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

Port Orange Police Department
Police Department Training Room
4545 Clyde Morris Blvd.
Port Orange FL 32129
Friday, August 18, 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. **APPROVAL OF MINUTES**

   A. Approve the minutes of quarterly meeting May 19, 2017 and special meetings June 20, 2017 and July 24, 2017

4. **OFFICER AND TRUSTEE REPORTS**

5. **CONSENT AGENDA**

   A. Ratify plan expenditures as follows:
      1. Sugarman & Susskind – monthly retainer for June 2017 - $2,600;
      2. Sugarman & Susskind – monthly retainer for July 2017 - $2,600;
      3. Sugarman & Susskind – monthly retainer for August 2017 - $2,600;
      4. Plan Administrator Karan Rounsavall – monthly fee (May 2017, June 2017, July 2017) - $7,200;
      5. Florida Public Pension Trustees Association – annual conference registration for Chairman Steve Braddock and Plan Administrator Karan Rounsavall - $1,300;
      6. Omni Orlando Resort – hotel expense for Chairman Steve Braddock (FPPTA Annual Conference) - $540.00;
      7. Chairman Steve Braddock – reimbursement of mileage and meal expenses for attendance at FPPTA Annual Conference - $322.60;

8. Graystone Consulting – Tampa – all-inclusive investment fees (April 1, 2017 through June 30, 2017) - $61,266.89.

B. Acknowledge refund of member contributions to the following non-vested member:
   1. Brandy DeMarco (non-vested member) in the amount of $1,148.35.

6. OLD BUSINESS

A. Status of ordinance increasing trustee terms from two to four years (revisions currently pending with city attorney's office)

7. NEW BUSINESS

A. Ratify early retirement benefits for Donald Meurlot (terminated vested member) commencing November 1, 2017

B. Approval of administrative expense budget for Plan Year 2017/2018 in accordance with *Florida Statutes*

8. CONSULTANT REPORTS

A. Charles Mulfinger – *Graystone/Morgan Stanley Wealth Management* (Investment Consultant)
   1. Performance Report for quarter ended June 30, 2017

B. Ken Harrison – *Sugarman & Susskind* (Attorney)
   1. Amendment to Public Records Act
   2. Mutual consent requirements relative to collective bargaining negotiations

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

D. Karan Rounsavall – Plan Administrator
   1. Educational Opportunities:
      - ✓ Florida Public Pension Trustees Association (FPPTA) Fall Trustees School in Tampa (October 8-11, 2017);
      - ✓ Florida Division of Retirement Annual Police Officers' & Firefighters' Pension Conference in Orlando (November 15-17, 2017)
   2. Acknowledge receipt of 2016 premium tax distribution in the amount of $397,679.88 from Division of Retirement

E. Tyler Grumbles & Dan Johnson – *AndCo Consulting* (Investment Advisory Services and Performance Monitor)
   1. Presentation of transition plan and action items related thereto
   2. Approve Investment Policy Statement (IPS)

9. PUBLIC COMMENT

10. ADJOURNMENT

CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
MAY 19, 2017

The Port Orange Police Officers' Pension Board of Trustees held its quarterly meeting on Friday, May 19, 2017 in the Police Department Training Room, 4545 Clyde Morris Boulevard, Port Orange, Florida.

MEMBERS PRESENT:	Chairman Steve Braddock (police member) William Proctor (police member) Warren Carman (fifth member) Drew Bastian (resident member)
MEMBERS ABSENT:	Brian Cobb (resident member - excused)
CONSULTANTS:	Dustin Watkins, Board Attorney – Sugarman & Susskind Charlie Mulfinger, Investment Consultant – Graystone Scott Owens, Investment Consultant - Graystone Chad Little, Actuary – Freiman Little Actuaries Karan Rounsavall, Plan Administrator
CITY STAFF:	Tracey Riehm, Finance Director

Chairman Braddock called the meeting to order at 9:07 a.m. A quorum was in attendance.

APPROVAL OF MINUTES

Member Bastian moved to approve minutes of quarterly meeting February 17, 2017 and special meeting April 3, 2017 as submitted. Member Carman seconded the motion and it carried unanimously.

OFFICER AND TRUSTEE REPORTS

The Board heard from Lt. Eric Fisher and Officer Evan Doyle who were members of the contract negotiations team for the Port Orange Police Department. They sought legal guidance relating to pension articles in the collective bargaining agreement, particularly as to how future changes might after Tier One (pre 2011) members and unrepresented members (captain rank and assistant chief). In the near future, members in Tier Two would outnumber those in Tier One; this caused concern if bargaining goals began to deviate. The current bargaining proposal submitted to the City requested a re-establishment of a single-tiered pension plan.

Attorney Watkins understood that different treatment of two tiers of benefits was a concern. He advised that any reduction in benefits must be prospective (i.e. date certain going forward). Actuary Chad Little spoke to the importance of reaching mutual consent in negotiations and specifically addressing same in the collective bargaining agreement. He mentioned that the pension fund still carried a small reserve and hoped that there would be agreement on the disposition of these funds.

Member Carman moved to direct the attorney to provide a legal opinion as to the consequences of converging tiers in the pension plan and what could/could not be agreed upon such that the receipt of state monies was not threatened. It was the intent *of the motion that this opinion also addressed the effect of the CBA on unrepresented members. Member Bastian seconded the motion and it carried on an all yes vote.*

CONSENT AGENDA

The following items were presented for action as recommended:

A. Approve plan expenditures as follows:
   1. Sugarman & Susskind – monthly retainer for March 2017 - $2,600. *Recommendation:* Ratify payment.
   2. Sugarman & Susskind – monthly retainer for April 2017 - $2,600. *Recommendation:* Ratify payment.
   3. Sugarman & Susskind – monthly retainer for May 2017 - $2,600. *Recommendation:* Ratify payment.
   4. Plan Administrator Karan Rounsavall – monthly fee (February 2017, March 2017, April 2017) - $7,200. *Recommendation:* Ratify payments.
   5. James Moore, CPA – final billing for 2016 audit - $3,500. *Recommendation:* Ratify payment.
   6. Freiman Little Actuaries LLC – contracted actuarial services from 8/13/2016 through 2/14/2017, including actuarial valuation, annual state report, GASB supplements, and benefit statements - $23,500. *Recommendation:* Ratify payment.
   7. Freiman Little Actuaries LLC – supplemental actuarial services from 8/13/2016 through 2/14/2017 including 2017 COLA calculations and impact statement for defined contribution component ordinance - $2,000. *Recommendation*: Ratify payment.
   8. Trustee Warren Carman – reimbursement of mileage and meal expenses for attendance at FPPTA Winter Trustees School in Orlando - $146.52. *Recommendation*: Ratify payment.
   9. Trustee Drew Bastian – reimbursement of mileage and meal expenses for attendance at FPPTA Winter Trustees School in Orlando - $131.52. *Recommendation*: Ratify payment.
   10. Graystone Consulting – Tampa – all-inclusive investment fees (January 1, 2017 through March 31, 2017) - $65,110.95. *Recommendation:* Ratify payment.

B. Acknowledge receipt of deferred vested calculation for Roxanne Morrow (date of separation: March 19, 2017). *Recommendation*: Acknowledge receipt of calculation and direct plan administrator to provide same to Ms. Morrow.

C. Acknowledge refund/rollover of member contributions to the following non-vested members:
   1. Robert Hiatt (non-vested member) in the amount of $1,819.87;
   2. Maira Ragon (non-vested member) in the amount of $8,720.07;
   3. John Santana (non-vested member) in the amount of $12,856.95.

   Recommendation: Acknowledge refund of member contributions as stated.

Member Bastian moved to approve all consent agenda items as recommended. Member Warren seconded the motion and it carried on an all yes vote.

OLD BUSINESS - *None*

NEW BUSINESS

A. Status of proposed ordinance creating a defined contribution (DC) component for the Port Orange Police Pension Plan

Plan Administrator Rounsavall advised that the city attorney opined that the subject ordinance was a matter of collective bargaining. As such, it could not be scheduled for consideration by city council until the collective bargaining agreement (CBA) was executed. At such time, the ordinance would be conformed to the CBA as approved by the city and union.

Attorney Watkins emphasized the critical importance of addressing mutual consent in the CBA. *Member Proctor moved to direct the attorney/plan administrator to send a reminder letter to city staff and the union advising both parties that mutual consent was to be addressed in this CBA per Florida Statutes. Member Carman seconded the motion and it carried unanimously.*

B. Renewal of fiduciary liability insurance policy with Markel American Insurance Company through Ullico Casualty Group

Board members were in receipt of a renewal quote from Markel American Insurance Company. The aggregate limit of liability was $1 million with zero deductible. Waiver of recourse was included at no additional premium as was an endorsement covering the third-party administrator as an additional insured. The annual premium was $4,795.

Attorney Watkins noted that the current policy included a duty to defend clause (allowing insurer to use its own attorneys). While this language had never been an issue in the past, he preferred to see it deleted in future policies.

Member Bastian moved to authorize renewal of the fiduciary liability insurance policy at a cost of $4,795 for the ensuing year (May 31, 2017 through May 31, 2018). Member Carman seconded the motion and it carried on an all yes vote. Plan Administrator Rounsavall would inquire as to the "duty to defend" clause in future policies.

