CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
MAY 21, 2020

The Port Orange Police Officers' Pension Board of Trustees held its quarterly meeting on Thursday, May 21, 2020. Pursuant to Executive Order 20-69 allowing the use of various media technology, (signed by Florida Governor Ron DeSantis on March 20, 2020) the meeting was conducted as a call-in conference call. Members of the public were able to participate in the conference call meeting

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* Karan Rounsavall, Plan Administrator
CITY STAFF:	None

Chairman Carman called the meeting to order at 9:00 a.m. A quorum was in attendance. **Confirmed by roll call vote.*

<u>Policy providing for the use of audio/video or telephone conferencing to conduct meetings of the Port Orange Police Officers' Pension Board</u>

Attorney Harrison advised that it was appropriate to adopt a policy providing for the use of audio/video or telephone conferencing to conduct meetings of the Police Pension Board. As a result of the global coronavirus pandemic (COVID-19), the Florida Governor declared a state of emergency for the entire State of Florida. Executive Order 20-69 suspended the statutory requirement for a physical quorum to be in attendance for a local government body to conduct business and authorized the use of virtual meeting forums. The subject policy set forth virtual meeting procedures which ensured public participation and transparency. The policy remained in effect for the duration of the state of emergency.

Member Bastian moved to adopt the policy as presented. Member McKay seconded the motion and it carried on unanimous roll call vote:

APPROVAL OF MINUTES

Member Proctor moved to approve minutes of quarterly meeting February 20, 2020 as submitted. Member Bastian seconded the motion; it carried on unanimous roll call vote.

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 2020 - $2,600. *Recommendation:* Ratify payment.
   2. Sugarman & Susskind – monthly retainer for March 2020 - $2,600. *Recommendation:* Ratify payment.
   3. Sugarman & Susskind – monthly retainer for April 2020 - $2,600. *Recommendation:* Ratify payment.
   4. Sugarman & Susskind – reimbursement for medical records needed for pending disability hearing - $41.75. *Recommendation:* Ratify payment.
   5. Plan Administrator Karan Rounsavall – monthly fee (February 2020, March 2020, April 2020) - $9,000. *Recommendation:* Ratify payments.
   6. Freiman Little Actuaries – contractual services from October 1, 2019 through March 26, 2020 - $22,575. *Recommendation:* Ratify payment.
   7. Freiman Little Actuaries – supplemental services from October 1, 2019 through March 26, 2020 - $1,578. *Recommendation:* Ratify payment.
   8. James Moore & Co. – September 30, 2019 Audit – Final billing through February 29, 2020 - $5,000. *Recommendation:* Ratify payment.
   9. AndCo Consulting – investment consulting and performance monitoring services for quarter ending March 31, 2019 - $9,375. *Recommendation*: Ratify payment.
   10. First State Trust Company – custodial services for quarter ended March 31, 2020 - $4,625. *Recommendation*: Ratify payment.

Member Bastian moved to ratify plan expenses as recommended. Member Cobb seconded the motion which carried unanimously on a roll call vote.

B. Acknowledge refund of member contributions to the following non-vested members:
   1. Justin Merrick (non-vested member) in the amount of $7,042.56;
   2. Jackie Sexton (non-vested member) in the amount of $19,625.93.

Note: Plan Administrator Rounsavall advised that both officers received and signed the *"special tax notice."*

Member Bastian moved to acknowledge refunds as stated. Member Cobb seconded the motion. It carried on unanimous roll call vote.

OLD BUSINESS

A. Update on pending line-of-duty disability application for Jonathan Nolan

Attorney Harrison advised that his law office was still awaiting medical records from one provider. The COVID-19 pandemic significantly hindered receipt of medical records from providing physicians who temporarily closed their offices and were not taking appointments. However, all medical records from workers compensation providers were available to the board

Due to the unprecedented and extenuating circumstances with the pandemic, Chairman Carman asked whether the pension board could proceed with a medical record review as opposed to an independent medical exam (IME). Attorney Harrison advised that it was acceptable for the board to waive its IME requirement and proceed based on a review of the workers comp records. Florida law recognized *Post Traumatic Stress Disorder (PTSD)* as a line-of-duty disability; this was the claim of the pending disability. In fact, it was difficult to find a qualified physician to conduct an IME in such cases because the evaluations tended to be subjective. Additionally, an IME was quite expensive. In the event of any disability retirement, the pension plan document gave the board the authority to require a periodic re-evaluation of the disability recipient.

Member Proctor was concerned about setting precedent if the board waived the IME. Given the unusual circumstances surrounding the coronavirus pandemic, Attorney Harrison did not feel this would be the case. Member Bastian pointed out that the PTSD diagnosis was related to a specific incident on a date certain and that workers comp already rendered its decision. Member Cobb did not see that there was any doubt in the diagnosis; accordingly, he was comfortable proceeding without the IME as this would save both time and money.

Member Bastian moved to direct Sugarman & Susskind to collect and assemble all available medical records and submit directly to trustees for their review in preparation for a special meeting to consider Jonathan Nolan's pending disability application. At the disability hearing (for which a special meeting would be called), the pension board could then vote to grant a line-of-duty disability based on available medical records or require an IME. Member McKay seconded the motion which carried on unanimous roll call vote.

NEW BUSINESS

A. Renewal of fiduciary liability insurance policy

Plan Administrator Rounsavall presented the renewal quote from Markel American Insurance Company through Ullico Casualty Group. 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 $5,022 which was a $60 increase over the prior year's premium.

