

TOWN OF DAVIE POLICE PENSION PLAN
Minutes

November 17, 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 at 5:00 P.M. on behalf of the Board by the Plan Administrator, Mr. Bob Dorn on November 17, 2016 at 13790 N.W. 4th Street, Suite 105, Sunrise, Florida.

TRUSTEES PRESENT:

Mr. Greg Brilliant – Chairman; Mr. Larry Davis- Secretary; Mr. Thomas DiMeglio, Mr. Jack Mackie & Mr. Ed Taylor - Trustees.

ABSENT:

None.

OTHERS PRESENT:

Mr. Adam Levinson Board Attorney; Mr. Bob Dorn, Plan Administrator – Precision Pension Administration, Inc.; Mrs. Patty Ostrander – Precision Pension Administration, Inc.; Mr. Don Dulaney, Actuary – Dulaney & Company; Janna Hamilton –Garcia Hamilton & Associates; David Chow & Derek Deutsch- ClearBridge Investments; Richard Wells- Wedge Capital Management; Mr. David Lee & Angela Hall – Dahab & Associates.

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 September 13, 2016 meeting. Mr. Dorn inquired if there were any changes required to the cited minutes. Mr. Brilliant and Mr. Davis offered several changes which were duly noted. A Motion was made by Mr. Davis to approve the minutes. The Motion was seconded by Mr. Taylor. The Motion passed 5-0.

APPROVAL OF WARRANTS

WARRANT 812

This Warrant is to Dulaney & Company for actuarial services rendered for the month of August/2016. The amount of this Warrant is for \$3,392.50. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Taylor seconded the Motion. The Motion passed 5-0.

WARRANT 813:

This Warrant is to LMCG Investments for investment management services rendered for the third quarter of 2016. The amount of this Warrant is for \$11,435.48. A Motion was

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made by Mr. DiMeglio to approve this Warrant. Mr. Taylor seconded the Motion. The Motion passed 5-0.

WARRANT 814:

This Warrant is to all retirement members for their 2017 COLA adjustments which have been calculated by the actuary. These COLA adjustments are pursuant to Ordinance 2001-15 & 2006-03. The Board reviewed the COLA Report prepared by the actuary for each individual member. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Taylor seconded the Motion. The Motion passed 5-0.

WARRANT 815:

This Warrant is to Davidson, Jamieson & Cristini, P.L. for audit services rendered for the 2015-2016 Plan audits. The amount of this Warrant is for \$8,000.00. A Motion was made by Mr. Taylor to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 5-0.

WARRANT 816:

This Warrant is to International Foundation of Employee Benefit Plans for the Plan's 2016 membership fees. The amount of this Warrant is for \$995.00 A Motion was made by Mr. Taylor to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 5-0.

WARRANT 817:

This Warrant is to Mr. DiMeglio for Trustee reimbursement expenses for the FPPTA pension Conference from 9/25/16 to 9/28/16. The amount of this Warrant is for \$845.82 A Motion was made by Mr. Davis to approve this Warrant. Mr. Mackie seconded the Motion. The Motion passed 5-0.

WARRANT 818:

This Warrant is to FPPTA for the Plan's 2016 membership fees. The amount of this Warrant is for \$600.00 A Motion was made by Mr. Taylor to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 5-0.

WARRANT 819:

This Warrant is to National Conference on Public Employee Retirement Systems (NCPERS) for the Plan's 2016 membership fees. The amount of this Warrant is for \$250.00 A Motion was made by Mr. Taylor to approve this Warrant. Mr. Davis seconded the Motion. The Motion passed 5-0.

WARRANT 820

This Warrant is to Lyrical Asset Management for investment management services fees for the fourth quarter of 2016. The amount of this Warrant is for \$15,499.32. A Motion

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was made by Mr. DiMeglio to approve this Warrant. Mr. Mackie seconded the Motion. The Motion passed 5-0.

WARRANT 821

This Warrant is to ClearBridge Investments for investment management services rendered for the third quarter of 2016. The amount of this Warrant is for \$12,134.30. A Motion was made by Mr. Davis to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 5-0.

