

**CITY OF DAYTONA BEACH POLICE AND FIRE PENSION FUND
PENSION BOARD OF TRUSTEES
QUARTERLY MEETING
City Hall, Council Chambers
301 S. Ridgewood Ave, Daytona Beach, FL 32115**

Tuesday, February 4, 2020, 8:30AM

TRUSTEES PRESENT: Mark Eisner
Gregg Gurdak
Erin Masters
Michael Rowley

TRUSTEES ABSENT: None

OTHERS PRESENT: Pedro Herrera, Sugarman & Susskind
Bill Cottle, Milliman (via phone)
Steven Cottle, Milliman
Mindy Johnson, Salem Trust
Brad Heinrichs, Foster & Foster
Gary Gustovich, Dimensional Fund Advisors (DFA)
Chetan Panda, Dimensional Fund Advisors (DFA)
Mike Miller, BlackRock (via phone)
Trey Smith, BlackRock
Mike Ott, BlackRock
Tony Dote, Lazard
Edward Keating, Lazard
Ferrell Jenne, Foster & Foster
Members of the public

- I. **Call to Order/Roll Call/Determination of a Quorum** Mark Eisner called the meeting to order at 8:31am.
- II. **Public Comment** – None
- III. **Chairman’s Comments**
 - A. Discussion of Bleichmar Fonti & Auld, LLP (BFA)
 - i. Mark Eisner commented he passed out a bio of BFA. Mark informed the Board they were a securities litigation firm. Mark commented he was very impressed with the track record of the firm and thought it would be a good addition to the plan.

The Board voted to hire BFA, upon motion by Gregg Gurdak and second by Michael Rowley; motion carried 4-0.

- IV. **Approval of Minutes**

The Board approved the November 4, 2019, quarterly meeting minutes and the December 18, 2019, special meeting minutes, upon motion by Michael Rowley and second by Gregg Gurdak; motion carried 4-0.

- V. **New Business**
 - A. Gerald Skinner, application for disability, in-line-of-duty (ILOD)
 - i. The Board tabled this discussion until Pedro Herrera arrived.

VI. **Reports (Attorney/Consultants)**

- A. Salem Trust Company, Mindy Johnson, Board custodian
- i. Update on TMI transition
 - i. Mindy Johnson briefly reviewed the TMI acquisition. Mindy commented effective March 1, 2020, Salem Trust would start using the TMI platform. Mindy commented they were working with Milliman to contact all the investment managers to ensure they had the correct account numbers to settle trades. Mindy confirmed there would be no change to the processes or for the retirees. Mindy commented in 2021, the retirees would receive two 1099-Rs, one from Salem Trust and one from TMI.

Note: Pedro Herrera arrived at 8:45am

- B. Foster & Foster, Brad Heinrichs, Board actuary
- i. Brad Heinrichs reminded the Board the contribution amounts set forth in the Valuation were applicable to plan/fiscal year ending September 30, 2021.
 - ii. The City Required Contribution for fiscal-year-ending September 30, 2021, is \$8,736,414 as compared with the fiscal-year-ending September 30, 2020, of \$8,334,782.
 - iii. Plan experience was unfavorable overall on the basis of the plan's actuarial assumptions. Sources of actuarial loss included an investment return of 6.83% (Actuarial Asset Basis) which fell short of the 7.50% assumption and more retirements than expected. There were no significant sources of actuarial gain.
 - iv. Brad Heinrichs reviewed the "fresh start" methodology and the growth in assets and liabilities.
 - v. Brad Heinrichs reviewed the 5-year smoothing technique and commented this helped with volatility.
 - vi. The funded ratio was 73.1% as of September 30, 2019.
 - vii. Brad Heinrichs reviewed the factors that went into the pension cost and the Unfunded Actuarial Accrued Liability (UAAL). Brad reminded the Board they were paying down the UAAL over a 30-year period.
 - viii. The Board discussed the current investment return assumption. Brad Heinrichs commented the national average was 7.25% and the trend was to lower the investment return assumption.
 - ix. Brad Heinrichs commented the last experience study was done in 2015, so the plan should look at doing one in the summer to gauge if the current plan assumptions align with the actual plan experience. Brad commented the plan would need to get a 7.75%-7.80% gross return in order to hit the investment return assumption of 7.50%.
 - x. Brad Heinrichs commented there was a new section in the valuation that discussed risk and measured plan maturity. Brad commented there was a negative cash flow. Brad commented the plan could set up a fixed income account that matched the negative cash flow to wipe that out. Mark Eisner commented the plan recently added BlackRock iShares to help with cash flow. Mark commented the iShares fund mirrored the plan return and helped with cash flow.

