

**CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
MAY 15, 2023**

The Port Orange Police Officers' Pension Board of Trustees held its quarterly meeting on Monday, May 15, 2023 in the Police Department Training Room, 4545 Clyde Morris Boulevard, Port Orange, Florida.

MEMBERS PRESENT: Chairman Warren Carman (fifth member)
Andrew McKay (police member)
Drew Bastian (resident member) – arrived at 3:02 p.m.
Brian Cobb (resident member)

MEMBERS ABSENT: William Proctor (police member) - excused

CONSULTANTS: Pedro Herrera, Attorney – *Sugarman, Susskind, et al**
Madison Levine, Attorney – *Sugarman, Susskind, et al**
Tyler Grumbles, Investment Consultant – *AndCo*
Elizabeth Wolfe, Research Analyst - *AndCo*
Chad Little, Actuary – *Freiman Little Actuaries*
Karan Rounsavall, Plan Administrator

CITY STAFF: Linda Truitt, Assistant Finance Director

Chairman Carman called the meeting to order at 2:02 p.m. A quorum was in attendance. *The attorneys attended the meeting via video conferencing. (Zoom hosted by City of Port Orange)

APPROVAL OF MINUTES

Member McKay moved to approve minutes of quarterly meeting February 27, 2023 and special meeting February 27, 2023 as submitted. Member Cobb seconded the motion; it carried unanimously.

OFFICER AND TRUSTEE REPORTS - None

CONSENT AGENDA

- A. Approve plan expenditures as follows:
1. Sugarman, Susskind, et al – monthly retainer for February 2023 - \$2,600.
Recommendation: Ratify payment.
 2. Sugarman, Susskind, et al – monthly retainer for March 2023 - \$2,600.
Recommendation: Ratify payment.
 3. Sugarman, Susskind, et al – monthly retainer for April 2023 - \$2,600.
Recommendation: Ratify payment.
 4. Plan Administrator Karan Rounsavall – monthly fee (February 2023, March 2023 and April 2023) - \$9,000. *Recommendation:* Ratify payments.
 5. James Moore & Co. – 2022 Audit (final billing through February 28, 2023) - \$5,000. *Recommendation:* Ratify payment.
 6. Freiman Little Actuaries – supplemental actuarial services (February 11, 2022 through March 30, 2023) - \$7,725. *Recommendation:* Ratify payment.
 7. Freiman Little Actuaries – contractual actuarial services (February 11, 2022 through March 30, 2023) - \$29,089. *Recommendation:* Ratify payment.

8. AndCo Consulting – investment consulting and performance monitoring services for quarter ended March 31, 2023 - \$10,837.50. Recommendation: Ratify payment.
9. First State Trust Company – custodial services for quarter ended March 31, 2023 - \$4,625. Recommendation: Ratify payment.

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

CONSULTANT REPORTS

Tyler Grumbles – AndCo Consulting (Investment Consultant)

A. Investment Performance Report for quarter ended March 31, 2023

Mr. Grumbles introduced Elizabeth Wolfe who served as a research analyst for AndCo Consulting. He went on to present the performance report and economic commentary for the quarter ended March 31, 2023. The quarter ended in positive territory for domestic equities with the S&P 500 returning 7.5 percent. Large capitalization growth stocks led the way against a backdrop of declining inflation. Like domestic equities, international and emerging market equities also delivered positive returns for the quarter. The bond market's performance was also broadly positive with returns in the three percent range.

Real estate holdings were down yet again. Mr. Grumbles was frustrated with UBS Trumbull Property Fund as the exit queue to liquidate holdings was painfully slow. The pension fund still had over \$2 million invested in UBS. He was also disappointed with ASB Allegiance Fund (real estate) as it underperformed for another quarter. *Mr. Grumbles suggested that the pension board be prepared to look for a replacement fund for ASB, possibly at the next meeting.*

Total market value as of March 31, 2023 was \$54,945,641 up from \$52,435,316 for the previous quarter ended December 31, 2022. On a percentage basis, the composite portfolio was up 4.90 percent for the quarter (net) which ranked in the 30th percentile of public plans and slightly underperformed the benchmark. (Note: These returns were preliminary in the absence of a final accounting from infrastructure and private equity.) Fiscal year-to-date, the pension fund was up 10.56 percent which exceeded the assumed rate of return. Over three- and five-year time horizons, returns were in the top ten percent of public plans. The fund's value as of the previous day was \$55,062,101.

All asset classes were within their target ranges; there was no recommendation for rebalancing at this time.

Mr. Grumbles reminded board members that it would be necessary to search for another private equity commitment before the end of the year.

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

B. Educational primer on *Private Debt*

Mr. Grumbles introduced the basics of private debt investments which held the potential to complement an already diversified portfolio by providing higher expected returns than traditional public asset classes with lower volatility than private equity or real estate. Private debt strategies invested in negotiated debt instruments and took on multiple

forms such as loans, bonds, warrants, and preferred equity. It was somewhat similar to bank loans already held in the portfolio. Expected returns with private debt were close to seven percent.

If the board was to invest in private debt, AndCo would most likely need to adjust its fee given the extra work involved. Private debt would also increase the workload for the plan administrator due to more capital calls, etc.

Actuary Chad Little arrived at 2:46 p.m.

If there was interest in private equity, Mr. Grumbles suggested a search after the first of the year. Once again, he reminded the board of the need to search for another private equity commitment before the end of the year.

Board members were interested in exploring private debt and were further comfortable with AndCo handling the due diligence search. At the next quarterly meeting, the board would handle either private equity or private debt.

