

**CITY OF PORT ORANGE  
POLICE OFFICERS' PENSION BOARD  
SEPTEMBER 9, 2021**

The Port Orange Police Officers' Pension Board of Trustees held its quarterly meeting on Thursday, September 9, 2021 in the Police Department Training Room, 4545 Clyde Morris Boulevard, Port Orange, Florida.

**MEMBERS PRESENT:** Chairman Warren Carman (fifth member)  
William Proctor (police member)\*  
Andrew McKay (police member)  
Brian Cobb (resident member)

**MEMBERS ABSENT:** Drew Bastian (resident member) – excused

**CONSULTANTS:** Pedro Herrera, Board Attorney – *Sugarman & Susskind\**  
Tyler Grumbles, Investment Consultant – *AndCo*  
Chad Little, Actuary – *Freiman Little Actuaries*  
Karan Rounsavall, Plan Administrator

Chairman Carman called the meeting to order at 9:13 a.m. A quorum was in attendance. \*Member Proctor and Attorney Herrera attended meeting via video conferencing. (Zoom hosted by City of Port Orange)

**APPROVAL OF MINUTES**

*Member Cobb moved to approve minutes of quarterly meeting May 20, 2021 as submitted. Member McKay seconded the motion; it carried unanimously.*

**OFFICER AND TRUSTEE REPORTS** - None

**CONSENT AGENDA**

- A. Approve plan expenditures as follows:
1. Sugarman & Susskind – monthly retainer for May 2021 - \$2,600.  
*Recommendation:* Ratify payment.
  2. Sugarman & Susskind – monthly retainer for June 2021 - \$2,600.  
*Recommendation:* Ratify payment.
  3. Sugarman & Susskind – monthly retainer for July 2021 - \$2,600.  
*Recommendation:* Ratify payment.
  4. Sugarman & Susskind – monthly retainer for August 2021 - \$2,600.  
*Recommendation:* Ratify payment.
  5. Sugarman & Susskind – reimbursement for medical records (Harler Disability) - \$37.99, \$103.75, and \$53.99. Total - \$195.73. *Recommendation:* Ratify payments.
  6. Plan Administrator Karan Rounsavall – monthly fee (May 2021, June 2021, July 2021, August 2021) - \$12,000. *Recommendation:* Ratify payments.
  7. Florida Public Pension Trustees Association (FPPTA) – Annual conference registration for Plan Administrator Karan Rounsavall (per contract) - \$775.  
*Recommendation:* Ratify payment.

8. Omni Orlando Resort – Hotel accommodations for plan administrator to attend FPPTA Annual Conference (per contract) - \$570. Recommendation: Ratify payment.
9. Florida Public Pension Trustees Association (FPPTA) – Fall Trustee School registration for Chairman Warren Carman - \$750. Recommendation: Ratify payment.
10. Sawgrass Marriott Resort – Hotel accommodations for Chairman Warren Carman to attend FPPTA Fall Trustee School - \$595.50. Recommendation: Ratify payment.
11. AndCo Consulting – investment consulting and performance monitoring services for quarter ended June 30, 2021 - \$9,375. Recommendation: Ratify payment.
12. First State Trust Company – custodial services for quarter ended June 30, 2021 - \$4,625. Recommendation: Ratify payment.

*Member Cobb moved to ratify plan expenses as recommended. Member McKay seconded the motion which carried on an all-yes vote.*

B. Acknowledge refund/rollover of member contributions for the following non-vested members:

1. Casey Wright (non-vested member) in the amount of \$712.09;
2. Courtney Peper (non-vested member) in the amount of \$15,396.33.

Plan Administrator Rounsavall advised that all officers received and signed the “*special tax notice*.”

*Member McKay moved to acknowledge the refunds as set forth above. Member Cobb seconded the motion; it carried unanimously.*

### **OLD BUSINESS**

Status report on disability application for Sgt. Dale Harler

Attorney Herrera advised that his office was in receipt of all pertinent medical records at this time. However, they were still waiting for final written documentation from the workers comp physician stating that Sgt. Harler was unable to perform the duties of a police officer given his disability. City staff had reached out to workers comp requesting this documentation as well as Sgt. Harler’s legal counsel. It was understood that receipt of same was forthcoming very shortly.

