CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
SPECIAL MEETING AGENDA

Port Orange Police Department
Police Department Training Room
4545 Clyde Morris Blvd.
Port Orange FL 32129
Monday, April 3, 2017
9:00 a.m.

Disability Information: If you are a person with a disability who needs any accommodation in order to participate in this proceeding, you are entitled, at no cost to you, to the provision of certain assistance. Please contact the City Clerk for the City of Port Orange, 1000 City Center Circle, Port Orange, FL 32129, telephone number 386-506-5563, within two working days of your receipt of this notice or five days prior to the meeting date. If you are hearing or voice impaired, contact the relay operator at 1-800-955-8771.
Appeal Notice: Any person who decides to appeal any decision made by the Port Orange Police Officers' Pension Board will need a record of the proceedings, and for such purpose he or she may need to ensure at his or her own expense for the taking and preparation of a verbatim record of all testimony and evidence of the proceedings upon which the appeal is to be based.

1. **CALL TO ORDER**

2. **DETERMINATION OF A QUORUM**

3. The purpose of the meeting is to discuss investment consulting options moving forward and consider possible action to proceed with request for proposal (RFP) for investment consulting services for the Port Orange Police Pension Plan.

4. **PUBLIC COMMENT**

5. **ADJOURNMENT**

MEMORANDUM

March 14, 2017

TO: Port Orange Police Pension Board of Trustees

FROM: Karan Rounsavall, Pension Plan Administrator Karan G. Rounsavall

SUBJECT: Summary of Request for Proposal issued by the West Melbourne Police Pension Board (2015)

At its quarterly meeting on February 17, 2017, the Port Orange Police Pension Board briefly discussed the possibility of a request for proposal (RFP) for investment consulting services as part of its due diligence/fiduciary responsibility, particularly since Graystone/Morgan Stanley had been the Fund's consultant for 20-plus years. While no action was taken at that meeting to proceed with an RFP, at the attorney's suggestion, the plan administrator was directed to share the results of a formal RFP conducted by the West Melbourne Police Retirement Board in 2015 for comparative purposes. Attached is a copy of the summary sheet from the West Melbourne Police RFP.

Some background is helpful in understanding the results of the West Melbourne Police RFP. First, this board voted to proceed with the RFP as part of its adopted policy to annually review one of its professional service providers. This is the same policy that is in place with the Port Orange Police Pension Plan. The West Melbourne Police Plan has a practice of routinely issuing RFPs for its professional service providers to determine the appropriateness and timeliness of the terms in their agreements. At the time of review, the Board may elect to continue with the same service provider or issue an RFP for the professional services under review. (Attached is the policy adopted by the Port Orange Police Pension Board in February 2015 providing for the periodic review of professional service providers.)

In early 2015, the West Melbourne Police Board issued a formal RFP for investment consulting and performance monitoring services. The Board had not expressed displeasure with The Bogdahn Group, its current investment consultant, but wanted to see what else might be available in terms of investment consulting services. The Board received ten formal responses to its RFP. At the time of the RFP, assets in the West Melbourne Police Retirement Fund totaled approximately $10.5 million

Fees were quoted as either a flat fee (i.e. hard dollar amount annually) or as basis points on market value of the assets under management. A basis point is equal to 1/100 of one percent. The final column of the summary sheet shows the <u>annual</u> fee proposed by each firm. A hard dollar fee remains the same throughout the term of an agreement while a basis point fee increases (as a dollar amount) as assets grow or decreases if assets decline.

You will notice that Graystone Consulting/Morgan Stanley responded to this RFP in 2015 with a hard dollar annual fee of $16,500. They were the lowest proposer and were interviewed by the West Melbourne Police Retirement Board along with Bogdahn Group (their current consultant) who proposed a hard dollar annual fee of $17,500 guaranteed for three years. At the end of the RFP process, the West Melbourne Police Board voted to stay with The Bogdahn Group. The RFP process took six months from the board's decision to issue through interviews and final decision.

Graystone currently has an all-inclusive fee arrangement (a/k/a WRAP) with the Port Orange Police Pension Plan. This all-inclusive fee includes Graystone's investment consulting services, the investment management fee paid to the 12 investment managers in the portfolio, as well as the cost of the custodian. Graystone discloses its total fees in each quarterly performance report. The billing summary at the back of each quarterly performance report breaks this fee down into the 50 basis points received by Graystone for its consulting services and the management fee paid to individual investment managers. As reported in their most recent performance report (i.e. December 31, 2016), Graystone received a fee of $36,578.62 for that quarter. The individual money managers received fees totaling $24,640.25 for a total of $61,218.87 paid by the Pension Fund for one quarter.

