

**CITY OF DAYTONA BEACH POLICE AND FIRE PENSION FUND
PENSION BOARD OF TRUSTEES
QUARTERLY MEETING
Tuesday, May 5, 2020, 9:00AM**

Governor Ron DeSantis signed Executive Order 20-69 which suspends all statutes that require a quorum to be present in person or require a local government body to meet at a specific public place. It also provides that local government bodies may utilize communications media technology, such as telephonic and video conferencing, as provided in section 120.54(5)(b)2, Florida Statutes. Under Executive Order 20-69, the board meeting was held via video conference using Zoom.

TRUSTEES PRESENT: Mark Eisner
Gregg Gurdak
Erin Masters
Michael Rowley

TRUSTEES ABSENT: None

OTHERS PRESENT: Pedro Herrera, Sugarman & Susskind
Bill Cottle, Milliman
Steven Cottle, Milliman
Jeanine Bittinger, Saltmarsh, Cleaveland, & Gund
Richard Cristini, Saltmarsh, Cleaveland & Gund
Kate Hurley, J.P. Morgan Asset Management
Brad Lucas, J.P. Morgan Asset Management
Chris Greco, Sawgrass Asset Management
Marc Davis, Sawgrass Asset Management
Jim Clark, Nuveen
Kitty Martin, Nuveen
Lisa George, Nuveen
Chuck Bryant, Kennedy Capital Management
Donald Cobin, Kennedy Capital Management
Christian McDonald, Kennedy Capital Management
Jean Barnard, Kennedy Capital Management
Jonathan Davidson, Kessler Topaz Meltzer & Check
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 9:01am.
- II. **Public Comment** – None
- III. **Chairman’s Comments** – None
- IV. **Approval of Minutes**

The Board approved the February 4, 2020, quarterly meeting, upon motion by Gregg Gurdak second by Michael Rowley; motion carried 4-0.

- V. **New Business**
 - A. Kessler Topaz Meltzer & Check (KTMC) claims administration client letter
 - i. Jonathan Davidson commented they had historically provided claims processing for no charge. However, due to recent developments, KTMC

would no longer be able to offer this service for free. Jonathan explained KTMC recently added numerous financial institutions that were not able to accept the services for free. As a result, KTMC would begin charging a 4% contingency fee applicable to all claims filed on or after January 1, 2020. Jonathan stated this was not being done as a source of revenue. Mark Eisner reviewed the fees that other firms were charging for claims processing, which were all higher than KTMC.

The Board accepted the Kessler Topaz Meltzer & Check 4% contingency fee for all claims filed on or after January 1, 2020, upon motion by Gregg Gurdak and second by Michael Rowley; motion carried 4-0.

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

- A. Saltmarsh, Cleaveland, & Gund, Jeanine Bittinger/Richard Cristini, Board Auditor
- i. Presentation of September 30, 2019, audit report
 - i. Jeanine Bittinger commented they had worked hard to beat the City's deadline for the audit. Richard Cristini commented it was a clean audit. Richard reviewed the receivables, liabilities, and deductions. Richard commented the net position was almost flat from the prior year.
 - ii. Richard Cristini reviewed the unrealized appreciation and depreciation of investments. Richard reminded the Board the numbers shown in the DROP accounts were audited and tracked as part of the audit. Richard commented the total administrative cost of the plan was .35%, which was well below the 1.0% standard.

The Board approved the September 30, 2019 audit as presented, upon motion by Michael Rowley and second by Gregg Gurdak; motion carried 4-0.

- B. J.P. Morgan Asset Management (Real Estate), Kate Hurley/Brad Lucas, Investment Manager
- i. Quarterly Report as of March 31, 2020
 - i. Brad Lucas commented COVID-19 had changed the way employees worked. Brad commented they were seeing employers wanting each employee to have more space instead of having cubicle-like spaces.
 - ii. Brad Lucas reviewed the investment statement. Brad commented tenants were wanting quality spaces as more consumers were moving towards buying goods online.
 - iii. The market value of assets for the Strategic Property Fund as of March 31, 2020, was \$10,776,746.
 - iv. Brad Lucas commented they sold 4 of the 11 shopping malls in the 4th Quarter of 2019. Brad reviewed their investment strategy. Brad commented their goal was long-term outperformance with a lower risk profile.
 - v. Brad Lucas briefly reviewed the fund's balance sheet. The gross asset value was approximately \$41 billion with a leverage ratio of 23.2%. Brad commented office and industrial would continue to drive long-term performance. Brad stated they were working with their retail tenants during the COVID-19 pandemic. Brad commented they were not providing free rent, but deferred payments.
 - vi. Brad Lucas discussed future returns. Brad commented across all four sectors they were expecting a depreciation of approximately 10% due to COVID-19. Brad discussed their allocation to retail and commented their long-term goal was to continue to reduce their allocation to retail.

