CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
NOVEMBER 17, 2017

The Port Orange Police Officers' Pension Board of Trustees held its quarterly meeting on Friday, November 17, 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) Brian Cobb (resident member)
MEMBERS ABSENT:	Drew Bastian (resident member) - excused
CONSULTANTS:	Dustin Watkins, Board Attorney – Sugarman & Susskind Tyler Grumbles, Investment Consultant – AndCo Chad Little, Actuary – Freiman Little Actuaries Karan Rounsavall, Plan Administrator
CITY STAFF:	Tracie Riehm, Finance Director

Chairman Braddock called the meeting to order at 9:05 a.m. A quorum was in attendance.

APPROVAL OF MINUTES

Member Proctor moved to approve minutes of quarterly meeting August 18, 2017 and special meeting November 6, 2017 as submitted. Member Cobb seconded the motion and it carried unanimously.

OFFICER AND TRUSTEE REPORTS - *None*

ELECTION OF OFFICERS

Plan Administrator Rounsavall advised that trustee terms were recently changed from two to four years on a staggered basis. Police trustees Sgt. Steve Braddock and Assistant Chief William Proctor were re-elected for four-year terms expiring in 2021. Sgt. Warren Carman, who served as the "fifth" member, was reappointed for a four-year term also expiring in 2021. City Council reappointed resident trustees (Drew Bastian and Brian Cobb) for two-year terms (expiring in 2019). Officers were elected every two years pursuant to board policy.

Member Carman moved to re-elect Sgt. Braddock as chairman and Assistant Chief Proctor as secretary for another two-year term by acclamation. There were no other nominations. Member Cobb seconded the motion and it carried unanimously.

CONSENT AGENDA

The following items were presented for action as recommended:

A. Approve plan expenditures as follows:
   1. Sugarman & Susskind – monthly retainer for September 2017 - $2,600.
      Recommendation: Ratify payment.

2. Sugarman & Susskind – monthly retainer for October 2017 - $2,600. *Recommendation:* Ratify payment.
3. Sugarman & Susskind – monthly retainer for November 2017 - $2,600. *Recommendation:* Ratify payment.
4. Plan Administrator Karan Rounsavall – monthly fee (August 2017, September 2017, October 2017) - $7,200. *Recommendation:* Ratify payments.
5. Florida Public Pension Trustees Association – registration for Trustee Drew Bastian to attend Fall Trustee School - $500. *Recommendation:* Ratify payment.
6. Tampa Marriott Waterside Hotel - lodging expense for Trustee Drew Bastian - $537 (FPPTA Fall School) - $537. *Recommendation*: Ratify payment.
7. Trustee Drew Bastian – reimbursement of mileage, parking and meal expenses for attendance at FPPTA Fall Trustee School - $244.77. *Recommendation*: Ratify payment.
8. AndCo Consulting – investment consulting and performance monitoring services for August and September 2017 - $5,833.33. *Recommendation:* Ratify payment.

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

B. Acknowledge refund/rollover of member contributions to the following non-vested members:
   1. Jessica McLean (non-vested member) in the amount of $1,927.10.
   2. William Burmester (non-vested member) in the amount of $2,906.60.
   Recommendation: Acknowledge refund of member contributions as stated.

Member Cobb moved to acknowledge refund/rollover of member contributions as stated. Member Carman seconded the motion and it carried unanimously.

C. Acknowledge Retiree David Fouts' change of joint annuitant as of September 1, 2017. *Recommendation*: Acknowledge.

Member Proctor moved to approve Retiree Fouts' first change of joint annuitant as provided for in plan document. Member Carman seconded motion and it carried on an all-yes vote.

OLD BUSINESS

A. Reconsider ordinance establishing a defined contribution plan component and authorize actuary to prepare updated statement of no impact

The City of Port Orange recently reached an agreement with the Coastal Florida Police Benevolent Association to use all insurance premium tax revenues received to offset the City's pension contributions (mutual consent). Attorney Watkins explained that statute required municipal plan sponsors to create a defined contribution plan component within the local law plan upon ratification of a collective bargaining agreement after July 1, 2015. The plan sponsor must adopt a defined contribution plan component even if it would not receive funding pursuant to mutual consent agreement.

An ordinance creating the defined contribution component (a/k/a share plan) was previously drafted. A new impact statement was needed clarifying that all Chapter 185 monies would be used to offset the City's contribution.

