CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
JULY 24, 2017

The Port Orange Police Officers' Pension Board of Trustees met in special session on Monday, July 24, 2017 in the Police Department Training Room, 4545 Clyde Morris Boulevard, Port Orange, Florida.

MEMBERS PRESENT:	Chairman Steve Braddock (police member) Secretary William Proctor (police member) Warren Carman (fifth member) Drew Bastian (resident member) Brian Cobb (resident member)
CONSULTANTS:	Karan Rounsavall, Plan Administrator

Note: Attorney Ken Harrison of Sugarman & Susskind was available by telephone if needed.

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Chairman Braddock called the meeting to order at 9:00 a.m. A quorum was in attendance.

The purpose of the meeting was to receive presentations from four firms submitting responses to the Pension Board's request for proposals (RFP) for investment consulting and performance monitoring services. Each firm would be given 40 minutes for its presentation with 20 minutes for questions from board members.

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The first firm to give its presentation was AndCo Consulting, LLC. Representing AndCo were Mike Welker (President/CEO), Dan Johnson (Director/Senior Consultant), and Tyler Grumbles (primary consultant). Mr. Welker began by sharing AndCo's mission which was *"To represent the sole interest of our clients by redefining independence."* He shared the firm's history and its truly independent business model focusing on transparency and teamwork. AndCo served as a fiduciary to its plans without exception. In fact, all of its employees were required to surrender their broker licenses to be a part of the AndCo Team. It operated on a hard dollar fee that remained constant as assets grew. The firm was based in Orlando with 83 employees, 16 of whom had earned the prestigious chartered financial analyst (CFA) designation. Many others had advanced degrees. Mr. Welker also mentioned AndCo's service guarantee. If for any reason, the Pension Board was unhappy with AndCo's services during its first year, it would refund every cent that had been paid.

Mr. Johnson continued by describing the depth and work of AndCo's research team and its manager selection process. He emphasized the importance of a relationship with Port Orange Police Pension Board. AndCo worked with numerous public pension funds throughout the state. He encouraged board members to call any clients for a reference.

Tyler Grumbles would be the Pension Plan's primary point of contact. He provided an overview of the current investment portfolio with an all-inclusive fee (WRAP) structure with 12 investment managers. He noted that all equity managers were active. AndCo's strategy for the portfolio included an allocation to passive management (i.e. index funds), simplified investments, and improved performance reporting with peer performance comparisons. There would be a marked reduction in overall fees as the WRAP was unbundled.

AndCo proposed an annual fee of $40,000 which was guaranteed for three years. As fund assets grew, this hard dollar fee (when expressed as a percentage) decreased.

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The next firm to present was Burgess Chambers & Associates (BCA). Presenting on BCA's behalf was Frank Wan (Senior Consultant) and Mitchel Brennan (Consultant). The Port Orange Firefighters' Pension Board hired BCA in 1992; BCA still served as the Fire Board's investment consultant. They described BCA's independent model and investment philosophy, including its open architecture. Mr. Wan mentioned that BCA offered retiree advisory services through *Schwab* which was launched in 2016. This service was unique to BCA.

BCA proposed the use of both active and passive investments in the Port Orange Police portfolio. Its presentation compared each asset class from an active/passive standpoint. BCA would also incorporate convertible securities and real estate investment trusts (REITS). Hedge funds, which were present in the current portfolio, were questionable and had not done well. All-inclusive fee (WRAP) plans favored active managers, particularly from a fee standpoint. BCA was willing to act as a fiduciary to the pension plan in accordance with *Florida Statutes.*

BCA proposed an annual fee of $27,000. This was a reduction of ten basis points from its original proposal based on its long-standing relationship with the Port Orange Fire Pension Board.

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The third firm to make a presentation was Southeastern Advisory Services (SEA). Consultant Jeff Swanson was the sole presenter. He focused on how SEA was different from other consulting firms. SEA was not a large company, did not have a marketing group, and responded to very few RFPs. In fact, Mr. Swanson personally had been closed to new clients for five years. He would have sole accountability for the relationship. He lived in Jacksonville Beach and the Board's quarterly meeting dates worked with his schedule. Mr. Swanson was the public fund specialist with four police plans in the State of Florida. SEA also served as the investment consultant to the Port Orange General Employees' Pension Board. SEA was willing to serve as a fiduciary to the Pension Plan.

