

# TOWN OF DAVIE POLICE PENSION PLAN

## Minutes

November 14, 2017  
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 November 04, 2017 at 4:02 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, Mr. Jack Mackie & Mr. Ed Taylor – Trustees.

### **ABSENT:**

None

### **OTHERS PRESENT:**

Mr. Adam Levinson Board Attorney (arrived at 04:25 P.M.); Mr. Don Dulaney – Board Actuary (arrived at 4:20 P.M.); Mr. Bob Dorn, Plan Administrator – Precision Pension Administration, Inc.; Patty Ostrander – Precision Pension Administration, Inc.; Mr. Daniel Perez (arrived at 4:20 P.M.) and Mr. Paul Ortenzo; Mr. Richard Keenen & Mr. James Pontone – Hardman Johnston; Mr. David Chow & Mr. Brian Angerame – ClearBridge Investments and Mr. Caldwell Calame – Wedge Capital Investments;

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:**

The following Warrants were reviewed and approved by the Board:

### **MINUTES:**

The Board reviewed the August 08, 2017 minutes. Mr. Brilliant suggested some changes which the Board agreed upon. Mr. DiMeglio made a Motion to approve the August 2017 minutes. Mr. Taylor seconded the Motion. Motion passed 5-0.

The Board reviewed the October 03, 2017 minutes. Mr. Davis suggested some changes which the Board agreed upon. Mr. Davis made a Motion to approve the October 2017 minutes. Mr. Taylor seconded the Motion. Motion passed 5-0.

### **WARRANT 962**

This Warrant is to Davidson, Jamieson & Cristini, P.L. for Audit of Financial statements for the year ended 09-30-17. The amount of this Warrant is for \$9,000.00. A Motion was made by Mr. Davis to approve this Warrant. Mr. Taylor seconded the Motion. The Motion passed 5-0.

### **WARRANT 963**

This Warrant is to the International Foundation of Employee Benefit Plan for the 2018 annual membership fee. The amount of this Warrant is for \$1,025.00. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Taylor seconded the Motion. The Motion passed 5-0.

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**WARRANT 964**

This Warrant is to LMCG Investments, LLC for investment fees for the third quarter. The amount of this Warrant is for \$14,966.58. A Motion was made by Mr. Taylor to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 5-0.

**WARRANT 965**

This Warrant is to Lyrical Asset Management for investment fees for the fourth quarter. The amount of this Warrant is for \$19,001.60. A Motion was made by Mr. Taylor to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 5-0.

**WARRANT 966**

This Warrant is to PNC Capital Advisors for investment fees for the third quarter. The amount of this Warrant is for \$18,249.11. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Mackie seconded the Motion. The Motion passed 5-0.

**WARRANT 967**

This Warrant is to Robert Dorn for reimbursement for postage. The amount of this Warrant is for \$49.00. A Motion was made by Mr. Taylor to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 5-0.

**WARRANT 968**

This Warrant is to Patty Ostrander for reimbursement for office supplies. The amount of this warrant is for \$10.81. A Motion was made by Mr. Davis to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 5-0.

**WARRANT 969**

This Warrant is to FPPTA for 2018 annual membership fees. The amount of this warrant is \$600.00. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Taylor seconded the Motion. The Motion passed 5-0

**WARRANT 970**

This Warrant is to ClearBridge Investment LLC. (LCG Fund) for investment fees for the third quarter. The amount of this warrant is \$10,073.91. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Taylor seconded the Motion. The Motion passed 5-0

**WARRANT 971**

This Warrant is to ClearBridge Investment LLC. (MC Fund) for investment fees for the third quarter. The amount of this warrant is \$14,248.40. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Taylor seconded the Motion. The Motion passed 5-0

**WARRANT 972**

This Warrant is to Paul Ortenzo for reimbursement for the FPPTA conference. The amount of this warrant is \$846.39. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Taylor seconded the Motion. The Motion passed 5-0

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**WARRANT 973**

This Warrant is to the Garcia Hamilton Fixed Income for investment fees or the third quarter. The amount of this warrant is \$24,116.98. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Mackie seconded the Motion. The Motion passed 5-0.

**WARRANT 974**

This Warrant is to Robert Dorn for reimbursement for postage. The amount of this Warrant is for \$119.25. A Motion was made by Mr. Taylor to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 5-0.

