CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
FEBRUARY 20, 2020

The Port Orange Police Officers' Pension Board of Trustees held its quarterly meeting on Thursday, February 20, 2020 in the Police Department Training Room, 4545 Clyde Morris Boulevard, Port Orange, Florida.

MEMBERS PRESENT:	Chairman Warren Carman (fifth member) William Proctor (police member) Drew Bastian (resident member) Brian Cobb (resident member) Andrew McKay (police member)
CONSULTANTS:	Ken Harrison, Board Attorney – *Sugarman & Susskind* Tyler Grumbles, Investment Consultant – *AndCo* Chad Little, Actuary – *Freiman Little Actuaries* Zach Chalifour, Auditor – *James Moore & Co., CPA* Karan Rounsavall, Plan Administrator
CITY STAFF:	None

Chairman Carman called the meeting to order at 9:04 a.m. A quorum was in attendance.

APPROVAL OF MINUTES

Member Cobb moved to approve minutes of quarterly meeting November 21, 2019 as submitted. Member Bastian seconded the motion and it carried unanimously.

OFFICER AND TRUSTEE REPORTS - None

CONSENT AGENDA

The following items were presented for action as recommended:

A. Approve plan expenditures as follows:
   1. Sugarman & Susskind – monthly retainer for November 2019 - $2,600. *Recommendation:* Ratify payment.
   2. Sugarman & Susskind – monthly retainer for December 2019 - $2,600. *Recommendation:* Ratify payment.
   3. Sugarman & Susskind – monthly retainer for January 2020 - $2,600. *Recommendation:* Ratify payment.
   4. Plan Administrator Karan Rounsavall – monthly fee (November 2019, December 2019, January 2020) - $9,000. *Recommendation:* Ratify payments.
   5. Florida Public Pension Trustees Association (FPPTA) – annual membership renewal for 2020 - $620. *Recommendation:* Ratify payment.
   6. Florida Public Pension Trustees Association (FPPTA) – CPPT Recertification fees for Trustees Warren Carman and Drew Bastian - $62. *Recommendation:* Ratify payment.
   7. James Moore & Co. – September 30, 2019 Audit – Progress billing #1 through 12/31/2019 - $4,000. *Recommendation:* Ratify payment.

8. City Clerk's Office, City of Port Orange – Clerk's fee to review/redact records for disability claim - $168.25. *Recommendation*: Ratify payment.
9. AndCo Consulting – investment consulting and performance monitoring services for quarter ending December 31, 2019 - $9,375.00. *Recommendation*: Ratify payment.
10. First State Trust Company – custodial services for quarter ended December 31, 2019 - $4,625. *Recommendation*: Ratify payment.

Member Bastian moved to ratify plan expenses as recommended. Member McKay seconded the motion which carried unanimously.

B. Acknowledge refund of member contributions to the following non-vested member:
   1. Justin Sorrell (non-vested member) in the amount of $10,368.05. Note: Plan Administrator Rounsavall advised that Officer Sorrell received and signed the *"special tax notice."*

Member Bastian moved to acknowledge refund as stated. Member McKay seconded the motion; it carried on an all yes *vote.*

OLD BUSINESS

A. Update on line-of-duty disability application filed by Officer Jonathan Nolan

Attorney Harrison advised that all required medical records were received from the various providers. His office was in the process of scheduling the Independent Medical Exam (IME). If the IME was completed and physician's report received in the near future, a special meeting could be scheduled to review the record and decide.

NEW BUSINESS

A. Acknowledge receipt of detailed accounting report for Fiscal Year 2018/2019

Board members were in receipt of the detailed accounting report for Fiscal Year 2018/2019 prepared by the plan administrator. It reflected administrative expenses that were paid on behalf of the plan during the fiscal year. Administrative expenses included legal counsel, actuarial, investment consultant, plan administration, education, fiduciary insurance, etc. Total administrative expenses were $183,501.11. This total was not only less than the adopted budget for the fiscal year ($191,458) but substantially less than administrative expenses paid in Fiscal Year 2017/2018 ($225,689). Investment management expenses were not considered administrative expenses and, as such, were not reported. Nor were mutual fund holdings (reported net of fees) considered administrative expenses.

