund of contributions, DROP accounts and administrative expenses totaled \$7,398,888.00. So the Plan's net increase in net position was \$1,519,474.00 for the 2015 fiscal year.

The Auditors discuss with the Board the descriptions of the Plan for Tier 1 and Tier 2 members. The Auditors spoke about the Governmental Accounting Standards Board (GASB) 67 and the financial reporting for Pension Plans as well as GASB 68. GASB statement 67 applies to pension plans that administer pension benefits for governments. The adoption of these GASB standards has changed the terminology, footnote disclosures, and required supplementary information from previous years.

The Auditors stated that it is important to note that the disclosures related to GASB 67 are accounting measurements, not actuarial measurements of the funded status of the Plan, and are not used to develop employer contribution rates.

The Auditors discussed with the Board the asset classes and the target allocation developed by the Board and the Plan's monitor. These classes are developed through the Plan's investment policies. For the year ended September 30, 2015, the annual money-weighted rate of return on pension plan investments was 0.50 percent.

The Auditors advised that Board that the funds designated for DROP accounts totaled \$4,799,091.00. The Auditors discussed with the Board the assumption changes they made during the 2015 fiscal year. The Auditors stated that the Town of Davie's net pension liability (formally referred to as unfunded liability) is \$28,404,834.00. The Auditors spoke to the Board regarding the exercise they had to add to the report if the discount rate was 1.0% higher and 1.0% lower than the current discount rate of 7.60% and how that would affect the Town of Davie's net pension liability. The Plan's fiduciary net position as a percentage of total pension liability is 81.02%.

Mr. Levinson inquired if the administrative expenses were reasonable as well as the investment expenses? The Auditors advised that the administrative expenses were 0.12% as a percentage of Plan's net position and the investment expenses were 0.39% as a percentage of Plan's net position. The Auditors advised that these percentages are very lower compared to other governmental plans and well within reasonable costs to operate a plan of this size. The Auditors also stated that all of the vendors for the Plan and Town of Davie Financial Department complied with their requests during the audit.

The Board expressed their gratitude and appreciation to the Auditors for a job well done. Mr. Davis made a Motion to accept the Audit Report. The Motion was seconded by Mr. DiMeglio. The Motion passed 4-0. Mr. Dorn advised that he would send copies of the Audit Report to the Town of Davie and the State of Florida Division of Retirement.

**ACTUARY REPORT:**

Mr. Dulaney made the presentation for Dulaney and Associates to the Board.

Mr. Dulaney submitted to the Board the calculations for the buy-back of previous law enforcement experience for Mr. James Liberto. Mr. Dorn advised that he would forward them to Mr. Liberto and assist Mr. Liberto in collecting any necessary documentation from his previous employer.

Mr. Dulaney submitted to the Board the calculations for Mr. Mark Brent for permissive service credit. Mr. Dorn advised the Board that Mr. Brent has paid the full amount of the permissive service credit which totaled \$134,635.71. Mr. Brent will increase his multiplier by 10.62%.

Mr. Dulaney advised that he will be working on the fourth quarter DROP statements along with the Employee Benefit forms.

Mr. Dulaney presented to the Board the Actuarial Valuation of the Town of Davie Police Pension Plan as of October 1, 2015. The Actuarial Valuation Report develops the required minimum retirement plan payment for the fiscal year beginning October 1, 2015 and ending September 30, 2016 under the Florida Protection of Public Employee Retirement Benefits Act and Chapter 185. The minimum payment consists of payment of annual normal costs plus amortization of the unfunded actuarial accrued liability over various periods, and interest as prescribed by law. We anticipated that member pension contributions will be \$1,125,456. The required funding amount for the fiscal year ending September 30, 2016 to be met by the Town of Davie and State of Florida contributions under Chapter 185 is \$6,418,604 or 45.6% of the covered payroll. Under Chapter 185, it states that employer contributions must be made at least quarterly, and these quarterly amounts must be at least \$1,428,297.00. The anticipated State of Florida Chapter 185 contribution is \$705,416. The resulting Town of Davie required contribution is \$5,713,188.00 or 40.6% of covered payroll. If the actual Chapter 185 contributions are below the anticipated amount, the difference must be made up by additional Town of Davie contributions.

Mr. Dulaney explained to the Board what the Plan experienced during the year. The actuarial value of the assets return was 5.6% for the 2014/2015 Plan year, which was below the assumed rate of return of 7.6%. The market value rate of return was 0.5%. Asset return was a major source of actuarial loss. Employee turnover was 48% lower than expected turnover during the last Plan year, and the most recent three and five year averages were 89% and 62% of the expected amounts. Average salary increase was 2.6% as compared to the assumed 5.5%. Employee turnover contributed to the actuarial loss and salary increase contributed to the actuarial gain during the Plan year. Mr. Dulaney advised that the vested benefit security ratio is 91.7% which is one of the highest that he is aware of.