Member Carman moved to authorize the actuary to update the actuarial impact statement (no impact) for the proposed share plan ordinance and upon receipt thereof to direct the plan administrator to forward the ordinance and impact statement to city staff for consideration by the Port Orange City Council. Member Cobb seconded the motion which carried unanimously.

NEW BUSINESS

A. Acknowledge receipt of early and normal retirement calculations for terminated vested member Willie Coco and legal opinion as to his purchase of credited service for prior military service

Board members were in receipt of early and normal retirement calculations for terminated vested plan member Willie Coco. His calculation included the purchase of four years of prior military service for duty in the United States Marine Corps. At the time of the purchase of prior service, Mr. Coco was not eligible to receive a retirement benefit for his military service.

Referencing the attorney's correspondence dated October 25, 2017, it was unknown at the present time whether or not Mr. Coco would eventually be entitled to a military retirement based on his combined active duty Marine Corps service and subsequent Army Reserve service. In this case, federal statutes superseded *Florida Statutes* and the local ordinance. Accordingly, the attorney opined that Mr. Coco's eligibility for a military retirement benefit based on his combined active duty Marine and Reserve service was irrelevant and that the Port Orange Pension Fund must, pursuant to 10 U.S.C. § 12736, honor the credited service that Mr. Coco purchased in 2004 in connection with his prior service in the Marines.

The Port Orange Police Pension Board acknowledged receipt of retirement calculations for Willie Coco as well as attorney's legal opinion (dated October 25, 2017) that the Plan must honor four years of credited service purchased in connection with his prior military service.

B. Consider new engagement letter submitted by Freiman Little Actuaries for actuarial services incorporating revised fee

The Pension Board was in receipt of a new engagement letter for Freiman Little Actuaries (FLA). FLA was first retained by the Port Orange Police Pension Board in 2006 to provide actuarial services. The new engagement letter incorporated a five percent increase in fees across the board as well as a new $1,000 fee for electronic filing of the valuation report in comma delimited format. New fees were guaranteed for three years.

Mr. Little advised that the previously authorized experience study was pending the city's adjustment to 2014 and 2015 salaries. As such, the 2017 valuation would be presented at the quarterly meeting on February 16, 2018 using currently available information. He was also awaiting clarification of hire dates and the date that a member first made contributions to the pension plan. Member statements for 2017 would reflect the date that a member's credited service actually commenced.

Member Cobb moved to authorize execution of the new engagement letter, including fee schedule, with Freiman Little Actuaries with a three-year guarantee. Member Proctor seconded the motion and it carried on an all yes vote.

C. Letter of instruction to First State Trust Company authorizing recurring quarterly payment to AndCo Consulting, LLC for investment consulting and performance monitoring services

Member Cobb moved to authorize recurring quarterly ACH payments to AndCo Consulting from the Pension Fund's receipts and disbursements (R&D) account in the amount of $8,750. First payment would commence on January 1, 2018. Member Carman seconded the motion and it carried unanimously.

D. Establish quarterly meeting dates for 2018 as follows:

- Friday, February 16, 2018 at 9:00 a.m.
- Friday, May 18, 2018 at 9:00 a.m.
- Friday, August 17, 2018 at 9:00 a.m.
- Friday, November 16, 2018 at 9:00 a.m.

Member Carman moved to approve quarterly meeting dates as set forth above. Member Cobb seconded the motion and it carried on an all yes vote. Meetings held in the Police Department Training Room.

E. Authorization to renew membership in Florida Public Pension Trustees Association (FPPTA) for 2018 at a cost of $600

Member Proctor moved to authorize renewal of membership in FPPTA for 2018. Member Carman seconded the motion which carried unanimously.

F. Ratify early retirement benefits for Christopher Ganem (terminated vested member) commencing January 1, 2018 (100 percent joint and survivor)

Member Cobb moved to ratify commencement of early retirement benefits for Mr. Ganem as of January 1, 2018 based on his election of the 100 percent joint and survivor option. Member Carman seconded the motion and it carried on an all yes vote.

CONSULTANT REPORTS

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

1. Performance Report for quarter ended September 30, 2017

Mr. Grumbles delivered the Investment Performance Report for the final fiscal quarter. As the portfolio transitioned to AndCo Consulting as of October 13, 2017, the performance returns represented those of Graystone/Morgan Stanley. International equities were the best performing asset class during the quarter.