WARRANT 822

This Warrant is to State Street Global Advisors for management services rendered for the third quarter of 2016. The amount of this Warrant is for \$2,289.06. A Motion was made by Mr. Taylor to approve this Warrant. Mr. Mackie seconded the Motion. The Motion passed 5-0.

WARRANT 823

This Warrant is to FPPTA for the Trustee Brillant's re-certification fees. The amount of this Warrant is for \$30.00 A Motion was made by Mr. Taylor to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 5-0.

WARRANT 824

This Warrant is to FPPTA for the Trustee DiMeglio's re-certification fees. The amount of this Warrant is for \$30.00 A Motion was made by Mr. Taylor to approve this Warrant. Mr. Davis seconded the Motion. The Motion passed 5-0.

WARRANT 825

This Warrant is to FPPTA for the Trustee Taylor's re-certification fees. The amount of this Warrant is for \$30.00 A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Davis seconded the Motion. The Motion passed 5-0.

WARRANT 826

This Warrant is to FPPTA for the Trustee Mackie's re-certification fees. The amount of this Warrant is for \$30.00 A Motion was made by Mr. Taylor to approve this Warrant. Mr. Davis seconded the Motion. The Motion passed 5-0.

WARRANT 827

This Warrant is to FPPTA for the Trustee Davis's re-certification fees. The amount of this Warrant is for \$30.00 A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Mackie seconded the Motion. The Motion passed 5-0.

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WARRANT 828

This Warrant is to Robert Dorn for reimbursement for postage stamps for the Plan. The amount of this Warrant is for \$56.40. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Taylor seconded the Motion. The Motion passed 5-0.

WARRANT 829

This Warrant is to Mr. Mackie for Trustee reimbursement expenses for the FPPTA pension Conference from 9/25/16 to 9/28/16. The amount of this Warrant is for \$864.24. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Taylor seconded the Motion. The Motion passed 5-0.

WARRANT 830

This Warrant is to Garcia Hamilton & Associates for investment management services on the equity account rendered for the third quarter of 2016. The amount of this Warrant is for \$8,447.16. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Taylor seconded the Motion. The Motion passed 5-0.

WARRANT 831

This Warrant is to Dahab & Associates for management services rendered for the third quarter of 2016. The amount of this Warrant is for \$16,655.76. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Taylor seconded the Motion. The Motion passed 5-0.

WARRANT 832

This Warrant is to Klausner, Kaufman, Jensen & Levinson for legal services rendered for October/2016. The amount of this Warrant is for \$862.00. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Taylor seconded the Motion. The Motion passed 5-0.

WARRANT 833

This Warrant is to Garcia Hamilton & Associates for investment management services on the fixed income account rendered for the third quarter of 2016. The amount of this Warrant is for \$24,691.84. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Taylor seconded the Motion. The Motion passed 5-0.

WARRANT 834

This Warrant is to Klausner, Kaufman, Jensen & Levinson for legal services rendered for September/2016. The amount of this Warrant is for \$1,520.00. A Motion was made by Mr. Mackie to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 5-0.

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WARRANT 835

This Warrant is to Mr. Davis for Trustee reimbursement expenses for the FPPTA pension Conference from 3/28/16 to 4/1/16. The amount of this Warrant is for \$266.20. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Taylor seconded the Motion. The Motion passed 5-0.

WARRANT 836

This Warrant is to Dulaney & Company for actuarial services rendered for the month of September/2016. The amount of this Warrant is for \$3,442.50. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Taylor seconded the Motion. The Motion passed 5-0.