C. Ratify normal retirement benefits for Robert Gaines as of May 1, 2017 (100% Joint and Survivor Annuity)

Member Bastian moved to approve normal retirement benefits for Robert Gaines as of May 1, 2017 based on his elected benefit option of 100% joint and survivor annuity. Member Proctor seconded the motion and it carried unanimously.

D. Periodic review of professional service provider agreements

Pursuant to its adopted policy, the Pension Board routinely reviewed all professional service provider agreements to determine appropriateness and timeliness of the terms contained therein. Board members were in receipt of a listing of all consultants and their agreement execution dates. The Board's agreement with Sugarman & Susskind (Board Attorney) was the oldest relationship that was scheduled for review. Its original agreement was executed on December 1, 2006 with a fee addendum executed in 2014 which provided for annual increases through 2017.

The Board expressed its satisfaction with the law firm's services and did not see a need for further review. Attorney Watkins advised there was no plan to increase fees in the near future.

Member Carman moved to continue the Pension Board's relationship with Sugarman & Susskind with no need for further review. Member Bastian seconded the motion; it carried on an all yes vote.

E. Discussion and possible action to reconsider proposed ordinance increasing trustee terms from two to four years

A similar ordinance increasing trustee terms was not supported by city council in 2015. Noting the educational requirements for trustees and the substantial expense thereof, Plan Administrator Rounsavall recommended that the ordinance be resubmitted at this time.

Member Bastian moved to direct the plan administrator and attorney to resubmit an ordinance increasing trustee terms from two to four years for city council consideration. Member Proctor seconded the motion and it carried unanimously. Plan Administrator Rounsavall would attend council meetings to speak in support of the ordinance.

***

Along the line of educational expenses, Chairman Braddock noted that the plan administrator attended FPPTA conferences and trustee schools at her own expense. The education that she gained at these events benefitted the pension plan. He would like to see the pension board reimburse her for one registration event per year. Attorney Watkins noted that there was a provision in her consulting agreement to cover expenses.

Member Carman moved that the pension board pay the registration fee for the plan administrator to attend one FPPTA event per calendar year. Member Bastian seconded the motion and it carried on an all yes vote.

<u>CONSULTANT REPORTS</u>

A. Charles Mulfinger and Scott Owens – *Graystone Consulting/Morgan Stanley Wealth Management* (Investment Consultant)

   1. Performance Report for quarter ended March 31, 2017

Mr. Mulfinger commented on the long relationship that Graystone/Morgan Stanley enjoyed with the Port Orange Police Pension Plan (since 1995) and hoped for further opportunity to continue working for the Pension Board. Graystone had responded to the Board's request for proposals for investment consulting services. Attorney Watkins cautioned Mr. Mulfinger about discussing the RFP further.

Mr. Owens provided a brief economic overview. Markets continued to enjoy the *"Trump Bump"* with pro-growth mandates and positive economic news. For the past quarter, large-cap equities were the most positive asset class outperforming smaller cap holdings. Growth outperformed value. Emerging markets saw substantial returns.

Mr. Mulfinger continued with a review of the Investment Performance Report for the quarter ending March 31, 2017. Total fund performance was a positive 2.92 percent on a time-weighted basis (net of fees) trailing the policy index which was up 3.61 percent. Total market value as of March 31, 2017 was $31,622,179 representing a gain of $958,789.50 (net of fees) since the previous quarter ended December 31, 2016. The trailing one-year return was positive 8.71 percent (net of fees), short of the policy index return which was positive 10.85 percent. The one-year return exceeded the 7.45

percent assumed actuarial investment rate of return. As of May 12, 2017 the portfolio's market value was $32,069,203, representing a gain of 5.8 percent since September 30, 2016 (fiscal year-to-date return).

Mr. Mulfinger reminded the board that the Port Orange Police Pension Fund took less risk than the market, thus underperformance compared to the respective benchmarks.

Quarterly performance results (net of fees for quarter ending March 31, 2017) for the various investment styles/managers represented in the portfolio were as follows:

BlackRock (large cap value) – <u>positive</u> return of 2.28%
Jennison (large cap growth) – <u>positive</u> return of 10.44%*
Wedgewood (large cap growth) – <u>positive</u> return of 5.97%
Connors (large cap core) – <u>positive</u> return of 5.7%
Boston Partners (small cap value) - <u>positive</u> return of 1.80%*
RBC (small cap growth) – <u>negative</u> return of -0.18%
Lazard (international value) – <u>positive</u> return of 6.60%
Renaissance (international growth) – <u>positive</u> return of 10.22%*
Madison Investment Advisors (fixed income) – <u>positive</u> return of 0.35%
BlackRock (long/short credit) – <u>positive</u> return of 1.05%
Blackstone (multi-strategy) – <u>positive</u> return of 3.32%*
Pine Grove (alternative investments – hedge fund) – <u>positive</u> return of 1.42%*
Private Advisors (alternative investments – hedge fund) – <u>positive</u> return of 2.25%
UBS (private real estate) – <u>negative</u> return of -0.12%
* These managers <u>outperformed</u> their respective fund benchmark.

Total fees paid to Graystone Consulting for the quarter were $65,110.95 which included consulting, trading, and custody as well as fees charged by the individual managers. Hedge funds and comingled funds were reported net of fees.

Mr. Mulfinger reviewed the compliance checklist which examined the portfolio against the Board's Investment Policy Statement (IPS) for each asset class. He noted that the portfolio was overweight in every equity asset class and recommended rebalancing back to "range" weights as opposed to "target" weights.

Member Bastian moved to authorize rebalancing of portfolio as recommended by the investment consultant. Member Proctor seconded the motion and it carried on an all yes vote.

The Pension Board acknowledged receipt of the performance report.

***

Mr. Mulfinger discussed the ongoing underperformance of Wedgewood Partners, the fund's large capitalization growth manager. Morgan Stanley recently lowered its rating of this manager from "focus" to "approved;" there was pressure from other clients to replace Wedgewood due to substantial loss of assets.

Graystone Consulting presented the results of a manager search in this asset class and recommended that the pension board interview possible candidates at the next meeting.

Member Proctor moved to hear presentations at the next meeting from three vetted investment firms in the large-cap growth style, to-wit: Clearbridge Investments, Pioneer

Investments, and Sawgrass Asset Management. Member Bastian seconded the motion and it carried unanimously.

***

Mr. Mulfinger went on to recommend that the pension board consider a change to its fixed income manager from Madison Investment Advisors to J.P. Morgan. J.P. Morgan not only had higher returns, it was willing to negotiate a lower fee than Madison. Mr. Mulfinger advised that J.P. Morgan allowed investment grade bonds (BBB) and mortgage bonds in its portfolio. The current Investment Policy Statement (IPS) did not allow investment grade bonds. As such, the IPS would need to be revised to allow J.P. Morgan as fixed income manager. Further J.P. Morgan was not a part of the Morgan Stanley platform; a separate agreement with the Port Orange Police Pension Board would be required.

Member Carman moved to accept the consultant's recommendation to change the fixed income/bond manager from Madison to J.P. Morgan and to direct the plan attorney to work with Graystone to prepare a separate agreement with the pension board. Member Bastian seconded the motion and it carried.

Mr. Mulfinger thanked the pension board for its business.

2. Revised Investment Policy Statement (IPS) reflecting actuarial assumption of 7.55 percent with it decreasing by ten basis points each year until it reached 7.25 percent

This revision was discussed at the February 17, 2017 meeting when the board received the valuation for 2016. *Member Carman moved to revise the Investment Policy Statement to: (1) include the decreasing assumed rate of return (i.e. ten basis points each year until it reached 7.25 percent); (2) change the fixed income section to require that all securities hold a rating in one of the **four** highest classifications (investment grade (BBB) bonds); and (3) change the benchmark for comparing fixed income performance to the Barclays Capital Aggregate Bond Index. Member Bastian seconded the motion which carried on an all yes vote.*

It was noted that state law required a 31-day waiting period before the change became effective.

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

1. Scope of services and quote to conduct experience study to compare current assumptions against actual behavior in the plan (e.g. retirement age, payroll increases, terminations, etc.)

Mr. Little explained that the experience review would provide an explanation of each assumption, a discussion of how well each assumption has compared to actual results, and an explanation of any recommended changes in each assumption. It would also provide estimated valuation results (as of October 1, 2016) based on these recommendations. The fee for the study was $5,500. (Reference Mr. Little's correspondence dated May 11, 2017) It had been over ten years since the last experience study. There were numerous changes to the pension plan in 2011 which had changed behavior. Mr. Little pointed out, however, that he still needed to receive corrected payroll data from city staff to perform the experience study. He anticipated results and presentation to the pension board at its November 17, 2017 quarterly meeting.

Member Carman moved to authorize the actuary to proceed with the experience study at a cost not to exceed $5,500 with results presented at the November 17, 2017 quarterly meeting pending receipt of corrected payroll data from city staff. Member Bastian seconded the motion and it carried unanimously.

C. Dustin Watkins – *Sugarman & Susskind* (Attorney)

1. Legislative Update

Mr. Watkins advised that there was no legislation relative to public pension plans adopted during the recent session.

D. Karan Rounsavall – Plan Administrator

1. Educational Opportunity: Florida Public Pension Trustees Association (FPPTA) Annual Conference in Orlando (June 25-28, 2017)

If any trustee wished to attend the conference, they were to contact the plan administrator at their first opportunity. Chairman Braddock planned to attend.

2. Annual Financial Disclosure filing deadline (July 1, 2017)

Mrs. Rounsavall reminded trustees of filing requirements and to keep of copy when their form was filed with the Elections Office.

