CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
MAY 16, 2019

The Port Orange Police Officers' Pension Board of Trustees held its quarterly meeting on Thursday, May 16, 2019 in the Police Department Training Room, 4545 Clyde Morris Boulevard, Port Orange, Florida.

MEMBERS PRESENT:	Chairman Warren Carman (fifth member) Brian Cobb (resident member) Drew Bastian (resident member) William Proctor (police member)
MEMBERS ABSENT:	Andrew McKay (police member- excused due to work schedule)
CONSULTANTS:	Ken Harrison, Board Attorney – Sugarman & Susskind Tyler Grumbles, Investment Consultant – AndCo Chad Little, Actuary – Freiman Little Actuaries Karan Rounsavall, Plan Administrator
CITY STAFF:	None

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

APPROVAL OF MINUTES

Member Bastian moved to approve minutes of quarterly meeting February 21, 2019 as submitted. Member Cobb 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 February 2019 - $2,600. Recommendation: Ratify payment.
   2. Sugarman & Susskind – monthly retainer for March 2019 - $2,600. Recommendation: Ratify payment.
   3. Sugarman & Susskind – monthly retainer for April 2019 - $2,600. Recommendation: Ratify payment.
   4. Plan Administrator Karan Rounsavall – monthly fee (February 2019, March 2019, April 2019) - $9,000. Recommendation: Ratify payments.
   5. Freiman Little Actuaries – contracted actuarial services from February 13, 2018 through February 12, 2019 - $24,627; Recommendation: Ratify payment.
   6. Freiman Little Actuaries – supplemental actuarial services from February 13, 2018 through February 12, 2019 - $12,072; Recommendation: Ratify payment.

7. James Moore & Co., CPA – Audit – Final billing through February 28, 2019 - $5,000. *Recommendation:* Ratify payment.
8. AndCo Consulting – investment consulting and performance monitoring services for quarter ending March 31, 2019 - $8,750. *Recommendation*: Ratify payment.
9. First State Trust Company – custodial services for quarter ended March 31, 2019 - $4,625. *Recommendation*: Ratify payment.

B. Acknowledge refund of member contributions to the following non-vested members:
1. Kevin Fernandez (non-vested member) in the amount of $2,991.26;
2. Jacob Bissonnette (non-vested member) in the amount of $7,330.78.

Member Bastian moved to ratify plan expenses as recommended and to acknowledge refunds as stated. Member Proctor seconded the motion and it carried on an all yes vote.

OLD BUSINESS - None

NEW BUSINESS

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

Plan Administrator Rounsavall presented the renewal quote from Markel American Insurance Company. The aggregate limit of liability was $1 million with zero deductible. Waiver of recourse for trustees was included at no additional premium as was an endorsement covering the third-party administrator as an additional insured. The annual premium was $4,962 (slightly higher than the prior year's premium of $4,878).

Member Bastian moved to authorize renewal of the fiduciary liability insurance policy at a cost of $4,962 for the ensuing year (May 31, 2019 through May 31, 2020). Member Cobb seconded the motion; it carried on an all yes vote.

B. 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 expressed satisfaction with all of its current professional service providers. No further action was necessary.

C. Ratify normal retirement benefits for Joseph Swetz (10-year certain & life) commencing February 1, 2019

Member Bastian moved to ratify retirement benefits for Joseph Swetz. Member Proctor seconded the motion and it carried unanimously.

CONSULTANT REPORTS

A. Tyler Grumbles – AndCo Consulting (Investment Consultant)

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

Mr. Grumbles presented the performance report for the quarter ended March 31, 2019. Following a challenging prior quarter, markets rebounded strongly during the first quarter of 2019. All asset classes had positive returns with domestic and international equities posting double digit returns. While the retirement plans remained slightly negative for the fiscal year, the fund gained nearly $3 million during the quarter. Mr. Grumbles mentioned the negative yield curve for U.S. Treasuries. Historically, this could be a bearish signal meaning that the bond market was pricing in a recession in the next few years. All asset classes were in line with target allocations.