Member Bastian noted that the heading on the draft report stated Fiscal Year 2017/2018. He moved to accept the detailed accounting report for Fiscal Year 2018/2019 with this scrivener error corrected. Member Cobb seconded the motion which carried unanimously.

B. Signature authorization forms for ASB Allegiance Real Estate Fund and Chevy Chase Trust (custodian).

Mrs. Rounsavall explained that specimen signatures were needed pending a $1 million capital call for the Allegiance Real Estate Fund which the Retirement Board recently authorized. The capital call would most likely come before the end of the quarter. She would obtain trustee signatures after the meeting and provide same to ASB Allegiance and Chevy Chase Trust.

CONSULTANT REPORTS

A. Tyler Grumbles – AndCo Consulting (Investment Consultant)

1. Investment Performance Report for quarter ended December 31, 2019

Mr. Grumbles began by reinforcing AndCo's commitment to represent the sole interest of its clients and expressed appreciation for the opportunity to serve the Port Orange Police Pension Plan. All profits were reinvested back into the firm and new research analysists were recently hired. He went on to present the performance report and economic commentary for the quarter ended December 31, 2019. Domestic equity as well as international/emerging equity markets enjoyed strong positive results for the quarter. The investment return for the trailing 12 months was particularly strong at 20.84 percent. Target allocations were in line; there was no need to rebalance. He anticipated a capital call for real estate funds (ASB Allegiance and Stockbridge Smart Markets) very soon, possibly by the end of the quarter.

Total market value as of December 31, 2019 was $43,457,649 up from $40,813,683 for the previous quarter ended September 30, 2019. On a percentage basis, the composite portfolio was up 6.23 percent (net) for the quarter which ranked in the 15th percentile of public plans. The one-year return was 20.84 percent which ranked in the 37th percentile. As of the prior day, the fund was valued at $45,099,962.

Quarterly performance results (i.e. quarter ending December 31, 2019) for the various investment styles/managers represented in the portfolio were as follows:

Vanguard Total Stock Market Index Fund – positive return of 9.01% (29)*
EuroPacific Growth (international equity) – positive return of 10.09% (42)*
Oakmark International (international equity) – positive return of 11.11% (28)*
Dodge & Cox (domestic fixed income) – positive return of 0.85% (5)*
Metropolitan West (domestic fixed income) – positive return of 0.21% (46)*
PIMCO Diversified Income (global fixed) – positive return of 1.67% (14)*
Pacific Funds Floating Rate (bank loans) – positive return of 1.40 (61)*
UBS Trumbull (private real estate) – positive return of 0.05% (100)*
*Public peer rankings

Mr. Grumbles concluded the performance report by reviewing the compliance checklist.

Member Cobb moved to accept the investment performance report as presented. Member McKay seconded the motion; it carried on an all yes vote.

2. Update on ASB Allegiance and Stockbridge Smart Markets Real Estate Funds, Brookfield Infrastructure Fund and UBS Trumbull Real Estate Fund

Capital calls were spending for three of the funds mentioned above. The UBS Trumbull Fund continued to struggle. The portfolio was currently in a queue to exit this fund which was overweight to retail strategies.

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

1. Presentation of annual valuation for fiscal year ending September 30, 2019

2. Declare expected annual rate of investment return for assets of Port Orange Police Officers' Pension Plan as required by *Florida Statutes*

Board members were in receipt of the October 1, 2019 Actuarial Valuation Report for the Port Orange Police Officers' Pension Plan. This report established the minimum funding requirements for the Pension Plan for the fiscal year ending September 30, 2021. Mr. Little commended the Pension Board on a positive report. The city's contribution rate decreased year over year and the plan's funded ratio increased. Both while factoring in another decrease of ten basis points to the assumed investment rate of return (currently at 7.25 percent).

The city's minimum funding requirement (city and state contribution) was $3,184,038. Expressed as a percentage of payroll, the minimum contribution was 65.52 percent. The actuary noted that the City of Port Orange funded the police pension plan based on the dollar amount. The plan's funded status was 76.05 percent, representing an increase over the previous year's funded percentage of 73.96 percent. The unfunded accrued liability (UAL) was $13,143.668.

The investment return on the "market" value of assets was 3.62 percent; the return on the "actuarial/smoothed" value of assets (five-year smoothing) was 5.79 percent which was less than the 7.25 percent assumed net investment rate of return used for this valuation. He urged the board to continue to lower its rate of return assumption.

