

**TOWN OF DAVIE POLICE PENSION PLAN
MEETING MINUTES
February 11, 2020
4:00 P.M.**

The regular meeting of the Town of Davie Police Pension Plan Board of Trustees was called to order on behalf of the Board by Mr. Greg Brilliant – **Precision Pension Administration** - on February 11, 2020 at 4:01 P.M. at 13790 N.W. 4th Street, Suite 105, Sunrise, Florida.

TRUSTEES PRESENT:

Mr. Paul Ortenzo – Chairman; Mr. Larry Davis – Board Secretary; Mr. Jack Mackie, Mr. Ed Taylor, and Mr. Danny Perez – Board Trustees.

ABSENT and/or EXCUSED:

None

OTHERS PRESENT:

Mrs. Patty Ostrander - Administrative Assistant; Mr. Stu Kaufman – Klausner, Kaufman, Jensen, & Levinson; Mr. Don Dulaney - Dulaney & Company; Mr. David Lee – Dahab; Ms. Janna Hamilton – Garcia Hamilton; Ms. Jeanine Bittinger & Mr. Richard Cristini – Saltmarsh, Cleaveland & Gund (left at 4:40 P.M.); Mr. Richard Keenan – Hardman Johnston; Mr. Gary Faccenda & Mr. Andrew Wellington – Lyrical Asset Management; Mr. Caldwell Calame & Mr. Michael Ritzer – Wedge Capital; and Mr. Bill Ackerman – Finance Director for Town of Davie (left at 5:20 P.M.)

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

NEW/UNFINISHED BUSINESS:

None

PUBLIC DISCUSSION:

None

CONSENT AGENDA:

None

APPROVAL OF THE MINUTES:

The Board reviewed the January 14, 2020 Town of Davie Police Pension Plan meeting minutes. Mr. Taylor made a Motion to approve the minutes, which was seconded by Mr. Mackie. The Motion Passed 5-0.

WARRANTS APPROVED BY BOARD:

After review and consideration of warrants 1347 through 1359, a motion to approve was made by Mr. Davis, seconded by Mr. Ortenzo. The Motion Passed 5-0.

WARRANT #1347:

Payment of \$22,798.63 made to Garcia Hamilton for quarterly management fees.

WARRANT #1348:

Payment (estimated monthly benefit) of \$8,095.91 for disability pension to Keith Rubin. This will be adjusted after FACC by Dulaney & Co.

WARRANT #1349:

Payment of \$10,400.00 made to Saltmarsh, Clevealand & Gund for audit progress billing.

WARRANT #1350:

Payment of \$17,096.50 made to Clearbridge Mid Cap for quarterly management fees.

WARRANT #1351:

Payment of \$25,659.44 made to Clearbridge Large Cap for quarterly management fees.

WARRANT #1352:

Payment of \$8,822.50 made to Dulaney & Co. for services through December 2019

WARRANT #1353:

Payment of \$910.69 made to American Express for expenses through 12/31/19.

WARRANT #1354:

Payment of \$3,265.00 made to KKJ&L for legal services through January 2020.

WARRANT #1355:

Payment of \$346,128.29 made to Lance Seltzer for a DROP transfer to VOYA.

WARRANT #1356:

Payment of \$926.17 made to Daniel Perez for trustee reimbursement related to attendance at FPPTA winter trustee school.

WARRANT #1357:

Payment of \$11,852.47 made to Wellington Trust Company for quarterly management fees.

WARRANT #1358:

Payment of \$997.59 made to Jack Mackie for trustee reimbursement related to attendance at FPPTA winter trustee school.

WARRANT #1359:

Payment of 1,198.85 made to Edward Taylor for trustee reimbursement related to attendance at FPPTA winter trustee school.