WARRANT 837

This Warrant is to Fiduciary Trust Company International for custodial services rendered for the second quarter of 2016. The amount of this Warrant is for \$7,662.81. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Mackie seconded the Motion. The Motion passed 5-0

WARRANT 838

This Warrant is to Fiduciary Trust Company International for custodial services rendered for the second quarter of 2016 on the ClearBridge account. The amount of this Warrant is for \$791.27. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Mackie seconded the Motion. The Motion passed 5-0

WARRANT 839

This Warrant is to Fiduciary Trust Company International for custodial services rendered for the second quarter of 2016 on the Lyrical account. The amount of this Warrant is for \$871.15. A Motion was made by Mr. Taylor to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 5-0

WARRANT 840

This Warrant is to Mr. Brilliant for Trustee reimbursement expenses for the FPPTA Pension Conference. The amount of this Warrant is for \$909.60. A Motion was made by Mr. Davis to approve this Warrant. Mr. Mackie seconded the Motion. The Motion passed 5-0.

WARRANT 841

This Warrant is to Mr. Taylor for Trustee reimbursement expenses for the FPPTA Pension Conference. The amount of this Warrant is for \$857.95. A Motion was made by Mr. Davis to approve this Warrant. Mr. Mackie seconded the Motion. The Motion passed 5-0.

INVESTMENT MANAGER'S REPORTS:

GARCIA HAMILTON & ASSOCIATES:

Janna Hamilton gave the presentation for Garcia Hamilton & Associates to the Board. Ms. Hamilton advised that there were no changes to personnel in the company and no changes to their investment philosophy. Ms. Hamilton gave a brief overview of the market for the third quarter. Stocks finished with decent returns during a low-volatility quarter. Strangely, low quality and small-capitalization stocks led, even while mega –cap technology stocks like Apple, Microsoft & Google posted strong gains. For the quarter, the S & P 500 Index increased 3.9% including dividends. The Russell 1000 Growth Index rose 4.6%. The U.S. Reserve is walking a tight line where they deferred a second interest rate hike. This move by the U.S. Reserve is trying to convince the public that economic improvement is underway. The portfolio has positive gains in the quarter. Our market outlook is somewhat cautious with U.S. Federal Reserve dictating stock market direction in the near term. The portfolio remains conservatively positioned with meaningful overweight in high-quality stocks.

The equity account in the portfolio gained 4.1% in the third quarter which was lower than the Russell 1000 Growth return of 4.6%. The S & P 500 return was 3.9% for the quarter. The year-to-date return was 7.1% and the Russell 1000 Growth return during the same period was 6.0%. The fiscal year to date return was 13.2% and the Russell 1000 Growth during the same period was 13.8%.

Ms. Hamilton advised that since the March/2009 stock market bottom, the risk factors have dictated returns more than individual company fundamentals and balance sheets. Small Cap stocks outperformed Large and Mid-Cap stocks during the third quarter. The portfolio remains significantly overweight in high-quality stocks anticipated to produce superior earnings growth over the course of an economic cycle. This posture seems appropriate in an environment of slowing economic growth, declining profits and rising valuations. Yet, this environment also makes it increasingly difficult to identify new ideas meeting our investment parameters.

Ms. Hamilton gave a brief overview of the Fixed Income portfolio. The total amount under investment for the Fixed Income Portfolio is \$39,506,943.84 at the end of the third quarter. The investment return was 0.2% and the Blended Index return was 0.5%. The year to date return was 5.9% and the Blended Index return during the same period was 5.8%. The fiscal year to date return was 5.6% and the Blended Index return was 5.2%. The three year return was 5.1% and the Blended Index return was 4.0%.

CLEARBRIDGE INVESTMENTS:

Mr. Derek Deutsch (Managing Director-Portfolio Manager) and Mr. David Chow (Director of Institutional Sales Manager) gave the presentation for ClearBridge Investments to the Board.

Mr. Chow gave a brief history of the ClearBridge Investments to the Board. They are a global investment manager dating back more than fifty years. They are headquartered in New York with offices in Baltimore, San Francisco and Wilmington. They operate with

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investment independence from the wholly-owned subsidiary of Legg Mason. They currently have 209 employees. There have been no changes to personnel in the company and no changes to their investment philosophy.

ClearBridge's investment philosophy focuses on quality businesses that (1) differentiated business models, (2) high sustainable returns, (3) strong financial characteristics and (4) seasoned management teams. Mr. Chow reviewed for the Board their investment process on how they select stocks and review the portfolio with their investment team.