While the retirement board was somewhat comfortable with waiting for the workers comp determination, it was likewise anxious to take final action on the pending disability application. Attorney Herrera advised that the board could begin the process of scheduling an independent medical examination (IME) for Sgt. Harler. If the workers comp documentation arrived in the interim, the IME could be cancelled.

*It was the consensus of the board to begin the IME process for Sgt. Harler. **Note: Later in the meeting, the attorney and plan administrator received the determination letter from workers comp stating that the claimant (Harler) would not be able to return to work as a police officer for the City of Port Orange.***

**NEW BUSINESS**

- A. Consideration of policy statement authorizing pension board chairman to conduct routine business between scheduled meetings (including acceptance of disability applications)

The proposed policy statement authorized the chairman to conduct routine administrative business during the interval between regularly scheduled quarterly meetings. Any action so taken by the chairman would be ratified by the retirement board at a subsequent meeting.

*Member Cobb moved to approve the policy statement as presented. Member McKay seconded the motion which carried on an all yes vote.*

- B. Approval of administrative expense budget for Plan Year 2021/2022

The Pension Board was in receipt of the proposed budget for Plan Year 2021/2022 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 2021/2022 was \$204,025 which was somewhat more than the adopted budget for 2020/2021 of \$194,250.

Plan Administrator Rounsavall reviewed individual line items in the proposed budget. It included a fee increase for AndCo Consulting. Estimated expenditures for 2020/2021 were currently less than budgeted.

*Member McKay moved to approve the administrative expense budget for Fiscal Year 2021/2022 in the amount of \$204,025 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 Division of Retirement's approval of 2020 annual report for Port Orange Police Officers' Pension Fund

Correspondence from the Division dated June 21, 2021 advised of approval of the 2020 annual report. *The Pension Board acknowledged receipt thereof.*

- D. Acknowledge receipt of 2020 premium tax distribution from the State of Florida

*The Pension Board acknowledged receipt of the 2020 premium tax distribution in the amount of \$494,737.78. These funds were promptly deposited with First State Trust (plan custodian).*

- E. Acknowledge receipt of correspondence from the Division of Retirement accepting all actuarial valuations through October 1, 2020

The Division's correspondence dated August 2, 2021 found that the Port Orange Police Pension Fund was determined to be state accepted. By this determination, all prior actuarial reports and impact statements through October 1, 2020 were likewise considered to be state accepted.

The Division noted that the investment return assumption used in the most recent valuation was 7.15 percent. Based on the plan's asset allocation and capital market expectations, it considered a return assumption in the range of 5.50 to 6.50 percent to

be more reasonable. However, the Division did not mandate an action to lower the assumption.

*The Pension Board acknowledged receipt of the Division's correspondence.*

- F. Ratify retirement benefit option for Lt. Christopher Besuden who entered DROP as of July 1, 2021

*Member McKay moved to ratify Lt. Besuden's election of the 75 percent joint and survivor annuity option effective July 1, 2021. Member Proctor seconded the motion which carried unanimously.*

- G. Request for interpretation of plan document as it relates to COLA eligibility for a DROP participant who met age/service requirements while still in DROP

Actuary Little requested the Board's interpretation of Section 54-130(5) of the plan document as it related to COLA eligibility for a DROP participant who met both age and service requirements while still working and in DROP. While the referenced section was not entirely clear, Attorney Herrera opined that DROP participants were eligible for COLA increases during DROP participation. Such COLA benefits were payable on the first day of the month after reaching age 59. This was a reasonable conclusion particularly given that there was nothing in the plan document which stated that a COLA would not apply. (Note: Reference Attorney Herrera's email opinion to the actuary and plan administrator dated July 14, 2021.)

Chairman Warren asked about applicability of the \$95,000 annual pension cap in this situation. There was agreement that the \$95,000 cap applied.