3. Notice of election for police officer trustees and notice of reappointment for fifth member and resident trustees

Current terms expired on October 1, 2017. Pursuant to board policy, the date for election of police officer trustees was to be set 90 days prior to term expiration date. (Note: This timeframe could be modified pending city council's action on the proposed ordinance to increase trustee terms from two to four years.)

***

Mrs. Rounsavall reminded board members of the special meeting scheduled for Tuesday, June 20, 2017 at 10:00 a.m. in the Police Training Room to review and short list responses to the RFP for investment consulting services.

PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 11:39 a.m.

____
Steve Braddock, Chairman

____
Karan Rounsavall, Plan Administrator

CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
JUNE 20, 2017

The Port Orange Police Officers' Pension Board of Trustees met in special session on Tuesday, June 20, 2017 in the Second Floor Conference Room of City Hall, 1000 City Center Circle, 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.

***

Chairman Braddock called the meeting to order at 10:37 a.m. A quorum was in attendance.

The purpose of the meeting was to review responses to the Pension Board's request for proposals (RFP) for investment consulting services for the Port Orange Police Officers' Pension Plan and to develop a short list of firms to be scheduled for oral presentations to the Board.

At a special meeting on April 3, 2017, the Pension Board directed the plan attorney and plan administrator to proceed with an RFP for investment consulting and performance monitoring services with a May 19, 2017 return/due date. Eight responses were received and distributed to board members in advance of the meeting. The Board was also in receipt of a one-page overview of the responses prepared by the plan administrator.

Responses were timely received by the following firms: AndCo Consulting, Burgess Chambers & Associates, Dahab Associates, Gavion, Graystone Consulting/Morgan Stanley, Investment Performance Service, Meketa Investment Group, and Southeastern Advisory Services.

Discussion ensued. Chairman Braddock suggested that the Board begin by striking responses that trustees did <u>not</u> want to consider. Member Cobb asked whether or not trustees wished to eliminate Graystone Consulting, the Pension Board's current investment consultant. Expressing concern with higher fees and poorer performance compared to the other two pension plans sponsored by the City of Port Orange (i.e. Fire and General Employees), there was consensus to eliminate Graystone.

Other responses that were eliminated by unanimous consent of the Pension Board were Meketa Investment Group, Investment Performance Service, and Gavion.

It was noted that Burgess Chambers & Associates (BCA) currently served as investment consultant to the Port Orange Fire Pension Board. This firm failed to provide actual returns from other plans as requested in the RFP. The Board directed Plan Administrator Rounsavall to request this information from BCA.

Likewise, it was noted that Southeastern Advisory Services currently served as investment consultant to the Port Orange General Employees' Pension Board. This was a fairly recent relationship resulting from a request for proposal several years earlier.

Several members commented favorable about Dahab's performance reports and market commentary. Additionally, its quoted fee was quite low.

Member Bastian moved to schedule a special meeting on Monday, July 24, 2017 to hear presentations from AndCo Consulting, Burgess Chambers & Associates, Dahab Associates, and Southeastern Advisory Services. Member Carman seconded the motion and it carried unanimously.

Plan Administrator Rounsavall would coordinate the special meeting to hear presentations from the short-listed firms on July 24, 2017.

PUBLIC COMMENT - None

***

The meeting adjourned at 11:17 a.m.

____
Steve Braddock, Chairman

____
Karan Rounsavall, Plan Administrator

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.

***

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.

***

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.

***

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.

***

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).

***

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

***

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.

***

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, Plan Administrator

SUGARMAN & SUSSKIND
PROFESSIONAL ASSOCIATION
ATTORNEYS AT LAW

Robert A. Sugarman♦
Howard S. Susskind
Kenneth R. Harrison, Sr.
D. Marcus Braswell, Jr.
Pedro A. Herrera
Ivelisse Berio LeBeau
Dustin L. Watkins

♦Board Certified Labor
& Employment Lawyer

100 Miracle Mile
Suite 300
Coral Gables, Florida 33134
(305) 529-2801
Broward (954) 327-2878
Toll Free 1-800-329-2122
Facsimile (305) 447-8115

LEGISLATIVE UPDATE
And
ACTION PLAN

June 2017

SENATE BILL 80 – AMENDMENTS TO THE PUBLIC RECORDS ACT

On May 23, 2017, Governor Rick Scott signed into law Senate Bill 80, a bill intended to curb what some consider abuses of Florida's broad public records law. This law responds to the practice of filing so-called "gotcha" lawsuits in which members of the public file frivolous public records requests intended primarily to cause a violation of the law and result in an attorney fee award. This law applies to all public records requests made on or after May 23, 2017.

The public records law states that when a member of the public sues a public agency to obtain public records because those records were not produced accordingly, the person suing the agency is entitled to an award of attorney fees and costs associated with the lawsuit. Senate Bill 80 creates a new requirement that a member of the public who seeks an award of attorney fees and costs must provide written notice to the agency's custodian of public records no less than five business days before filing the lawsuit. The five-day notice is not required if the agency does not prominently post contact information for the agency's custodian of public records in the agency's primary administrative building and on the agency's website. The new law also permits a court to award attorney fees and costs to the public agency if the court determines that a public records lawsuit was initiated for an "improper purpose." An improper purpose is defined as a frivolous request to inspect or copy a public record or a public record request initiated for the purpose of causing a violation of the public records law.

As noted above, the new law provides a means of reducing the risk of an adverse attorney fee award by prominently posting contact information for the custodian of public records. This notice must be prominently posted both in the agency's primary administrative building and on the agency's website, if the agency has a website. "Primary administrative building" is defined as the place where public records are routinely created, sent, received, maintained, and requested. For a local law retirement system, this will be wherever most retirement system business is conducted, such as a pension fund office, a municipal building, a special district office, or the offices of a third party administrator.

Action Plan

To take advantage of the five-day notice requirement, we recommend all clients take the following actions:

1. Identify who will serve as the custodian of public records. This should be the person who routinely deals with public records and regularly interfaces with plan participants and the public, such as an administrator or a trustee.

2. Identify the "primary administrative building." This may be the retirement system's own offices, if it has any. Otherwise, this will be wherever the retirement system conducts most of its business, whether it be a municipal building, a special district office, or the offices of a third party administrator.

3. Prepare a notice. The notice must describe how to contact the custodian of public records. A sample notice is enclosed with this legislative update.

4. Post the notice. This notice should be posted in the primary administrative building in a prominent place, such as a bulletin board. If the agency has a website, the notice must be posted on the website as well. Some third party administrators maintain websites for their clients. We recommend that the notice be posted on those websites as well.

SENATE BILL 7022 – REVISIONS TO FLORIDA RETIREMENT SYSTEM

This legislative session also included several changes to FRS. Senate Bill 7022, which passed on May 8, 2017, provides that new workers who join FRS will automatically enter the FRS Investment Plan (i.e., the defined contribution plan) rather than the FRS Pension Plan (i.e., the defined benefit plan). Although new workers automatically enroll in the FRS Investment Plan, they may, within eight months of initial hire, make a one-time irrevocable election to enter the FRS Pension Plan. New workers who are considered "Special Risk Class members" will continue to automatically enroll in the FRS Pension Plan. The new law also allows retirees of the FRS Investment Plan who are reemployed in covered service to become renewed members of the FRS Investment Plan. Renewed membership is not permitted, however, for a retiree of the FRS Pension Plan. The new law also provides that a line-of-duty death survivor benefit is payable to the surviving child of a Special Risk Class member who died in the line of duty on or after July 1, 2002. These changes do not affect local law retirement systems.

[INSERT: NAME OF RETIREMENT SYSTEM]

ALL NOTICES AND REQUESTS UNDER THE PUBLIC RECORDS LAW, CH. 119, FLA. STAT., SHOULD BE DIRECTED TO THE CUSTODIAN OF PUBLIC RECORDS AS FOLLOWS.

BY MAIL:

Custodian of Public Records
[INSERT: NAME OF RETIREMENT SYSTEM]
[INSERT: ADDRESS]
[INSERT: CITY, STATE, ZIP]

BY EMAIL:

[INSERT: EMAIL ADDRESS]

FOR INQUIRIES, PLEASE CALL:

[INSERT: PHONE NUMBER]

NOTICE REGARDING
PUBLIC RECORDS REQUEST

The Office of the City Clerk is the City of Port Orange's custodian of public records, where all official records of the City of Port Orange are routinely created, sent, received, and/or maintained.

The contact information for the City Clerk's Office is:

Port Orange City Hall
1000 City Center Circle
Port Orange, Florida 32129
(386) 506-5563

cityclerk@port-orange.org

____
Robin Fenwick, CMC
City Clerk
City of Port Orange, Florida

SUGARMAN & SUSSKIND
PROFESSIONAL ASSOCIATION
ATTORNEYS AT LAW

Robert A. Sugarman♦
Howard S. Susskind
Kenneth R. Harrison, Sr.
D. Marcus Braswell, Jr.
Pedro A. Herrera
Ivelisse Berio LeBeau
Dustin L. Watkins

♦Board Certified Labor
& Employment Lawyer

100 Miracle Mile
Suite 300
Coral Gables, Florida 33134
(305) 529-2801
Broward (954) 327-2878
Toll Free 1-800-329-2122
Facsimile (305) 447-8115

July 31, 2017

Via Email [*mjohansson@port-orange.org*](mailto:mjohansson@port-orange.org)

Michael Johansson, City Manager
City of Port Orange
1000 City Center Circle
Port Orange, FL 32129

Re: Mutual Consent Requirement

Dear Mr. Johansson:

This law firm represents the Board of Trustees of the City of Port Orange Police Pension Fund (hereafter the "Pension Fund"). The Board has informed us that the City of Port Orange is currently undergoing collective bargaining with the labor organization that represents the members of the Pension Fund. The Board directed us to advise you of the new requirements under Florida law pertaining to the allocation of insurance premium tax revenues which are relevant to collective bargaining.