Out of the 50 basis point fee received by Graystone/Morgan Stanley, it pays for custodial services used by our pension plan. Custodial services include accounting and record keeping services, collecting dividends, settling transactions, paying invoices and benefit payments, etc. Our custodian is First State Trust Company. Custody fees are relatively inexpensive and might range from four to seven basis points based on asset value, complexity of the plan, number of check requests, benefit payments, etc. Some custodians quote a hard dollar fee. The West Melbourne Police Plan did a request for quotes (RFQ) for custody services in the summer of 2016. I have also attached a summary of those quotes to give you an idea of these costs. Again this was for an $11 million fund at the time.

There is nothing to lose by proceeding with an RFP at the Board's discretion. There is the potential to gain in terms of increased knowledge of investment consulting options, cost savings and greater investment returns all which would accrue to the benefit of the Port Orange Police Pension Plan, its members and the City of Port Orange.

This is a lot of information but I felt it important to be most thorough. As Attorney Harrison stated at the last meeting, the Port Orange Police Pension Board may pursue an RFP for investment consulting services at any time. It would take a motion by the board to so direct the attorney and plan administrator to proceed with the action and can occur at any time. If you have any questions or want additional information, please do not hesitate to give me a call.

Attachments (3)

WEST MELBOURNE POLICE OFFICERS' RETIREMENT PLAN
RFP – INVESTMENT CONSULTING & PERFORMANCE MONITORING SERVICES
FEBRUARY 2015

FIRM	Main Office	Firm Established	Total Client Assets Advised	Key Personnel	Client Relationships	Public Fund Universe	Fiduciary to the Plan	All Services* Provided	Fee
Bogdahn Group	Orlando, Florida	2000	$59 billion	Daniel Johnson, MBA Tyler Grumbles, CFA, CIPM	Dan Johnson – 16 Tyler Grumbles - 22	Yes	Yes	Yes	Flat fee basis of $17,500 for three years
Burgess Chambers & Associates	Orlando, Florida	1988	$3.3 billion	Larry Cole (primary contact) Frank Wan, MBA (primary contact)	Team approach to client service	Yes – BNY Mellon	Yes	Yes	All inclusive fee of $20,000 annually
CapTrust	Tampa, Florida	1998	$16.7 billion	John Frady, MBA Stephen Schott	Representative list of clients provided	Yes – Wilshire Cooperative/Performer by Information	Yes	Yes	25 basis points. (Annual fee of $26,250)
Dahab Associates	Bay Shore, New York Hollywood, Florida	1986		Gregory McNeillie Steve Roth, MBA, CFA	Greg McNeillie – 8	Yes – Investment Metrics	Yes* See page 8 of response	Yes	Hard dollar annual fee discounted to $20,000
Gavion, LLC	Memphis, Tennessee	2013* See page 1 of response	$20 billion	Curtis Williams, MBA	Curtis Williams – 1	Has the ability to provide separate universe	Yes	Yes	All inclusive fee of 20 basis points on market value
Graystone Consulting/Morgan Stanley	Tampa, Florida * See page 3	1985	$240 billion nationally	Charles Mulfinger, MBA, CIMA Scott Owens, CFA	Tampa team has 28 Florida clients	Wilshire Cooperative Universe	Yes	Yes	Hard dollar annual fee of $16,500
Meketa Investment Group	Miami, Florida	1974	$335 billion	Leandro Festina, MBA,CFA, CAIA Gustavo Bikkesbakker, MBA,	Currently, no Florida municipal pension fund clients	Yes – InvestorForce Plan Universe	Yes	Yes	Annual retainer of $25,000
Southeastern Advisory Services	Atlanta, Georgia	1986		Jeff Swanson, CIMA Todd Borton, CFA, CAIA	Jeff Swanson – 11 Client to consultant ratio of 10:1	Yes – Wilshire Cooperative	Yes	Yes	20 basis points on plan assets ($20,000)
Thistle Asset Consulting	Boynton Beach, Florida	1965/2007* See page 1		John McCann, CIMA, Brendon Vavrica, CFP	38 asset consulting clients	Yes – Informa Invest-ment Solutions & PSN	Yes	Yes*	$18,000 annual fee. *$5,000 for manager search.
Westcott Financial Advisory Group	Coral Gables, Florida	1987	$2 billion	Grant Rawdin, JD, CFP Lydia Sheckels, CFP, CLU	16 clients (no municipal plans at this time)	No	Yes	Yes	60 basis points on plan assets $60,000)