What distinguished SEA was the fact that it was a Wilshire Cooperative member firm. Its affiliation with Wilshire gave SEA the tools it needed, including research, universe comparisons, and custom performance reporting. Commenting on the current portfolio, which was managed by Graystone, Mr. Swanson stressed that the active equity managers had not worked well. His strategy included passive investing for domestic equities. However, active fixed income managers tended to outperform passive. He recommended simplifying the portfolio which would reduce fees and certainly eliminating the hedge funds.

SEA proposed a fee of ten basis points. Based on a $30 million portfolio, this equated to an estimated annual fee of $30,000. Mr. Swanson was willing to consider a hard dollar fee but advised it would contain an escalation clause based on the Consumer Price Index (CPI).

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The meeting recessed for lunch at 12:35 and reconvened at 1:30 p.m.

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The final firm to make its presentation was Dahab Associates which was represented by David Lee and Thomas Donegan. Dahab was headquartered in New York with offices in Hollywood, Florida. Dahab was an independent firm and not affiliated with any investment advisor or broker/dealer. It had 81 clients nationally, with 18 in Florida. Its service model utilized a team approach with an average of ten clients per relationship.

Dahab recommended a greater allocation to passive equity investments, particularly large and mid-capitalization products. Active management could benefit small capitalization equity investments. Dahab also recommended expanding the real estate spectrum to mitigate the current low return environment offered by traditional fixed income (bonds). Its goal was not to achieve the greatest return for the pension fund but to help the plan meet its assumed rate of return assumption by taking appropriate risk.

Dahab proposed an annual hard dollar fee of $28,000 which would be guaranteed for five years.

Note: Presentations concluded at 2:19 p.m.

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Discussion ensued with trustees sharing their comments and observations about the four firms. Plan Administrator Rounsavall advised as to the selection process. The Board could make a decision at this meeting and direct the attorney to begin contract negotiations with the top-ranked firm. Alternatively, it could request to hear second presentations from its top-ranked firms.

Each trustee was asked to rank the four firms individually with their top firm receiving a ranking of one (1) and so forth. The rankings would be submitted on a paper signed by the trustee and given to the plan administrator who would compile the rankings and announce the results.

Individual trustee rankings were announced by the plan administrator as follows:

Trustee Proctor	#1	AndCo Consulting
	#2	Burgess Chambers & Associates
	#3	Southeastern Advisory Services
	#4	Dahab Associates
Trustee Bastian	#1	Southeastern Advisory Services
	#2	AndCo Consulting
	#3	Dahab Associates
	#4	Burgess Chambers & Associates

Trustee Carman	#1	Southeastern Advisory Services
	#2	AndCo Consulting
	#3	Dahab Associates
	#4	Burgess Chambers & Associates
Chairman Braddock	#1	AndCo Consulting
	#2	Southeastern Advisory Services
	#3	Dahab Associates
	#4	Burgess Chambers & Associates
Member Cobb	#1	AndCo Consulting
	#2	Southeastern Advisory Services
	#3	Dahab Associates
	#4	Burgess Chambers & Associates

Plan Administrator Rounsavall tallied the results of the individual rankings:

AndCo Consulting	7
Southeastern Advisory Services	9
Dahab Associates	16
Burgess Chambers & Associates	18

Member Bastian moved to select AndCo Consulting as its first choice and to direct the plan attorney to begin contract negotiations with AndCo and further to request a $35,000 annual flat fee (as opposed to the $40,000 proposed fee). Member Carman seconded the motion and it carried unanimously.

Mrs. Rounsavall reminded board members that it would be necessary to engage custodial services upon transition to AndCo Consulting. First State Trust Company currently served as custodian to the pension plan pursuant to its relationship with Graystone Consulting. Custody fees were paid as part of the all-inclusive fee program. First State Trust Company could continue to serve as custodian to the Port Orange Police Pension Plan, however, it would require a separate agreement and fee negotiations.

Mrs. Rounsavall commented on her favorable experience dealing with Trust Officer Jim Robinson at First State Trust. Further, there would be no disruption to retiree benefit payments if the pension plan continued with First State Trust.

It was the consensus of the Pension Board to continue with First State Trust Company for custodial services if possible pending an acceptable agreement and fee.

The Board concluded its meeting by placing a conference call to Tyler Grumbles of AndCo Consulting to advise of its selection.

PUBLIC COMMENT - None

The meeting adjourned at 3:08 p.m.

Steve Braddock, Chairman

Karan Rounsavall

Karan Rounsavall, Plan Administrator