Chapter 2015-39, Laws of Florida, amended section 185.35, Florida Statutes, and created new rules for the allocation of insurance premium tax revenues. Essentially, there are two methodologies afforded by the recent amendment. First, under the "default allocation scheme," the level of premium tax revenues received by the Pension Fund from 2002 through the 2012 calendar year distribution must be used to fund either minimum benefits or those that exceed minimum benefits. Revenues above the 2012 calendar year distribution amount must be equally divided between funding minimum/additional benefits and funding a defined contribution plan component for the benefit of Pension Fund participants. A copy of this firm's original legislative update is enclosed for your reference.

The new law also allows a municipality to deviate from the "default allocation scheme" by reaching "mutual consent." Mutual consent means, for collectively bargained plans, any collective bargaining agreement or memorandum of understanding that addresses the allocation of insurance premium tax revenues. The "mutual consent" provision allows the parties to allocate or distribute the insurance premium tax monies in whatever manner the parties deem best. The collective bargaining parties may allocate insurance premium tax revenues to reduce unfunded liability, fund special benefits, or a mix of both, so long as the parties reach and document mutual consent. Mutual consent may also be as simple as maintaining the status quo.

The deadline to reach mutual consent and avoid the default allocation scheme is the effective date of the first collective bargaining agreement entered on or after July 1, 2015. In other words, the collective bargaining agreement the parties are now negotiating must include mutual consent provisions or else the "default allocation scheme" previously described will take effect. If the default allocation scheme takes effect, the current allocation of insurance premium tax revenues described in section 54-137(c) of the City of Port Orange Code of Ordinances will no longer be effective and will require amendment. Further, any change or impact to Pension Fund liabilities will be noted accordingly by the plan actuary in its most recent valuation report.

The Board of Trustees has no opinion on what mutual consent should look like or whether the collective bargaining parties should even reach mutual consent. The Board of Trustees only wishes to ensure that the collective bargaining parties are aware of this new law so that it may properly administer the Pension Fund and avoid any potential issues with the City or plan participants going forward. If you have any questions, we are happy to serve as a resource to both bargaining parties in attempting to address them. However, as counsel for the Board of Trustees, we are not providing any legal advice to either the City or the police officers' union and would recommend any legal advice on actual negotiations be solicited from each bargaining parties' respective attorney.

Please do not hesitate to contact me directly should you have any comments or questions.

Sincerely,

PEDRO A. HERRERA

DUSTIN L. WATKINS

SUGARMAN & SUSSKIND
PROFESSIONAL ASSOCIATION
ATTORNEYS AT LAW

2015 Legislative Session Client Update

1-800-329-2122

Florida's 2015 legislative session has closed and there are several legislative bills now awaiting the Governor's signature which may affect your pension plan. Below is a summary of those enrolled bills that impact governmental retirement plans throughout the State of Florida. Unless the Governor timely vetoes the following bills by July 1st, they will become law.

- ***SB 172 – Changes to Premium Tax Revenue Rules for Police and Firefighter Plans***

SB 172 amends provisions in chapters 175 and 185 in several respects. It establishes new reporting requirements on Boards of Trustees administering local law or chapter plans. It raises the statutory minimum benefit multiplier as well as establishing a new default mechanism for how insurance premium tax revenues must be used in police and firefighter pension plans absent a "mutual agreement" amongst the plan participants (union or otherwise) and the plan sponsor. In other words, should the union and employer (or for noncollectively bargained plans through a majority vote of the plan participants) either already have, or later agree on, a method for distributing Ch. 175/185 premium tax monies, the parties may distribute those funds as they deem best. In the absence of such "mutual agreement," the new law establishes a distribution method for how Ch. 175/185 monies are to be allocated. Although the new law seeks to clarify F.S. Ch. 175/185, the Division of Retirement will likely publish administrative rules interpreting the new law further delineating its specific requirements.

Historically, insurance premium tax revenues were separated into two categories with state insurance premium taxes received as of a certain year applied first to fund statutory minimum benefit requirements (a/k/a the "frozen amount") and any excess insurance premium tax revenues received after such year then being used to fund police officer or firefighter members' "extra benefits." In August 2012, the Division of Retirement issued a letter to the City of Naples (a/k/a the "Naples Letter") that provided a new interpretation of the premium tax revenue rules. The "Naples Letter" advised that the law compels Ch. 175/185 plans to provide minimum benefits only to the extent that such benefits can be funded with "additional insurance premium tax revenues." Subsequently, This will only affect those municipalities that offer fire protection services to MSTUs outside usual municipal or fire control district boundaries.

- ***HB 1309 – Changes to Mortality Tables***

This bill seeks to amend F.S. Chapter 112 requiring all local governmental pension plans to assume the mortality table being used by the Florida Retirement System. Contrary to recent amendments requiring additional disclosures, this amendment would directly impact the local pension plan's funding by mandating an actuarial assumption previously set at the discretion of the Board of Trustees in consult with the plan's actuary. Effective January 1, 2016, when performing actuarial valuations, local governmental pension plans must assume the same mortality tables used by the Florida Retirement System ("FRS") in either of the two most recently published FRS actuarial valuation reports. Annual financial statements must also use mortality tables from either of the two most recently published FRS actuarial valuation reports. Your actuary is best equipped to explain the impact these new mortality tables may have on the funding of your pension plan going forward.

Tyler Grumbles, CFA, CIPM
Consultant

Daniel Johnson
Director/Senior Consultant

City of Port Orange Police Pension Fund

Consulting Team

We've found a multi-faceted team approach enhances client service, minimizes oversight, and creates the opportunity for greater success.

TYLER GRUMBLES, CFA®, CIPM
Primary Consultant

- Develops prudent investment policies
- Optimizes asset allocation
- Coordinates investment manager due diligence
- Recommends investment managers
- Reviews performance monitoring reports

DAN JOHNSON
Supporting Consultant

- Supports the lead consultant and manages relationship from an internal and external perspective
- Provides consulting team with pertinent information

JENNIFER GAINFORT, CFA®
Client Solutions Specialist

- Part of a team with 25+ years of professional performance analysis experience
- Creates customized monthly and quarterly performance reports

Port Orange Police Pension Fund Overview

Portfolio Notes:

- Current assumed rate of return is 7.45% (10/1/17), with a reduction of 10 bps per year
- Current funded ratio: 65.3%
- Average Age of Participant: 45 years old
- Last five years have only seen 2 years above the assumed rate of return
- Current Target allocation
  - 55.0% Equity
  - 27.5% Fixed Income
  - 10.0% Private Real Estate
  - 1.25% Long/Short
  - 1.25% Multi-Strategy
  - 5.0% Hedge Fund of Funds
- 14 investment managers. All equity managers are active.
- Overall fees are 0.85%
- Plan returned 6.95% (Gross) over the last 5 years, ranking in the 82nd percentile

Current Portfolio

Current Management Fee Analysis - Based on March 31, 2017 Market Values* Sample Portfolio (Total Investment Program Cost Analysis)						
Manager	$ Allocation	% Allocation	Qrtly Fees	Qrtly Fees	Annual Fees	Wtd Fees
BlackRock EQ Div	$3,726,554	11.78%	$2,609	0.07%	0.28%	0.03%
Jennison	$1,872,938	5.92%	$1,171	0.06%	0.25%	0.01%
Wedgewood	$1,791,777	5.67%	$1,523	0.09%	0.34%	0.02%
Connors	$3,444,538	10.89%	$2,583	0.08%	0.30%	0.03%
Boston Partners	$2,090,744	6.61%	$2,091	0.10%	0.40%	0.03%
RBC	$2,021,279	6.39%	$2,122	0.11%	0.42%	0.03%
Lazard	$1,622,554	5.13%	$1,217	0.08%	0.30%	0.02%
Renaissance	$1,659,699	5.25%	$1,245	0.08%	0.30%	0.02%
Madison	$8,119,020	25.68%	$4,668	0.06%	0.23%	0.06%
Blackrock L/S Credit	$316,832	1.00%	N/A			
BlackStone Multi-Strat	$321,337	1.02%	N/A			
Pine Grove	$1,383,450	4.37%	N/A			
Private Advisors	$346,533	1.10%	N/A			
UBS	$2,854,871	9.03%	$8,565	0.30%	1.22%	0.11%
Total Portfolio	**$31,622,179**	**100.00%**	**$27,793**	**0.09%**		**0.35%**
Name	$ Allocation		Qrtly Fees	Qrtly Fees	Annual Fees	Wtd Fees
Graystone Consulting	$31,622,179		$39,528	0.13%	$158,110.90	**0.50%**
Name	$ Allocation		Qrtly Fees	Qrtly Fees	Annual Fees	Wtd Fees
Independent Custodian Fee	$31,622,179		$0	0.00%	$0	**0.00%**
Name	$ Allocation				Annual Fees	Wtd Fees
Total Costs	$31,622,179		$67,321	0.21%	$269,285	**0.85%**

