

**CITY 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**

Monday, August 27, 2018, 10:00AM

TRUSTEES PRESENT: Mark Eisner
Michael Rowley
Terence Henry
Erin Masters

TRUSTEES ABSENT: Dan Bolderjack

OTHERS PRESENT: Don Ruitter, Claimant
Michael Clelland, Claimant's Attorney
Stephanie Notowich, Dodge & Cox
Xiangrong Jin, Goldman Sachs
Christina Milkowski, Goldman Sachs
Ryan Carrington, SKY Harbor (via phone)
Bill Cottle, Milliman (via phone)
Steven Cottle, Milliman
Pedro Herrera, Sugarman & Susskind
Brad Heinrichs, Foster & Foster
Ferrell Jenne, Foster & Foster
Michelle Rodriguez, Foster & Foster

- I. **Call to Order/Roll Call/Determination of a Quorum** Mark Eisner called the meeting to order at 10:04AM.
- II. **Public Comment** - None
- III. **Chairman's Comments**
 - A. Mark Eisner requested the initial disability hearing be moved up on the agenda before the Chairman's Comments.

The board approved moving the initial disability hearing for Don Ruitter up on the agenda, upon motion by Michael Rowley and second by Erin Masters; motion carried 4-0.

- IV. Initial Disability Hearing, Don Ruitter
 - A. Pedro Herrera reviewed the initial disability process and the medical records that were collected. Pedro advised that the claimant has also been sent to an Independent Medical Examination (IME). Pedro advised that the board would need to make the decision to grant/deny the disability or decide to table the matter in order to collect more information.
 - B. Pedro Herrera reviewed the issues before the trustees and the questions that would need to be answered.
 - C. Pedro Herrera commented that Don Ruitter would be able to have gainful employment if the disability was awarded, but that employment could not include the duties of a firefighter.
 - D. Pedro Herrera reviewed the appeal process if the disability was denied. Pedro commented the board would need to hire special counsel if the disability was denied as he could not represent the board and be an advocate to the claimant.
 - E. Pedro Herrera commented the claimant does have an opportunity to hold the disability hearing in front of a full board of trustees. Michael Clelland commented they waived the right to wait for a full board and that they wished to proceed with the current board make-up.

- F. Michael Clelland reviewed the Heart & Lung Bill presumption under Florida Statutes. Michael commented that Don Ruitter has had hypertension since 2008 and had been placed at Maximum Medical Improvement (MMI) by his doctor.
- G. Michael Clelland reviewed the heart medication that Don Ruitter takes which precludes him from continuing employment as a firefighter.
- H. Pedro Herrera commented the board would have to prove a pre-existing condition. Absent of this proof, the presumption is made under the Heart & Lung Bill. Pedro commented the City medically terminated Don Ruitter. Pedro advised that due to the presumption being there and the actions taken by the City, most of the questions have been answered.

The board voted to grant the In Line of Duty (ILOD) disability to Don Ruitter, upon motion by Terence Henry and second by Erin Masters; motion carried 4-0.

- I. Pedro Herrera reminded Don Ruitter of the disability affidavit that would go out on an annual basis.

V. **Approval of Minutes**

The board voted to approve the April 30, 2018, quarterly meeting minutes, the April 30, 2018, disability hearing minutes, and the June 18, 2018, special meeting minutes as presented, upon motion by Terence Henry and second by Erin Masters; motion carried 4-0.

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

- A. Dodge & Cox, Stephanie Notowich, Investment Manager
 - i. Stephanie Notowich reviewed the returns as of June 30, 2018. Stephanie reviewed the treasury yield curve.
 - ii. The income fund SEC standardized average annual total returns as of June 30, 2018 for the 1, 5, and 10 year periods were 0.37%, 3.09%, and 4.86%, respectively.
 - iii. The market value of the fund as of July 31, 2018, was \$26.7 million.
 - iv. Stephanie Notowich commented they have a short duration and reviewed the sectors that the portfolio is invested in.
 - v. Stephanie Notowich reviewed the bond market and commented the yield curve continues to flatten.
 - vi. Stephanie Notowich reviewed the portfolio composition and advised that approximately 20% is allocated to the treasury sector, 40% to security sector, and 40% to credit exposure.
 - vii. Stephanie Notowich commented the securities had been the biggest portfolio contributor.
 - viii. Stephanie Notowich reviewed the portfolio holdings. Stephanie commented that they have a very defensive strategy.
 - ix. Stephanie Notowich gave a firm update commenting they had no debt. Stephanie reviewed the firm additions and commented there had been no additions to senior staff.
- B. Goldman, Sachs & Co, Xiangrong Jin/Christina Milkowski, Investment Manager
 - i. Christina Milkowski and Xiangrong Jin introduced themselves. Xiangrong commented that the emerging market strategy is a high conviction for their firm. Xiangrong advised this asset class should be a long-term investment.
 - ii. Xiangrong Jin gave an overview of the investment team and the firm's philosophy.
 - iii. Xiangrong Jin reviewed the three elements of the emerging market asset class. Xiangrong commented they were in the top 4% of their peer group for the emerging market asset class.
 - iv. Xiangrong Jin reviewed her experience with the firm and commented she had been with the firm for over 10 years. Xiangrong reviewed the portfolio managers and commented they have local employees in the different global markets.

