CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
NOVEMBER 19, 2020

The Port Orange Police Officers' Pension Board of Trustees held its quarterly meeting on Thursday, November 19, 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** Karan Rounsavall, Plan Administrator
CITY STAFF:	Heather Carrizales, Human Resources Administrator

Chairman Carman called the meeting to order at 9:03 a.m. A quorum was in attendance. *These board consultants attended meeting via video conferencing. (Zoom hosted by City of Port Orange)

APPROVAL OF MINUTES

Member Bastian moved to approve minutes of quarterly meeting August 20, 2020 as submitted. Member Cobb seconded the motion; 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 August 2020 - $2,600. *Recommendation:* Ratify payment.
   2. Sugarman & Susskind – monthly retainer for September 2020 - $2,600. *Recommendation:* Ratify payment.
   3. Sugarman & Susskind – monthly retainer for October 2020 - $2,600. *Recommendation:* Ratify payment.
   4. Plan Administrator Karan Rounsavall – monthly fee (August 2020, September 2020, October 2020) - $9,000. *Recommendation:* Ratify payments.
   5. Florida Public Pension Trustees Association (FPPTA) – Virtual summit registration fee for Trustees Carman and Bastian - $500. *Recommendation*: Ratify payment.
   6. AndCo Consulting – investment consulting and performance monitoring services for quarter ending September 30, 2020 - $9,375. *Recommendation*: Ratify payment.
   7. First State Trust Company – custodial services for quarter ended September 30, 2020 - $4,625. *Recommendation*: Ratify payment.

Member Bastian moved to ratify plan expenses as recommended. Member McKay seconded the motion which carried on an all-yes vote.

B. Acknowledge rollover/refund of member contributions for the following non-vested members:

1. Evan Doyle (non-vested member) in the amount of $9,018.50; and
2. Marcus Niedner (non-vested member) in the amount of $2,946.51.

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

Board members acknowledged refunds for officers as stated above.

OLD BUSINESS - None

NEW BUSINESS

A. Approve schedule for quarterly meeting dates in 2021: *Thursday, February 18, 2021; Thursday, May 20, 2021; Thursday, August 19, 2021; and Thursday, November 4, 2021. All meetings at 9:00 a.m.*

By consensus, the pension board approved the meeting schedule as presented.

B. Authorization to renew membership in Florida Public Pension Trustees Association (FPPTA) for 2021.

Member Bastian moved to renew the board's membership in FPPTA for 2021 at a cost of $620. Member McKay seconded the motion which carried unanimously.

C. Ratify change of beneficiary for Retiree Phillip Niebieski (100 percent joint and survivor annuity) effective May 1, 2020.

In accordance with the plan document, Retiree Phillip Niebieski requested a change of beneficiary to Virginia Niebieski (current spouse). Actuary Chad Little determined the new benefit amount after which Mr. Niebieski signed the revised election form.

Member Bastian moved to ratify the change of beneficiary for Retiree Phillip Niebieski effective with his May 1, 2020 benefit payment. Member Proctor seconded the motion which carried on an all yes vote.

D. Discussion and possible action to establish policy for recognition of accrued leave balances for participants entering DROP

Plan Administrator Rounsavall explained that participants hired on or before January 31, 2011 (Tier One) were eligible to enter DROP upon earning 25 years of vesting credit. DROP participation was not available to members hired after January 31, 2011. Accrued leave balances (sick and annual leave) were frozen for Tier One members as of April 6, 2012. This balance was considered pensionable and included in final compensation calculations for pension purposes provided the leave was unused. There were no new DROP participants since January 31, 2011, however, several members were now eligible and considering DROP.

Actuary Little advised that Tier One members were clearly entitled to the inclusion of accrued leave balances (as described above) in their pension calculations. The issue under discussion was how to ensure that the city received employee contributions on leave balances upon a participant entering DROP when there was no guarantee that these hours (accrued leave) would be available when they eventually separated service. This was not an issue in 2011 because the employee contribution rate was only 0.5 percent and the city absorbed the minimal cost thereof. However, as of January 31, 2011, the employee contribution rate increased to 7.5 percent.

Possible options included: (1) no change to past policy in which city absorbs employee contribution amount; (2) require the DROP participant to front the payment of employee contributions on the accrued leave balance included in the benefit calculation and then repay such amount (or portion thereof) if the leave was still available at the end of the DROP period; or (3) pay out a member's accrued leave upon entering DROP.

Human Resources Administrator Heather Carrizales advised that the updated payroll system could, most likely, accommodate any new policy.

Attorney Harrison advised that any new policy regarding this matter would be subject to collective bargaining. He suggested that the pension board task its consultants with responsibility for researching the issue and developing a policy for consideration at the next meeting.

Member Bastian moved accordingly. Member Proctor seconded the motion which carried unanimously.

E. Request to clarify pension credit start date for terminated vested participants

The pension board adopted a policy in 2018 to use an officer's swear-in date as their pension credit start date. Plan Administrator Rounsavall requested clarification of this policy for terminated vested participants who separated service prior to 2018.

Attorney Harrison opined that the pension plan should remain consistent with the policy adopted in 2018, to-wit: *At the time a terminated vested participant made application for retirement, the swear-in date would be used as pension credit start date.*

Board members concurred with the attorney's recommendation.