**WARRANT 975**

This Warrant is to Daniel Perez for reimbursement for the FPPTA Conference. The amount of this warrant is \$919.45. A Motion was made by Mr. Taylor to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 5-0.

**WARRANT 976**

This Warrant is to Robert Dorn for reimbursement for the Public Pension Coordinating Council Award. The amount of this Warrant is for \$100.00. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Davis seconded the Motion. The Motion passed 5-0.

**WARRANT 977**

This Warrant is to Klausner, Kaufman Jensen & Levinson for reimbursement for legal services through October 31, 2017. The amount of this warrant is \$2,669.50. A Motion was made by Mr. Taylor to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 5-0.

**WARRANT 978**

This Warrant is to Thomas DiMeglio for reimbursement for the FPPTA Conference. The amount of this warrant is \$648.10. A Motion was made by Mr. Taylor to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 5-0.

**WARRANT 979**

This Warrant is to Robert Dorn for reimbursement for postage. The amount of this warrant is \$13.30. A Motion was made by Mr. Taylor to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 5-0.

**WARRANT 980**

This Warrant is to Robert Dorn for reimbursement for postage. The amount of this warrant is \$9.87. A Motion was made by Mr. Taylor to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 5-0.

**WARRANT 981**

This Warrant is to Dulaney & Company for actuarial services through August 2017. The amount of this warrant is \$3,913.75. A Motion was made by Mr. Taylor to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 5-0.

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**WARRANT 982**

This Warrant is to Dulaney & Company for actuarial services through September 2017. The amount of this warrant is \$1,873.75. A Motion was made by Mr. DiMeglio to approve this Warrant. Mr. Taylor seconded the Motion. The Motion passed 5-0.

**WARRANT 983**

This Warrant is to Jack Mackie for reimbursement for the FPPTA Conference. The amount of this warrant is \$1,045.73. A Motion was made by Mr. Taylor to approve this Warrant. Mr. Davis seconded the Motion. The Motion passed 5-0.

**WARRANT 984**

This Warrant is to Greg Brilliant for reimbursement for the FPPTA Conference. The amount of this warrant is \$882.06. A Motion was made by Mr. Taylor to approve this Warrant. Mr. DiMeglio seconded the Motion. The Motion passed 5-0.

**NEW / UNFINISHED BUSINESS:**

No New or Unfinished Business

**INVESTMENT MANAGEMENT REPORTS**

**CLEARBRIDGE Mid CAP INVESTMENT MANAGER REPORT**

Mr. Brian Angerame made the presentation to the Board for ClearBridge Investments on the Mid Cap fund.

Mr. Angerame advised that there have been no changes to personnel or the strategy used in the ClearBridge Investments' Mid Cap portfolio management team. Mr. Angerame reviewed the investment process and their sell discipline process to the Board. The following are the returns:

	<u>Quarter</u>	<u>Year-To-Date</u>	<u>1-Year</u>	<u>Since Inception</u>
Mid Cap Return:	2.06%	10.29	20.64	18.87
Benchmark Return:	3.67	13.60	21.09	22.01

The underperformance was due to sector weighting in consumer discretionary, consumer staples and financials. The portfolio had more invested in these sectors than the benchmark and those stocks in these sectors underperformed.

**CLEARBRIDGE LARGE CAP INVESTMENT MANAGER REPORT**

Mr. David Chow made the presentation to the Board for the Clearbridge Investments Large Cap Growth Fund.

Mr. Chow advised that no changes to personnel or strategy used in the ClearBridge Investments Large Cap Growth portfolio management team. The following are the returns:

	<u>Quarter</u>	<u>Since-Inception (4/10/2017)</u>
Large Cap Growth:	5.31%	12.71%
Benchmark:	7.15%	15.49%

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The underperformance was due to underweight in the Information Technology sector and overweight in the Energy sector. Mr. Chow spoke that they are in position to capture the upside but they have strong downside protection in the portfolio.

**WEDGE CAPITAL INVESTMENT MANAGER REPORT**

Mr. Caldwell Calame made the presentation for Wedge Capital Management to the Board.