Mr. Deutsch gave a review of his experiences and his functions at ClearBridge. Mr. Deutsch reviewed with the Board the portfolio's characteristics while comparing the characteristics of the portfolio with the characteristics of the Russell Mid-Cap Index. The portfolio return for the quarter was 5.6% while the Russell Mid-Cap Index return was 4.5%. The total number of holding in the portfolio is sixty-two at the end of the quarter. The top three stocks in the portfolio for the quarter were (1) mentor Graphics Corporation, (2) Autodesk, Inc, and (3) Aspen Technology. The top three negative contributors for the quarter were (1) Whirlpool Corporation, (2) Signet Jewelers Limited, and (3) Casey's General Stores. The portfolio has increased its investment in Blue Buffalo pet Products, Inc during the quarter. Mr. Chow and Mr. Deutsch thank the Board for the opportunity to invest the Plan's funds and will continue to keep the Board notified of any changes in their company and the portfolio investments.

WEDGE CAPITAL MANAGEMENT:

Mr. Richard Wells (Executive Vice-President) gave the presentation for Wedge Capital Management to the Board. Mr. Wells advised that there have been no changes to personnel in the company and no changes to their investment philosophy.

Mr. Wells gave an overview of Wedge Capital Management. Wedge currently has twelve billion under investment. Their Mid-Cap investment portfolio has three billion under investment. They were founded in 1984. They have eight general partners. Their investment teams consist of six client portfolio managers, twenty research and quantitative analysts, and three trading professionals. The investment team experience averages to eighteen years.

Mr. Wells advised that the portfolio return was 4.86% and the Russell Mid-Cap Value Index return was 4.45%. The portfolio initial start date with Wedge Capital Management was March 16, 2016. The portfolio has been under a year with Wedge. The quarter-to-date positive actions by Wedge were the investment in consumer durables stock selection and overweigh in Dana Inc and Delphi Automotive. Also, technology stock selection in Marvell Tech and Convergys were positive actions along with the underweight in Utilities stocks. The negative contributions to the portfolio during the quarter were (1) energy stock selection of EQT Corp & Murphy Oil, (2) Healthcare stock selection in Universal Health Services and MEDNAX and (3) Consumer Services stock selection in Wyndham Worldwide Corp.

MONITOR REPORT:

Mr. David Lee and Angela Hall gave the presentation for Dahab & Associates to the Board.

The Plan's total assets at the end of the third quarter of 2016 were worth \$133,115,247.00. This amount was an increase of over \$3,844,955.00 since the end of the second quarter of 2016. The total composite portfolio gained 3.6% for the quarter. The portfolio's return for the trailing twelve months was 9.1%. Mr. Lee explained the following asset allocation to the Board:

<u>TYPE OF ASSET</u>	<u>PERCENTAGE OF PORTFOLIO</u>	<u>TOTAL AMOUNT</u>
Large Cap Equity	27.2%	\$36,200,661
Mid Cap Equity	10.8%	\$14,399,634
Small Cap Equity	9.3%	\$12,340,449
International Equity	8.6%	\$11,431,132
Real Estate	12.5%	\$16,679,186
Fixed Income	29.2%	\$38,891,257
Cash	2.4%	\$ 3,172,928

Mr. Lee advised that the Plan is slightly overweight in the Real Estate at this time, but his recommendation to the Board is the keep this investment at this level at this time. The Board agreed to this.

Mr. Lee spoke about each investment manager return for the quarter and fiscal year to date. The following is the investment manager performance summary:

<u>INVESTMENT MANAGER</u>	<u>QUARTER RETURN</u>	<u>FISCAL YEAR RETURN</u>
Vanguard 500 -LC	3.9%	15.5%
Garcia Hamilton -LC Equity	3.8%	12.4%
Lyrical-LC	6.9%	11.6%
ClearBridge --MC Equity	5.6%	-----
Wedge --MC Equity	4.8%	-----
PNC – SC Equity	6.9%	-----
LMCG- SC Equity	6.3%	-----
Johnston International	9.9%	14.7%
SSgA Index	6.5%	6.9%
American Realty	1.8%	9.0%
Intercontinental	3.9%	13.3%
UBS	1.7%	8.8%
Garcia Hamilton Fixed Income	0.2%	5.6%