F. Establish policy and authorize transfer of unclaimed employee contributions to State of Florida Department of Financial Services

There were several instances in which employee contributions for non-vested, terminated participants were unclaimed and had remained in the pension fund for many years. Efforts to locate these individuals were unsuccessful. In the case of these dormant accounts, Attorney Harrison advised that it was appropriate to send the unclaimed funds to the State of Florida Department of Financial Services after a seven-year period following termination.

Member Bastian moved to direct the attorney to draft a policy authorizing transfer of unclaimed employee contributions to the State of Florida after they had remained dormant and unclaimed in the pension fund for seven years. Member McKay seconded the motion; it carried on an all-yes vote.

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Before proceeding to consultant reports, Chairman Carman discussed a situation in which the payroll division failed to collect employee contributions for a recently hired officer. As a result, the officer was currently in arrears by approximately $2,600 and the city was working to collect these funds. Chairman Carman was concerned that an overly aggressive repayment schedule would be difficult for the officer. Human Resources Administrator Heather Carrizales explained that the oversight occurred when the city converted its accounting platform to Work Day. Her department was working with the officer to set up a repayment schedule over the ensuing year. If more time were needed, the city would certainly work to accommodate his situation.

CONSULTANT REPORTS

A. Tyler Grumbles – AndCo Consulting (Investment Consultant)

1. Investment Performance Report for quarter ended September 30, 2020

Mr. Grumbles presented the performance report and economic commentary for the quarter ended September 30, 2020. It was a good quarter as well as fiscal year. Financial markets continued to rebound strongly with optimism about the pending availability of a vaccine fueling the "V" shaped recovery. Growth stocks maintained their dominance over value-oriented stocks across all market capitalizations, particularly in the information technology sector. Fixed income returns were mixed with corporate bonds outperforming government. All asset classes in the portfolio were within their target ranges. No rebalancing was needed.

Total market value as of September 30, 2020 was $45,527,238 up from $42,386,109 for the previous quarter ended June 30, 2020. On a percentage basis, the composite portfolio was up 6.17 percent for the quarter (net) which ranked in the 17th percentile of public plans and slightly outperformed the fund's benchmark. For the fiscal year ended September 30, 2020, the fund returned 9.77 percent (ranking in the 34th percentile of public plans). Passive investment management/indexing contributed to the excellent equity returns. Since the end of the quarter, markets had continued their upward trend. Portfolio value as of the previous day's close was $48,440,534.

Quarterly performance results (i.e. quarter ending September 30, 2020) for the various investment styles/managers represented in the portfolio were as follows:

Vanguard Total Stock Market Index Fund – positive return of 9.19% (30)*
EuroPacific Growth (international equity) – positive return of 9.66% (32)*
Oakmark International (international equity) – positive return of 3.75% (85)*
Dodge & Cox (domestic fixed income) – positive return of 1.49% (28)*
Metropolitan West (domestic fixed income) – positive return of 1.26% (45)*
PIMCO Diversified Income (global fixed) – positive return of 2.71% (43)*
Pacific Funds Floating Rate (bank loans) – positive return of 3.03 (80)*
UBS Trumbull (private real estate) – negative return of -0.18% (93)*
ASB Allegiance (private real estate) – positive return of 0.11% (78)*
*Public peer rankings

Capital calls were still pending for the Stockbridge Smart Markets Real Estate Fund as well as the Brookfield Infrastructure Fund.

Member Bastian moved to accept the performance report as presented. Member Cobb seconded the motion; it carried unanimously.

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

1. Discussion as to assumed annual investment rate of return to be used for preparation of 2020 actuarial valuation

The Port Orange Police Pension Plan currently used a 7.25 percent assumed investment rate of return (ROR). Based on capital market projections and the plan's asset allocation, the expected long-term ROR was around 6.5 percent. Mr. Little requested the Board's direction as to the ROR to use for the 2020 valuation report. He recommended a slight downward adjustment in the ROR.

Mr. Grumbles (AndCo Consulting) reiterated Mr. Little's comments about long-term market projections. Equity markets were at an all-time high; fixed income returns were historically low. These factors worked to lower future return assumptions and he did not expect another year of double digit returns. He certainly supported a reduction to the assumed ROR.

Member Bastian moved to reduce the assumed rate of return by ten basis points to 7.15 percent for purposes of the 2020 actuarial valuation. Member Cobb seconded the motion and it carried on an all yes vote.

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

Attorney Harrison advised that Governor DeSantis did <u>not</u> extend the executive order suspending the statutory requirement for a physical quorum to be in attendance for meetings of local government agencies and authorizing the continued use of virtual meeting forums. He went on to mention that the pension board had the authority to determine that there were extenuating circumstances and to allow a member to attend and vote virtually (provided a physical quorum was present)

D. Report: Plan Administrator (Karan Rounsavall)

1. Ordinance No. 2020-37 amending the plan document by recognizing changes to Internal Revenue Code section pursuant to the SECURE Act

Mrs. Rounsavall advised that the Port Orange City Council adopted the subject ordinance at its regular meeting on November 4, 2020. She forwarded the ordinance to the Division of Retirement as required.

2. Educational Opportunity:

The Florida Public Pension Trustees Association (FPPTA) cancelled its Winter Trustee School due to pandemic concerns. FPPTA was looking at several options to provide education to trustees including virtual classes and hybrid (in-person/virtual) sessions.

The next quarterly meeting was scheduled for Thursday, February 18, 2021.

<u>PUBLIC COMMENT</u> - None

<u>ADJOURNMENT</u>

The meeting adjourned at 9:57 a.m.

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Sgt. Warren Carman, Chairman

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Karan Rounsavall, Plan Administrator