Total market value as of March 31, 2019 was $38,739,101 up from $35,390,042 for the previous quarter ended December 31, 2018. On a percentage basis, the composite portfolio was up 9.45 percent (gross) for the quarter which ranked in the 35th percentile of public plans. For the fiscal year, the plan was down -0.26 percent. For the trailing 12 months, the plan was positive 5.36 percent, ranking in the 24th percentile.

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

Vanguard Total Stock Market Index Fund – positive return of 14.04% (31)*
EuroPacific Growth (international equity) – positive return of 13.20% (20)*
Oakmark International (international equity) – positive return of 9.10% (75)*
Dodge & Cox (domestic fixed income) – positive return of 3.70% (15)*
Metropolitan West (domestic fixed income) – positive return of 3.20% (53)*
PIMCO Diversified Income (global fixed) – positive return of 5.82% (1)
UBS Trumbull (private real estate) – positive return of 0.69% (100)*
*Public peer rankings

At the attorney's request, Mr. Grumbles reviewed the compliance checklist. Three and five year returns still trailed the benchmark; these returns included investment performance of the previous consultant to the pension fund.

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

2. Introduction to high-yield bond investments (floating bank loans – fixed income alternative)

3. Review of managers offering bank loan investments

4. Revision to *Investment Policy Statement* to allow high-yield bond investments (i.e. floating bank loans)

Mr. Grumbles presented a primer on the characteristics of bank loans. These were high-yield bonds which offered an alternative to standard fixed income bonds. Bank loans offered returns which were typically higher than those of core bonds but with generally lower credit risk than comparable high-yield bonds. They also offered investors floating coupons which reset every 90 days which tended to mitigate interest rate risk and drawdowns during periods of rising interest rates. Bank loans were anticipated to generate an attractive long-term/risk-adjusted return of 5.28 percent (i.e. more than bonds and a little less than domestic equities).

An investment in bank loans represented diversification away from global fixed income. They exhibited lower correlation with traditional equities and fixed income due to the duration profile of the asset class. Should the pension board decide to introduce bank loans into its portfolio, Mr. Grumbles recommended a 2.5 percent allocation to be funded by reducing the allocation to global fixed income.

Attorney Harrison advised that the board's adopted *Investment Policy Statement (IPS)* allowed investments in lower grade debt instruments provided that the total allocation did not exceed five percent of the total portfolio. As such, bank loans were acceptable without an amendment to the current plan document setting forth permissible investments. However, the attorney emphasized that it would be preferable to amend the ordinance to be more specific as to this type of security, but it was not required. (Reference legal opinion dated January 19, 2019)

With individual board members expressing a comfort level with bank loan investments, Mr. Grumbles went on to evaluate managers that offered bank loan strategies through a commingled fund approach. AndCo Consulting had vetted three such managers. Mr. Grumbles recommended *Pacific Life Fund Advisors* as it was the most conservative and its holdings were concentrated in bank loans. Its management fee was 71 basis points with a minimum investment of $500,000.

Member Cobb moved to accept the investment consultant's recommendation to establish a 2.5 percent allocation to bank loans. Member Bastian seconded the motion and it carried unanimously.

Member Cobb then moved to further accept the consultant's recommendation and select Pacific Life Fund Advisors to manage the portfolio's allocation to bank loans. Member Proctor seconded the motion. It carried on an all yes vote.

Member Bastian moved to approve revisions to the Investment Policy Statement to allow a 2.5 percent allocation to bank loans funded through an equal reduction to the global fixed income allocation. Member Cobb seconded the motion which carried unanimously.

Plan Administrator Rounsavall would send the approved IPS to the State Division of Retirement. Upon waiting the requisite 31 days after approval, the investment consultant would prepare a letter of instruction to fund the allocation.

5. Status report on investment management agreement/side letter with Brookfield Super-Core Infrastructure Partners to introduce infrastructure investments into portfolio

At its February 21, 2019 meeting, the pension board voted to invest $2.5 million with the Brookfield Infrastructure Fund. Mr. Grumbles reported that the necessary management agreement and side letter was approved by legal counsel and awaiting signatures. The allocation to Brookfield would be funding pending a capital call.

