CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
FEBRUARY 18, 2021

The Port Orange Police Officers' Pension Board of Trustees held its quarterly meeting on Thursday, February 18, 2021 in the Police Department Training Room, 4545 Clyde Morris Boulevard, Port Orange, Florida.

MEMBERS PRESENT:	Chairman Warren Carman (fifth member) Drew Bastian (resident member) Brian Cobb (resident member)
MEMBERS ABSENT:	William Proctor (police member) – excused Andrew McKay (police member) - excused
CONSULTANTS:	Ken Harrison, Board Attorney – *Sugarman & Susskind** Tyler Grumbles, Investment Consultant – *AndCo* Chad Little, Actuary – *Freiman Little Actuaries** Zach Chalifour, Auditor – *James Moore, CPA* Karan Rounsavall, Plan Administrator
CITY STAFF:	Heather Carrizales, Human Resources Administrator

Chairman Carman called the meeting to order at 9:12 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 November 19, 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 November 2020 - $2,600. *Recommendation:* Ratify payment.
   2. Sugarman & Susskind – monthly retainer for December 2020 - $2,600. *Recommendation:* Ratify payment.
   3. Sugarman & Susskind – monthly retainer for January 2021 - $2,600. *Recommendation:* Ratify payment.
   4. Plan Administrator Karan Rounsavall – monthly fee (November 2020, December 2020, January 2021) - $9,000. *Recommendation:* Ratify payments.
   5. Florida Public Pension Trustees Association (FPPTA) – Certified Public Pension Trustee (CPPT) 2021 renewal fee for Trustees Carman and Bastian - $62. *Recommendation*: Ratify payment.
   6. Florida Public Pension Trustees Association (FPPTA) – 2021 Membership Renewal for Pension Board - $620. *Recommendation*: Ratify payment.

7. James Moore & Co. – 2020 Audit – Progress billing #1 through December 31, 2020 - $4,000. *Recommendation*: Ratify payment.
8. AndCo Consulting – investment consulting and performance monitoring services for quarter ending December 31, 2020 - $9,375.
   Recommendation: Ratify payment.
9. First State Trust Company – custodial services for quarter ended December 31, 2020 - $4,625. *Recommendation*: Ratify payment.

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

B. Acknowledge refund of member contributions for Tyler Boivin (non-vested member) in the amount of $414.81

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

Board members acknowledged refund as stated above.

OLD BUSINESS

A. Proposed policy for recognition of accrued leave balances for participants entering DROP (Tier One members hired prior to January 31, 2011)

This topic was discussed at the November 19, 2020 meeting during which the pension board directed its consultants to research the matter and develop a policy for consideration.

There had been no new DROP participants since January 31, 2011. (Note: The pension plan changed as of the January 2011 date to create a second tier of participants. This second tier did not have a DROP benefit.) Several members hired prior to January 31, 2011 (Tier One) were now eligible and considering DROP. The concern was how to guarantee that the city received employee contributions on accrued leave balances. Clearly, Tier One members were entitled to the inclusion of leave balances in their pension calculations. This was not an issue in 2011 because the employee contribution rate was only 0.5 percent and the recollection was that the city absorbed this minimal cost. As of January 31, 2011, the employee contribution rate increased to 7.5 percent.

Board members were in receipt of a draft policy which proposed that a participant's retirement benefit be calculated as of the date elected for DROP enrollment, including all eligible accrued leave up to an amount elected by the participant. Upon entry to DROP, the participant would be paid an amount equal to the accrued leave specified and the city would withhold the required employee contributions at that time.

Human Resources Administrator Heather Carrizales advised that this method could be handled by payroll, however, there was not a policy for payment of accrued leave prior to separation from service. To do so would require negotiation with the two unions representing police officers.

There were several concerns with the proposed policy. First, officers would be paid for their accrued leave up to five years earlier than separation from service and at a lesser hourly rate. Secondly, there was the earlier precedent where the city had absorbed the cost of the employee contributions. It was understood by all parties that this matter would need to be negotiated.

Pending collective bargaining negotiations with the two unions, this issue would remain status quo, i.e., eligible accrued leave balances would be included in pension benefit calculations but there would be no calculation for the employee contribution rate upon entry into DROP. This was the board's consensus.

B. Discussion and possible action as to disposition of unclaimed employee contributions

This matter was discussed at the previous meeting during which the board directed the attorney to research a policy authorizing transfer of unclaimed employee contributions to the State of Florida after they remained dormant and unclaimed in the pension fund. There were several instances in which employee contributions for non-vested, terminated participants were unclaimed and remained in the pension fund for many years. Efforts to locate these individuals were unsuccessful.

Attorney Harrison advised that the process to send unclaimed funds to the State of Florida Department of Financial Services was quite cumbersome from an administrative standpoint and could even create more potential liability for the pension plan. It was his recommendation to take no action on this matter and to not pursue the idea of sending unclaimed funds to the State.