Mr. Calame advised that Wedge Capital has been investing for the Pension Plan for the last 18 months. Mr. Calame gave a brief overview of the management at Wedge Capital and that there have been no personnel or strategy changes to the portfolio management team. Mr. Calame advised that on March 21, 2016 the pension Plan invested \$3,250,000 with Wedge Capital and the account balance as of October 31, 2017 is \$8,452,062.83 (this includes additional investments added and investment returns).The following are the returns:

	<u>Quarter</u>	<u>Year-To-Date</u>	<u>One Year</u>
Mid Cap Value:	3.36%	14.53%	21.98%
Benchmark:	1.62%	8.30%	17.12%

Mr. Calame explained to the Board that the investments returns were due largely to performance in overweighting in sectors that outperformed the benchmarks and underweight in sectors that underperformed compared to the benchmark.

**HARDMANJOHNSTON INVESTMENT MANAGER REPORT**

Mr. James Pontone and Richard Keenan made the presentation to the Board for HardmanJohnston Global Advisors.

Mr. Pontone explained to the Board the reason for the name change in that Sandra Hardman has taken over majority shareholder for the firm and this has been a planned event as Mr. Johnson has been giving more and more control over to Sandra and the rest of the management team. The firm is still 100% owned by its employees with 8 executives owning a majority of the firm.

Mr. Pontone advised that no changes in the investment strategy used by the firm which still maintains its philosophy that they are an independent, global equity boutique investing in high quality growth companies at value prices. They strongly believe that earnings growth drives stock performance over time and short term inefficiencies in the market that create attractive entry points for investing.

Mr. Pontone advised that they have been investing funds for the Pension Plan since March 1, 2010. The current market value of the portfolio for the Pension Plan is \$14,375,875. The following are the returns:

	<u>Quarter</u>	<u>Year-To-Date</u>	<u>3-Year</u>	<u>5-Year</u>	<u>Since Inception</u>
International Equity:	7.93%	31.10%	9.92%	11.02%	8.47%
Benchmark:	5.5%	19.96%	5.03%	8.37%	6.75%

Mr. Pontone advised that this has been a great year for the returns. Mr. Pontone advised some of the best performing individual stocks were Alibaba Group Holding, Tencent

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Holding, Ltd, Kering S.A., ASML Holding N.V.. Mr. Pontone advised that they were overweight in the following two sectors Information Technology and consumer discretionary and underweight in financials and material. Mr. Pontone advised that 76% of the returns generated were due to stock selection.

### MONITOR REPORT

Mr. David Lee made the presentation for Dahab & Associates to the Board.

Mr. Lee advised that gross domestic product (GDP) expanded 3% rate in the third quarter. Unemployment rate continued to decrease to 4.2%. The dollar continues to weaken against the Euro. Growth stocks were again ahead of value stocks. Small Cap Stocks had the strongest returns for the quarter.

The Fund started the quarter with a market value of \$147,945,927 and ended the quarter with a market value of \$152,641,080.

<b>NAME</b>	<b>Quarter</b>	<b>FYTD</b>	<b>1-Year</b>	<b>3-Years</b>
Total Portfolio	3.4%	12.5%	12.5%	7.4%
Benchmark	3.2%	11.4%	11.4%	7.7%
Vanguard	4.5%	18.6%	18.6%	10.9%
Benchmark	4.5%	18.6%	18.6%	10.9%
Lyrical LCV	4.6%	23.5%	23.5%	--
Benchmark	3.1%	15.1%	15.1%	8.5%
ClearBridgeLCG	5.5%	---%	---%	--
Benchmark	5.9%	21.9%	21.9%	12.7%
Wedge Cap	2.7%	18.0%	18.0%	--
Benchmark	2.1%	13.4%	13.4%	9.2%
PNC	6.9%	14.8%	14.8%	--
Benchmark	5.7%	20.7%	20.7%	12.2
LMCG	3.0%	15.2%	15.2%	--
Benchmark	6.2%	20.9%	20.9%	12.2
HardmanJohnston	7.9%	24.5%	24.5%	9.8%
Benchmark	5.5%	19.7%	19.7%	5.5%
American Reality	1.9%	7.5%	7.5%	10.2%
Intercontinental	2.5%	11.8%	11.8%	13.0%
UBS	1.5%	5.4%	5.4%	9.0%
Benchmark	1.9%	7.6%	7.6%	10.8%
Garcia Fixed Income	0.5%	0.4%	0.4%	3.2%
Benchmark	0.8%	0.1%	0.1%	2.7%