SALTMARSH, CLEVELAND, & GUND:

Reporting on behalf of the audit firm of Saltmarsh, Cleaveland, and Gund was Mr. Richard Cristini and Ms. Jeanine Bittinger. Mr. Cristini presented to the Board of Trustees the Town of Davie Police Pension Plan Independent Auditor's Report & Financial Statements September 30, 2019 and 2018. The opinion stated, "In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Town of Davie Police Pension Plan as of September 30, 2019, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America." Mr. Cristini concluded by advising the Board that the audit established the Plan Fiduciary Net Position as a percentage of total pension liability to be 83.31%, as noted on page 32 of the financial statements. A motion was made to accept the Audit by Mr. Davis and seconded by Mr. Taylor. The Motion passed 5/0.

ACTUARY REPORT – DULANEY & CO:

Reporting on behalf of Dulaney & Company was Mr. Don Dulaney. Mr. Dulaney provided the Board with copies of the Actuarial Valuation of the Town of Davie Police Pension Plan as of October 01, 2019. This actuarial valuation develops the required minimum retirement plan payment for the fiscal year beginning October 1, 2019 and ending September 30, 2020 under the Florida Protection of Public Employee Retirement Benefits Act and Chapter 185. The minimum payment consists of payment of annual normal cost-plus amortization of the unfunded actuarial accrued liability over various periods, and interest, as prescribed by law. The required funding amount for the plan/fiscal year ending September 30, 2020, to be met by the Town and State contributions under Chapter 185, is \$7,114,836 or 45.7% of the covered payroll. Mr. Dulaney completed his review for the Board of the Valuation Report and a motion was made to adopt the report by Mr. Davis, it was seconded by Mr. Taylor and passed by a 5/0 vote. As a result of the Board accepting the actuarial valuation, as per FSS 112.661, a second motion was made to adopt 7.5% as the total expected annual rate of return for the current year, for each of the next several years, and for the long term thereafter. The motion was made by Mr. Taylor and seconded by Mr. Mackie. The motion passed by a 5/0 vote. Mr. Dulaney advised the Board that the Florida Retirement System has changed their mortality table based upon a large-scale actuarial study completed by Milliman Consulting, a large national consulting and actuarial firm. These changes as adopted by FRS and approved for use by the 185/175 governed plans will ultimately lead to a **decrease** in funding requirements for the Plan sponsor, Town of Davie.

LYRICAL ASSET MANAGEMENT:

Reporting on behalf of Lyrical Asset Management was Mr. Gary Faccenda and Mr. Andrew Wellington. Mr. Faccenda thanked the Board for their business since February 2015. As of December 31, 2019, the Lyrical Asset Management US Value Equity portfolio of 33 stocks was valued at \$15,909,536, representing an increase of \$1,513,645 (10.5% net) from the 3Q2019 ending value. This return ranked in the 10th percentile. For the year to date, the Plan trailed the benchmark (Russell 1000V) by 2.6% net of fees and the three-year return trailed the benchmark by 2.7% net of fees. Mr. Wellington advised that they believe in their strategy and acknowledge that the market environment has been difficult at best for large cap value investors, a sentiment echoed by Plan Consultant, Mr. David Lee who stated that Value Managers have encountered challenging market conditions.

GARCIA, HAMILTON & ASSOCIATES:

Reporting on behalf of GH&A was Ms. Janna Hamilton. Ms. Hamilton thanked the Board for their business dating back to 1995 with a mixed portfolio of equities and fixed income and then the strategy change to fixed income only portfolios in June of 2014. For the Quarter ending 12/31/2019, the portfolio trailed the index by 30 basis points (.30) net of fees. The three year and five year returns also trailed the benchmark by 30 basis points (.30). At the close of 4Q2019, the portfolio was valued at \$36,477,050 and fixed income comprised 99.1% of the total portfolio while cash and equivalents comprised the remaining 0.9%.