*Member Cobb moved to interpret the plan document such that a DROP participant (while still working) was eligible for a COLA upon reaching age 59 and meeting the 25-year service requirement subject, of course, to the \$95,000 annual pension cap. Member McKay seconded the motion which carried on an all yes vote.*

*Given this interpretation, Actuary Little would proceed with preparing the DROP accumulation table for Lt. Christopher Besuden.*

- H. Accept line-of-duty disability application submitted by Detective Michael Wallace

*Member Cobb moved to accept the line-of-duty disability application submitted by Detective Wallace and authorize the plan attorney to gather medical records and schedule an independent medical exam (if necessary) in accordance with the process outlined in the pension plan document and Florida Statutes. Member McKay seconded the motion; it carried unanimously.*

- I. Re-appointment of Sgt. Warren Carman as fifth member of the Port Orange Police Officers' Pension Board for a four-year term expiring October 1, 2025

The fifth member was chosen by a majority of the other four trustees. Sgt. Carman had served on the pension board since September 2015 and agreed to continue serving as a trustee if so selected.

*Member McKay moved to reappoint Sgt. Warren Carman as the fifth member for a term expiring October 1, 2025. His name would be submitted to City Council for its formal consideration and appointment as a ministerial duty. Member Cobb seconded the motion which carried on an all-yes vote.*

**CONSULTANT REPORTS**

## A. Tyler Grumbles – AndCo Consulting (Investment Consultant)

## 1. Investment Performance Report for quarter ended June 30, 2021

Mr. Grumbles presented the performance report and economic commentary for the quarter ended June 30, 2021. Equity markets experienced strong returns for the quarter with the S&P 500 boasting an 8.5 percent return due to the ongoing distribution of vaccines and continued reopening of state and local economies. With interest rates falling during the quarter, growth-oriented stocks resumed market leadership ahead of value stocks. There were also convincing positive returns in international equity markets. The portfolio was ahead of its benchmark and its peer group for the quarter.

Due to the recent run up in equity performance, Mr. Grumbles recommended that the portfolio be rebalanced back to target weights before the end of the quarter. *In accordance with the consultant's recommendation, there was a motion and a second to rebalance the portfolio back to target weights. The motion carried unanimously.* Mr. Grumbles would prepare an appropriate letter of instruction to First State Trust Company to accomplish the rebalance directive.

Total market value as of June 30, 2021 was \$55,684,159 up from \$52,444,779 for the previous quarter ended March 31, 2021. On a percentage basis, the composite portfolio was up 5.99 percent for the quarter (net) which ranked in the 21<sup>st</sup> percentile of public plans and outperformed the fund's benchmark. Fiscal year-to-date, the fund was up 21.69 percent (30<sup>th</sup> percentile). As of September 8, 2021, the portfolio was valued at \$57,594,337.

Quarterly performance results (i.e., quarter ending June 30, 2021) for the various investment styles/managers represented in the portfolio were as follows:

*Vanguard Total Stock Market Index Fund* – positive return of 8.29% (28)\*

*EuroPacific Growth (international equity)* – positive return of 6.97% (24)\*

*Oakmark International (international equity)* – positive return of 4.33% (72)\*

*Dodge & Cox (domestic fixed income)* – positive return of 1.98% (44)\*

*Metropolitan West (domestic fixed income)* – positive return of 1.80% (65)\*

*PIMCO Diversified Income (global fixed)* – positive return of 2.77% (3)\*

*Pacific Funds Floating Rate (bank loans)* – positive return of 1.56% (25)\*

*UBS Trumbull (private real estate)* – positive return of 2.87% (95)\*

*ASB Allegiance (private real estate)* – positive return of 2.56% (97)\*

*Stockbridge Smart Markets (private real estate)* – positive return of 7.75% (1)\*

\*Public peer rankings

The pension fund received a small distribution from the UBS Trumbull Real Estate Fund during the quarter. The pension fund still had nearly \$3 million invested with UBS and remained in the exit queue. ASB Allegiance struggled during the quarter, mainly due to its office space exposure in New York. The Stockbridge fund outperformed significantly with its high exposure to industrial/distribution.

*The pension board accepted the performance report as presented.*

## 2. Introduction to Private Equity

With a portfolio having crossed the \$50 million mark, Mr. Grumbles suggested that the pension board explore a new asset opportunity known as *Private Equity*. Board members were in receipt of an educational handout on the topic. *Private Equity* (PE) was broadly defined as investments in companies through negotiated transactions that typically resulted in private ownership of the business. Access to PE tended to be investments in illiquid, long term, closed-end partnerships. Two main reasons for including PE in the portfolio were: (1) risk-adjusted return potential with a performance target of 300 to 500 basis points above public markets; and (2) lower correlation to other asset classes providing diversification benefits. Risk-adjusted return potential for PE exceeded domestic and international equity with a return expectation of 7.8 percent.

