CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
NOVEMBER 21, 2019

The Port Orange Police Officers' Pension Board of Trustees held its quarterly meeting on Thursday, November 21, 2019 in the Police Department Training Room, 4545 Clyde Morris Boulevard, Port Orange, Florida.

MEMBERS PRESENT:	Drew Bastian (resident member) Brian Cobb (resident member) Andrew McKay (police member)
MEMBERS ABSENT:	Chairman Warren Carman (fifth member) – ill William Proctor (police member) – out of town
CONSULTANTS:	Ken Harrison, Board Attorney – *Sugarman & Susskind* Tyler Grumbles, Investment Consultant – *AndCo* Zach Chichinski, Research Analyst - *AndCo* Chad Little, Actuary – *Freiman Little Actuaries* Karan Rounsavall, Plan Administrator
CITY STAFF:	None

Member Bastian called the meeting to order at 9:07 a.m. A quorum was in attendance.

APPROVAL OF MINUTES

Member Cobb moved to approve minutes of quarterly meeting August 22, 2019 and special meeting September 19, 2019 as submitted. Member McKay seconded the motion and it carried unanimously.

OFFICER AND TRUSTEE REPORTS

Member McKay reported on his attendance at the State Division of Retirement Conference in Orlando. He found it very educational and worthwhile. Member Bastian mentioned that he and Chairman Carman attended the FPPTA Fall Trustee School in Ponte Vedra Beach.

CONSENT AGENDA

The following items were presented for action as recommended:

A. Approve plan expenditures as follows:
   1. Sugarman & Susskind – monthly retainer for August 2019 - $2,600. *Recommendation:* Ratify payment.
   2. Sugarman & Susskind – monthly retainer for September 2019 - $2,600. *Recommendation:* Ratify payment.
   3. Sugarman & Susskind – monthly retainer for October 2019 - $2,600. *Recommendation:* Ratify payment.
   4. Plan Administrator Karan Rounsavall – monthly fee (August 2019, September 2019, October 2019) - $9,000. *Recommendation:* Ratify payments.

5. Florida Public Pension Trustees Association (FPPTA) – registration fee for FPPTA Fall Trustee School for Drew Bastian and Warren Carman - $1,340. *Recommendation:* Ratify payment.
6. Sawgrass Marriott Golf Resort – lodging expenses for Drew Bastian (FPPTA Fall Trustee School) - $555. *Recommendation:* Ratify payment.
7. Sawgrass Marriott Golf Resort – lodging expenses for Warren Carman (FPPTA Fall Trustee School) - $555. *Recommendation:* Ratify payment.
8. Drew Bastian – reimbursement for mileage expense for attendance at FPPTA Fall Trustee School in Ponte Vedra Beach - $105.56. *Recommendation*: Ratify payment.
9. Warren Carman – reimbursement for mileage expense for attendance at FPPTA Fall Trustee School in Ponte Vedra Beach - $105.56. *Recommendation*: Ratify payment.
10. Renaissance Orlando Airport Hotel – lodging expenses for Andrew McKay (Division of Retirement Conference) - $477. *Recommendation*: Ratify payment.
11. Andrew McKay – reimbursement for meal and mileage expense for attendance at Division of Retirement Conference in Orlando - $195.07. *Recommendation*: Ratify payment.
12. Freiman Little Actuaries – contracted actuarial services from February 13, 2019 through September 30, 2019 - $5,202. *Recommendation*: Ratify payment.
13. Freiman Little Actuaries – supplemental actuarial services from February 13, 2019 through September 30, 2019 - $3,153. *Recommendation*: Ratify payment.
14. AndCo Consulting – investment consulting and performance monitoring services for quarter ending September 30, 2019 - $9,166.67. *Recommendation*: Ratify payment.
15. First State Trust Company – custodial services for quarter ended September 30, 2019 - $4,625. *Recommendation*: Ratify payment.