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Mr. Lee advised that the Pension Plan had an overall good year. Mr. Lee advised that he would suggest to the Board to do a little more rebalancing in the Pension Plan to meet our investment allocation target goals. Mr. Lee advised that he would suggest to move four million (\$4,000,000) to HardmanJohnston and also two million (\$2,000,000) to ClearBridge Investment Large Cap Growth Fund. Mr. Lee advised that there is currently a little over seven million (\$7,000,000) in the R & D account from the recent deposits from the Town and members purchasing time. The Board discussed these issues and agreed. Trustee Davis made Motion to transfer four million (\$4,000,000) from the Fiduciary Trust R & D account to the HardmanJohnston investment account for the Plan. The Motion was seconded by Trustee DiMeglio. The Motion passed 5-0. Trustee Davis made a Motion to transfer two million (\$2,000,000) from Fiduciary Trust R & D account to ClearBridge Investments Large Cap Growth Account. Mr. Dorn advised the Board that he would make the necessary arrangements to make the two transfers.

Mr. Lee advised that in the near future, he will be suggesting a small change in lowering the total amount of funds invested from the passive large cap account (Vanguard 500) and transferring these funds to the more active large cap managers (Lyrical & ClearBridge LC).

**ACTUARY REPORT:**

Mr. Don Dulaney made the presentation to the Board for Dulaney & Company.

Mr. Dulaney reviewed with the Board the impact statement he did regarding Town Ordinance 2017-028 on 10/26/2017. The transfer of accumulated leave to frontload a DROP account or a Terminal Leave Account will have no actuarial impact on this proposed change. The Self-Directed DROP Option where members will be using other investment vehicles instead of the Pension Plan's returns will have no actuarial impact on this proposed change. The contributions by the Town for these proposed changes in Town Ordinance 2017-028 would be an actuarial impact for a reduction in the Town's annual funding costs.

Mr. Dulaney informed the Board that he is working with the auditors on the DROP roll-forward report that is required by the State of Florida. Mr. Dulaney advised that the DROP Statements for the past quarter were sent out to the active and retired members.

Mr. Dulaney spoke to the Board briefly about reducing the funding assumption rate. Possible suggesting was reducing it by increments of .10% each year until the funding assumption rate is at 7% or below or doing another one time reduction of .25% since the Plan will have a gain this year. The Board discussed the issue but decided for Mr. Dulaney to do an impact statement on the cost of either reducing the funding assumption rate by .10% or .25%. Mr. Dulaney advised that he will have this report prepared for the next meeting.

**ATTORNEY REPORT:**

Mr. Adam Levinson made the presentation to the Board for the law firm of Klausner, Kaufman, Jensen & Levinson.

Mr. Levinson reviewed Town Ordinance 2017-028 with the Board. This Ordinance establishes a Share Plan which meets the minimum standards of Fla. Stat. 185.35(6)

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which is a separate defined contribution plan administrated by the Board of Trustees. The Town and the Union have agreed not to fund this new share plan at this time. The Ordinance outlines the administrative mandates to the Share Plan and that no additional cost will incur by the Town of Davie or no actuarial impact on the Police Pension Plan for this Share Plan. The next part of the Ordinance is on rollover of sick and vacation time to either the DROP program or a non-interest Terminal Leave Account. The last part of the Ordinance is whether a member who enters the DROP Program can either (1) have their DROP funds invested in the same manner as the Pension Plan's investment portfolio or (2) the funds be self-directed by the DROP participants using mutual funds and related investment vehicles offered under the Self-Directed Investment DROP Program. Mr. Levinson advised that the Board will have to select a third-party investment firm that offers various investment selection options. The Board spoke to Mr. David Lee who advised that he would do a RFP and bring back 2-3 firms to be interviewed by the Board so they can make this selection. Mr. Levinson advised that the Town Ordinance is very specific about there being no cost to the Town or the Pension Plan for the Self-Directed DROP Investment Program and the member is responsible for all costs.

Mr. Levinson gave a brief overview of the Headley v. City of Miami case involving the financial urgency statute and how the City of Miami reduced its employee's pension benefits without first using other means for their financial situation. The City of Miami lost its case in the court system and then the case went to PERC (Florida Public Employees Relations Commission). PERC ruled that the City of Miami conducted unfair labor practice and had to go back in time to restore the member's pension benefits at the time they enacted their financial urgency reductions. The Union and City are negotiating the costs to restore and implement the mandated changes to back to its original benefits.