The Board accepted the Actuarial Valuation Report. Mr. Taylor made a Motion to accept the Actuarial Valuation Report as of October 1, 2015 which Mr. Dulaney presented to the Board. The Motion was seconded by Mr. Davis. The Motion passed 4-0. Mr. Dorn advised that he will send copies of the report to the Town of Davie and State of Florida.

**INVESTMENT MANAGERS:**

**UBS TRUMBULL PROPERTY FUND**

Ms. Burrows gave the presentation for UBS Trumbull Property Fund. She advised that there have been no personnel changes at the company. She gave a brief overview of the company. There are 2,500 employees located in 24 countries. Real estate is a prominent business area within the UBS Asset Management and they are a value driven investment philosophy. UBS mission is to provide both superior risk-adjusted investment performance for our clients through private real estate investment strategies and outstanding client service. They have offices in California, Connecticut and Texas. They have a 37-year track record. They have a 9.12% return since inception. Their firm seeks to provide access to high quality core private real estate in major markets with large asset exposure that provide superior risk adjusted returns across real estate cycles. They are income focused with a strategic low leverage approach. They have diversification through propriety inventory model with selective value added to the investment. They have an average of 95% leased on their properties with a value-added 7.2% for the fund. In their commercial leases, they only have 11% of them expiring in 2016 and 11% expiring in 2017.

These assets by property type are as follows: Apartments (31%), Hotel (4%), Industrial (11%), Office (31%), and Retail (23%).

The investment results for the 12 months that ended on 12/31/15 are 13.28%. The previous three year return is 12.41% and the five year return was 12.14%. She gave a current real estate market overview to the Board along with their tactical market selections over the next three years. She advised that California, Texas and Florida exhibit strong fundamentals for real estate investing over the next three years.

Their investment activity for 2015 was a very busy year for the firm. They closed 50 transactions with property values at 2.3 billion. They closed 16 sale transactions worth 864.8 million. They focused on 2015 was stable apartments and industrial development, core retail, the west region of the country and the urban/transit-oriented locations.

They seek to provide at least a 5% real rate of return, before management fees over any given 3 to 5 year period. They believe they have the competitive advantages over other firms because of their consistent strategy execution, experience portfolio and investment teams along with management fees tied to performance.

**SNOW CAPITAL MANAGEMENT:**

Ms. Bingham and Mr. Snyder gave the presentation for Snow Capital Management. Ms. Bingham gave an overview of the markets and their opinions on the U.S. domestic equity markets. Growth stocks outperform value stocks in the last quarter and previous year. In the U.S., strong employment, rising capital spending and increased consumer

spending should support growth in the coming months. Long-term growth may be subdued due to declining corporate profit margins, high debt levels, higher levels of savings, political uncertainty and weaker economies abroad, which will depress exports. The decline in the China market is still affecting the U.S. and the world economy.

Stock selection in the energy, materials and industrials sectors had the largest negative impact on our portfolio results during the quarter. The lack of exposure to the utilities sector and our overweight stance to materials sector had the largest positive impact on the portfolio. The underweight stance to the health care and consumer staples had a negative impact on sector allocation for the portfolio.

The portfolio return for the 4<sup>th</sup> quarter was a -4.87% and the Russell 1000 Value benchmark return was 5.64%. The year to date return was -23.76% and the Russell 1000 Value benchmark was -4.71%.

Mr. Snyder advised that there have been no changes to personnel in the company. They still have the same bottom-up strategy Mr. Snyder explained to the Board the composite characteristics of the portfolio and that they are not going to change their strategy. They will continue with what they believe in and what has worked for them in the past. Mr. Snyder advised that the markets have been more extreme than they expected in several sectors which they have selected stocks from.

**GARCIA HAMILTON & ASSOCIATES:**

Ms. Hamilton and Mr. Detwiler made the presentation for Garcia Hamilton & Associates.

Ms. Hamilton advised that there have been no personnel changes to the company and their investment philosophy has not changed. Stock prices rallied in October and held their gains through the remainder of the quarter. Earnings cuts continued reflecting a slower global economy and a strengthening U.S. dollar. The U.S. Federal Reserve delivered an initial interest rate hike despite most economic data pointing to a slowing economy. The market outlook is somewhat cautious with the U.S. Federal Reserve decisions dictating trends near term. The portfolio remains conservatively positioned with a meaningful overweight in high-quality stocks.

The equity portfolio return for the quarter was 5.7% and the S & P 500 return was 7.0%. The one year return was 1.6% and the S & P 500 return was 1.4%. The portfolio's conservative stance limited performance during the quarter. Low-quality stocks outperformed high-quality stocks, reducing performance for the portfolio. Quantitative easing ended in the U.S. in 2014 and economic activity slowed ever since. There is a chance that the Federal Reserve will change its current direction and provide new quantitative easing should the economy falter further.