**Market Value Based on 3/31/17 Graystone Performance Reporting*

Sample Portfolio - Active & Passive

Current Management Fee Analysis - Based on March 31, 2017 Market Values*						
Sample Portfolio (Total Investment Program Cost Analysis)						
Manager	$ Allocation	% Allocation	Qrtly Fees	Qrtly Fees	Annual Fees	Wtd Fees
Domestic Equity Index Fund	$7,905,545	25.00%	$791	0.01%	0.04%	0.01%
Large Cap Value Manager	$3,162,218	10.00%	$1,344	0.04%	0.17%	0.02%
Large Cap Growth Manager	$3,162,218	10.00%	$4,901	0.16%	0.62%	0.06%
Smid Cap Manager	$1,581,109	5.00%	$3,439	0.22%	0.87%	0.04%
International Equity Growth Manager	$2,371,663	7.50%	$2,965	0.13%	0.50%	0.04%
International Equity Value Manager	$2,371,663	7.50%	$4,743	0.20%	0.80%	0.06%
Domestic Fixed Income Manager	$6,324,436	20.00%	$3,953	0.06%	0.25%	0.05%
Global Fixed Income Manager	$1,581,109	5.00%	$2,727	0.17%	0.69%	0.03%
Real Estate Manager	$3,162,218	10.00%	$7,589	0.24%	0.96%	0.10%
Total Portfolio	**$31,622,179**	**100.00%**	**$32,452**	**0.10%**	**$129,809**	**0.41%**
Name	$ Allocation		Qrtly Fees	Qrtly Fees	Annual Fees	Wtd Fees
AndCo Consulting	$31,622,179		$8,750	0.03%	$35,000	**0.11%**
Name	$ Allocation		Qrtly Fees	Qrtly Fees	Annual Fees	Wtd Fees
Independent Custodian Fee	$31,622,179		$4,366	0.014%	$17,463	**0.06%**
Name	$ Allocation				Annual Fees	Wtd Fees
Total Costs	$31,622,179		$45,568	0.14%	$182,273	**0.58%**

Fee Savings: $87,012

% Decrease: 32.31%

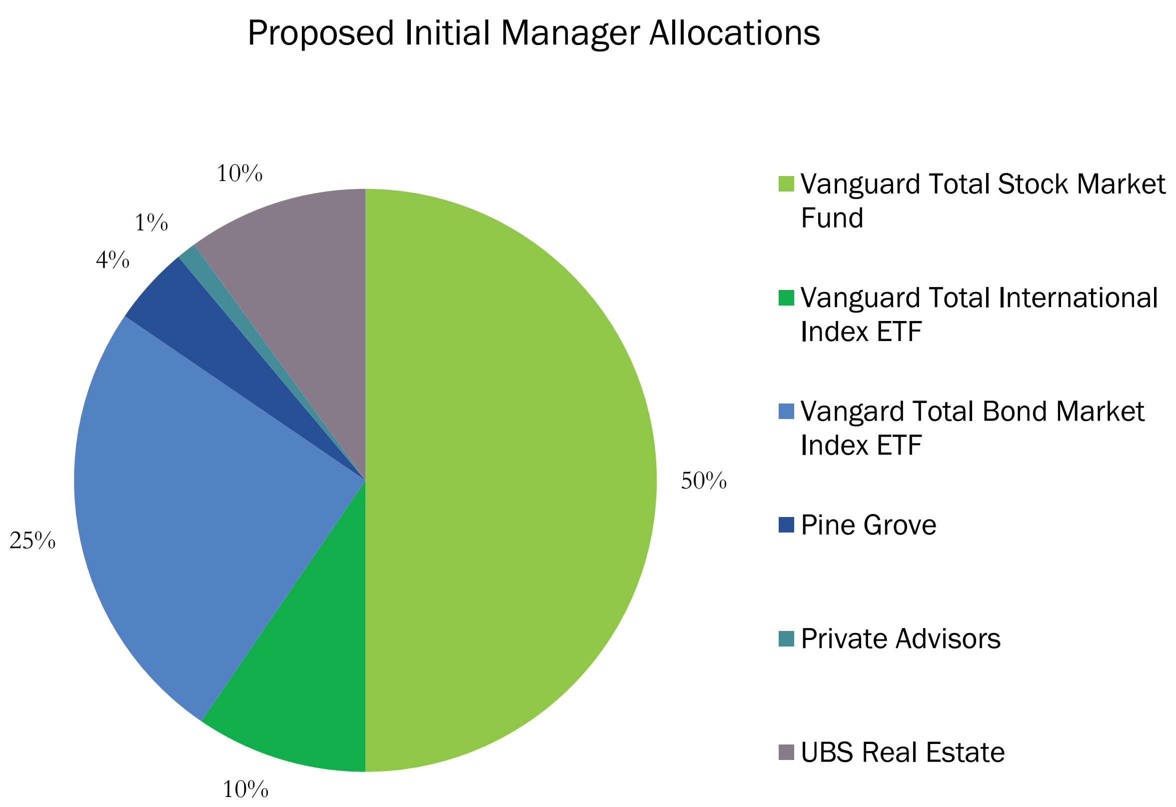
**Market Value Based on 3/31/17 Graystone Performance Reporting*
***5 bps: Based on recent quotes to clients of similar size. Actual cost may vary.*

Sample Portfolio - Passive Only

Current Management Fee Analysis - Based on March 31, 2017 Market Values*						
Sample Portfolio (Total Investment Program Cost Analysis)						
Manager	$ Allocation	% Allocation	Qrtly Fees	Qrtly Fees	Annual Fees	Wtd Fees
Domestic Equity Index Fund	$15,811,090	50.00%	$1,581	0.01%	0.04%	0.02%
International Equity Index Fund	$4,743,327	9.53%	$1,304	0.03%	0.11%	0.01%
Domestic Fixed Income Index Fund	$7,905,545	25.00%	$988	0.01%	0.05%	0.01%
Real Estate Manager	$2,887,981	10.00%	$6,895	0.24%	0.96%	0.10%
Pine Grove	$1,383,450	4.37%	N/A			
Private Advisors	$346,533	1.10%	N/A			
Total Portfolio	**$31,622,179**	**100.00%**	**$10,769**	**0.10%**		**0.14%**
Name	$ Allocation		Qrtly Fees	Qrtly Fees	Annual Fees	Wtd Fees
AndCo Consulting	$31,622,179		$8,750	0.03%	$35,000	**0.11%**
Name	$ Allocation		Qrtly Fees	Qrtly Fees	Annual Fees	Wtd Fees
Independent Custodian Fee**	$31,622,179		$4,366	0.01%	$17,463	**0.06%**
Name	$ Allocation				Annual Fees	Wtd Fees
Total Costs	$31,622,179		$23,885	0.08%	$95,538	**0.30%**

**Market Value Based on 3/31/17 Graystone Performance Reporting*

Sample Portfolio - Initial Manager Transition Review



The allocations are based upon investment accounts of the Port Orange Police Pension Fund and recommend a proposed target allocation for the initial transition. Subsequent manager allocations and revisions can then be made accordingly with appropriate review, education, and understanding from the Board of Trustees.

Transition

- Transition assets from the bundled program, in which we understand the Plan to be engaged, to an institutional portfolio.

- To protect plan assets you need a firm that has experience in overseeing this type of transition. One that is structured to assure potential “leakage” is avoided and the most dollars are maintained within the Pension Fund.

- Transition Costs = Current Investment Program Costs + Transition Costs/Gains – New Investment Program Costs. The Port Orange Police Pension Fund will be better off after we complete the transition.

Transition Costs

- **Legal Expenses**: Contract implementation or side letters to directly engage a custodian and separate account investment managers as fiduciaries to the Plan.

- **Investment Manager Fees**: How much it currently costs to manage your portfolio compared to how much it will cost to manage a modified portfolio.

- **Trading Costs**: What are the commission rates being paid? What is the quality of execution of the trades? Is the trader utilizing multiple brokers to “work” the order in the market? Anyone can execute a trade but a good trader gets the maximum price on sales and lowest price on buys. Since fixed income trades do not have commissions and trade on bid/ask spreads you need to make sure your fixed income manager is a fiduciary acting in the best interest of the Plan.

- **Market Impact/Timing**: If transition plans are not monitored correctly monies may remain un-invested and significant losses could occur in the form of missed opportunity.

- **Poor Transition Plan**: If the transition is handled poorly dollars will be lost that can never be recovered.

Transition Plan

Investment Consultant Discussion: (First Board Meeting)

- Do not fire Graystone for a short period of time.

- Given the relationship with Graystone covers advisory, custody and investment management we will need to have a new custodian and transition manager in place prior to termination.

- AndCo will draft and coordinate the necessary letters of instructions for the termination of the current program as appropriate with the timing of the transition.

Transition Plan

<u>Custodial Discussion: (First Board Meeting)</u>

- Choose a custodian.
  - First State Bank
    - Pros
      - Will accept standing letters of instruction
      - Statements and reporting
      - Can purchase mutual funds through omnibus
      - Never had a qualified (unclean) SSAE-16
    - Cons
      - Trade tickets
      - No mutual relationships with AndCo (We don’t know what we don’t know)

Transition Plan

Hire Transition Manager: (First Board Meeting)

- Choose a transition manager. AndCo has worked with several across the country and can have transition agreement available for attorney review in a short time frame.

