CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
FEBRUARY 24, 2025

The Port Orange Police Officers' Pension Board of Trustees held its quarterly meeting on Monday, February 24, 2025 in the Police Department Training Room, 4545 Clyde Morris Boulevard, Port Orange, Florida.

MEMBERS PRESENT:	Chairman Warren Carman (fifth member) Richard Clark (police member) Brian Schnibben (police member) Lance Green (resident member)
MEMBERS ABSENT:	Brian Cobb (resident member) – excused
CONSULTANTS:	Madison Levine, Attorney – *Sugarman, Susskind, et al** Tyler Grumbles, Investment Consultant –*Mariner Institutional* Chad Little, Actuary – *Freiman Little Actuaries* Hillary Cyr, Auditor – *James Moore** Karan Rounsavall, Plan Administrator
CITY STAFF:	Linda Truitt, Finance Director

Chairman Carman called the meeting to order at 2:09 p.m. A quorum was in attendance. *Attorney Levine and Hillary Cyr attended the meeting via video conferencing. (Zoom hosted by City of Port Orange)

Board members welcomed Lance Green as the new resident trustee. Member Green was newly elected to the Port Orange City Council and appointed to the Police Pension Board as an ex-officio member pursuant to *City Code.*

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For the benefit of new trustees, Attorney Levine reviewed the duties of a pension board trustee. Pursuant to *Florida Statutes,* a trustee served as a *fiduciary* to the pension plan and was to discharge their duties with respect to the pension plan solely in the interest of plan participants. Trustees were subject to the Florida Sunshine Law, Public Records Law and annual financial disclosure.

APPROVAL OF MINUTES

Member Schnibben moved to approve minutes of quarterly meeting November 18, 2024 as submitted. Member Clark 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 November 2024 - $2,600.
      <u>Recommendation:</u> Ratify payment.

2. Sugarman, Susskind, et al – monthly retainer for December 2024 - $2,600. *Recommendation:* Ratify payment.
3. Sugarman, Susskind, et al – monthly retainer for January 2025 - $2,600. *Recommendation:* Ratify payment.
4. Sugarman, Susskind, et al – reimbursement for medical records for line-of-duty disability applicant - $41.74. *Recommendation:* Ratify payment.
5. Sugarman, Susskind, et al – reimbursement for independent medical exam (IME) for line-of-duty disability applicant - $1,037.50. *Recommendation:* Ratify payment.
6. Sugarman, Susskind, et al – hourly charges for work on summary plan description (outside retainer agreement) - $450. *Recommendation:* Ratify payment.
7. Plan Administrator Karan Rounsavall – monthly fee (November 2024, December 2024, and January 2025) - $9,900. *Recommendation:* Ratify payments.
8. Mariner Institutional – investment consulting and performance monitoring services for quarter ended December 31, 2024 - $11,054.25. *Recommendation*: Ratify payment.
9. First State Trust Company – custodial services for quarter ended December 31, 2024 - $4,625. *Recommendation*: Ratify payment.

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

B. Acknowledge refund of member contributions for non-vested members:
- Tessa Whitt (non-vested member) in the amount of $1,324.11;
- Raymond Zuber (non-vested member) in the amount of $166.32.

Board members acknowledged the refunds as stated.

CONSULTANT REPORTS

Tyler Grumbles – *Mariner Institutional* (Investment Consultant)

A. Investment Performance Report for quarter ended December 31, 2024

Mr. Grumbles began by explaining his role as investment consultant for the pension fund (e.g. asset allocation, due diligence on investment managers, investment policy statement, etc.). Mariner Institutional provided services on a flat-fee basis as opposed to a percentage/basis point arrangement.

Mr. Grumbles went on to present the investment performance report and economic commentary for the quarter ending December 31, 2024. Performance in domestic equity markets was dominated by large capitalization and growth styles while smaller cap and value styles lagged. International equities saw negative performance during the quarter. Financial markets liked "certainty" and there was impending concern about tariffs and continued inflation.

Total market value as of December 31, 2024 was $68,936,362 down slightly from $69,083,656 for the previous quarter ended September 30, 2024. Fund value as of the previous day's close was $69,088,654.