City of West Melbourne Police Officers’ Pension Plan

Custodial Bid Reviews (2016)

Custodian	Bid	Fee Guarantee	Minimum fee	Estimated Current Costs*
Amalgamated Bank	6.7 basis points (.067%) Plus $500 per Mutual Fund and Cash holding Plus $2500 per separate account **No longer provides benefit payment services*	1 Year	$10,000	$11,253
Fifth Third Bank	5 basis points (.05%) All-Inclusive for administrative and custodial services	3 Years	$5,000	$5,040
First State Trust Company	4 basis points (.04%) Plus $3.75 per benefit payment, $2 per pensioner for call center, $10 checks, $15 wires, and a $1200 ACH Advice Message	3 Years	$2,800	$4,840
Salem Trust	Flat Fee $6,000	2 Years	$6,000	$6,000
Regions Bank	4.5 basis points (.045%) All-Inclusive for investment and retiree payments	3 Years	$5,000	$5,000

*Estimated costs were calculated assuming plan assets of $10,079,157, 12 retiree benefit payments, 16 disbursements, and 50 trades per year.

This information is provided based upon bid quotes received by the Bogdahn Group and provided for informational purposes only.

The summary data is based upon information believed to be accurate, and the actual quotes from the providers should be referenced for complete analysis.

Estimated Market Value and Cost calculations anticipates $1,100,000 in Real Estate held outside of trust custodial relationship.

PORT ORANGE POLICE OFFICERS' PENSION PLAN

POLICY STATEMENT

PERIODIC REVIEW OF PROFESSIONAL SERVICE PROVIDER AGREEMENTS

WHEREAS, Section 54-134(d) and (e) of the Port Orange Police Officers' Pension Plan (plan document), as restated in the *City of Port Orange Code of Ordinances,* vests the Port Orange Police Pension Board of Trustees with the authority to adopt bylaws, rules and regulations for the administration of the Pension Plan; and

WHEREAS, the Port Orange Police Officers' Pension Board of Trustees regularly retains professional service providers to assist in the administration and operation of the Pension Plan/Fund; and

WHEREAS, the Port Orange Police Officers' Pension Board of Trustees believes it to be in the best interest of the participants and beneficiaries of the Pension Plan/Fund to routinely review all professional service provider agreements; and

WHEREAS, the Port Orange Police Officers' Pension Board of Trustees desires to adopt a Policy Statement regarding the routine review of professional service provider agreements.

NOW, THEREFORE, it is hereby resolved this 20th day of February, 2015 that the following Policy Statement regarding the routine review of professional service provider agreements is hereby adopted.

GENERAL CONSIDERATIONS

A. The Port Orange Police Officers' Pension Board of Trustees is vested with the authority and responsibility to administer the operation of the Pension Plan/Fund.

B. The Port Orange Police Officers' Pension Board of Trustees has the authority to retain professional service providers to assist in such administration of the Pension Plan/Fund.

C. The Port Orange Police Officers' Pension Board of Trustees retains professional service providers to assist in the administration of Pension Plan/Fund operations, actuarial services, investment of Plan/Fund assets, monitoring/evaluating of such investment activities, custody of Pension Plan/Fund assets, legal services, etc.

REVIEW POLICY

A. The Port Orange Police Officers' Pension Board of Trustees shall routinely review all professional service provider agreements to determine appropriateness and timeliness of the terms contained therein.

REVIEW POLICY

A. The Board of Trustees shall routinely review all professional service provider agreements to determine appropriateness and timeliness of the terms contained therein.

B. The Board of Trustees shall conduct a review of one professional service provider agreement each year based on the date of original execution with the oldest professional relationship being the first agreement subject to review.

C. The Board of Trustees may, in its sole discretion at that time, continue with that service provider, solicit bids or issue a request for proposal (RFP) for the professional services under review.

D. Notwithstanding the foregoing, the Board of Trustees reserves its right to review and terminate any service provider contract at any time and in its sole discretion.

ADOPTED this 20th day of February, 2015, at a meeting of the Port Orange Police Officers' Pension Board of Trustees

City of Port Orange Police Pension Fund

By: Braddock 2/19

Sgt. Steve Braddock, Chairman

By: Lt. W Proctor

Lt. William Proctor, Secretary