Total market value as of September 30, 2017 was $34,003,283 up from $32,521,592 for the previous quarter ended June 30, 2017. Contributions to the fund during the quarter exceeded $1 million including the 2016 premium tax distribution from the State in the amount of $397,679.88. On a percentage basis, the composite portfolio was up 3.05 percent (gross) for the quarter which ranked in the 81st percentile of public plans. For Fiscal Year 2016/2017, the fund was up 11.00 percent ranking in the 76th percentile. As of October 31, 2017, the fund was valued at $34,361,612.

Federal tax reform legislation dealing with unrelated business income (UBI) could potentially affect governmental retirement plans. It provided that a plan could not use its status as a tax deferred entity to benefit from UBI. This could affect real estate investments (e.g. rental income). AndCo was monitoring the structure of the plan's real estate portfolio accordingly.

The pension board acknowledged receipt of the investment performance report as presented.

2. Transition Post-Trade Analysis from CAPIS (Transition Manager)

Mr. Grumbles presented the post-trade analysis prepared by Capital Institutional Services, Inc. (CAPIS) which was hired as a transition manager to liquidate the legacy portfolio and move assets into the various index funds (target portfolio) as previously directed. CAPIS served as a fiduciary to the plan and ensured best trade practices. Total trading cost for the entire transition was $15,878.11.

The board acknowledged receipt of post-trade analysis prepared by CAPIS which served as investment manager to transition the portfolio from Graystone's holdings to various equity and fixed income index funds as directed by the Pension Board at its previous meeting.

3. Investment Manager Search for Domestic Fixed Income Portfolio

Board members were in receipt of a U.S. Core Fixed Income Manager Analysis prepared by AndCo. The U.S. Core Bond category was typically defined as all U.S. investment grade bonds with the most popular benchmark for the category being the Bloomberg Barclays US Aggregate Index. Mr. Grumbles vetted four mutual funds in this asset class and presented his recommendation for Dodge & Cox Income Fund and Metropolitan West Total Return Fund. Each of these funds would receive 50 percent of the proceeds from the sale of the Vanguard Total Bond Market ETF (representing an overall 30 percent allocation to fixed income consistent with the approved investment policy statement). Member Cobb stated that he was familiar with Dodge and Cox, in fact his investment firm regularly used this mutual fund.

Member Cobb moved to accept the consultant's recommendation for domestic fixed income investments as stated above. Member Carman seconded the motion and it carried unanimously.

4. Automatic Rebalancing Procedures

Given the board's prior action to invest in two fixed income mutual funds, it was necessary to provide letters of instruction to First State Trust Company (custodian) to accomplish the investment structure changes and provide for automatic rebalancing of the portfolio on a quarterly basis. Mr. Grumbles noted that the pension fund currently enjoyed a positive cash flow.

Member Cobb moved to approve quarterly rebalancing instructions to First State Trust Company, including direction to maintain $250,000 in the cash and disbursements account to pay plan expenses and benefit payments. Member Carman seconded the motion and it carried on an all yes vote.

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Mr. Grumbles reminded board members of a previous discussion to increase equity targets from 65 to 70 percent (at market value). This would give more investment flexibility. Doing so, however, required an ordinance amendment to the plan document.

Member Cobb moved to direct the plan attorney to draft an ordinance increasing the investment limit on equities from 65 to 70 percent of the portfolio. Member Carman seconded the motion; it carried unanimously.

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

Attorney Watkins reported on status of disability application submitted by Officer Dave Vastell. The attorney's office was currently collecting medical records from treating physicians and facilities. It was a time consuming and complicated process.

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

Member Carman asked about the pending experience study and how it might affect a member's cost to purchase prior service. Mr. Little explained the purpose and scope of an experience study which could result in refinement of certain assumptions. It was unlikely, however, that the results of an experience study would dramatically reduce the cost to purchase service.

D. Karan Rounsavall – Plan Administrator

1. Educational Opportunity: Florida Public Pension Trustees Association (FPPTA) Winter Trustees School in Orlando (January 28 – 31, 2018)

If any member wished to attend, they were to contact her at their first opportunity. Members Bastian and Carman tentatively planned to attend the FPPTA Winter Trustees School.

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Mrs. Rounsavall advised that biennial revisions to the Summary Plan Description would be presented at the February 16, 2018 quarterly meeting.

The annual confirmation of receipt of benefits form would be mailed to retirees the following day.

James Moore & Co began work on the September 30, 2017 audit. The auditor typically selected 10 to 15 retiree files for benefit testing each year.

Cost-of-living adjustments for 2018 were prepared by the actuary and submitted to First State Trust Company for processing.

PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 11:03 a.m.

Steve Braddock, Chairman

Karan Rounsavall

Karan Rounsavall, Plan Administrator