Note: Erin Maters left at 10:00 a.m.

- C. Sawgrass Asset Management, Chris Greco/Marc Davis, Investment Manager
- i. Quarterly report as of March 31, 2020
 - i. Chris Greco reviewed the Sawgrass Large Cap Growth equity team experience and continuity.
 - ii. Marc Davis commented low volatility attributes had outperformed over time. Marc reviewed the market performance during the quarter. Marc commented there was an initial rally, followed by a waterfall decline, and then a rally from the bottom.
 - iii. Marc Davis reviewed the trailing 2-year returns by quarter. Marc commented they were able to outperform the benchmark on a 2-year basis. Marc reviewed the stocks that were added and sold during the quarter. Marc commented more changes than usual were made during the quarter due to the pandemic.
 - iv. Chris Greco reviewed their outperformance over the last 20 years. Chris commented they had provided outperformance with less risk.
 - v. The market value of assets as of March 31, 2020, was \$10,424,543.
 - vi. The Board discussed the process to value stocks. Marc Davis commented they had not changed their models and the investment team was making any judgment calls. Marc commented the Beta had gone up from 0.85 to 0.93.
- D. Nuveen, Jim Clark/Kitty Martin/Lisa George, Investment Manager
- i. Quarterly report as of March 31, 2020
 - i. Lisa George commented they had \$1 trillion in assets under management and have over 1,000 institution clients in 40 countries.
 - ii. Jim Clark commented their approach had changed due to COVID-19. Jim commented historically they were sector-neutral, but this had not been the case as they adjusted due to the pandemic. Jim reviewed the portfolio characteristics and the sector diversification. Jim commented they had reduced their allocation to real estate and retail.
 - iii. The market value of assets as of March 31, 2020, was \$5,377,463.
 - iv. Bill Cottle commented he had never seen so many changes in the Nuveen portfolio. Jim Clark commented it was a fluid situation, but they expect the changes to be short-term.
- E. Kennedy Capital Management (Small Cap Core and SMID Cap Growth), Chuck Bryant/Donald Cobin/Christian McDonald/Jean Barnard, Investment Manager
- i. Quarterly report as of March 31, 2020
 - i. Chuck Bryant commented the plan was invested in the Small Cap Core and SMID Cap Growth products.
 - ii. Don Cobin gave an update on the firm. Don commented they had no debt on their balance sheet and had no parent company. Don stated they had approximately \$2.8 billion in assets under management.
 - iii. Chris McDonald reminded the Board they moved from the commingled fund to a collective investment trust in mid-December. Chris reviewed the sector attribution analysis. Chris stated there were a handful of stocks in the portfolio that were not positioned well against the pandemic.
 - iv. Jean Barnard reviewed the SMID Cap Growth portfolio. Jean commented the best performance had come out of the healthcare sector. Jean commented year-to-date the portfolio was at -10% versus the benchmark of -12%. Jean commented they added some healthcare equipment companies to the portfolio.

- F. Milliman, Steven Cottle/Bill Cottle, Investment Consultants
 - i. Quarterly report as of March 31, 2020
 - i. Steven Cottle commented the market value of assets as of March 31, 2020 was \$169,509,569. Steven commented all gains they had in 2019 were reversed in the first quarter of 2020.
 - ii. Steven Cottle reviewed the current asset allocations. Steven commented they had a large cash position as they were waiting on capital calls from the private equity managers.
 - iii. The total fund gross returns as of March 31, 2020, were -12.6%, outperforming the benchmark of -14.0%. The 1, 3, and 5-year trailing total fund gross returns were -4.1%, 4.4% and 3.8% respectively compared with the benchmarks of -5.8%, 2.4% and 3.4% for the same respective periods.
 - iv. Steven Cottle reviewed the performance of each manager.
 - v. Steven Cottle gave an update as of April 30, 2020, and commented it was a strong month. Steven commented they were still waiting on return information from the private equity managers.
 - ii. Discussion of LMCG
 - i. Steven Cottle reviewed LMCG and commented they had not contributed well to the portfolio. Steven commented they would like to do a search. The Board discussed the time periods that would be looked at. By consensus, the Board requested Milliman to do a search and bring back the results to a subsequent meeting for further discussion.