The Board approved an experience study to be done by Foster & Foster, upon motion by Gregg Gurdak and second by Michael Rowley; motion carried 4-0.

- xi. Pedro Herrera asked the fees for the experience study. Brad Heinrichs commented it was probably in the actuarial contract.

The Board approved the October 1, 2019, actuarial valuation as presented, upon motion by Michael Rowley and second by Gregg Gurdak; motion carried 4-0.

- C. Dimensional Fund Advisors, Gary Gustovich/Chetan Panda, Investment Manger
 - i. Gary Gustovich gave a firm update. Gary commented the management fee would go down from 25 basis points (BPS) to 23 BPS at the end of the month. Gary reviewed the office locations of the portfolio managers.
 - ii. Chetan Panda commented they were currently managing approximately \$609 billion in assets. Chetan commented the US Large Cap Value portfolio earned 9.06% for the quarter. Mark Eisner commented they had only had DFA in the portfolio for approximately 3 years.

- D. BlackRock, Mike Miller/Trey Smith/Mike Ott, Investment Manager
 - i. Trey Smith commented Matt Weinstein had a meeting conflict and was not able to attend. Trey commented he was the relationship manager for the plan and introduced Mike Ott.
 - ii. Mike Ott reviewed the Renewable Power Funds GRP I and GRP II. Mike commented as of September 30, 2019, fund level gross and net Investment Return Rate (IRR) was 9.6% and 7.1% respectively. Mike commented during the quarter the fund completed the sale of CWS and agreed to sell Elk & Hawkeye. The Board discussed technology disruptions.
 - iii. Mike Ott reviewed the realized investments.
 - iv. Mike Ott reviewed the GRP II fund. Mike commented 92% of the total fund capital had been invested. Matt commented the fund had a strong net cash yield of 7.7% for the 2019 calendar year.
 - v. Mike Ott reviewed the GRP II geographic split, stating 43% was in the USA, 19% in Japan, 15% in Norway, 5% in the United Kingdom, 8% in Australia and 10% in Taiwan. Mike briefly reviewed their firm outlook.
 - vi. Mike Miller reviewed the iShares Fund. Mike commented the cumulative return as of December 31, 2019, was 5.16%. Mike commented the investment was funded in October 2019 with approximately \$7 million. Mike commented the fees were 0.5 BPS, which represented the ETF trading costs.
 - vii. Mike Miller reviewed upcoming changes the plan could expect. Mike reviewed the product's asset allocation and commented it launched in 2014.

- E. Lazard, Tony Dote/Edward Keating, Investment Manager
 - i. Tony Dote briefly reviewed the past and future market performance. Tony commented the plan had been invested in Lazard just over 11 years. Tony commented the strategy was closed and had a conservative investment philosophy.
 - ii. Edward Keating reviewed the Lazard preferred infrastructure universe and the expected return for each sector. Edward commented they had a concentrated portfolio that contained 25 stocks.
 - iii. Edward Keating reviewed the portfolio contributors and detractors. Edward commented their target return was inflation plus 5% over a 5-year rolling period. Edward commented their inflation assumption was 2.5%.

- F. Milliman, Steven Cottle/Bill Cottle, Investment Consultant
 - i. Steven Cottle commented it was a strong quarter for stocks. Steven reviewed the growth and value stocks. Steven commented he expected some volatility during 2020 due to it being an election year and the fear of the Coronavirus.
 - ii. Steven Cottle commented LMCG emerging market equity fund matched the benchmark in the fourth quarter of 2019 but had underperformed for the trailing 4-year period and ranked in the 84th percentile. Steven commented he wanted to get a 5-year picture of this fund and he would further discuss them at the next meeting.
 - iii. Steven Cottle commented the Market Value of Assets was approximately \$200 million as of December 31, 2019. Steven reviewed the current asset targets and commented the targets were from 2016. Steven

commented it took some time to get some of the asset classes funded. Steven commented the cash target was the BlackRock iShares account. Steven commented the cash target would reduce as the private equity portfolio called for capital.

- iv. Steven Cottle commented there had been personnel changes and some modest investment strategy changes with Wellington. Steve commented he wanted to take more time to evaluate the strategy and bring a recommendation to the Board at the May meeting.
- v. The total fund gross returns as of December 31, 2019, were 6.3%, outperforming the benchmark of 5.5%. The 1, 3, and 5-year trailing total fund gross returns were 20.5%, 10.5% and 7.2% respectively compared with the benchmarks of 19.2%, 9.1% and 7.0% for the same respective periods.
- vi. The market value of assets as of December 31, 2019, was \$200,225,516.
- vii. Steven Cottle commented they reviewed the Investment Policy Statement (IPS) at the last meeting. Steven commented they added the BlackRock portfolio. Steven commented Pedro Herrera had some comments and he wanted to address those comments so the IPS could be approved. Steven reviewed the comments with the Board and the proposed updates to the IPS.

