

**CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
AUGUST 16, 2018**

The Port Orange Police Officers' Pension Board of Trustees held its quarterly meeting on Thursday, August 16, 2018 in the Police Department Training Room, 4545 Clyde Morris Boulevard, Port Orange, Florida.

MEMBERS PRESENT: Chairman Steve Braddock (police member)
Brian Cobb (resident member)
William Proctor (police member)

MEMBERS ABSENT: Drew Bastian (resident member) – excused
Warren Carman (fifth member) – excused

CONSULTANTS: Ken Harrison, Board Attorney – Sugarman & Susskind
Jose Rodriguez, Associate Attorney – Sugarman & Susskind
Tyler Grumbles, Investment Consultant – AndCo
Chad Little, Actuary – Freiman Little Actuaries
Karan Rounsavall, Plan Administrator

CITY STAFF: Lori Bockelman, Assistant Finance Director
Cynthia Burgess, Compliance Manager

Chairman Braddock called the meeting to order at 9:10 a.m. A quorum was in attendance.

APPROVAL OF MINUTES

Member Cobb moved to approve minutes of quarterly meeting May 17, 2018 as submitted. Member Proctor seconded the motion and it carried unanimously.

OFFICER AND TRUSTEE REPORTS - None

CONSENT AGENDA

The following items were presented for action as recommended:

- A. Approve plan expenditures as follows:
1. Sugarman & Susskind – monthly retainer for May 2018 - \$2,600.
Recommendation: Ratify payment.
 2. Sugarman & Susskind – monthly retainer for June 2018 - \$2,600.
Recommendation: Ratify payment.
 3. Sugarman & Susskind – monthly retainer for July 2018 - \$2,600.
Recommendation: Ratify payment.
 4. Plan Administrator Karan Rounsavall – monthly fee (May 2018, June 2018, July 2018) - \$9,000. *Recommendation:* Ratify payments.
 5. Florida Public Pension Trustees' Association (FPPTA) – registration fee for FPPTA annual conference for Chairman Steve Braddock and Plan Administrator Karan Rounsavall - \$1,300. *Recommendation:* Ratify payment. (Note: Chairman Braddock cancelled registration and plan received refund in the amount of \$600.)

6. United Members Insurance – annual premium for fiduciary liability insurance through May 31, 2019 - \$4,878. Recommendation: Ratify payment.
7. Rosen Shingle Creek – lodging expenses for Plan Administrator Karan Rounsavall (FPPTA Annual Conference) - \$447. Recommendation: Ratify payment.
8. AndCo Consulting – investment consulting and performance monitoring services for quarter ending June 30, 2018 - \$8,750. Recommendation: Ratify payment.
9. First State Trust Company – custodial services for quarter ended June 30, 2018 - \$4,625. Recommendation: Ratify payment.

Member Proctor moved to ratify plan expenses as recommended. Member Cobb seconded the motion and it carried on an all yes vote.

- B. Acknowledge refund of member contributions to the following non-vested members:
 1. Joshua Cruz (non-vested member) in the amount of \$3,305.29;
 2. Carlos Landin (non-vested member) in the amount of \$4,511.11.

Member Proctor moved to acknowledge refunds to the non-vested members as stated. Member Cobb seconded the motion and it carried unanimously.

OLD BUSINESS

- A. Ordinance No. 2018-19 increasing investment limits on equities held in the portfolio from 65 to 70 percent

Plan Administrator Rounsavall advised that the Port Orange City Council unanimously adopted this ordinance at its July 17, 2018 meeting. No action was necessary on the part of the Pension Board at this time.

NEW BUSINESS

- A. Discussion and possible action related to change of date for quarterly meetings going forward.

Plan Administrator Rounsavall stated that today's meeting was rescheduled from Friday, August 17, 2018 to Thursday, August 16, 2018 in order to accommodate recent changes in the attorney's meeting/travel schedule involving other pension plan clients. Attorney Harrison added that the Port Orange Fire Pension Plan recently engaged Sugarman & Susskind for legal services. Further, the Port Orange General Pension Plan recently concluded a request for proposal (RFP) for legal services for which Sugarman & Susskind submitted a response. Depending on the General Pension Board's ultimate selection of a law firm, there could be an effort to coordinate all three boards on the same meeting date in the future.

Given the pending uncertainties mentioned above, it was the consensus of the Police Pension Board to schedule its next quarterly meeting for Thursday, November 15, 2018. Plan Administrator Rounsavall would reserve the Police Training Room for the meeting and advise the City Clerk's Office.