Member Bastian moved to authorize renewal of the fiduciary liability insurance policy with Markel American Insurance Company at a cost of $5,022 for the ensuing year (May 31, 2020 through May 31, 2021). Member Cobb seconded the motion; it carried unanimously on roll call 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. It was noted that the actuary's fee schedule was guaranteed for three years through September 30, 2020. Actuary Chad Little would bring a revised fee schedule to the next quarterly meeting for discussion.

Member Proctor moved to express the board's satisfaction with its current professional service providers and to request Freiman Little Actuaries to present a new fee schedule at the next quarterly meeting. The motion which was seconded by Member Cobb carried on unanimous roll call vote.

CONSULTANT REPORTS

A. Tyler Grumbles – AndCo Consulting (Investment Consultant)

1. Investment Performance Report for quarter ended March 31, 2020

Mr. Grumbles presented the performance report and economic commentary for the quarter ended March 31, 2020. It was a financial quarter of unprecedented volatility due to the global coronavirus pandemic. Global economic growth turned negative as countries responded to the pandemic by "shuttering" their economies Domestic as well as international equities declined significantly. In fact, the S&P 500 index was down nearly 20 percent with the broader market (Russell 3000) down somewhat more. There was a "flight to quality" with fixed income assets. U.S. Treasuries were the best performing asset class for the quarter. The energy sector took the greatest hit due to an extreme dip in oil prices resulting from less demand related to COVID-19 and the inability of OPEC to agree on production cuts.

Since the end of the quarter, the equity markets had rebounded significantly. In fact, as of the previous day, the portfolio was valued above where it started the fiscal year. The pension plan received a $1 million capital call from ASB Allegiance Real Estate Fund during the quarter which was funded from fixed income and redemptions from the USB Trumbull Real Estate Fund.

Total market value as of March 31, 2020 was $36,848,892 down from $43,457,649 for the previous quarter ended December 31, 2019. On a percentage basis, the composite portfolio was down -15.16 percent for the quarter (net) which ranked in the 78th percentile of public plans. Fiscal year to date, the fund was down -9.89 percent (ranking in the 71st percentile of public plans). Trailing three and five-year returns were slightly positive. Portfolio value as of May 20, 2020 was $40,832,091. Despite all the volatility, asset classes within the portfolio were currently within their respective target ranges. No rebalancing was needed.

Quarterly performance results (i.e. quarter ending March 31, 2020) for the various investment styles/managers represented in the portfolio were as follows:

Vanguard Total Stock Market Index Fund – negative return of -20.86% (38)*
EuroPacific Growth (international equity) – negative return of -22.43% (38)*
Oakmark International (international equity) – negative return of -38.08% (99)*
Dodge & Cox (domestic fixed income) – negative return of -0.69% (69)*
Metropolitan West (domestic fixed income) – positive return of 2.33% (21)*
PIMCO Diversified Income (global fixed) – negative return of -7.53% (83)*
Pacific Funds Floating Rate (bank loans) – negative return of -10.40 (10)*
UBS Trumbull (private real estate) – positive return of 0.44% (74)*
ASB Allegiance (private real estate) – NA for the quarter
*Public peer rankings

Mr. Grumbles did not recommend any changes to the portfolio due to the volatility and encouraged the board to stick to its long-term plan and not engage in behavioral biases. A pension plan should not be run based on feelings. Member Cobb commented on the speed of decline in the market during the calendar quarter. He asked AndCo's opinion of the markets going forward. Mr. Grumbles was surprised with the market's rapid bounce back after the unprecedented decline. However, he would not be surprised if there was another correction in the near future.

Member Cobb moved to accept the performance report as presented. Member Bastian seconded the motion; it carried on unanimous roll call vote.

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

Given the recent volatility and uncertainty of financial markets, Mr. Little mentioned that there was some momentum in the state to allow flexibility in pension plan funding rules, specifically smoothing of investment returns and amortizing over longer periods. Such an action would reduce funding requirements in the near term but carried the risk of negating future positive returns if the smoothing period was extended. He would continue to monitor these discussions and report at the next meeting.

Further, he did not expect any adjustments to mortality rates related to COVID-19.

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

Mr. Harrison advised that the Governor's latest executive order allowed public boards to continue with virtual meetings into the foreseeable future given the pandemic. Sugarman & Susskind would continue to provide special reports related to congressional and state action on the impacts of COVID-19. He also mentioned that his law firm recently hired a new attorney.

D. Karan Rounsavall – Plan Administrator

Plan Administrator Rounsavall reminded trustees of the July 1, 2020 filing deadline for submitting financial disclosure forms to the Volusia County Supervisor of Elections.

She went on to advise that Florida Public Pension Trustees Association (FPPTA) recently launched a virtual learning series. There was no cost to participate, however, registration was required. Attorney Harrison reported that these were high quality educational presentations and focused on the current situation. Trustees could earn credit to maintain their Certified Public Pension Trustee (CPPT) designations by watching the presentations.

The FPPTA annual conference was tentatively scheduled for October at the Hilton Bonnet Creek. The annual conference was typically held in June/July but was cancelled due to the pandemic.

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The next quarterly meeting was scheduled for Thursday, August 20, 2020.

PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 10:21 a.m.

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Sgt. Warren Carman, Chairman

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Karan Rounsavall, Plan Administrator