Note: Erin Masters left at 10:48am and returned at 10:53am.

The Board approved the Investment Policy Statement as presented, upon motion by Michael Rowley and second by Gregg Gurdak; motion carried 3-0.

- viii. Steven Cottle commented he would provide a clean copy to Ferrell Jenne to file. Pedro Herrera asked that a signature page be added to the IPS for the Chairman's execution.
- ix. The Board discussed future market performance and the current asset allocation.

Note: Erin Masters left at 10:56am.

- G. Sugarman & Susskind, Pedro Herrera, Board Attorney
 - a. Gerald Skinner, application for disability, ILOD
 - i. Pedro Herrera asked the Board to formally accept the ILOD application for Gerald Skinner. Pedro confirmed they were processing his disability claim and the acceptance of the application was just a formality.

The Board accepted the ILOD disability application for Gerald Skinner, upon motion by Gregg Gurdak and second by Michael Rowley; motion carried 3-0.

- b. Pedro Herrera and Ferrell Jenne checked the Actuarial Services Contract and the experience study cost was not a flat fee but based on hourly rates. Ferrell commented Brad Heinrichs confirmed the fee would be between \$15,000-\$20,000.

The Board approved an experience study for an amount not to exceed \$20,000, upon motion by Michael Rowley and second by Gregg Gurdak; motion carried 3-0.

- c. Discussion of Benefit Election Policy
 - i. Pedro Herrera reviewed the Benefit Election Policy. Pedro commented the policy would mandate members make a benefit election within 60-days of receiving the calculation. Pedro commented the policy allowed the member to file an extension to be approved by the Board of trustees. Ferrell Jenne and Pedro reviewed the timing of the automatic default election being provided to members and agreed it should go out with the calculation.

The Board approved the Benefit Election Policy as presented, upon motion by Michael Rowley and second by Gregg Gurdak; motion carried 3-0.

- d. Legislative Updates
 - i. Pedro Herrera reviewed the Secure Act. Pedro commented the Required Minimum Distribution (RMD) age increased from 70½ to 72. Pedro commented the Ordinance would need to be updated to include the new RMD age requirement. Pedro commented they would also include the cancer presumption language in the Ordinance amendment.
 - ii. Pedro Herrera reviewed changes to the notary laws that allowed members to utilize a remote notary. Pedro commented the notary blocks on all forms would need to be updated.
 - iii. Pedro Herrera reviewed a recent case in St. Pete, Florida that challenged when the cancer diagnosis was made under the new cancer presumption language.
- e. Discussion of Updating the Summary Plan Description
 - i. Pedro Herrera commented since negotiations were over, they would update the Summary Plan Description (SPD) and bring a draft to the next meeting.
- f. Pedro Herrera commented they had sent out the overpayment letters and got a return receipt for both letters.

H. Old Business – None

I. Consent Agenda

- a. Payment ratification
 - i. Warrants #57, #58, #59, #60, #61, #62 and #63
- b. New invoices for payment approval
 - i. None
- c. Fund Activity report for period October 29, 2019 through January 28, 2020

The Board voted to approve the consent agenda as presented, upon motion by Gregg Gurdak and second by Michael Rowley; motion carried 3-0.

J. Staff Reports

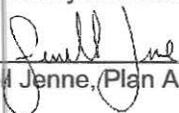
- a. Foster & Foster, Ferrell Jenne, Plan Administrator
 - i. Ferrell Jenne commented Ordinance 19-318 was adopted on November 20, 2019, and was sent to the State and the plan's professional consultants.
 - ii. Ferrell Jenne informed the Board Erin Masters was reappointed by the City Council as one of the City-appointed trustees. Ferrell reminded the Board they still had a City-appointed vacancy.
 - iii. Ferrell Jenne reviewed the upcoming NCPERS and FPPTA conferences.

K. Trustee Reports, Discussion, and Action - None

L. Adjournment - The meeting adjourned at 11:26am

M. Next Meeting – Quarterly Meeting, May 5, 2020, at 9:00am

Respectfully Submitted By:



Ferrell Jenne, Plan Administrator

Approved By:



Mark Eisner, Chairman

Date Approved by the Pension Board: 5/12/20