- **CAPIS transition cost:**
  - **Domestic Equity** **$.01 per share**
  - **International Equity** **$.01 per share**
  - **US Government Fixed Income** **.100% (10 basis points)**
  - **Other Fixed Income** **.125% (12.5 basis points)**

- **Abel Noser transition cost:**
  - **Domestic Equity** **$.015-.02 per share**
  - **International Equity** **$.015-.02 per share**
  - **US Government Fixed Income** **.10-.15% (10-15 basis points)**
  - **Other Fixed Income** **.10-.15% (10-15 basis points)**

Transition Plan

Portfolio Transition: (Done within 8 weeks)

- Transition manager facilitates moving current portfolio to enhanced portfolio structure

- Clear transition plan is put into place and transition manager facilitates the process. A pre and post trade analysis is completed so Trustees can review potential costs and actual costs. Depending on market movements the plan could experience a gain during the transition

- Going forward, if you decide to make a change you can terminate any service provider and replace them at your discretion. This decoupling will allow the Board to more efficiently oversee the Plan

- A truly institutional portfolio is created with best practices implemented within the institutional public fund space. Overall costs have been significantly reduced

Transition Plan

Portfolio Transition: (Done within 1 year)

- Temporary issues
  - Pine Grove
    - Quarterly liquidity with 95 days written notice.
    - Can redeem for 12/31/2017
  - Private Advisors
    - In redemption process.
    - Should be fully redeemed by the end of 2018
  - Ordinance limits portfolio to 65% equity
- Suggested course of action
  - Terminate Pine Grove and request full redemption for 12/31/2017
  - Amend ordinance to “most liberal language”
  - Use proceeds from Pine Grove and Private Advisors to fund International Equity portfolio over the next year

Transition Plan

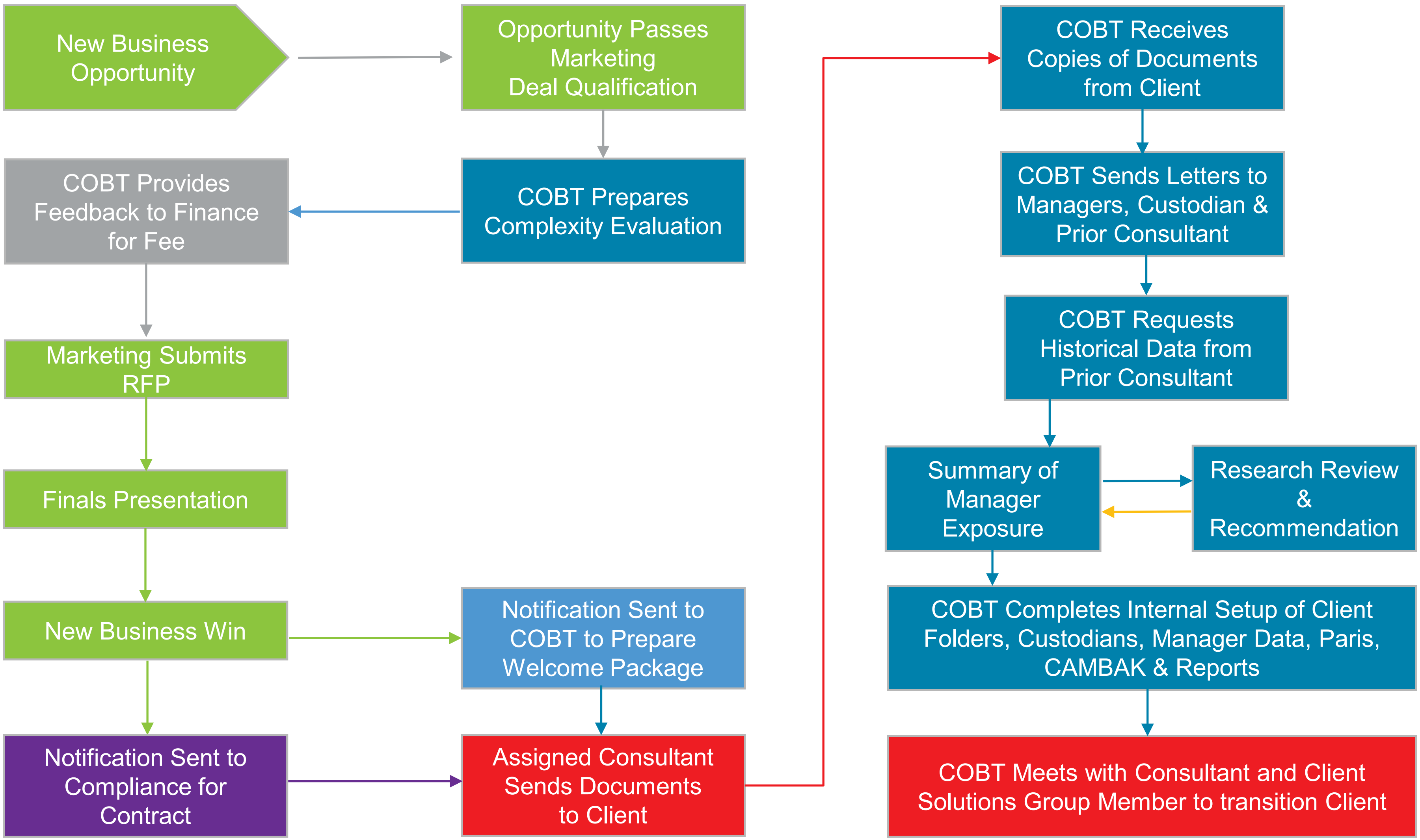
<u>Investment Policy Statement Modification: (First Board Meeting)</u>

- Review the current Investment Policy Statement. Restructure the current policy into a more functional document while removing inconsistencies and references to the existing manager program. Establish Investment Policy Addendums for any separately managed portfolios.
- Add language permitting pooled funds along with separately managed accounts.
- Outline new asset allocation structure and appropriate benchmarks

<u>Investment Manager Review: (Second Board Meeting)</u>

- Previous experience in transitioning Graystone portfolios has shown managers are unwilling to maintain accounts on behalf of clients
- The initial transition will include an intermediate portfolio of broad index funds representing the US stock and bond markets
- At the second board meeting we will plan on reviewing strategy for allocations within US equity and US fixed income
- Manager interviews, if desired, could take place as early as the third monthly board meeting
- Once managers are identified a contract process will be undertaken with the city attorney and after completion we will work with the custodian to fund any mutual fund or managed account.

Client On-boarding Process



Client On-boarding Process

Process & Procedures:

The On-boarding Checklist will serve as a way of measuring the progress of the onboarding process. Once a client has hired AndCo, the Client On-boarding Team "COBT" will begin the internal setup by creating the folders on the server to file information as it is created and received.

- **Sending the Welcome Package** – The COBT will create a Welcome Package that includes letters and forms for the consultant to email the client administrator along with the AndCo agreement. A copy of this correspondence will be sent to onboarding@andcoconsulting.com. Once the Client Information Form and copies of letters have been received, the COBT will take control of the onboarding process.

- **Contacting Service Providers** – The COBT will contact managers, custodians and the prior consultant to begin collecting information. Managers will be requested to provide any missing agreements or Investment Policy Statements. Online access to statements from custodian banks will be established or added to existing User IDs. The prior consultant will be contacted for the most recent quarterly report and to provide the Historical Data Spreadsheet for them to complete.

- **Research Review of Managers** – The COBT will prepare a list of managers in the client's portfolio and notify Research for review. The Research Group will provide feedback on all managers on the list.

- **Preparing Client Deliverables** – Once historical data is received it will be loaded into PARis and checked for accuracy. Quarterly report books will be constructed. Custodial accounts will be set up in the CAMBAK system to collect statements going forward.

- **Handing Over Responsibilities** – The consultant will be updated on the on-boarding process along the way. After the on-boarding process has been completed, the COBT will meet with the Consultant and Client Solutions Group member assigned to the client and hand over responsibilities.