B. Acknowledge rollover/refund of member contributions to the following non-vested members:
1. Nathan Hidalgo (non-vested member) in the amount of $16,005.70;
2. Jason Raynor (non-vested member) in the amount of $8,307.12;
3. Justin Edwards (non-vested member) in the amount of $11,214.34.

Member Cobb moved to ratify plan expenses as recommended and to acknowledge refunds as stated. Member McKay seconded the motion; it carried on an all yes *vote.*

OLD BUSINESS - None

NEW BUSINESS

A. Ratify retirement benefits for Kimi Lee Braddock pursuant to an *Irrevocable Deduction Authorization for Payments to Ex-Spouse* as of October 1, 2019

Board members ratified benefit payments for Kimi Lee Braddock as stated commencing October 1, 2019.

B. Establish quarterly meeting dates for 2020

Member Cobb moved to approve the following 2020 quarterly meeting dates:
- *Thursday, February 20, 2020 at 9:00 a.m.*
- *Thursday, May 21, 2020 at 9:00 a.m.*
- *Thursday, August 20, 2020 at 9:00 a.m.*
- *Thursday, November 19, 2020 at 9:00 a.m.*

Member McKay seconded the motion which carried unanimously.

C. Authorization to renew membership in Florida Public Pension Trustees Association for Calendar Year 2020

Member Cobb moved to approve renewal of the Pension Board's FPPTA membership for the ensuing year (2020). Member McKay seconded the motion and it carried on an all yes vote.

D. Accept line-of-duty disability application submitted by Officer Jonathan Nolan

Board members were in receipt of the line-of-duty disability application submitted by Police Officer Jonathan Nolan along with appropriate releases for medical information, waiver of confidentiality, etc. Officer Nolan was currently working in a temporary light-duty assignment in another department with the City of Port Orange.

Member McKay moved to formally accept Officer Nolan's line-of-duty disability application and authorize the attorney's office to gather pertinent medical records and schedule an independent medical exam (IME) in accordance with the process outlined in the pension plan document and Florida Statutes. Member Cobb seconded the motion which carried unanimously.

Officer Nolan was in attendance and thanked the board for its consideration. *The Board requested that the attorney's office expedite the process.*

E. Letter of Instruction to First State Trust Company (custodian) authorizing increase to recurring <u>quarterly</u> payment to AndCo Consulting for investment consulting services from $8,750 to $9,375

Member McKay moved to approve the increase to recurring quarterly ACH payment to AndCo Consulting in accordance with its 2017 professional services agreement. Member Cobb seconded the motion; it carried on an all yes vote.

CONSULTANT REPORTS

A. Tyler Grumbles – AndCo Consulting (Investment Consultant)

1. Presentation from Stockbridge Core & Value Advisors on the Stockbridge Smart Markets Fund (core real estate fund)

As requested at the Pension Board's special meeting on September 19, 2019, Andrew Knox and Mac Johnson were in attendance to introduce the Stockbridge Smart Markets Fund. The Fund utilized a core and value-added investment strategy with a focus on four main property types (office, industrial, multi-family, and retail). The fund maintained a strategic overweight to industrial properties with a corresponding underweight allocation to retail and office properties particularly when compared to other real estate funds. Regional distribution centers and *"last mile"* industrial properties had been one of the biggest drivers of the fund's recent performance. There were 59 properties in the portfolio. Leverage (i.e. loan to property value) was currently maintained in the 20 percent range although the strategy allowed up to 35 percent leverage.

Performance was based on income (leases) and property appreciation. Historical performance (net of fees) ranged from 6.95 percent (one year) to 9.09 percent (five years). These returns outperformed the relevant benchmark for similar real estate funds (NFI-ODCE index). Fees were 95 basis points with a minimum investment of $1 million. The current entry queue was roughly two quarters.

Member Cobb moved to accept the presentation. Member McKay seconded the motion and it carried unanimously.