B. Approval of administrative expense budget for Plan Year 2018/2019 in accordance with *Florida Statutes*

The Pension Board was in receipt of the proposed budget for Plan Year 2018/2019 as prepared by the plan administrator. Pursuant to *Florida Statutes*, the Board was required to adopt and operate pursuant to an administrative expense budget each year. The budget included all administrative expenses (e.g. actuary, legal, investment consultant, custody, administration, insurance, etc.) but did not include investment management fees. The proposed budget for 2018/2019 was \$191,458 which was less than the adopted budget for 2017/2018 of \$227,225.

Plan Administrator Rounsavall reviewed individual line items in the proposed budget noting that it included \$5,500 for an actuarial experience study. Investment consulting fees were less than previous years. She also advised that estimated expenditures for 2017/2018 were less than budgeted.

Member Cobb moved to approve the administrative expense budget for Fiscal Year 2018/2019 in the amount of \$191,458 as presented. Member Proctor seconded the motion and it carried unanimously. The budget would be provided to city staff (plan sponsor) and posted on the bulletin board at the Police Department for plan members.

C. Acknowledge receipt of 2017 premium tax distribution in the amount of \$444,090.23

The City received the state monies on August 15, 2018. The funds would be deposited to the pension fund within the required five days. The 2017 distribution was approximately a 12 percent increase over the prior year. *The pension board acknowledged receipt.*

CONSULTANT REPORTS

A. Tyler Grumbles – AndCo Consulting (Investment Consultant)

1. Investment Performance Report for quarter ended June 30, 2018

Mr. Grumbles delivered the Investment Performance Report for the quarter ended June 30, 2018. Market returns were mixed across major equity and fixed income indices for the quarter. Domestic equities saw healthy gains while fixed income returns were generally flat or slightly negative for the quarter. International equities posted negative returns due in part to the U.S. dollar appreciating rapidly against other currencies. Mr. Grumbles noted that the top ten weighted stocks were driving the market. As such, it was a good time to be invested in equity index funds as opposed to active management. This passive strategy was working for the Port Orange Police Pension.

Total market value as of June 30, 2018 was \$36,367,679 up from \$35,494,438 for the previous quarter ended March 31, 2018. On a percentage basis, the composite portfolio was up 1.71 percent (gross) for the quarter which ranked in the 30th percentile of public plans. Fiscal year to date, the fund was up 5.00 percent (gross return) which ranked in the 44th percentile.

Quarterly performance results (i.e. quarter ending June 30, 2018) for the various investment styles/managers represented in the portfolio were as follows:

Vanguard Total Stock Market Index Fund – positive return of 3.90% (20)*
EuroPacific Growth (international equity) – negative return of -2.83% (70)*

*Oakmark International (international equity) – negative return of -4.97% (93)**

*Dodge & Cox (domestic fixed income) – negative return of -0.33% (64)**

*Metropolitan West (domestic fixed income) – negative return of -0.09% (20)**

*UBS Trumbull (private real estate) – positive return of 1.75% (98)**

Mr. Grumbles noted that just under \$30,000 remained in the portfolio with Private Advisors (hedge fund). This was a carryover from Morgan Stanley (previous investment consultant); this position should be liquidated during the next quarter.

All asset classes were within target ranges. Given adoption of ordinance increasing investment limits on equities, he proposed two action items: (1) increasing allocation to international equity to 15 percent and increasing real estate to ten percent. As to additional investments in real estate, the fund would most likely have to enter a queue and wait for a capital call from UBS Trumbull.

Mr. Grumbles reviewed the compliance checklist which reflected a number of underperforming investment categories over longer time periods. Attorney Harrison stated that it would take some time for AndCo to “dig out of the hole” left by the previous investment consultant.

The Board accepted the investment performance report as presented.

2. Revisions to Investment Policy Statement (IPS) increasing equity exposure from 65 to 70 percent of the total portfolio

Board members were in receipt of a revised IPS increasing the portfolio's maximum exposure to equities from 65 to 70 percent (both domestic and international). This revision was in line with Ordinance No. 2018-19 (adopted by City Council on July 17, 2018). The IPS established the following asset allocation targets for the total fund: Equities – 65%; Fixed Income – 25%; and Real Estate – 10%. Attorney Harrison previously reviewed the proposed IPS and found it to be in good form.

Member Cobb moved to approve the revised IPS as presented. Member Proctor seconded the motion and it carried unanimously. The new IPS would be sent to the Florida Division of Retirement as required.

Consistent with the newly adopted IPS, Member Proctor then moved to rebalance the portfolio in order to increase the fund's allocation to international equity to 15 percent overall and to increase the allocation to private real estate back to 10 percent (roughly \$550,000). It was understood that timing for the real estate investment was dependent upon a capital call from UBS Trumbull. Member Cobb seconded the motion; it carried on an all yes vote.

