CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
AUGUST 22, 2019

The Port Orange Police Officers' Pension Board of Trustees held its quarterly meeting on Thursday, August 22, 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) William Proctor (police member) Andrew McKay (police member)
MEMBERS ABSENT:	Drew Bastian (resident member) – out of town
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

The chairman called the meeting to order at 9:15 a.m. A quorum was in attendance.

APPROVAL OF MINUTES

Member Proctor moved to approve minutes of quarterly meeting May 16, 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 May 2019 - $2,600. *Recommendation:* Ratify payment.
   2. Sugarman & Susskind – monthly retainer for June 2019 - $2,600. *Recommendation:* Ratify payment.
   3. Sugarman & Susskind – monthly retainer for July 2019 - $2,600. *Recommendation:* Ratify payment.
   4. Plan Administrator Karan Rounsavall – monthly fee (May 2019, June 2019, July 2019) - $9,000. *Recommendation:* Ratify payments.
   5. Florida Public Pension Trustees Association (FPPTA) – 2019 annual conference registration for Plan Administrator Rounsavall - $700. *Recommendation:* Ratify payment.
   6. Orlando World Center Marriott – Three nights hotel accommodations for Plan Administrator Rounsavall (FPPTA Annual Conference) - $537; *Recommendation:* Ratify payment.
   7. United Members Insurance – renewal of fiduciary liability insurance policy through May 31, 2020 - $4,962. *Recommendation:* Ratify payment.

8. AndCo Consulting – investment consulting and performance monitoring services for quarter ending June 30, 2019 - $8,750. *Recommendation*: Ratify payment.
9. First State Trust Company – custodial services for quarter ended June 30, 2019 - $4,625. *Recommendation*: Ratify payment.

B. Acknowledge refund of member contributions to the following non-vested member:
   1. Darnell Gatling (non-vested member) in the amount of $8,419.16.

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

OLD BUSINESS - None

NEW BUSINESS

A. Ratify normal retirement benefits for Gregory Cook (100 percent joint and survivor) commencing June 1, 2019.

Member Proctor moved to ratify normal retirement benefits for Gregory Cook as stated. Member McKay seconded the motion and it carried unanimously.

B. Discussion and possible action relating to provision of ADA compliant documents (Americans with Disabilities Act) on City of Port Orange web site.

Plan Administrator Rounsavall received an email from City Clerk Robin Fenwick (dated August 13, 2019) relating to the Pension Plan's provision of ADA compliant documents for posting to the city's web site. She asked that the originator of documents to be posted ensure that said documents were ADA compliant. Her staff did not have the resources to convert agenda packets, etc. She did, however, offer to make the city's agenda management software (CivicClerk) available to the plan administrator to assist in creating compliant documents for posting as well as training for use of the software.

Mrs. Rounsavall advised that she was able to convert the Pension Board's agendas and minutes to ADA compliant documents. However, the annual valuation report contained tables and other tabbed material which was more difficult and very time consuming to convert to ADA standards. Actuary Chad Little stated that he would look into producing simplified valuation reports with minimally required information for posting purposes.

Member Proctor moved to authorize Plan Administrator Rounsavall to participate in the city clerk's offer for training on the CivicClerk software if she wished to do so. Member Cobb seconded the motion which carried.

C. Approval of administrative expense budget for Plan Year 2019/2020 in accordance with *Florida Statutes*.

The Pension Board was in receipt of the proposed budget for Plan Year 2019/2020 as prepared by the plan administrator. Pursuant to *Florida Statutes*, the Board was required to adopt and operate pursuant to an administrative expense budget each year. The budget included all administrative expenses (e.g. actuary, legal, investment consultant, custody, administration, insurance, etc.) but did not include investment management fees. The proposed budget for 2019/2020 was $195,425 which was slightly more than the adopted budget for 2018/2019 of $191,458.

Plan Administrator Rounsavall reviewed individual line items in the proposed budget. She also advised that estimated expenditures for 2018/2019 were less than budgeted.

Member Proctor moved to approve the administrative expense budget for Fiscal Year 2019/2020 in the amount of $195,425 as presented. Member McKay seconded the motion and it carried unanimously. The budget would be provided to city staff (plan sponsor) and posted on the bulletin board at the Police Department for plan members.

D. Acknowledge receipt of 2018 premium tax distribution

The Pension Board acknowledged receipt of state monies in the amount of $485,030.33 which were wired to the custodian on August 21, 2019.

E. Review draft of proposed public records policy

The Pension Board deferred this item pending review by the Police Department's Records Department for consistency with department policy.

CONSULTANT REPORTS

A. Tyler Grumbles – AndCo Consulting (Investment Consultant)

1. Investment Performance Report for quarter ended June 30, 2019

Mr. Grumbles presented the performance report for the quarter ended June 30, 2019. Although it was a very volatile quarter, both domestic and international equities posted positive results. With federal monetary policy pushing interest rates lower, fixed income returns were also positive with gains around three percent. He mentioned that equities suffered a major pullback since June 30th.