On a percentage basis, the composite portfolio was down -0.12 percent for the quarter (net) which ranked in the 16th percentile of public plans and outperformed the fund's benchmark. For the trailing 12 months, the fund was up 12.49 percent, ranking in the 20th percentile. (Note: These returns were preliminary in the absence of a final accounting from infrastructure and private equity holdings.)

All asset classes remained within acceptable ranges and in compliance with the *Investment Policy Statement.* Domestic equities were a bit high but still within target ranges. If this continued, he might recommend decreasing real estate and increasing infrastructure. However, there was no recommendation to rebalance at this time.

The Board accepted the investment performance report as presented.

B. International Equity (Developed Growth) Manager Search to replace EuroPacific Growth

During the board's November 18, 2024 meeting, Mr. Grumbles voiced disappointment with the performance of EuroPacific Growth (international equity) feeling that the fund was somewhat out of sync with its style, particularly as it related to emerging markets. At that meeting, the board voiced no objection to Mr. Grumbles bringing an international equity manager search to this meeting and possibly considering an emerging market manager later in the year.

Board members were in receipt of an *International Developed Growth Manager Analysis* in which Mariner had vetted four mutual funds to replace American Funds EuroPacific Growth. The manager analysis specifically excluded funds with emerging market exposure. Mr. Grumbles introduced each fund and discussed its strategy, management fee and investment minimum. *He recommended MFS Investment Management (MGRDX) for its style consistency and the fact that it did not overlap with other managers. Its fee was 72 basis points.*

In accordance with the investment consultant's recommendation, Member Schnibben moved to liquidate the fund's holdings in EuroPacific Growth and invest the proceeds in MFS Investment Management. Member Clark seconded the motion which carried on an all-yes vote.

The investment consultant and plan administrator would prepare an appropriate letter of instruction to First State Trust (custodian) to execute the board's directive.

Mr. Grumbles would bring a search for an emerging market manager to the next meeting.

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

A. Legislative Update

Attorney Levine reported briefly on the *Social Security Fairness Act* enacted in January 2025. The Act ended the Windfall Elimination Provision and Government Pension Offset. These provisions reduced or eliminated Social Security benefits for workers who received a pension based on work that was not covered by Social Security (a "non-covered pension") because they did not pay Social Security taxes. Most public pension plans in Florida were not affected by this offset. This was an information-only item.

B. Update on Pension Board's petition to Florida Supreme Court to review Appellate Court's decision in the matter of appeal filed by Kim Braddock (forfeiture of retirement benefits for Steven Braddock) and related matters

At its November 18, 2024 meeting, the board voted to file a petition to the Florida Supreme Court asking it to accept jurisdiction and review the Appellate Court's finding that the *"catch-all"* provision of the forfeiture statute did not apply as there was no *"nexus"* and thus ordered the pension board to reinstate the monthly pensions (and past due sums).

Attorney Levine advised that the petition to the Florida Supreme Court was filed as directed, however, the Court promptly declined jurisdiction. Accordingly, the Appellate Court's finding was upheld. The pension fund needed to reinstate payments to Kim Braddock and Steven Braddock. Plan Administrator Rounsavall already reinstated payments to Kim Braddock. She was awaiting further documentation from Steven Braddock to reinstate his benefit payments.

Attorney Levine went on to advise that Kim Braddock's attorney filed a motion for appellate costs in the amount of $2,269 that were incurred during the course of the appeal. Ms. Braddock was entitled to payment of these costs as the pension board lost the appeal. She was <u>not</u> entitled to the payment of interest on these costs nor past due benefit payments. All parties were awaiting the court order on the motion for costs.

C. Request for change to current retainer agreement to no longer include any work associated with the processing of disability applications

Board members were in receipt of December 19, 2024 correspondence from Sugarman, Susskind, Braswell & Herrera proposing a change to its agreement with the board for legal services. Due to the substantial time and work involved in disability proceedings, the firm proposed that disability matters no longer be covered as part of the current retainer agreement. It was proposed that all work associated with disability applications be billed at the hourly rate of $350 per hour. The current monthly retainer of $2,600 remained the same. Attorney Levine advised that the change in terms related to disability processing was directed to all of the firm's clients.