Mr. Grumbles continued with an explanation of how a pension fund gained access to PE investments. While there were multiple methods, he favored the secondary fund approach. Fees for PE were higher with a two percent management fee and separate performance fee. If the pension board elected to proceed with PE, Mr. Grumbles recommended a target allocation of ten percent (roughly \$6 million).

*Board members expressed an interest in learning more about Private Equity investing and asked the consultant to bring a PE manager search (secondary fund providers) to the next meeting for further exploration.*

## 3. Request for fee increase effective October 1, 2021

Mr. Grumbles thanked the Port Orange Police Pension Board for the continued opportunity to serve as its investment consultant. AndCo provided institutional investment consulting services on a hard dollar, full retainer, flat-fee basis for its clients. Since AndCo was first hired by Port Orange in 2017, plan assets had increased by nearly \$20 million.

The existing annual fee was \$37,500; the proposed fee was \$42,500 which expressed as a percentage of current plan assets was eight basis points. The proposed fee also included an automatic annual escalator of two percent. The retainer fee included all components of AndCo's consulting services and was guaranteed for three years. The fee increase was effective as of October 1, 2021.

*Member Cobb moved to approve an annual fee of \$42,500 with a two percent annual escalator (guaranteed for three years) for AndCo Consulting effective October 1, 2021. Member McKay seconded the motion which carried on an all yes vote.*

Attorney Herrera would prepare the appropriate addendum to AndCo's contract to reflect the new fees.

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

Mr. Little explained that Lt. Besuden's benefit calculation was prepared using a late retirement factor (approved earlier in the meeting). With late retirement calculations, a participant received no less than the monthly income determined by the amount which would have been payable if one retired on their normal retirement date actuarially increased to their late retirement date.

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Mr. Little reminded the board that its current assumed investment rate of return was 7.15 percent. Fiscal year-to-date returns were excellent which would result in a reduction in funding contribution. He suggested that the board continue its practice of reducing the rate of return by ten basis points (to 7.05 percent) or even further to seven percent. The board could make this decision at the next quarterly meeting and the new assumption would be used to prepare the 2021 annual valuation

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The actuary concluded his comments by updating board members on pre-retirement death benefits. In brief, a beneficiary could elect to take the accrued benefit on what would have been the deceased member's normal retirement date or take an immediate benefit actuarially reduced.

C. Pedro Herrera – *Sugarman & Susskind* (Attorney)

Attorney Herrera advised that the State of Florida granted one-time \$1,000 bonus payments to all first responders. The bonus was tax free.

He also advised that correspondence from Jeffry Branham (the City's workers comp attorney) was received in the last few minutes with regard to Dale Harler's disability claim. It stated that Sgt. Harler was not able to return to work as a police officer for the Port Orange Police Department. Given this independent medical opinion, the pension board could move forward with an informal hearing on Sgt. Harler's line-of-duty disability application without an independent medical exam.

D. Report: Plan Administrator (Karan Rounsavall)

1. Educational Opportunities

- ✓ Florida Public Pension Trustees Association (FPPTA) fall trustee school (October 3-6, 2021 in Ponte Vedra Beach).
- ✓ Annual Police Officers' & Firefighters' Pension Conference (November 3-5, 2021 in Orlando)

If anyone was interested in attending, they were to contact the Plan Administrator.

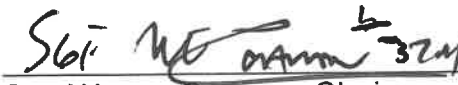
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The next quarterly meeting was scheduled for Thursday, November 4, 2021. Note: The November 4<sup>th</sup> meeting was subsequently rescheduled to November 9<sup>th</sup> due to conflicts with the Retirement Division's conference.

**PUBLIC COMMENT** - None

**ADJOURNMENT**

The meeting adjourned at 11:17 a.m.

  
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 Sgt. Warren Carman, Chairman

  
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 Karan Rounsavall, Plan Administrator