Madison Levine & Pedro Herrera – Sugarman, Susskind, Braswell & Herrera (Attorney)

A. Legislative Update

Attorneys Levine and Herrera advised of new legislation restricting environmental, social and governance (ESG) factors involving public pension plan investments. House Bill 3 amended fiduciary standards for local pension plan trustees by requiring that investment decisions be based solely on "pecuniary factors." (Effective date of July 1, 2023) The new legislation would likely affect language in the pension fund's investment policy statement (IPS). The law firm was preparing a special report on the legislation.

B. Update on appeal filed by Kim Braddock (appellant/ex-spouse) in the matter of forfeiture of retirement benefits for Steven Braddock

The motion to dismiss Kim Braddock's appeal was not granted by the court. Ms. Braddock's attorney faced a May 31, 2023 deadline to file an appellate brief after which the pension plan would file a response. The pension plan's fiduciary insurance previously accepted the claim and paid all costs associated therewith.

Member Bastian arrived at 3:02 p.m.

Karan Rounsavall (Plan Administrator)

A. Annual Financial Disclosure Filing Deadline

Plan Administrator Rounsavall reminded board members of the July 1, 2023 financial disclosure deadline. Disclosure forms could be returned to the Volusia County Supervisor of Elections.

B. Election for police officer trustee

There was a vacancy for a police officer trustee position on the Pension Board as of July 1, 2023 due to Officer Andrew McKay entering DROP as of that date. Requests for candidates were currently pending. An election would be held toward the end of June to fill the remainder of a term expiring October 1, 2025.

C. Educational Opportunities:

- Florida Public Pension Trustees Association (FPPTA) Annual Conference - Rosen Shingle Creek Orlando (June 25-28, 2023)
- Florida Public Pension Trustees Association (FPPTA) – Fall Trustee School at Sawgrass Marriott – Ponte Vedra (October 1-4, 2023)

If any member wished to attend, they were to contact the plan administrator.

The next quarterly meeting was scheduled for Monday, August 21, 2023.

Chad Little – Freiman Little Actuaries, LLC (Plan Actuary)

A. Request for board direction when calculating workers comp offsets for disability retirements

The pension board recently approved several disability retirement benefits which involved workers compensation settlements. The pension plan document provided for a workers compensation offset [Section 54-128(c)(3)]. Actuary Little requested direction for calculating such offsets in the future. Realistically, it would be rare if an offset ever applied. He recommended using the definition of actuarial equivalence as set forth in the plan document.

Member Cobb moved to approve the actuary's recommendation to use the plan's definition of actuarial equivalence. Member McKay seconded the motion which carried on an all yes vote.

OLD BUSINESS

A. Status of discussions with city staff regarding pensionable compensation of annual buybacks of accrued leave balances for Tier One members

When annual member statements were distributed to participants in March, several Tier One members noticed that their fiscal year salaries seemed to be incorrectly reported, to-wit: the salaries were less than expected and less than the previous fiscal year. After some research, it was determined that these differences were related to the fact that the annual buyback of accruals for Tier One members was not coded as pensionable. In 2015, it was recommended by city staff and confirmed by the pension board at that time that payments of accruals that occurred while still employed were pensionable for members hired prior to January 31, 2011.

City staff had taken the preliminary position that accrual buybacks should not be pensionable. Assistant Finance Director Linda Truitt advised that her department was still looking into the matter along with legal counsel. There was no resolution at this time.

Attorney Herrera had been involved with these discussions. He pointed out that past practice was to handle accruals for Tier One members as pensionable. Until the city concluded its analysis, there was nothing the board could do about the matter.

Actuary Little advised that until the situation was resolved, the impact statement for the line of duty ordinance was on hold as well as all benefit studies for negotiations. It would also be necessary to revise the 2022 valuation.

NEW BUSINESS

A. Ratify disability retirement benefit for Darren Starling

Member Bastian moved to ratify Darren Starling's election of the 100 Percent Joint & Survivor Life Annuity Option along with an effective date of disability as of August 19, 2021. Member McKay seconded the motion; it carried unanimously.

B. 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 \$5,418.24 which was a slight increase over the prior year's premium due to an open claim.

Member Bastian moved to authorize renewal of the fiduciary liability insurance policy with Markel American Insurance Company at a cost of \$5,418.24 for the ensuing year (May 31, 2023 through May 31, 20234). Member Cobb seconded the motion; it carried unanimously.

C. Periodic review of professional service provider agreements

Pursuant to its adopted policy, the Pension Board routinely reviewed all professional service provider agreements to determine the appropriateness and timeliness of the terms contained therein. Board members were in receipt of a listing of all consultants and their agreement execution dates.

Board members commented that Plan Administrator Rounsavall had not requested nor received a fee increase since 2018. *The Board asked her to bring back a new fee proposal for consideration at the next quarterly meeting.*

Board members expressed appreciation for and satisfaction with all professional service providers.

D. Consider adoption of policy for public participation during pension board meetings

Plan Administrator Rounsavall provided several samples of public participation policies. The intent of such a policy was to ensure orderly conduct of meetings and define methods for participation.

The Pension Board directed its plan administrator to draft a policy which included a five-minute limit for public comment along with rules for maintaining the decorum of meetings.

Chairman Carman presented a certificate of appreciation to Trustee Andrew McKay for his years of service to the Port Orange Police Pension Board.

PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 3:52 p.m.



Lt. Warren Carman, Chairman



Karan Rounsavall, Plan Administrator