Mr. Levinson advised that Florida Retirement System (FRS) decided to reduce its funding assumption rate from 7.6% to 7.5%. This will be the fourth year in a row that FRS has lowered the funding assumption rate which was 7.75% in 2013. The next FRS experience study on mortality tables will be released after 6/30/2018.

Mr. Levinson submitted to the Board a proposed new contract for his firm's hourly rate. It has been approximately 8 years since the law firm has requested an hourly rate increase. The increase would start on January 1, 2018. The Board reviewed the contract and discussed the issue. Trustee Davis made a Motion to approve the contract submitted by the law firm of Klausner, Kaufman, Jensen & Levinson to increase the hourly rate of \$300 to \$350 per hour. The Motion was seconded by Trustee Taylor. The Motion passed 5-0.

Mr. Levinson spoke briefly on a house bill that may cause Florida pension plans to pay tax on specific types of investments but this has not yet been finalized and he will have more information on this topic at the next meeting. Mr. Levinson advised that the In-Line of Duty Death Benefits memo will be presented at the next meeting along with the new proposed Administrative Policy on members purchasing permissive service credit and buy-backs.



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**PLAN ADMINISTRATOR:**

Mr. Dorn advised that Mr. Arturo Stabile passed away recently and his pension benefit will be given to his wife at the benefit selection he made for her. Mr. Dorn advised that flowers were sent to his funeral on behalf of the Board and its members.

Mr. Dorn advised that he has been working with the Auditors this week (November 13-17) as they are doing their on-site audit and also going to the Town's Payroll Department.

Mr. Dorn advised that Board's request to have payroll data sent to the Plan Administrator is on hold by the Town's Payroll Department because of the Town's audit and other projects they are currently conducting. Mr. Dorn advised that he will keep the Board informed of this issue.

Mr. Dorn advised that Mr. Albury will be entering the DROP on 12/1/2017 and he has submitted all the necessary documents to the Plan. Mr. Dorn advised that Mr. Gilstrap will be entering the DROP on 2/1/2018 and he has submitted all necessary forms to the Plan.

Mr. Dorn advised that Mr. Engle completed a purchase of permissive service credit. Mr. Dorn advised that Mr. Lysford completed a purchase of permissive service credit.

Mr. Dorn advised that the Records Management Department has requested their yearly inquiry to all public entities of any records disposed of and if so, how many cubic feet. Mr. Dorn advised that no records were disposed of during the year. Chairman Brilliant signed the necessary form for this agency.

Mr. Dorn submitted to the Board two forms which are from Fiduciary Trust stating that Mr. Dorn is the Plan Administrator. These forms are part of their annual review of each of their pension plans and for their security measures. Mr. Levinson reviewed the forms and approved the forms for the Board's signatures. All of the Board members signed the forms. Mr. Dorn advised that he will send the forms to Fiduciary Trust.

Mr. Dorn advised that he submitted an application to the Public Pension Coordinating Council for its review on the Plan's Administration and Funding. Mr. Dorn advised that he is pleased to announce that the Town of Davie Police Pension Plan is recipients of the Public Pension Coordinating Council (PPCC) Award. PPCC is a coalition of three national associations that represent public retirement systems and administrators; NASRA, the National Council on Teacher Retirement (NCTR) and National Conference on Public Employee Retirement Systems (NCPERS). Together, these associations represent more than 500 of the largest pension plans in the United States serving most of the nation's 16 million employees of state and local government.

The PPCC established the Public Pension Standards to reflect required expectations for public retirement system management, administration, and funding. The Standards service as a benchmark by which to measure public defined benefit plans. All public retirement systems and the state and local governments that sponsor them are encouraged to meet the standards. Recognition Award for Funding & Recognition Award for Administration was received. Mr. Levinson suggested to the Board that they direct

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Mr. Dorn to do a cover letter with a copy of the award and send it to the Town Manager since he believes that this is the only plan in the Town of Davie that received this award. The Board agreed to this.

**OPEN DISCUSSION:**

The Board discussed whether to have the December/2017 meeting. The Board agreed to cancel the December/2017 meeting.

**ADJOURN:**

Trustee Mackie made a Motion to adjourn the meeting. Trustee Taylor seconded the Motion. Motion passed 5-0. The meeting was adjourned at 7:24 P.M.



Greg Brilliant, Chairman

**FOR THE BOARD**