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

1. Review of actuarial cost methodology for purchase of prior military or law enforcement service

Actuary Little discussed the methodology used to determine the cost for an active member to purchase prior service. Currently a member was required to pay the *full actuarial cost* to buyback service. This differed greatly from earlier years wherein a member only had to pay an amount computed by multiplying the salary by the assumed rate of return for the number of years purchased. There were several ways to determine full actuarial cost: (1) pay an amount such that the city's contributions remained the same; or (2) pay an amount such that the increase in accrued liability remained the same. The pension plan voted in 2015 to use the latter. The full actuarial cost calculation was substantially greater that the interest calculation mentioned above.

Mr. Little presented a hypothetical calculation for a Tier One member. The buyback calculation used assumptions adopted by the board, including normal retirement at 25 years of service, maximum monthly pension of $95,000, COLA eligibility, etc. For a member toward the end of their career wanting to purchase four years of service, the cost was in excess of $200,000.

During discussion, Chairman Carman pointed out that a member rarely retired with 25 years of service but much more frequently at the normal retirement age of 48. Given this scenario, the member would never reach the $95,000 maximum monthly benefit nor eligibility for a COLA. The buyback cost as currently calculated was simply out of reach, even if paid in installments.

Board members felt it would be helpful to see a buyback calculation for a Tier Two member. Actuary Little would provide same for the next quarterly meeting.

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Mr. Little went on to report that the annual report to State Division of Retirement was recently approved and all state filings were complete. He also advised that reports provided by his firm (e.g. actuarial report, annual report) were not ADA compliant.

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

Mr. Harrison discussed recent lawsuits filed against municipalities for failing to maintain ADA compliant websites (Americans with Disabilities Act). ADA required that postings on a municipal website be accessible for visually impaired individuals. While the legislation requiring ADA compliant postings had been in place for a number of years, most jurisdictions were not in compliance and postings were not accessible to visually impaired individuals. There was no defense for the cities in these situations and suits were being settled for monetary sums.

It was noted that the City of Port Orange was among those jurisdictions that had been sued. The city was taking action to ensure ADA compliance with its website postings. Further, the plan administrator was providing ADA compliant agendas and minutes.

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Attorney Harrison advised that no legislation was adopted which affected Chapter 175 or 185 plans. A bill was adopted, however, which established a presumption that certain cancers were job related for firefighters. He also mentioned that Robert Sugarman's wife recently passed away following a long illness.

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The attorney went on to advise that Plan Administrator Rounsavall received a public records request from Retiree David Fouts for a number of documents, including those that contained protected personal information (i.e. social security number, bank information, etc.). Because the request came directly from Retiree Fouts, it was acceptable for the plan administrator to produce and deliver the documents directly to him without redaction. Accordingly, she was meeting Retiree Fouts at the end of the meeting to deliver the requested documents.

If these same documents had been requested by another individual, it would be necessary to redact a great deal of information to ensure compliance with public records law to maintain confidentiality of personal information for law enforcement personnel. *Member Proctor felt that it would be helpful for the board to adopt a policy for public records along the line of Florida Statutes, including payment for copies and personnel time to produce same. There was no objection to his suggestion. Plan Administrator Rounsavall would draft a public records policy for review at the next meeting.*

D. Karan Rounsavall – Plan Administrator

1. Educational Opportunities: Florida Public Pension Trustees Association (FPPTA) annual conference in Orlando (June 30 – July 3, 2019)

If any member wished to attend, they were to contact her at their earliest opportunity.

2. Annual Financial Disclosure Filing Deadline

Plan Administrator Rounsavall reminded board members of the July 1, 2019 filing deadline for financial disclosure forms. These forms were to be completed and sent to the Volusia County Elections Office.

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The next quarterly meeting was scheduled for Thursday, August 22, 2019.

PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 11:07 a.m.

Sgt. W Carman

Sgt. Warren Carman, Chairman

Karan Rounsavall

Karan Rounsavall, Plan Administrator