

**CITY OF PORT ORANGE  
POLICE OFFICERS' PENSION BOARD  
AUGUST 21, 2023**

The Port Orange Police Officers' Pension Board of Trustees held its quarterly meeting on Monday, August 21, 2023 in the Police Department Training Room, 4545 Clyde Morris Boulevard, Port Orange, Florida.

MEMBERS PRESENT: Chairman Warren Carman (fifth member)  
Brian Schnibben (police member)  
William Proctor (police member)  
Brian Cobb (resident member)

MEMBERS ABSENT: Drew Bastian (resident member) - excused

CONSULTANTS: Madison Levine, Attorney – *Sugarman, Susskind, et al\**  
Tyler Grumbles, Investment Consultant – *AndCo Consulting*  
Chad Little, Actuary – *Freiman Little Actuaries*  
Karan Rounsavall, Plan Administrator

CITY STAFF: Sharon Kraynik, Human Resources Director

Chairman Carman called the meeting to order at 2:12 p.m. A quorum was in attendance. \*Attorney Levine attended the meeting via video conferencing. (Zoom hosted by City of Port Orange)

**APPROVAL OF MINUTES**

*Member Proctor moved to approve minutes of quarterly meeting May 15, 2023 as submitted. Member Cobb seconded the motion; it carried unanimously.*

**OFFICER AND TRUSTEE REPORTS**

Chairman Carman welcomed Officer Brian Schnibben to the Pension Board. Officer Schnibben served as an elected police trustee for the balance of an unexpired term (expiring October 1, 2025).

**CONSENT AGENDA**

- A. Approve plan expenditures as follows:
1. Sugarman, Susskind, et al – monthly retainer for May 2023 - \$2,600.  
*Recommendation:* Ratify payment.
  2. Sugarman, Susskind, et al – monthly retainer for June 2023 - \$2,600.  
*Recommendation:* Ratify payment.
  3. Sugarman, Susskind, et al – monthly retainer for July 2023 - \$2,600.  
*Recommendation:* Ratify payment.
  4. Plan Administrator Karan Rounsavall – monthly fee (May 2023, June 2023 and July 2023) - \$9,000. *Recommendation:* Ratify payments.
  5. AndCo Consulting – investment consulting and performance monitoring services for quarter ended July 31, 2023 - \$10,837.50. *Recommendation:* Ratify payment.
  6. First State Trust Company – custodial services for quarter ended July 31, 2023 - \$4,625. *Recommendation:* Ratify payment.

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

- B. Acknowledge refund/rollover of member contributions to the following non-vested members:
- Rozeny Rivera Rivera (non-vested member) in the amount of \$767.54;
  - Samuel Segura (non-vested member) in the amount of \$12,948.75;
  - Jay-R Phillips (non-vested member) in the amount of \$399.07;
  - Nicholas MacIntyre (non-vested member) in the amount of \$4,006.63;
  - Nathaniel Ingram (non-vested member) in the amount of \$2,200.12;
  - Zakerie Hicks (non-vested member) in the amount of \$21,050.60;
  - Matthew Collins (non-vested member) in the amount of \$897.13.

Plan Administrator Rounsavall advised that all participants received and signed the "special tax notice."

*The pension board acknowledged the refund/rollover of member contributions for the above-named officers as presented.*

### **CONSULTANT REPORTS**

#### **Tyler Grumbles – AndCo Consulting (Investment Consultant)**

##### A. Investment Performance Report for quarter ended July 31, 2023

Mr. Grumbles presented the performance report and economic commentary for the quarter ended July 31, 2023. The portfolio ended the quarter in positive territory. Domestic equities led the way with the S&P 500 returning 8.7 percent. Mr. Grumbles commented that these returns were concentrated in a small number of growth-oriented tech companies. International equities also delivered positive returns for the quarter, albeit modest compared to domestic equities. Fixed income returns were negative due to a rise in interest rates. Real estate holdings declined in value during the quarter.

