CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
FEBRUARY 14, 2022

The Port Orange Police Officers' Pension Board of Trustees held its quarterly meeting on Monday, February 14, 2022 in the Police Department Training Room, 4545 Clyde Morris Boulevard, Port Orange, Florida.

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

Chairman Carman called the meeting to order at 2:07 p.m. A quorum was in attendance. *Attorney Harrison, Actuaries Freiman and Little, and Auditor Hillary Cyr attended the meeting via video conferencing. (Zoom hosted by City of Port Orange)

APPROVAL OF MINUTES

Member Bastian moved to approve minutes of quarterly meeting November 9, 2021 as submitted. Member Cobb seconded the motion; it carried unanimously.

OFFICER AND TRUSTEE REPORTS - None

CONSULTANT REPORTS (considered out of order)

Report: Paula Freiman and Chad Little – *Freiman Little Actuaries, LLC* (Plan Actuary)

1. Presentation of annual valuation for fiscal year ending September 30, 2021
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, 2021 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, 2023. Mrs. Freiman commended the Pension Board on an excellent report and its diligence over the years to systematically lower the assumed investment rate of return. Not only did the city's contribution rate decrease significantly, the plan's funded ratio also increased. This good news was driven by a positive return on investments which exceeded the assumed rate of return (currently at 7.05 percent).

The city's minimum funding requirement (city and state contributions) was $2,836,107. Expressed as a percentage of payroll, the minimum contribution was 52.05 percent. The plan's funded status was 86.09 percent (based on the actuarial value of assets), representing an increase over the previous year's funded percentage of 81.79 percent. Using market value of assets, the plan was 94.58 percent funded. The unfunded accrued liability (UAL) was $8,286,911. Two "amortization" bases would drop off in the ensuing fiscal year which would have the effect of continued reduction in the UAL.

The investment return on the "market" value of assets was 20.37 percent; the return on the "actuarial/smoothed" value of assets (five-year smoothing) was 10.16 percent which was greater than the 7.05 percent assumed net investment rate of return used for this valuation. Given the excellent investment return and further reduction in the UAL, the actuaries suggested that the Pension Board might want to further lower its assumed investment rate of return. Florida Retirement System was currently at 6.8 percent.

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 Bastian moved to approve the 2021 actuarial valuation report as presented. Member McKay 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 Bastian then moved to declare a 7.05 percent expected rate of return for pension plan assets going forward. Member Cobb seconded the motion which likewise carried unanimously.

3. Approve submittal of 2021 Annual Report to Florida Division of Retirement

Chairman Carman and Trustee/Secretary Proctor received and reviewed the 2021 Annual Report as prepared by the actuary. *There was consensus to authorize its submittal to the Florida Division of Retirement.*

Report: Zach Chalifour and Hillary Cyr – *James Moore & Co.* (Auditor)

1. Presentation of draft audit of Police Pension Fund financials for fiscal year ended September 30, 2021

Mr. Chalifour advised that the pension fund's financials were accurate and fairly presented. 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 2020/2021 which was the highest standard. The audit was performed in conformance with governmental auditing standards. The net fiduciary position of $56,352,252 was consistent with the market value reported in the annual valuation. Mr. Chalifour commented that this was a particularly significant year for investment returns.

There were no recommendations or comments for improving the Pension Plan's efficiency and internal controls.

Member McKay moved to accept the audit report for fiscal year ended September 30, 2021 as presented. Member Bastian seconded the motion; it carried on an all yes vote.

CONSENT AGENDA

A. Approve plan expenditures as follows:
   1. Sugarman & Susskind – monthly retainer for November 2021 - $2,600. *Recommendation:* Ratify payment.
   2. Sugarman & Susskind – monthly retainer for December 2021 - $2,600. *Recommendation:* Ratify payment.
   3. Sugarman & Susskind – monthly retainer for January 2022 - $2,600. *Recommendation:* Ratify payment.
   4. Plan Administrator Karan Rounsavall – monthly fee (November 2021, December 2021 and January 2022) - $9,000. *Recommendation:* Ratify payments.
   5. Florida Public Pension Trustees Association (FPPTA) – 2022 renewal of membership for Port Orange Police Pension Board - $750. *Recommendation*: Ratify payment.
   6. James Moore & Co. – 2021 Audit (progress billing #1 thru 12/31/2021) - $4,000. *Recommendation*: Ratify payment
   7. AndCo Consulting – investment consulting and performance monitoring services for quarter ended December 31, 2021 - $10,625. *Recommendation*: Ratify payment.
   8. First State Trust Company – custodial services for quarter ended December 31, 2021 - $4,625. *Recommendation*: Ratify payment.

Member Bastian moved to ratify plan expenses as recommended. Member McKay seconded the motion which carried unanimously.

B. Acknowledge refund of member contributions for Richard Bruce (non-vested member) in the amount of $382.84.

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

Board members acknowledged the refund of member contributions for Officer Bruce as presented.

OLD BUSINESS

A. Status of line-of-duty disability application for Detective Michael Wallace
B. Status of line-of-duty disability application for Officer Blake Sydeski

Both disability applications were still active and the attorney's office was in the process of collecting pertinent medical records. Once all records were assembled, an independent medical exam (IME) would be scheduled for these officers who were currently employed in a light-duty status. Following the IME, the pension board would schedule an informal hearing to render a determination on the respective disability applications.

Attorney Harrison clarified that an officer could separate service after making application for disability and the process would continue as outlined above.