Asset Allocation Modeling

Determine Study Parameters

Appropriate asset classes

Capital Market assumptions

Contribution and spending policies

Risk/return profile and liquidity needs

Computer Modeling

Mean variance portfolio optimization

Monte Carlo simulations

Qualitative Overlay

Computer models bolstered with real-world experience

Asset illiquidity, fees, and restrictions

Report Formulation

Outlines straightforward recommendations

Qualitative and quantitative research

Easily understood by all Trustees

IPS Development

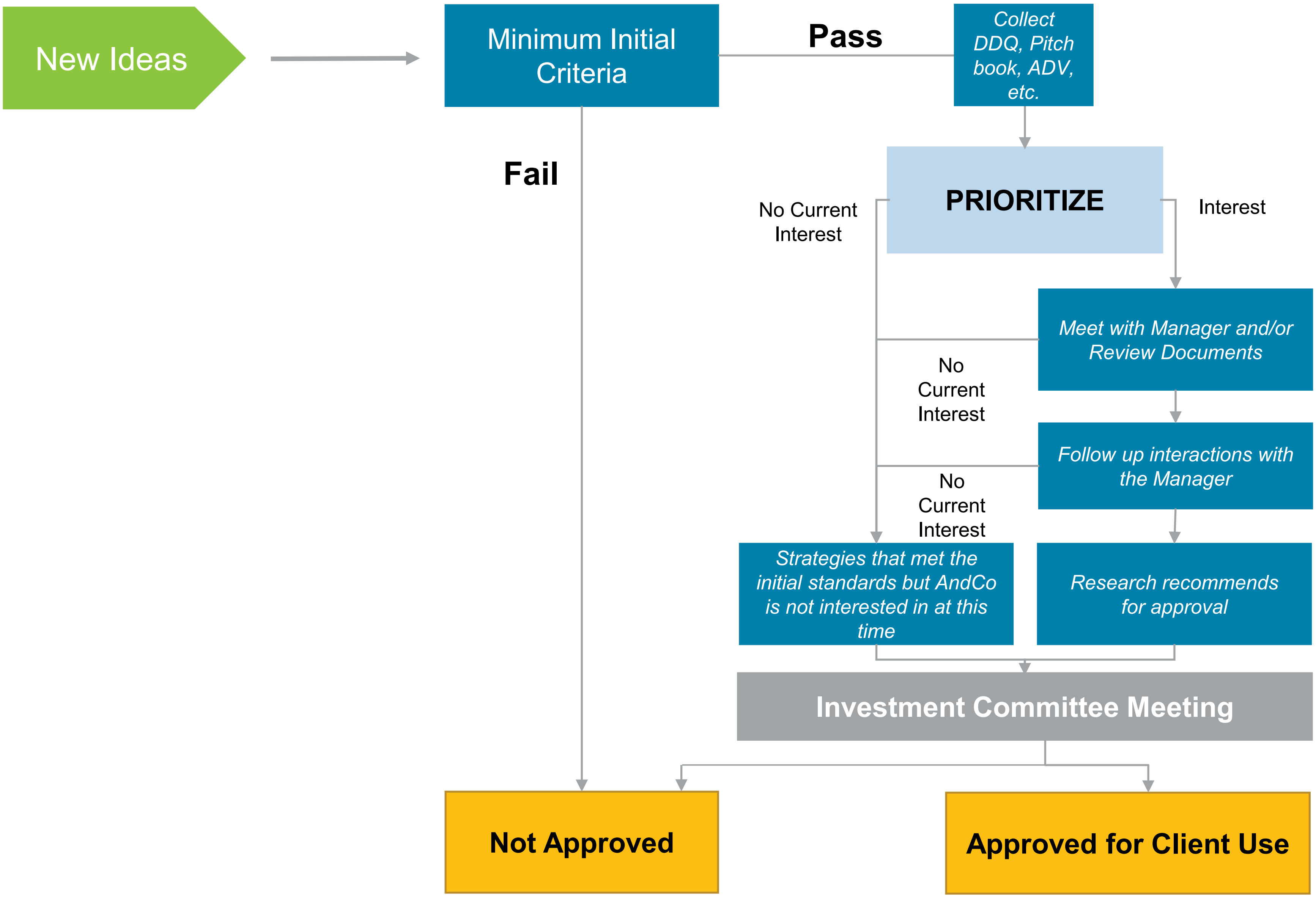
IPS Requirements and Portfolio Needs	Board Education and Discussion	Develop and Implement New IPS
Fund characteristics & spending policies	Fiduciary responsibilities	Capital Market expectations
Liquidity requirements	Portfolio construction	Strategic asset allocation
Time horizon	Asset classes	Rebalancing
Investment return objectives	Governance and monitoring	IPS and manager compliance monitoring
	Board and Consultant sentiment	Board and vendor expectations

How Do We Source New Ideas?

New Ideas

- Network/Industry Experience
- Screening databases: Evestment, Morningstar, Equest
- Client Referrals/Open RFPs
- Consultant Referrals
- Manager Inbound Inquiries
- Referrals from Other Managers

Strategy/New Ideas Initial Review Process



What Traits Do We Look For?

Approved for Client Use

- Repeatable edge
- Consistent, sensible investment discipline
- Strong risk management
- High caliber investment professionals
- Meaningful experience and continuity within portfolio management team
- Supported by strong, ethical organization
- Operational excellence
- “Skin in the game”/Alignment of incentives
- Reasonable fees
- Appropriate terms & conditions

Putting clients first.

CHICAGO | CLEVELAND | DETROIT | ORLANDO | PITTSBURGH | RENO | TULSA

AndCo Consulting | (844) 44-ANDCO | *AndCoConsulting.com*

Formerly The Bogdahn Group

CITY OF PORT ORANGE

(PLAN SPONSOR)

POLICE PENSION FUND

Investment Policy Statement

I. PURPOSE OF INVESTMENT POLICY STATEMENT

The Pension Board of Trustees (Board) maintains that an important determinant of future investment returns is the expression and periodic review of the City of Port Orange Police Pension Fund (the Plan) investment objectives. To that end, the Board has adopted this statement of Investment Policy and directs that it apply to all assets under their control.

In fulfilling their fiduciary responsibility, the Board recognizes that the retirement system is an essential vehicle for providing income benefits to retired participants or their beneficiaries. The Board also recognizes that the obligations of the Plan are long-term and that investment policy should be made with a view toward performance and return over a number of years. The general investment objective is to obtain a reasonable total rate of return - defined as interest and dividend income plus realized and unrealized capital gains or losses - commensurate with the Prudent Investor Rule and any other applicable ordinances and statutes.

Reasonable consistency of return and protection of assets against the inroads of inflation are paramount. However, interest rate fluctuations and volatility of securities markets make it necessary to judge results within the context of several years rather than over short periods of five years or less.

The Board will employ investment professionals to oversee and invest the assets of the Plan. Within the parameters allowed in this document and their agreements with the Board, the investment management professionals shall have investment discretion over their mandates, including security selection, sector weightings and investment style.

The Board, in performing their investment duties, shall comply with the fiduciary standards set forth in Employee Retirement Income Security Act of 1974 (ERISA) at 29 U.S.C. s. 1104(a) (1) (A) – (C). In case of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in this section shall prevail.

II. TARGET ALLOCATIONS

In order to provide for a diversified portfolio, the Board has engaged investment professional(s) to manage and administer the fund. The investment manager(s) are responsible for the assets and allocation of their mandate only and may be provided an addendum to this policy with their specific performance objectives and investment criteria. The Board has established the following asset allocation targets for the total fund:

Asset Class	Target	Range	Benchmark Index
Domestic Equity	50%	45% - 55%	Russell 3000
International Equity	10%	5% - 15%	MSCI AC World ex USA
Total Equities	**60%**	**55% - 65%**	
Domestic Fixed Income	25%	10% - 20%	Barclays Aggregate
Global Fixed Income*	5%	0% - 10%	Barclays Multiverse
Total Fixed Income	**30%**	**25% - 35%**	
Core Real Estate*	10%	5% - 15%	NCREIF ODCE (EW)
Other Assets	0%	0% - 10%	Strategy Index**
Total Alternatives*	**10%**	**5% - 20%**	

* *Allocation and benchmarks will default to "domestic core fixed income" if these portfolios are not funded.*

** *Portfolio Benchmark Index component will reflect the appropriate measurement index to correspond to the asset class that is funded within the Plan*

The Board will monitor the aggregate asset allocation of the portfolio, and will rebalance to the target asset allocation based on market conditions. If at the end of any calendar quarter, the allocation of an asset class falls outside of its allowable range, barring extenuating circumstances such as pending cash flows or allocation levels viewed as temporary, the asset allocation will be rebalanced into the allowable range. To the extent possible, contributions and withdrawals from the portfolio will be executed proportionally based on the most current market values available. The Board does not intend to exercise short-term changes to the target allocation.

III. INVESTMENT PERFORMANCE OBJECTIVES

The following performance measures will be used as objective criteria for evaluating the effectiveness of the Investment Managers.

A. <u>Total Portfolio Performance</u>

1. The performance of the total portfolio will be measured for rolling three and five year periods. The performance of the portfolio will be compared to the return of the policy indexes comprised of 50% Russell 3000, 10% MSCI ACWI ex US, 25% Barclays Aggregate, 5% Barclays Multiverse* and 10% NCREIF ODCE (EW)*.
   ** Benchmark will default to "Barclays Aggregate" if these portfolios are not funded.*

2. On a relative basis, it is expected that the total portfolio performance will rank in the top 50^{th} percentile of the appropriate peer universe over three and five-year time periods.

3. On an absolute basis, the objective is that the return of the total portfolio will equal or exceed the actuarial earnings assumption (7.45%), and provide inflation protection by meeting Consumer Price Index plus 3%. The actuarial earnings assumption is expected to drop 10 bps every fiscal year beginning on 10/1/2018 as follows:

   a. 10/1/2017 Valuation: 7.45%
   b. 10/1/2018 Valuation: 7.35%
   c. 10/1/2019 Valuation: 7.25%

B. Equity Performance

The combined equity portion of the portfolio, defined as common stocks and convertible bonds, is expected to perform at a rate at least equal to 83% of the Russell 3000 Index and of the 17% MSCI ACWI ex US Index. Individual components of the equity portfolio will be compared to the specific benchmarks defined in each Investment Manager addendum. All portfolios are expected to rank in the top 50^{th} percentile of the appropriate peer universe over three and five-year time periods.

C. Fixed Income Performance

The overall objective of the fixed income portion of the portfolio is to add stability and liquidity to the total portfolio. The fixed income portion of the portfolio is expected to perform at a rate at least equal to 83% of the Barclays Capital U.S. Aggregate Bond Index and 17% of the Barclays Multiverse*. All portfolios are expected to rank in the top 50^{th} percentile of the appropriate peer universe over three and five-year time periods.
** Benchmark will default to "Barclays Aggregate" if these portfolios are not funded.*

D. Real Estate Performance

The overall objective of the real estate portion of the portfolio, if utilized, is to add diversification and another stable income stream to the total fund. The real estate portion of the portfolio, defined as core, open ended private real estate, is expected to perform at a rate at least equal to the NCREIF Open End Diversified Core (ODCE) (EW) Index and rank in the top 50^{th} percentile of the appropriate peer universe over three and five-year time periods.