G. Sugarman & Susskind, Pedro Herrera, Board Attorney

- i. CARES and FFCRA Memo
 - i. Pedro Herrera reviewed the CARES Act and FFCRA. Pedro commented the FFCRA provided for emergency paid sick leave based on different factors regarding the COVID pandemic.
 - ii. Mark Eisner briefly discussed the measures the City had taken due to COVID-19. Pedro Herrera reviewed the CARES Act and the COVID-19 distributions that could occur without a 10% penalty. Pedro commented if the Board wanted to allow members to take a distribution from their DROP Account, the plan would need to be amended. Mark Eisner commented he would talk to the Union.
- ii. Proposed Ordinance
 - i. Pedro Herrera commented the proposed Ordinance pertained to amending the plan with the firefighter cancer presumption language. Pedro commented even if the presumption language was not amended into the plan, it was still valid.
- iii. Summary Plan Description (SPD)
 - i. Pedro Herrera reviewed the updated SPD. Pedro commented the SPD had been updated with the most recent terms of the CBAs.

The Board approved the Summary Plan Description as presented, upon motion by Gregg Gurdak and second by Michael Rowley; motion carried 3-0.

- iv. Update on disability applicant
 - i. Pedro Herrera gave an update on Gerald Skinner. Pedro commented they just received the Independent Medical Exam (IME), and their office was working on putting together the disability binder. Ferrell Jenne commented she would work with Pedro's office to get the binder out to the Board and set a special meeting for the initial hearing.
- v. Financial Forms
 - i. Pedro Herrera reminded the Board to file their financial disclosure forms prior to July 1, 2020, to avoid fines

VII. **Old Business-** None

VIII. **Consent Agenda**

- A. Payment ratification
 - i. Warrants #64, #65, #66, #67, #68, and #69
- B. New invoices for payment approval
 - i. None
- C. Fund Activity report for period January 29, 2020 – April 28, 2020

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

IX. **Staff Reports**

- A. Foster & Foster, Ferrell Jenne, Plan Administrator
 - i. Update on SB534 posting requirements
 - i. Ferrell Jenne reviewed the SB534 posting requirement and commented everything had been sent to the City for posting.
 - ii. Update on Foster & Foster's cybersecurity
 - i. Ferrell Jenne briefly reviewed their firm's cybersecurity measures.
 - iii. Update on State Annual Report
 - i. Ferrell Jenne commented the State Annual Report had been filed.
 - iv. Educational Opportunities
 - i. Ferrell Jenne reviewed the upcoming educational opportunities and the changes to the FPPTA conference. Mark Eisner commented the Board would wait to register for the FPPTA conference to see if it was being cancelled or held online.

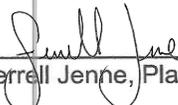
X. **Trustee Reports, Discussion, and Action**

- A. Mark Eisner commented he would keep the Board updated if they end up visiting the fixed income managers in July.
- B. Gregg Gurdak asked about the overpayments. Ferrell Jenne commented that Robert Mays passed away on March 19, 2020. Robert was one of the members who was overpaid. Pedro Herrera commented he would look into filing a claim on the estate to recoup some of the funds. Pedro commented he would also send a second demand letter to Charles Connally.

XI. **Adjournment** - The meeting adjourned at 11:50am

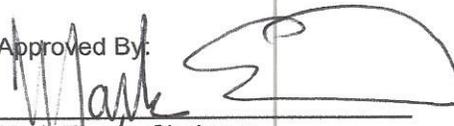
XII. **Next Meeting** – Quarterly Meeting, August 4, 2020, at 8:30am

Respectfully Submitted By:



Ferrell Jenne, Plan Administrator

Approved By:



Mark Eisner, Chairman

Date Approved by the Pension Board:

8/4/2020