NEW BUSINESS

A. Ratify early retirement benefit option for Kimberly Kilpatrick

Member Bastian moved to ratify Captain Kilpatrick's election of the 10-Year Certain and Life Annuity Option effective November 1, 2021. Member McKay seconded the motion which carried unanimously.

B. Ratify chairman's acceptance of line-of-duty disability application submitted by Darren Starling

Human Resources Director Heather Carrizales advised that the city's workers comp carrier reached a settlement as it related to Officer Starling's injury. She would provide a copy of the applicable language to the plan administrator and plan attorney for review.

Member Bastian moved to accept Officer Starling's line-of-duty disability application and to authorize the plan attorney to gather medical records and schedule an independent medical exam (if necessary) in accordance with the process outlined in the pension plan document and Florida Statutes. Member Cobb seconded the motion; it carried.

C. Proposed ordinance creating a line-of-duty death benefit

At its November 9, 2021 quarterly meeting, the pension board directed the attorney to draft an ordinance providing for a line-of-duty death benefit that mirrored Florida Retirement System (FRS). Board members were in receipt of a draft thereof.

The draft provided that the surviving spouse (or unmarried child if not married) of any member killed in the line-of-duty would receive a monthly benefit equal to <u>one-half of the monthly salary</u> being received by the member at the time of death. It was noted that such language was inconsistent with FRS. In fact, FRS provided that a surviving spouse would receive a monthly benefit equal to <u>100 percent of the member's monthly salary</u>.

Attorney Harrison would correct the draft and consideration of an ordinance creating a line-of-duty death benefit was deferred to the next quarterly meeting.

D. Acknowledge receipt of detailed accounting report for Fiscal Year 2020/2021

Board members were in receipt of the detailed accounting report for Fiscal Year 2020/2021 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 $178,326.23. This total was less than the adopted budget for the fiscal year ($194,250) and only slightly more than administrative expenses paid in Fiscal Year 2019/2020 ($176,853.19). 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 Bastian moved to accept the detailed accounting report for Fiscal Year 2020/2021 as presented. Member McKay 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.

CONSULTANT REPORTS

Tyler Grumbles – *AndCo Consulting* (Investment Consultant)

1. Investment Performance Report for quarter ended December 31, 2021

Mr. Grumbles presented the performance report and economic commentary for the quarter ended December 31, 2021. Domestic equity markets experienced strong returns during the quarter with the S&P 500 benchmark returning 11 percent. International equities were also positive but to a lesser extent. Fixed income performance was generally muted given concerns about higher interest rates and rising inflation. However, there was substantial volatility in the market since the end of the quarter.

Total market value as of December 31, 2021 was $59,020,448 up from $56,594,583 for the previous quarter ended September 30, 2021. On a percentage basis, the composite portfolio was up 4.42 percent for the quarter (net) which ranked in the 43rd percentile of public plans and slightly trailed the benchmark. These returns were preliminary in the absence of a final accounting from Brookfield Infrastructure Fund (BSIP) although its numbers were positive and would increase the portfolio's final return. All asset classes were within their target ranges; no rebalancing was necessary.

Quarterly performance results (i.e., quarter ending December 31, 2021) for the various investment styles/managers represented in the portfolio were as follows:

Vanguard Total Stock Market Index Fund – positive return of 9.16% (41)*
EuroPacific Growth (international equity) – negative return of -1.13% (75)*
Oakmark International (international equity) – positive return of 1.04% (52)*
Dodge & Cox (domestic fixed income) – negative return of -0.43% (84)*
Metropolitan West (domestic fixed income) – negative return of -0.08% (41)*
PIMCO Diversified Income (global fixed) – positive return of 0.05% (8)*
Pacific Funds Floating Rate (bank loans) – positive return of 0.76% (9)*
UBS Trumbull (private real estate) – positive return of 4.79% (95)*
ASB Allegiance (private real estate) – positive return of 4.04% (96)*
Stockbridge Smart Markets (private real estate) – positive return of 6.41% (71)
Brookfield BSIP Access Fund (infrastructure) – return unavailable at time of meeting
*Public peer rankings

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

2. Asset Allocation Analysis

Board members were in receipt of an asset allocation study which illustrated the impact of the board's decision at its November 9, 2021 meeting to allocate $5 million to *Private Equity (PE).* The study highlighted different asset classes and projected returns into the future based on a given asset mix. This was an informational discussion; no action was required. Mr. Grumbles encouraged the pension board to continue to reduce its assumed investment rate of return.

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Member McKay was excused from the meeting at 3:26 p.m.

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Report: Ken Harrison – *Sugarman & Susskind* (Attorney)

1. Legislative Update

Attorney Harrison advised that the State Legislature was approaching the end of its session. The only bill potentially affecting public pension plans added COVID 19 as a presumptive disease. The bill had broad support.

Report: Karan Rounsavall (Plan Administrator)

Educational Opportunities: Florida Public Pension Trustees Association (FPPTA) Annual Conference (June 26-29, 2022 at Hilton Bonnet Creek Orlando).

If anyone was interested in attending, they were to contact the Plan Administrator.

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Mrs. Rounsavall also advised that annual member statements were distributed earlier that day. Additionally, annual confirmation of receipt of benefit forms would be mailed to all retirees in the coming week.

The next quarterly meeting was scheduled for Monday, May 16, 2022.

PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 3:35 p.m.

Lt. Warren Carman, Chairman

Karan Rounsavall, Plan Administrator