Total market value as of July 31, 2023 was \$57,230,398 up from \$55,410,164 for the previous quarter ended March 31, 2023. On a percentage basis, the composite portfolio was up 3.70 percent for the quarter (net) which ranked in the 33<sup>rd</sup> percentile of public plans and somewhat underperformed the benchmark. (Note: These returns were preliminary in the absence of a final accounting from infrastructure and private equity holdings.) Fiscal year-to-date, the pension fund was up 15.63 percent which exceeded the assumed rate of return. Over three- and five-year time horizons, returns remained in the top ten percent of public plans. The fund's value as of the previous day was \$57,254,880.

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

*The pension board accepted the investment performance report as presented:*

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At the May 15, 2023 quarterly meeting, Mr. Grumbles expressed disappointment with the ASB Allegiance Fund's underperformance and indicated that he was likely to ask the pension board to search for a replacement real estate fund in the very near future.

At this time, Mr. Grumbles recommended that the board give notice of termination to ASB Allegiance Fund based on its continued underperformance and inability of its strategy to outperform other core real estate funds. It would likely take quite some time for the portfolio to fully exit its investment with ASB Allegiance.

*Member Cobb moved to accept the consultant's recommendation to terminate the portfolio's position in ASB Allegiance Real Estate Fund as of the quarter ending September 30, 2023. Member Proctor seconded the motion which carried on an all-yes vote*

#### B. Private Equity Fund of Fund Search

At its last meeting, Mr. Grumbles reminded the board of the need to search for another private equity commitment before the end of the year. Along this line, the board directed AndCo Consulting to proceed with a due diligence search among private equity investments and return with vetted candidates at this meeting.

Board members were in receipt of an informational handout evaluating four private equity fund of fund candidates. These managers were vetted on the basis of demonstrated track record, experienced investment professionals, competitive fees, and capable legal and back-office infrastructure. The four vetted firms were 50 South Capital Advisors, Mesirow Financial, RCP Advisors, and Taurus Private Markets.

Mr. Grumbles recommended 50 South Capital Advisors. It was a smaller "one-stop shop" and AndCo Consulting experienced early success with this manager on other pension funds. He recommended a \$3.5 million commitment and went on to remind board members that private equity was a complex investment with these funds locked down for the duration of the relationship.

As mentioned at previous meetings, if the pension board was to continue its exposure to private equity markets, it would be necessary for AndCo to increase its annual fees due to the complexity and additional administrative and research resources required to support these type investments. This additional fee would be roughly \$10,000 annually but would not be assessed until the following fiscal year. Mr. Grumbles would not be recommending private equity if he did not feel the portfolio would generate a return greater than any additional fee.

*Member Schnibben moved to accept the recommendation of the investment consultant and invest in 50 South Capital Advisors with a \$3.5 million commitment. Member Cobb seconded the motion.*

Chairman Carman was somewhat concerned about the additional fees for private equity and the illiquidity of the investment as was Member Proctor. This was less of a concern if there were additional returns to justify the fee.

*The motion carried unanimously.*

#### C. Revisions to Investment Policy Statement (IPS) to incorporate new requirements of House Bill 3

House Bill 3 amended fiduciary standards for local pension plans by requiring that investment decisions be based solely on "pecuniary" factors. Pecuniary factors were defined in a way intended to prohibit a plan's consideration of environmental, social, and governance (ESG) factors.

Board members were in receipt of revisions to the IPS addressing these factors as well as adjustments to asset allocation targets to incorporate private debt should the board ever consider the same for its portfolio. Mr. Grumbles reviewed specific changes to the IPS. The revised IPS was reviewed and approved by legal counsel.

*Member Cobb moved to approve the revised Investment Policy Statement as presented. Member Proctor seconded the motion which carried on an all yes vote. Plan Administrator Rounsavall would forward the new IPS to the Division of Retirement and others as required.*

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

- A. Special Report on House Bill 3 amending fiduciary standards for public pension plans

Board members were in receipt of the attorney's special report on the new legislation including applicability, prohibition on including ESG factors, reporting requirements, etc. As this matter was discussed earlier along with revisions to the Investment Policy Statement, there was no further comment.

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

Ms. Braddock's attorney timely filed an appellate reply brief which was submitted to the District Court of Appeal. The matter was assigned to a panel of judges and was pending therewith. The pension plan's fiduciary insurance continued to pay all costs associated with this claim.