HARDMAN JOHNSTON GLOBAL ADVISORS:

Reporting on behalf of Hardman Johnston was Mr. Richard Keenan. Mr. Keenan advised that their philosophy remains steady in that they are an independent global equity boutique investing in high-quality growth companies at value prices. For the Quarter ending 12/31/2019, the portfolio returned 14.0%, which was 5.8% above the MSCI EAFE Index's return of 8.2% and ranked in the 6th percentile of the International Equity universe. The three-year return of 16.2% net of fees exceeded the benchmark by 6.1% while the five-year return of 9.5% net of fees exceeded the benchmark by 3.3%. Over the trailing twelve-month period, this portfolio returned 34.4%, which was 11.7% above the benchmark and ranked in the 4th percentile of the International Equity universe.

WEDGE CAPITAL MANAGEMENT:

Reporting on behalf of Wedge Capital Management was Mr. Caldwell Calame and Mr. Michael Ritzer. Mr. Ritzer advised that they have been trying to put the losses generated by PG&E behind them which have negatively affected the portfolio return numbers. During 4Q2019, the Mid Cap Value portfolio gained 3.5%, which trailed the benchmark Russell Mid Cap Value Index by 2.8%. Over the trailing twelve-month period, the portfolio returns of 19.4% trailed the benchmark by 7.6% and ranked in the 98th percentile of the Mid Cap Value universe. Since March 2016, the portfolio has returned 8.3% per annum and ranked in the 94th percentile compared with the Russell Mid Cap Value annualized return of 10.6% over the same period.

DAHAB ASSOCIATES:

Reporting on behalf of Dahab Associates was Mr. David Lee. Mr. Lee asked the Board if they had questions regarding the presentations they had just received from the managers in attendance. Mr. Davis began by expressing concerns over the continued underperformance by Lyrical (LCV) and Wedge (MCV), both Value style managers. Mr. Lee stated that Value managers across the board have had an increasingly difficult market condition in which to operate. Mr. Davis stated that he felt Wedge and Lyrical should both be watched very closely going forward. Mr. Mackie expressed concern over the duration of time these managers should be given before the Plan decides to terminate the relationship. The Board and Mr. Lee agreed following discussion to conduct a Large Cap Value manager search to ascertain if another manager might be more suitable for the Plan. Mr. Lee stated that Dahab would conduct a search and report their findings at the April 9, 2020 Board of Trustees meeting. Mr. Lee then discussed the large cash position currently with Fiduciary Trust and suggested an additional total investment of \$3m to the real estate portfolio, assigning \$1m each to existing portfolios with Bloomfield, UBS, and Sound Mark. A motion was made by Mr. Ortenzo and seconded by Mr. Mackie. The Motion passed 5/0.

ATTORNEY REPORT - KKJ&L:

Reporting on behalf of KKJ&L was Mr. Stu Kaufman. Mr. Kaufman advised the Board that regarding the National General class action suit, there were no new developments to report at this time. Senate Bill 1270/House Bill 1113 being considered in both chambers of the legislature would establish additional fiduciary standards for local officers and appointed public officials. Currently, several of the requirements appear to conflict with Chapter 175/185 Plan laws and will need to be further addressed. Mr. Kaufman advised their firm will keep the Board updated. The KKJ&L Conference dates have been set as May 27, 2020 through May 29, 2020 in Fort Lauderdale with registration information forthcoming.

PLAN ADMINISTRATOR - PPA:

Nothing to report currently.

OPEN DISCUSSION:

Mr. Taylor advised the Board that he had a scheduling conflict with the April meeting. The Board subsequently agreed to adjust the date from Tuesday, April 14, 2020 to Thursday, April 09, 2020. The meeting time will remain 4:00 P.M.

ADJOURN:

Mr. Mackie made a Motion to adjourn the meeting. Mr. Taylor seconded the Motion. The Motion passed 5-0. The meeting was adjourned at 7:18 P.M.

The next meeting is scheduled for March 10, 2020 at 4:00 P.M.

CHAIRMAN FOR THE BOARD