Chairman Carman had reviewed several recent monthly statements from the attorney and noted that disability work constituted most of the hourly services for the Port Orange Police Plan. If disability work was billed separately from the retainer, he felt that it would result in much higher charges for legal services altogether.

It was agreed to table this proposal to the next meeting to allow for a more thorough evaluation of billing statements.

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The meeting recessed at 3:24 p.m. and reconvened at 3:45 p.m.

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<u>Chad Little – *Freiman Little Actuaries, LLC* (Plan Actuary)</u>

A. Presentation of annual valuation for fiscal year ending September 30, 2024
B. 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, 2024 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, 2026. The city's contribution rate (expressed as a percentage of payroll) decreased, however, the city's funding requirement (as a dollar amount) increased. This was due, in large part, to a 25 percent increase in the number of active members year over year.

The city's minimum funding requirement (city and state contributions) was $2,856,816. Expressed as a percentage of payroll, the minimum contribution was 46.94 percent. The city's contribution rate (without estimated state contributions) was 35.74 percent. The plan's funded status was 82.95 percent (based on the actuarial value of assets), representing a decrease over the previous year's funded percentage of 86.19 percent. The unfunded accrued liability (UAL) was $12,959,612. The valuation incorporated the effect of collectively bargained benefit improvements (Ordinance No. 2024-21) which included a supplemental benefit for all members with 20 years of service, a three percent cost-of-living adjustment (COLA) at age 59.5 for all members with 20 years of service, and a $95,000 annual maximum benefit (Note: Supplemental benefit not considered in determining $95,000 maximum for Tier One members.)

The investment return on the "market" value of assets was a positive 19.0 percent; the return on the "actuarial/smoothed" value of assets (five-year smoothing) was positive 8.8 percent which was greater than the 6.75 percent assumed net investment rate of return used for this valuation. Mr. Little mentioned that there was an actuarial loss due to the benefit payable to a line-of-duty death beneficiary. Another factor that would influence future valuations and funding requirements was the increased number of members entering DROP. Since DROP payroll was not considered "pensionable" the total payroll would be affected.

Mr. Little also noted that current benefit payments were slightly less than contributions to the fund (i.e. positive cash flow), however, this situation would soon *cross over* with benefit payments exceeding contributions.

The valuation included a relatively new calculation known as a *low-default-risk obligation measure (LDROM).* The LDROM was a market-based measurement of pension obligations based on the assumed rate of investment return. The valuation report also included required disclosures under *Florida Statutes* 112.664. Disclosures required by Governmental Accounting Standards Board (GASB) 67 and 68 were provided as a supplemental report.

Member Schnibben moved to approve the 2024 actuarial valuation report as presented. Member Clark 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 Green then moved to declare a 6.75 percent expected rate of return for pension plan assets going forward. Member Schnibben seconded the motion which likewise carried unanimously.

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

A. Presentation of audit of Police Pension Fund financials for fiscal year ended September 30, 2024

Ms. Cyr presented the final audit which included all actuarial exhibits. She 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. Her firm issued an *"unmodified opinion"* of police pension financials for Fiscal Year 2023/2024 which was the highest standard. The audit was performed in conformance with governmental auditing standards.

The pension board accepted the audit of police pension financial for Fiscal Year 2023/2024 as presented.

Karan Rounsavall (Plan Administrator)

A. Update on revisions to Summary Plan Description (SPD)

As directed at the last meeting, the attorney was updating the SPD to include new benefit improvements enacted with Ordinance No. 2024-21. The updated SPD would clarify that the supplement was not subject to the $95,000 annual maximum pension. The revisions should be available for review and approval at the next meeting.

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The next quarterly meeting was scheduled for Monday, May 19, 2025.

OLD BUSINESS - None

NEW BUSINESS

A. Ratify change of joint annuitant for Retiree David Fouts to Emily Steinmann as of February 1, 2025

It was consistent with the pension plan document for a member to change their joint annuitant. Retiree Fouts requested such a change and the actuary prepared calculations for the new beneficiary.