E. Other Assets

The overall objective of the alternative investment portion of the portfolio, if utilized, is to reduce the overall volatility of the portfolio and/or enhance returns. This portion of the Plan will be benchmarked against the most appropriate index, combination of indices, or absolute return target for the investment(s) in question. The "strategy index" will be determined at the time of engagement based on the specific investment's long-term objective, prospectus, and/or governing documents.

IV. INVESTMENT GUIDELINES

A. Authorized Investments

Pursuant to the investment powers of the Board of Trustees as set forth in the Florida Statutes and local ordinances, the Board of Trustees sets forth the following investment guidelines and limitations:

1. Equities:

   a. Must be traded on a national exchange or electronic network; and

   b. Not more than 5% of the Plan's assets, at the time of purchase, shall be invested in the common stock, capital stock or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company (this restriction shall not apply to any single holding within a diversified pooled fund); and

   c. Additional criteria may be outlined in the manager's addendum.

2. Fixed Income:

   a. All fixed income investments shall have a minimum rating in one of the four highest classifications by a major rating service, except that no more than 5% of the total portfolio may be invested in securities that fall below these rating guidelines.

   b. The value of bonds issued by any single corporation shall not exceed 10% of the total fund (excluding issues from the U.S. government, or agency thereof; and this restriction shall not apply to any single holding within a diversified pooled fund); and

   c. Additional criteria may be outlined in the manager's addendum.

3. Money Market:

   a. The money market fund or STIF options provided by the Plan's custodian; and

   b. Have a minimum rating of Standard & Poor's A1 or Moody's P1.

4. Pooled Funds:

   Investments made by the Board may include pooled funds. For purposes of this policy pooled funds may include mutual funds, commingled funds, and exchange-traded funds.

   a. Pooled funds may be governed by separate prospectus which may include investments not expressly permitted in this Investment Policy Statement. In the event of investment by the Plan into a pooled fund the Board the prospectus or governing policy of that pooled fund, as updated from time to time, shall be treated as an addendum to this Investment Policy Statement.

   b. The asset classification of the fund will be based upon its investment objective.

B. Trading Parameters

When feasible and appropriate, all securities shall be competitively bid. Except as otherwise required by law, the most economically advantageous bid shall be selected. Commissions paid for purchase of securities must meet the prevailing best-execution rates. The responsibility of monitoring best price and execution of trades placed by each manager on behalf of the Plan will be governed by the Portfolio Management Agreement between the Plan and the Investment Managers.

C. Limitations

1. Investments in corporate common stock and convertible bonds shall not exceed sixty-five (65%) of the Plan assets at market.

2. Foreign securities shall not exceed twenty-five percent (25%) of Plan's market value.

3. All equity and fixed income securities must be readily marketable. Commingled funds must be independently appraised at least annually.

D. Absolute Restrictions

No investments shall be permitted in;

1. Any investment not specifically allowed as part of this policy.

2. Illiquid investments, as described in Chapter 215.47, Florida Statutes.

V. COMMUNICATIONS

A. On a monthly basis, the custodian shall supply an accounting statement that will include a summary of all receipts and disbursements and the cost and the market value of all assets.

B. On a quarterly basis, the Investment Managers shall provide a written report affirming compliance with the security restrictions of Section IV (as well as any provisions outlined in the Investment Manager's addendum). In addition, the Investment Managers shall deliver a report each quarter detailing the Plan's performance, forecast of the market and economy, portfolio analysis and current assets of the Plan. Written reports shall be delivered to the Board within 30 days of the end of the quarter. A copy of the written report shall be submitted to the person designated by the City, and shall be available for public inspection. The Investment Managers will provide immediate written and telephone notice to the Board of any significant market related or non-market related event, specifically including, but not limited to, any deviation from the standards set forth in Section IV or their Investment Manager addendum. In the event of any deviation from the standards set forth in Section IV or their Investment Manager addendum an action plan outlining the investment strategy shall be provided to the Board immediately.

C. If the Fund owns investments, that complied with section IV at the time of purchase, which subsequently exceed the applicable limit or do not satisfy the applicable investment standard, such excess or noncompliant investments may be continued until it is economically feasible to dispose of such investment in accordance with the prudent man standard of care, but no additional investment may be made unless authorized by law or ordinance. An action plan outlining the investment 'hold or sell' strategy shall be provided to the Board immediately; and followed by a required detailed quarterly report from the investment manager indicating the status of the non-compliant security. The detailed report should include the original date of purchase and corresponding rating agency and rating change dates.

D. The Investment Consultant shall evaluate and report on a quarterly basis the rate of return net of investment fees and relative performance of the Plan.

E. The Board will meet periodically to review the Investment Consultant performance report. The Board will meet with the investment manager and appropriate outside consultants to discuss performance results, economic outlook, investment strategy and tactics and other pertinent matters affecting the Plan on a periodic basis.

F. At least annually, the Board shall provide the Investment Managers with projected disbursement needs of the Plan so that the investment portfolio can be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To this end the Investment Managers should, to the extent possible, attempt to match investment maturities with known cash needs and anticipated cash-flow requirements.

VI. COMPLIANCE

A. It is the direction of the Board that the plan assets are held by a third party custodian, and that all securities purchased by, and all collateral obtained by the plan shall be properly designated as Plan assets. No withdrawal of assets, in whole or in part, shall be made from safekeeping except by an authorized member of the Board or their designee. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis to insure that the custodian will have the security or money in hand at conclusion of the transaction.

B. The investment policy shall require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.

C. At the direction of the Board, the Plan's compliance with "Section IV. Authorized Investments" shall be reviewed by independent certified public accountants as part of any financial audit periodically required. Compliance with the Board's internal controls over financial reporting shall also be verified. These controls have been designed to prevent losses of assets that might arise from fraud, error, or misrepresentation by third parties or imprudent actions by the Board or employees of the plan sponsor, to the extent possible.

D. Each member of the Board shall participate in a continuing education program relating to investments and the Board's responsibilities to the Plan. It is suggested that this education process begin during each Trustee's first term.

E. With each actuarial valuation, the Board shall determine the total expected annual rate of return for the current year, for each of the next several years and for the long term thereafter. This determination shall be filed promptly with the Department of Management Services, the plan's sponsor and the consulting actuary.

F. The proxy votes must be exercised for the exclusive benefit of the participants of the Plan. Each Investment Manager shall provide the Board with a copy of their proxy voting policy for approval. On a regular basis, at least annually, each manager shall report a record of their proxy vote.

VII. CRITERIA FOR INVESTMENT MANAGER REVIEW

The Board wishes to adopt standards by which judgments of the ongoing performance of a portfolio manager may be made. If, at any time, any three of the following is breached, the portfolio manager may be warned of the Board's serious concern for the Plan's continued safety and performance. If any five of these are violated the consultant may recommend a manager search for that mandate.

- Four (4) consecutive quarters of relative under-performance verses the benchmark.
- Three (3) year trailing return below the top 50th percentile within the appropriate peer group and under performance verses the benchmark.
- Five (5) year trailing return below the top 50th percentile and under performance verses the benchmark.
- Three (3) year downside volatility greater than the index (greater than 100), as measured by down market capture ratio.
- Five (5) year downside volatility greater than the index (greater than 100), as measured by down market capture ratio.
- Style consistency or purity drift from the mandate.
- Management turnover in portfolio team or senior management.
- Investment process change, including varying the index or benchmark.
- Failure to adhere to the IPS or other compliance issues.
- Investigation of the firm by the Securities and Exchange Commission (SEC).
- Significant asset flows into or out of the company.
- Merger or sale of firm.
- Fee increases outside of the competitive range.
- Servicing issues – key personnel stop servicing the account without proper notification.
- Failure to attain a 60% vote of confidence by the Board.

Nothing in this section shall limit or diminish the Board’s right to terminate the manager at any time for any reason.

VIII. APPLICABLE CITY ORDINANCES

If at any time this document is found to be in conflict with the City Ordinances or applicable Florida Statutes, the Ordinances and Statutes shall prevail.

IX. REVIEW AND AMENDMENTS

It is the Board's intention to review this document at least annually subsequent to the actuarial report and to amend this statement to reflect any changes in philosophy, objectives, or guidelines. In this regard, the Investment Manager's interest in consistency in these matters is recognized and will be taken into account when changes are being considered. If, at any time, the Investment Manager feels that the specific objectives defined herein cannot be met, or the guidelines constrict performance, the Board should be notified in writing. By initialing and continuing acceptance of this Investment Policy Statement, the Investment Managers concur with the provisions of this document. By signing this document, the Chairman attests that this policy has been recommended by the Investment Consultant, reviewed by the plan's legal counsel for compliance with applicable law, and approved by the Board of Trustees.

X. FILING OF THE INVESTMENT POLICY

Upon adoption by the Board, the investment policy shall be promptly filed with the Florida Department of Management Services, the City, and the plan's actuary. The effective date of the Investment Policy shall be the 31 days following the filing date with the City.

CITY OF PORT ORANGE POLICE PENSION FUND

_________________________   ___________
Chairman, Board of Trustees   Date