Referencing the plan's amortization of unfunded accrued liability (UAL), Mr. Little advised that there would be nearly a $1 million decrease in payments by 2024. Some of this decrease would be absorbed by future changes in the mortality table and further reduction in the rate of return assumption. However, it might also be an opportune time for the board to consider "re-amortizing" its UAL (a/k/a *fresh start*). This opportunity could be discussed at a future meeting.

Mr. Little also called attention to the "maturity" of a pension plan as it related to the ratio of benefit payments to contributions. Over the life of a pension plan, it was expected that the majority of benefits would be paid for by investment returns rather than contributions. It was important to understand the magnitude of this difference so that steps could be taken to manage cash flows going forward. One such example was to utilize interest payments to avoid having to sell market assets at a less than advantageous time.

Also included in the valuation was an assessment and disclosure of risk involved in funding a pension plan. A new table looked at the impact on the funded status of the pension plan given up to a two percent decrease or increase in market value.

The valuation report also included required disclosures under *Florida Statutes* 112.664. Report disclosures required by Governmental Accounting Standards Board (GASB) 67 and 58 were provided as a supplemental report.

Member Bastian moved to approve the 2019 actuarial valuation report as presented. Member Cobb seconded the motion and it carried unanimously. Plan Administrator Rounsavall would forward the report to city staff for required posting on its web site.

Member Bastian then moved to declare a 7.25 percent expected rate of return for retirement plan assets going forward. Member Cobb seconded the motion which likewise carried unanimously.

C. Zach Chalifour – *James Moore & Co.* (Auditor)

1. Presentation of draft audit of Police Pension Fund financials for fiscal year ended September 30, 2019

Mr. Chalifour advised that everything continued to progress in a very positive direction. There was nothing in the audit report assessed as a material weakness to be disclosed. His firm presented an *"unmodified opinion"* of police pension financials for Fiscal Year 2018/2019 which was the highest standard.

The audit was performed in conformance with governmental auditing standards. The Pension Plan reflected a fiduciary net position of $41,000,175. The net pension liability was $13,870,320. For purposes of the financial statements, the pension plan's funded percentage was 74.72.

For informational purposes, Mr. Chalifour provided the *"Internal Control Memo"* which identified the roles played by the City of Port Orange and professional service providers in administering the overall pension plan.

There were no recommendations or comments for improving the Pension Plan's efficiency and internal controls. Any such comments were satisfactorily addressed in previous years.

Member Cobb moved to accept the audit report for fiscal year ended September 30, 2019 as presented. Member McKay seconded the motion; it carried on an all yes vote.

D. Ken Harrison – *Sugarman & Susskind* (Attorney)

1. Legislative Update & Report on *SECURE Act*

Attorney Harrison provided an overview of the SECURE Act adopted by the U.S. Congress and effective as of January 1, 2020. The SECURE Act made significant changes to retirement plan distribution rules, including the increase in age for required minimum distributions (RMD) from 70½ to 72.

He went on to advise that the State legislative session began in January. The only pending legislation that could potentially affect public retirement plans addressed mandatory training as to fiduciary responsibility for trustees. The attorney also mentioned changes to the form of notary acknowledgements which now included remote notarizations.

2. Legal opinion on city council members serving as resident members of Port Orange Pension Boards

Attorney Harrison recently learned that there was no provision in the City's Charter or Code of Ordinances providing for a city council member to serve on one of the city's pension board as an ex-officio duty of the office. He communicated with the city attorney on this matter and an ordinance amendment was in process to correct same.

E. Karan Rounsavall – Plan Administrator

1. Educational Opportunities: Police Officers' and Firefighters' Pension Trustees' School sponsored by Florida Division of Retirement in Tallahassee

The dates for the trustee school were not yet announced. Mrs. Rounsavall would provide further information upon notification.

2. New requirements for notary acknowledgements

Mrs. Rounsavall advised that several standard pension forms were revised to reflect the new requirements for notary acknowledgements (e.g. beneficiary, benefit election, etc.)

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The next quarterly meeting was scheduled for Thursday, May 21, 2020.

PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 10:42 a.m.

SGT. W Carman #3704

Sgt. Warren Carman, Chairman

Karan Rounsavall

Karan Rounsavall, Plan Administrator