Total market value as of June 30, 2019 was $40,005,571 up from $38,739,101 for the previous quarter ended March 31, 2019. On a percentage basis, the composite portfolio was up 2.98 percent (net) for the quarter which ranked in the 73rd percentile of public plans. For the fiscal year, the plan was up 2.67 percent. For the trailing 12 months, the plan was positive 6.60 percent, ranking in the 42nd percentile.

Quarterly performance results (i.e. quarter ending June 30, 2019) for the various investment styles/managers represented in the portfolio were as follows:

Vanguard Total Stock Market Index Fund – positive return of 4.09% (42)*
EuroPacific Growth (international equity) – positive return of 3.87% (26)*
Oakmark International (international equity) – positive return of 3.45% (35)*
Dodge & Cox (domestic fixed income) – positive return of 2.79% (82)*
Metropolitan West (domestic fixed income) – positive return of 3.20% (26)*
PIMCO Diversified Income (global fixed) – positive return of 3.61% (36)
UBS Trumbull (private real estate) – negative return of -3.70% (100)*
*Public peer rankings

Mr. Grumbles commented on the poor performance of the UBS Trumbull real estate fund. UBS had higher exposure to retail leases, particularly shopping malls, in its portfolio and the appraised value of these properties was on a downward trend. Typical malls faced increasing competition with online shopping. Mr. Grumbles explained that there was a long queue to exit the UBS fund and it could take up to two years to fully liquidate the position. He recommended that the board submit a redemption request right away. The fund's holdings in UBS would then be liquidated on a prorated basis.

Attorney Harrison suggested rebalancing the real estate portfolio feeling that doing so could possibly expedite the release of funds. Mr. Grumbles was concerned about losing the portfolio's exposure to real estate as there was no alternative real estate fund at this time. He was agreeable to exploring the attorney's suggestion.

Member Cobb moved to direct the investment consultant to look into the partial redemption (rebalancing) as suggested by Attorney Harrison. If this approach was not available with the UBS Trumbull Fund, the consultant was directed to submit a redemption request for liquidation of the position over the next two years (possible ten quarters). Member McKay seconded the motion which carried on an all yes vote.

The Board further agreed to schedule a special meeting in September to receive a presentation from AndCo on alternative real estate funds and to discuss redemption options from UBS pending Mr. Grumbles' investigation.

The Board accepted the investment performance report as presented.

2. Status report on Brookfield Super-Core Infrastructure Fund including request for letter of tax exemption from Canadian Revenue Agency

Earlier in the year, the Pension Board approved an investment in the Brookfield Infrastructure Fund. The necessary management agreement and side letters were now completed and signed. Mr. Grumbles expected the first capital call early in 2020. He reported that there was one final matter to be addressed. The board needed to request a letter of exemption from the Canadian Revenue Agency in the event the fund acquired any Canadian assets. Otherwise, the proceeds would be taxed at a rate of 25 percent. Sugarman & Susskind was able to submit the exemption request, but such work did not fall under the law firm's retainer agreement and would be independently billed at the hourly rate.

Member Cobb moved to authorize Sugarman & Susskind to prepare the letter of exemption from the Canadian Revenue Agency with the understanding that it could be subject to independent billing from the law firm. Member McKay seconded the motion which carried unanimously.

3. Direction to Computershare Trust Company to liquidate residual holding from Morgan Stanley/Graystone

Member McKay moved to authorize a letter of direction to Computershare Trust Company to liquidate any investments it might hold on behalf of the Port Orange Police Pension Fund and to wire the proceeds to First State Trust Company. Member Proctor seconded the motion; it carried on an all yes vote.

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The meeting recessed at 10:25 and reconvened at 10:36 a.m.

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

1. Review of actuarial cost methodology for purchase of prior military or law enforcement service for a Tier Two plan participant

At its previous quarterly meeting, board members requested a buyback calculation for a Tier Two member. Mr. Little presented two illustrations wherein a hypothetical Tier Two member purchased four years of credited service. The example demonstrated the accrued liability based on date of hire prior to purchase and the accrued liability based on the adjusted date of hire after purchase. The difference was the member's cost to purchase the four years of service.

The purchase of prior service was expensive to a member. It was less expensive earlier in one's career. *The Pension Board acknowledged receipt of the example.*

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Mr. Little briefly mention long-term expectations of return for various asset classes as reported by the JP Morgan capital markets study. He encouraged the pension board to continually lower its expected annual rate of return.

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

Attorney Harrison advised that he was recently selected as a *Fellow of the College of Labor Attorneys.*

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Chairman Carman inquired into tax liability involving alimony in a divorce situation. Attorney Harrison advised that the most recent ruling of the IRS was that the recipient paid the taxes. *Plan Administrator Rounsavall would send a copy of the Plan's "Divorce Kit" to Chairman Carman.*

D. Karan Rounsavall – Plan Administrator

1. Educational Opportunities:

✓ Florida Public Pension Trustees Association (FPPTA Fall Trustee School in Ponte Vedra Beach (October 6-9, 2019)

✓ Florida Division of Retirement – Annual Police Officers' & Firefighters' Pension Trustees' Conference in Orlando (October 29 – 31, 2019)

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

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The next quarterly meeting was scheduled for Thursday, November 21, 2019.

PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 11:30 a.m.

Sgt. Warren Carman, Chairman

Karan Rounsavall

Karan Rounsavall, Plan Administrator