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Attorney Levine reminded Member Schnibben of Florida Sunshine Law as it applied to pension board members.

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The meeting recessed at 3:33 and reconvened at 3:37 p.m. Member Proctor was excused from the meeting at this time.

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Karan Rounsavall (Plan Administrator)

- A. Educational Opportunities:

- Annual Police Officers' & Firefighters' Pension Conference – Orlando (September 26 – 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.

- B. Pending revisions to Summary Plan Description

The latest publication of the Summary Plan Description (SPD) was approved on February 18, 2021. There was a statutory requirement to update the SPD on at least a biennial basis or following adoption of substantive changes to the pension plan. Given the recent adoption of an ordinance clarifying the definition of pensionable

compensation, along with the pending consideration of a line-of-duty death ordinance and collective bargaining changes related to pension, the next publication was deferred pending finalization of these items.

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The next quarterly meeting was scheduled for Monday, November 20, 2023.

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

- A. Ratify chairman’s decision to authorize actuary to proceed with revisions to the 2022 actuarial valuation

Following the pension board’s receipt and approval of the annual valuation as of October 1, 2022, it was discovered that pensionable compensation amounts for some Tier One members were incorrectly reported. Upon receipt of correct salary information, the chairman authorized the actuary to proceed with revisions to the 2022 valuation to reflect correct salary and funding amounts, etc.

*Member Cobb moved to ratify the chairman’s authorization as stated. Member Schnibben seconded the motion; it carried unanimously.*

- B. Revised annual valuation for fiscal year ending September 30, 2022

Board members were in receipt of the **revised** October 1, 2022 Actuarial Valuation Report for the Port Orange Police Officers’ Pension Plan. The valuation was revised from the prior valuation dated February 27, 2023 to correct plan compensation for Tier One members to include annual accrued leave payouts. Pensionable pay increased approximately \$100,000 which in turn increased the city’ funding requirement as well as unfunded liability amount. The plan’s funded status also decreased slightly to 88.18 percent (based on actuarial value of assets. The assumed investment rate of return remained at 6.95 percent for the revised valuation.

*Member Schnibben moved to approve the **revised** 2022 actuarial valuation report as presented. Member Bastian seconded the motion and it carried on an all-yes vote. Plan Administrator Rounsavall would forward the revised valuation to city staff for required posting on its web site.*

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Mr. Little sought direction from the board as to the assumed investment rate of return to be used for the 2023 annual valuation.

*It was board consensus to use 6.85 percent as the assumed rate of return for the 2023 valuation consistent with past practice/policy to reduce this percentage by ten basis points each fiscal year.*

**OLD BUSINESS**

- A. Status of line-of-duty death ordinance

Pending receipt of the actuarial impact statement based on the revised valuation, the line-of-duty death ordinance would be presented to the Port Orange City Council for first reading on September 5, 2023 and public hearing/adoption on September 19, 2023.

- B. Status of ordinance clarifying the definition of "compensation" to conform to past practice concerning the inclusion of annual payments to Tier One members for accumulated sick and annual leave

Ordinance No. 2023-08 was adopted by city council at its August 15, 2023 meeting.

- C. Proposed policy for public participation during pension board meetings

At its May 15, 2023, the board directed the plan administrator to draft a public participation policy, the intent of which was to ensure orderly conduct of meetings and define methods for participation. Said direction included a five-minute limit for public comment along with rules for maintaining the decorum of meetings.

Board members were in receipt of a draft public participation policy. Attorney Levine reviewed and approved the draft policy. Upon adoption it would be included with all future meeting agendas.

*Member Schnibben moved to approve the proposed policy for public participation as submitted. Member Cobb seconded the motion which carried unanimously.*

### **NEW BUSINESS**

- A. Proposed fee increase for Plan Administrator

Pursuant to policy, the pension board routinely reviewed its professional service provider agreements and had done so at its last meeting. It was noted that Plan Administrator Rounsavall had not requested nor received a fee increase since 2018. Given that the scope of the position and its responsibilities had grown since 2018, the board asked her to bring a new fee proposal to this meeting.