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Mr. Grumbles used this opportunity to provide an update on the ASB Allegiance Real Estate Fund into which the Board approved a $1 million investment at the September 19, 2019 special meeting. He advised that ASB experienced poor performance for the previous quarter due to an unexpected bankruptcy filing from Barney's which leased a large retail space in the Chicago area. Despite this setback, Mr. Grumbles was still comfortable with ASB's strategy and the Board's decision to invest with ASB.

The Board took no action to reverse its earlier action to invest in the ASB Allegiance Fund pending a capital call in 2020.

Member Cobb then moved to approve a $1 million investment in the Stockbridge Smart Markets Fund with additional commitments as the Port Orange Police Pension Fund exited its position in the UBS Trumbull Real Estate Fund. His motion also included direction to the attorney to prepare an appropriate agreement and side letters with Stockbridge. Member McKay seconded the motion and it carried unanimously.

2. Investment Performance Report for quarter ended September 30, 2019

Mr. Grumbles presented the performance report for the quarter ended September 30, 2019. Domestic equity markets ended the quarter in positive territory and outperformed international stocks which were negative for the period. Large cap stocks outperformed small cap equities. Fixed income performed particularly well during the trailing 12 months with returns over ten percent. Target allocations were in line; there was no need to rebalance.

Total market value as of September 30, 2019 was $40,813,683 up from $40,005,571 for the previous quarter ended June 30, 2019. On a percentage basis, the composite portfolio was up 0.97 percent (net) for the quarter which ranked in the 35th percentile of public plans. For the fiscal year ending September 30, 2019, the plan was up 3.67 percent (62nd percentile). As of November 20, 2019, the fund was valued at $42,370,156.

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

Vanguard Total Stock Market Index Fund – positive return of 1.09% (47)*
EuroPacific Growth (international equity) – negative return of -1.59% (41)*
Oakmark International (international equity) – negative return of -0.78% (22)*
Dodge & Cox (domestic fixed income) – positive return of 2.09% (62)*
Metropolitan West (domestic fixed income) – positive return of 2.22% (43)*

PIMCO Diversified Income (global fixed) – positive return of 1.17% (47)*
Pacific Funds Floating Rate (bank loans) – positive return of 1.26 (11)*
UBS Trumbull (private real estate) – positive return of 0.91% (100)*
*Public peer rankings

The Board accepted the investment performance report as presented.

3. Status report on Brookfield Super-Core Infrastructure Fund

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 advised that the Pension Plan received a letter of tax exemption from the Canadian Revenue Agency. He expected the first capital call early in 2020.

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

1. Notice from Bureau of Local Retirement Systems that all actuarial reports and impact statements from October 1, 2018 were determined to be *"state accepted"*

Mr. Little advised that the State accepted the most recent valuation for the Port Orange Police Pension Plan and all earlier valuation reports.

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Mr. Little mentioned the likelihood of some discussion in the future dealing with actuarial equivalence, particularly for joint and survivor benefit calculations. Mortality was improving across all demographic categories and this made it less likely that the Pension Plan would ever pay a spouse. This was not an urgent matter and could be addressed as part of collective bargaining.

He also mentioned that the 2019 actuarial valuation would be performed at a 7.25 percent assumed investment rate of return.

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

The State Legislative session would begin in January 2020. Attorney Harrison advised that there were no pre-filed bills affecting public pension plans.

The attorney also suggested that the Pension Board investigate the feasibility of cyber insurance as this was an increasing threat for municipalities (i.e. ransomware). *Plan Administrator Rounsavall would investigate and report back to the Board.*

D. Karan Rounsavall – Plan Administrator

1. Educational Opportunities: Florida Public Pension Trustees Association (FPPTA Winter Trustee School in Orlando (January 26 – 29, 2020)

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

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Mrs. Rounsavall also mentioned that she recently mailed the annual confirmation of receipt of benefits to 62 retirees of the Port Orange Police Pension Plan. She was also working with the accountants on the audit for Fiscal Year 2018/2019.

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

PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 10:35 a.m.

SGT. WE Carman 3720

Sgt. Warren Carman, Chairman

Karan Rounsavall

Karan Rounsavall, Plan Administrator