Mr. Lee advised that the International equity is currently with an active manager (Johnston) and with an index manager (SSgA). Mr. Lee advised that the active manager has outperformed the index over the last five years. Mr. Lee recommended to the Board that the Plan should terminate SSgA and put all of their international equity funds with

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Johnston. The Board discussed this issue and agreed with Mr. Lee. Mr. DiMeglio made a Motion to terminate the investment contract with SSgA and to transfer all of SSgA's investment funds to Johnston. The Motion was seconded by Mr. Taylor. The Motion passed 5-0. Mr. Dorn advised that he would notify the aforementioned investment managers of the termination and fund transfers.

Mr. Lee advised the Board that the Town of Davie has pre-paid their contributions to the Plan and they have an excess of cash in the R & D account. Mr. Lee made the following recommendations to the Board: (1) transfer three million to the Vanguard Large Cap Index Fund, (2) Transfer one million to LMCG Small Cap Fund and (3) transfer one million to PNC Small Cap Fund. The Board discussed each of these issues and then agreed to the recommendations made by Mr. Lee. Mr. DiMeglio made a Motion to increase the Plan's investment in the Vanguard Large Cap Index Fund by three million dollars and to transfer these funds from the R & D account held at Fiduciary Trust. Mr. Taylor Seconded the Motion. The Motion passed 5-0. Mr. Taylor made a Motion to increase the Plan's investment in the LMCG Small Cap Fund account by one million dollars and to transfer the funds from the R & D account held by Fiduciary Trust. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0. Mr. Taylor made a Motion to increase the Plan's investment in the PNC Small Cap Fund account by one million dollars and to transfer the funds from the R & D account held by Fiduciary Trust. The Motion was seconded by Mr. DiMeglio. The Motion passed 5-0. Mr. Dorn advised that he would work with the investment managers and Fiduciary Trust to transfer the aforementioned funds.

ATTORNEY REPORT:

Mr. Levinson advised some potential amendments to the heart bill, public safety and homestead exception that are being discussed and he will keep the Board updated on these issues.

Mr. Levinson advised that the Division of Retirement will have a new process for submitting the Annual Report. The new process will mandate that the report be submitted via the internet. Mr. Dorn advised that the auditors are aware of this and they will be submitting the annual report via the internet to the Division of Retirement once the Board approves the report.

Mr. Levinson advised that he spoke with the Finance Director about the same information he presented to the members a few months ago regarding the front loading of the DROP with vacation and sick time. He advised that there has been no decision at this time regarding these issues with the Town and Union that he has been made aware of.

ACTUARY REPORT:

Mr. Don Dulaney advised that he sent a calculation to the Finance Director (Mr. William Ackerman) which gave the Town of Davie an estimate of the Town's 2017 payroll contributions to the Plan. The estimated amount was \$6,472,000.00. This estimated amount was based upon the assumption that (1) there was no actuarial gain or loss for the period ending 09/30/2016, (2) 43.4% of covered payroll as the Town's funding

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funding requirement (which estimated the effect of the new mortality table mandated for the October 1, 2016 valuation report) and (3) 6.0% growth in covered payroll from 10/01/2015 to 10/01/2016.

PLAN ADMINISTRATOR REPORT:

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 they are working with the Auditors.

OPEN DISCUSSION:

Mr. Brilliant inquired from the Board if they would approve his attending the International Foundation of Employee Benefit Plans pension conference in February /2017. Mr. Brilliant advised that this pension conference is usually out of state. The Board discussed this and approved for Mr. Brilliant to attend along with any other Trustee who would like to attend.

ADJOURN:

Mr. Mackie made a Motion to adjourn the meeting. Mr. DiMeglio seconded the Motion. Motion passed 5-0. The meeting was adjourned at 7:43 P.M.



Greg Brilliant, Chairman