Board members were in receipt of an updated fee proposal for plan administration services provided by Mrs. Rounsavall. During the past five years, the number of retirees increased, there were more special meetings/disability hearings, and the fund's portfolio was more diversified with multiple alternative investment and real estate managers, etc. Mrs. Rounsavall advised that her fee was a flat monthly stipend and did not include additional charges for mileage or special meetings as was typical with other providers. Given the additional duties, she requested a \$300 increase in her monthly fee for plan administration services to \$3,300 payable in arrears effective October 1, 2023.

*Member Cobb moved to approve a monthly fee of \$3,300 for Plan Administrator Rounsavall effective with the new fiscal year (October 1, 2023). Member Schnibben seconded the motion which carried on an all yes vote.*

- B. Renewal of audit engagement letter with James Moore & Company for preparation of financial statements for ensuing fiscal year(s)

The accounting firm of James Moore & Company had prepared annual financial statements for the Port Orange Police Pension Plan since 2015. The pension board was in receipt of a proposed engagement letter to continue to audit the fund's financial statements for 2023, 2024, and 2025 at an annual cost of \$10,000.

Actuary Chad Little encouraged the board to continue with its practice of an independent audit although it was not necessarily required by statute.

*Member Cobb moved to approve an engagement letter with James Moore & Company to audit the pension fund's financial statements for the fiscal years ended September*

30, 2023, 2024 and 2025 at a cost of \$10,000 for each of those years. Member Schnibben seconded the motion; it carried unanimously.

C. Approval of administrative expense budget for Plan Year 2023/2024

The Pension Board was in receipt of the proposed budget for Plan Year 2023/2024 as prepared by the plan administrator. Pursuant to *Florida Statutes*, the Board was required to adopt and operate pursuant to an administrative expense budget each year. The budget included all administrative expenses (e.g., actuary, legal, investment consultant, custody, administration, insurance, etc.) but did not include investment management fees. The proposed budget for 2023/2024 was \$227,967 which was less than the adopted budget for 2022/2023 of \$268,080. (Note: The 2022/2023 budget was amended mid-year to provide additional funding guidance for outside legal counsel in connection with the forfeiture hearing.)

Plan Administrator Rounsavall reviewed individual line items in the proposed budget. It included additional funding guidance for the auditor, plan administrator, actuary, and investment consultant as previously approved by the board. Estimated expenditures for Fiscal Year 2022/2023 were currently less than budgeted.

*Member Schnibben moved to approve the administrative expense budget for Fiscal Year 2023/2024 in the amount of \$227,967 as submitted. Member Cobb seconded the motion and it carried. The budget would be provided to city staff (plan sponsor) and posted on the bulletin board at the Police Department for plan members.*

D. Notification of deferred vested benefit for Officer James Sluder

E. Notification of deferred vested benefit for Officer Angelo Mandese

*Board members acknowledged receipt of vested calculations for the above-named officers who were entitled to a future benefit from the pension plan.*

F. Update signature authorization forms for First State Trust Company (custodian) and Chevy Chase Company (ASB Allegiance Real Estate Fund)

It was necessary to update signature authorization forms to include the newly elected police trustee (i.e. Brian Schnibben). Authorized signatures included all trustees and the plan administrator. Two authorized signatures were required to direct either custodian. *Respective forms were circulated for signatures.*

G. Acknowledge Division of Retirement's approval of 2022 Annual Report for the Port Orange Police Officers' Pension Fund

*The Board acknowledged the Division's approval of the Fund's annual report.*

H. Acknowledge receipt of 2022 Premium Tax Distribution from the Department of Revenue

The 2022 Premium Tax Distribution in the amount of \$583,716.63 was received on August 15, 2023 and immediately deposited to the Police Pension Fund. *The Board acknowledged receipt thereof.*

**PUBLIC COMMENT** - None

**ADJOURNMENT**

The meeting adjourned at 4:39 p.m.

*LT. Warren Carman 8/21/23*

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Lt. Warren Carman, Chairman

*Karan Rounsavall*

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Karan Rounsavall, Plan Administrator