Member Schnibben moved to ratify the change of joint annuitant for Retiree David Fouts effective February 1, 2025. Member Clark seconded the motion which carried unanimously.

B. Ratify normal retirement benefit for Officer Joshua Eddy upon entry into DROP effective December 1, 2024
C. Ratify normal retirement benefit for Sgt. Ted Kurtz upon entry into DROP effective December 1, 2024
D. Ratify normal retirement benefit for Officer James Kenny upon entry into DROP effective January 1, 2025

Member Clark moved to ratify DROP retirement benefits for Joshua Eddy, Ted Kurtz, and James Kenny as stated above. Member Schnibben seconded the motion which carried on an all-yes vote.

E. Consider policy statement for payment of costs for pension estimates

Board members were in receipt of a proposed policy prepared by the plan administrator and reviewed by the attorney. As a plan member approached normal retirement age it was common to request several benefit calculations using varying scenarios (e.g. retirement date and/or beneficiaries). It was the practice of the pension fund to pay the cost for only two such estimates. Currently, the actuary charged $300 for each estimate.

With the goal of (1) being reasonable toward the member planning for their retirement; and (2) minimizing expenses to the pension fund, it was recommended that a formal policy be adopted in this matter with the following language:

> *Each vested member shall be entitled, at the Pension Fund's expense, to receive two actuarial benefit calculations to estimate their final pension and survivor benefits. Additional estimates shall be provided only at the participant's expense. The participant shall pay the cost of providing any additional estimate in advance of the Pension Plan's actuary performing the work.*

Member Schnibben moved to adopt the proposed policy addressing the payment of costs for pension estimates. Member Green seconded the motion and it carried on an all-yes vote.

F. Board interpretation of Ordinance No. 2024-21 relating to determination of maximum total benefit and application/continuation of cost-of-living adjustment (COLA) to supplement

The Port Orange City Council adopted Ordinance No. 2024-21 on November 6, 2024. Said ordinance codified several benefit improvements to the pension plan as collectively bargained by the respective unions. The new improvements included a supplemental benefit and COLA for members retiring with at least 20 years of service. It also established a $95,000 annual maximum benefit. The subject ordinance was accompanied by an actuarial impact statement which established the cost to the plan to implement the new benefits as well as the methodology used to determine this cost. Of particular note was the fact that the supplemental benefit was not included when determining benefits subject to the $95,000 maximum.

Actuary Little explained the methodology and assumptions more precisely. While the accrued benefit was capped at $95,000, the supplement was not subject to this cap and annual COLAs could continue to be applied to the supplement amount once the retiree reached the $95,000 maximum. This particular nuance was not specifically detailed in the adopted ordinance. Accordingly, it was important for the board to formalize its interpretation as it could be decades before future retirees reached the COLA eligible age of 59.5 years.

Actuary Little also clarified that the $95,000 maximum benefit would "reset" if a retiree died before age 59.5 and had selected a joint annuitant survivor option other than 100 percent.

Member Clark moved to direct the attorney, actuary, and plan administrator to prepare a proposed policy formalizing the above interpretation of Ordinance No. 2024-21. Member Schnibben seconded the motion which carried unanimously.

G. Acknowledge renewal of *Fiduciary Liability Insurance Policy* with Markel American Insurance Company

Plan Administrator Rounsavall presented the renewal quote issued by 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 $6,480.16 which was greater than the prior year's premium due to an open claim.

Member Green moved to renew the fiduciary liability insurance policy with Markel American Insurance Company at a cost of $6,480.16 for the ensuing year (May 31, 2025 through May 31, 2026). Member Schnibben seconded the motion; it carried.

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

There was a new resident trustee on the pension board (Lance Green). It was necessary to execute new signature authorizations for the above-named institutions. Two signatures were required for financial transactions. Plan Administrator Rounsavall would obtain signatures after the meeting.

PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 4:50 p.m.

Lt. W Carman

Lt. Warren Carman, Chairman

Karan Rounsavall

Karan Rounsavall, Plan Administrator