Mr. Detwiler spoke about the bond performance for the portfolio. He restated the goals and objectives of their bond portfolio investments. The goal is to outperform the benchmark, net of fees, over a full market cycle using a high quality strategy with less risk, lower volatility and low turnover. By setting realistic expectations and avoiding unnecessary risks. To achieve our goal, we have three core principles which are (1) preserve principal. (2) maintain liquidity, and (3) provide high current income. The three

key tools to this are (1) sector rotation, (2) controlled interest rate anticipation and (3) yield curve positioning.

The bond portfolio return for the quarter was -0.3% and the benchmark return was -0.6%. The one year return was 0.8% and the benchmark return was 0.5%. They have beaten the benchmark in the one, three and five year returns.

The Federal Reserve raised interest rates for the first time in 58 meetings. With the hike in rates, the focus now shifts to the path of future rate hikes and the impact on the economy. Recent economic data shows declines in a continued weak global demand on industrial production and a strong dollar, a trend that could continue given the recent rate hikes and expected future rate increases. With the increase in rates, the performance in the bond market was negative for the quarter for the portfolio and across the entire bond market. Our duration remains longer than the benchmark index and we remain underweighted in corporate bonds versus the index.

#### **MONITOR REPORT:**

Mr. Lee gave the presentation for Dahab & Associates. Mr. Lee gave a brief overview of the market summary. Unemployment fell to 5% and domestic equities made up their 3<sup>rd</sup> quarter losses. Growth stocks outperformed value stocks across all cap sizes. Large cap stocks outperformed mid and small cap stocks. The U.S. dollar strengthened relative to the Euro.

On December 31, 2015, the Plan was valued at \$128,673,343 which represented an increase of \$7,807,586 from the September/15 quarter ending value. The fourth quarter return for the entire portfolio was 2.2%. The Large Cap Equity return was 4.6%. The Mid Cap Equity return was 2.6%. The Small Cap Equity return was -2.5%. The International Equity return was 6.0%. The Real Estate return was 4.4%. The Fixed Income return was -0.3%. The Large Cap Equity and Small Cap Equity returns were below the benchmarks which had a large effect on the portfolio as a whole. The Mid Cap Equity return was equal to the benchmark.

Mr. Lee advised that next week the Board will be interviewing Small Cap investment managers which should assist in future returns. TAMRO has notified the Plan that they will no longer invest funds for the Plan. Mr. Lee advised the Board that they should liquidate the funds that TAMRO has and allow ClearBridge Investments to temporarily invest these funds until a small cap manager is invested. The funds would be held in a separate account at Fiduciary Trust International. The Board discussed this issue and agreed with Mr. Lee's suggesting. Mr. Taylor made a Motion to allow ClearBridge Investments to temporarily invest the funds currently held by TAMRO and to execute any contracts necessary for this investment. The Motion was seconded by Mr. DiMeglio. The previous Mid Cap manager was an index fund and the Plan recently changed the investment managers in this allocation to two active managers.

The Large Cap Equity returns had a negative impact on the portfolio because of Snow Capital Management. For the fourth quarter, Snow Capital Management lost 4.9% which was 10.5% below the benchmark return. Since inception with Snow Capital Management, the firm has returned a -22.5%. The firm has underperformed since inception and they advised that they are not changing their strategy. Mr. Lee advised



that their product will have major swings in returns, both positive and negative because of the current market conditions. Mr. Lee pointed to the Board that they can continue with Snow Capital Management or make a change. The Board discussed this issue in great detail with all Trustees adding their opinions to the discussion. The Board decided that they were not willing to continue investing the Plan's funds with Snow Capital Management and wanted to terminate the contract. Mr. Taylor made a Motion to terminate the investment contract with Snow Capital Management and have the firm liquidate their holdings to cash. Mr. DiMeglio seconded the Motion. The Motion passed 4-0. Mr. Lee gave the Board several options for investing of the funds. The Board decided to allocate two million of the funds to Lyrical Asset Management Large Cap fund and the remaining funds be placed temporary in the R & D account at Fiduciary Trust International. Mr. Taylor made a Motion to allocate two million dollars to the Lyrical Large Cap Value fund and the remaining funds from the liquidation of the Snow Capital Management funds to the R & D account at Fiduciary Trust International. The Motion was seconded by Mr. DiMeglio. The Motion passed 4-0.

**ATTORNEY REPORT:**

Mr. Levinson advised that his firm is still working with the attorneys from the investment firm of Wedge Capital Partners. There are several key issues that have delayed this contract from going forward including the venue issue in the contract is the State of Michigan and the funds are held in a collective trust. Mr. Levinson advised that they are working through the issues and should have some type of resolution for the Board soon.

Mr. Levinson advised that there is some issues at the State regarding pension issues but will defer comment until the Bills proposed move forward.

**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 gave an update to the Board on the "members section" on the Plan's web site which is almost completed.

**OPEN DISCUSSION:**

No issued discussed

**ADJOURN:**

Mr. Davis made a Motion to adjourn the meeting. Mr. Taylor seconded the Motion. Motion passed 4-0. The meeting was adjourned at 8:01 P.M.

  
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Greg Brilliant, Chairman