Member Cobb moved to accept the attorney's recommendation as stated. Member Bastian seconded the motion; it carried on an all-yes vote.

NEW BUSINESS

A. Acknowledge receipt of detailed accounting report for Fiscal Year 2019/2020

Board members were in receipt of the detailed accounting report for Fiscal Year 2019/2020 prepared by the plan administrator. It reflected administrative expenses that were paid on behalf of the plan during the fiscal year. Administrative expenses included legal counsel, actuarial, investment consultant, plan administration, education, fiduciary insurance, etc. Total administrative expenses were $176,853.19. This total was not only less than the adopted budget for the fiscal year ($194,425) but also somewhat less than administrative expenses paid in Fiscal Year 2018/2019 ($183,501.11). Investment management expenses were not considered administrative expenses and, as such, were not reported. Nor were mutual fund holdings (reported net of fees) considered administrative expenses.

There were no questions. *Member Cobb moved to accept the detailed accounting report for Fiscal Year 2019/2020 as presented. Member Bastian seconded the motion which carried unanimously.* Plan Administrator Rounsavall would provide the accounting report to the plan sponsor (City of Port Orange) and make it available to plan members.

B. Ratify retirement benefits for Marcie McIlrath pursuant to *Irrevocable Deduction Authorization for Payments to Ex-Spouse* commencing January 1, 2021

Member Bastian moved to ratify retirement benefits for Marcie McIlrath as stated above. Member Cobb seconded the motion which carried on an all-yes vote.

C. Biennial update to Summary Plan Description for Port Orange Police Officers' Pension Plan

Florida Statutes required that the provisions of a pension plan be presented in a written summary plan description (SPD) and published on a biennial basis in a manner that could be understood by the average plan participant. The SPD for the Port Orange Police Officers' Pension Plan was last published on February 18, 2018. There had been no substantive changes to pension plan provisions since that date. The only changes included: (1) most recent collective bargaining agreement; (2) latest actuarial information; (3) current board composition; and (4) current investments.

Member Cobb moved to approve the updated SPD (pending final review by attorney and actuary) and to direct the plan administrator to distribute same to all active plan members. Member Bastian seconded the motion and it carried on an all yes vote.

CONSULTANT REPORTS

A. Tyler Grumbles – AndCo Consulting (Investment Consultant)

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

Mr. Grumbles presented the performance report and economic commentary for the quarter ended December 31, 2020. Market index returns were broadly positive during the quarter (up nearly 15 percent) except for the U.S. government bond index. Performance was largely driven by expectations related to vaccine availability, resolution of the presidential election, and potential for further government stimulus. During the quarter, value stocks reversed recent trends and outperformed growth stocks across all capitalizations. Mid and small cap stocks also outperformed as investors were willing to take on more risk. Oakmark International Equities enjoyed a 31.55 percent return during the quarter due in large part to its value style orientation. At the first of the year, the plan funded the Stockridge Smart Markets real estate fund with a $1 million commitment.

Mr. Grumbles mentioned the top ten weighted stocks in the Russell 1000. Tesla was up an astonishing 743 percent over the past year. With this comment, he reminded the board that pension funds invested for the long term. He expected a pullback in the market over the next few years.

All asset classes in the portfolio were within their target ranges. No rebalancing was needed. The retirement fund was still awaiting a capital call from Brookfield Super-Core Infrastructure which he anticipated in the next few quarters.

Total market value as of December 31, 2020 was $50,810,693 up from $45,527,238 for the previous quarter ended September 30, 2020. On a percentage basis, the composite portfolio was up 11.20 percent for the quarter (net) which ranked in the 23rd percentile of public plans and slightly outperformed the fund's benchmark. Over the trailing 12 months, the fund returned 14.92 percent (ranking in the 28th percentile of public plans). Longer term returns were also rising.

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

Vanguard Total Stock Market Index Fund – positive return of 14.67% (40)*
EuroPacific Growth (international equity) – positive return of 19.95% (24)*

Oakmark International (international equity) – positive return of 31.55% (1)*
Dodge & Cox (domestic fixed income) – positive return of 2.48% (7)*
Metropolitan West (domestic fixed income) – positive return of 1.20% (62)*
PIMCO Diversified Income (global fixed) – positive return of 4.50% (27)*
Pacific Funds Floating Rate (bank loans) – positive return of 3.02 (80)*
UBS Trumbull (private real estate) – negative return of -1.89% (100)*
ASB Allegiance (private real estate) – positive return of 1.13% (78)*
*Public peer rankings

The pension fund remained in the exit queue for UBS Trumbull Real Estate Fund. However, redemptions were not occurring as quickly as expected.