3. Global Fixed Income/Bond Opportunities

As mentioned at the previous quarterly meeting, Mr. Grumbles was prepared with a presentation introducing global bonds/fixed income into the Port Orange Police portfolio. Current low interest rates in domestic fixed income opportunities presented a challenge to the fund achieving its assumed investment rate of return. Global bonds offered further diversification. Differences in business cycles across countries and industries created the potential for enhanced fixed income returns and reduced risk (volatility) through the inclusion of non-correlated fixed income investments. Additionally, the inclusion of high yield bonds and/or bonds whose rates were not directly linked to the U.S. yield curve

had the potential to provide higher current income and yield enhancement in certain market environments. The major risks with global fixed income investments involved currency fluctuations.

Mr. Grumbles' presentation vetted three large mutual funds in the global fixed income asset class. These included *PIMCO Diversified*, *Templeton Global Total Return*, and *Loomis Sayles*. He recommended PIMCO because of its consistency of returns and diversification among holdings. Templeton Global tended to be more of a "home run hitter" with greater quarter-to-quarter volatility. Should the Pension Board decide to diversify into global fixed income, he recommended a five percent allocation.

Board members were most comfortable with a fund showing stable performance. *Member Cobb moved to accept the consultant's recommendation and establish a five percent allocation in global bonds with PIMCO Diversified Income Fund (institutional class shares). This allocation would be funded with premium tax monies received earlier in the week. Member Proctor seconded the motion and it carried unanimously.*

B. Chad Little – *Freiman Little Actuaries, LLC* (Plan Actuary)

1. Ratification of consultant/staff joint recommendation to use swear-in dates for pension credit start dates for plan participants

A meeting was held on May 11, 2018 to discuss a consistent policy for identifying credited service start dates for active members and new hires going forward and to clarify credit start dates for certain other active plan members. In attendance were Plan Administrator Karan Rounsavall, Support Services Director Jamie Miller, Human Resources Director Heather Carrizales, and Jason Keller, Human Resources Assistant. Actuary Chad Little participated in the meeting via conference call.

Mr. Little stated that a lot of work went into developing a policy that was not only consistent with the pension plan document, *Florida Statutes*, and a 2015 legal opinion on the matter of a participant's vesting date but also fair to plan participants by ensuring credit for all time served as a certified law enforcement officer. Hire dates, swear-in dates, and contribution start dates were also reviewed for a number of individual active participants to identify and clarify credit start dates. (Reference Plan Administrator's memorandum dated August 8, 2018)

The following recommendations were presented for consideration and ratification by the Port Orange Police Pension Board:

- (1) *The plan administrator will maintain a record of swear-in dates for new hires and provide these to the actuary at the end of each fiscal year. An officer's swear-in date will be recognized as their start date for credited service.*
- (2) *A member's hire date will no longer be disclosed on annual statements as this date could very well differ from swear-in date and possibly cause confusion to the member. (Example: Recruits are hired and sponsored through the police academy and are not sworn in as police officers for several months pending graduation.)*
- (3) *Based on the actuary's thorough examination of personnel and pension records, ratify pension start dates for a number of individual members as outlined in plan*

administrator's August 8, 2018 memorandum. The actuary would use these dates on member annual benefit statements and benefit calculation requests.

Member Proctor moved to accept the staff/consultant recommendations as outlined above. Member Cobb seconded the motion and it carried on an all yes vote.

Member Cobb then moved to ratify the start dates for individual plan participants as set forth in the plan administrator's August 8, 2018 memorandum. Member Proctor seconded the motion and it likewise carried.

C. Ken Harrison – Sugarman & Suskind (Attorney)

Attorney Harrison reiterated that the State Legislature passed a bill providing workers compensation coverage for PTSD (post-traumatic stress disorder) for first responders. This could potentially affect applications for disability retirement in the future.

He went on to introduce Jose Rodriguez, a new attorney with the Sugarman & Suskind Law Firm.

D. Karan Rounsavall – Plan Administrator

1. Educational Opportunities:

- ✓ Florida Public Pension Trustees Association (FPPTA) Fall Trustees School in Bonita Springs (September 30 – October 3, 2018)
- ✓ Florida Division of Retirement Annual Police Officers' & Firefighters' Pension Conference in Orlando (November 14-16, 2018)


If any member wished to attend, they were to contact her at their earliest opportunity.

The next quarterly meeting was scheduled for Thursday, November 15, 2018.

PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 10:30 a.m.


Steve Braddock, Chairman


Karan Rounsavall, Plan Administrator