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

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

1. Presentation of annual valuation for fiscal year ending September 30, 2020
2. Declare expected annual rate of investment return for assets of Port Orange Police Officers' Pension Plan

Board members were in receipt of the October 1, 2020 Actuarial Valuation Report for the Port Orange Police Officers' Pension Plan. This report established the minimum funding requirements for the Pension Plan for the fiscal year ending September 30, 2022. Mr. Little commended the Pension Board on an excellent report and its pro-active decisions in the past. Not only did the city's contribution rate decrease year over year, the plan's funded ratio also increased. Both while factoring in another decrease of ten basis points to the assumed investment rate of return (currently at 7.15 percent).

The city's minimum funding requirement (city and state contribution) was $2,978,832. Expressed as a percentage of payroll, the minimum contribution was 63.01 percent. (Note: The City of Port Orange funded the police pension plan based on the dollar amount.) The plan's funded status was 81.79 percent, representing an increase over the previous year's funded percentage of 76.05 percent. The unfunded accrued liability (UAL) was $10,164,858.

The investment return on the "market" value of assets was ten percent; the return on the "actuarial/smoothed" value of assets (five-year smoothing) was 7.3 percent which was greater than the 7.15 percent assumed net investment rate of return used for this valuation. He urged the pension board to continue to systematically lower its investment rate of return.

Mr. Little noted that the valuation adopted the mortality assumption used for special risk employees by the Florida Retirement System. This change resulted in a small savings to the plan.

The valuation report also included required disclosures under *Florida Statutes* 112.664. Report disclosures required by Governmental Accounting Standards Board (GASB) 67 and 68 were provided as a supplemental report.

Member Cobb moved to approve the 2020 actuarial valuation report as presented. Member Bastian seconded the motion and it carried unanimously. Plan Administrator Rounsavall would forward the report to city staff for required posting on its web site.

Member Cobb then moved to declare a 7.15 percent expected rate of return for retirement plan assets going forward. Member Bastian seconded the motion which likewise carried unanimously.

C. Zach Chalifour – *James Moore & Co.* (Auditor)

1. Presentation of draft audit of Police Pension Fund financials for fiscal year ended September 30, 2020

Mr. Chalifour advised that the pension fund's financials were accurate and could be relied upon. There was nothing in the audit report assessed as a material weakness to be disclosed. His firm presented an *"unmodified opinion"* of police pension financials for Fiscal Year 2019/2020 which was the highest standard. The audit was performed in conformance with governmental auditing standards.

There were no recommendations or comments for improving the Pension Plan's efficiency and internal controls. Mr. Chalifour commended the board for its proactive stance to consistently lower the expected rate of return.

Member Cobb moved to accept the audit report for fiscal year ended September 30, 2020 as presented. Member Bastian seconded the motion; it carried on an all yes vote.

2. Authorize extension of engagement letter with James Moore & Co. for audit of basic financial statements of the Pension Plan for the years ended September 30, 2021 and 2022

Member Bastian moved to authorize extension of engagement letter with James Moore for two more fiscal years as stated above at a cost of $9,000 for each year. Member Cobb seconded the motion; it carried on an all yes vote.

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

1. Legislative Update

Attorney Harrison advised of Senate Bill 84 which would automatically enroll all new hires in the regular class of Florida Retirement System in the defined contribution plan. This bill did not include police and fire members in the special risk class If enacted, the defined benefit option would no longer be available for regular class members.

2. Enactment of Mandatory E-Verify Law

The State of Florida recently enacted a new law that made the use of *"E-Verify"* mandatory for government employers. This change impacted local pension funds to some extent beginning January 1, 2021. *E-Verify* was a federal electronic database intended to aid employers in confirming against federal databases that documentation provided by new hires to establish lawful employment eligibility was valid. The plan administrator was in receipt of sample correspondence to be sent to all professional service providers advising of the *E-Verify* requirement. Mrs. Rounsavall would handle this task for the retirement plan.

E. Report: Plan Administrator (Karan Rounsavall)

1. Educational Opportunity

Florida Public Pension Trustees Association (FPPTA) recently announced three virtual educational programs: (1) Pension Fundamentals for New Trustees (March 10, 2021);

(2) Spring Trustee School CPPT Program (April 20-23, 2021); and (3) Spring Trustee School CEU Program (May 18 -19, 2021).

If anyone was interested in participating, they were to contact the Plan Administrator. Trustees Carman and Bastian wished to attend the CEU Program

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Mrs. Rounsavall advised that annual *Confirmation of Receipt of Benefit* letters were mailed to all retirees.

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The next quarterly meeting was scheduled for Thursday, May 20, 2021.

PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 10:51 a.m.

Sgt. W Carman #237

Sgt. Warren Carman, Chairman

Karan Rounsavall

Karan Rounsavall, Plan Administrator