- v. Xiangrong Jin stated China and India accounts for approximately 40% of the emerging market benchmark.
- vi. Xiangrong Jin reviewed the earning information and commented they concentrate on the cash-flow model.
- vii. Xiangrong Jin reviewed the fees and advised the current fees were 117 Basis Points (BPS). Steven Cottle commented that by the 4th quarter they would know if a larger State fund would also invest in the Goldman Sachs emerging markets asset class. If so, fees could reduce to approximately 80 BPS.
- viii. The board reviewed the asset allocation memo from Milliman.

The board voted to approve an \$8,000,000 commitment to the Goldman Sachs Emerging Markets asset class, upon motion by Terence Henry and second by Michael Rowley; motion carried 4-0.

- C. SKY Harbor Capital Management, Ryan Carrington, Investment Manager (via phone)
 - i. Ryan Carrington reviewed the current market environment and the impact of rising rates. Ryan commented they do not want to have an excess amount of duration.
 - ii. Ryan Carrington reviewed the investor survey and the top concerns regarding global growth.
 - iii. Ryan Carrington reviewed the trade war and the impact on their strategy regarding global growth.
 - iv. Ryan Carrington reviewed the inversion of the yield curve and the possibility of a market recession. Ryan discussed the different economic cycles and commented that there was the potential for a recession as early as 2020.
 - v. Ryan Carrington reviewed the high-yield bond maturities.

- D. Milliman, Steven Cottle/Bill Cottle, Investment Consultants
 - i. Steven Cottle reviewed the quarterly report as of June 30, 2018.
 - ii. The ending market value of assets as of June 30, 2018, was \$180,135,404.
 - iii. Steven Cottle reviewed the current asset allocations and commented he will review the individual allocations later in the meeting.
 - iv. Total fund gross performance for the quarter was 0.9% underperforming the benchmark of 1.4%. The 1, 3, and 5 year total fund gross trailing returns were 8.6%, 6.2% and 7.4% respectively.
 - v. Steven Cottle reviewed the performance of each manager. Steven recommended doing an on-site visit with Kennedy to meet the portfolio managers. Steven commented he would report back to the board at the 2019 first quarter meeting on the findings. Steven commented the LMCG emerging market manager has poor returns and that is the reason the board interviewed Goldman Sachs.
 - vi. Steven Cottle commented they will discuss possibly replacing the multi-strategy managers.
 - vii. Steven Cottle reviewed the asset allocation implementation memo. Steven recommended to adopt the targets that were outlined in the asset allocation study performed earlier in the year. Steven advised the Investment Policy Statement (IPS) would need to be altered to align with the new asset allocations.
 - viii. Steven Cottle reviewed the asset allocation targets:
 - i. Steven Cottle reviewed the 5% allocation to Multi-Strategy and the two investments. Steven recommended terminating Aberdeen Standard Life's Global Absolute Return strategy.

The board voted to approve the recommendation of Milliman to terminate the Aberdeen Standard Life's Global Absolute Return Strategy, upon motion by Michael Rowley and second by Terence Henry; motion carried 4-0.

- ii. Steven Cottle advised he would contact Aberdeen regarding the termination.
- iii. Steven Cottle reviewed the 8% allocation to Private Equity. Steven advised that the commitments were made to Adams Street and JP Morgan at \$10 million each. Steven commented the board had approved a \$10 million commitment to DuPont as well. The board reviewed the recent DuPont lead portfolio managers that left the firm and founded Taurus Private Markets. Steven recommended making a \$10 million commitment to the Taurus Fund I investment strategy.

The board voted to approve the recommendation of Milliman for a \$10 million commitment to the Taurus Fund I Investment Strategy, upon motion by Terence Henry and second by Erin Masters; motion carried 4-0.

- iv. Steven Cottle reviewed the 10% allocation to the Emerging Market Equity and recommended the board hires Goldman Sachs. Mark Eisner confirmed that the board made the motion to hire Goldman Sachs while Steven stepped out of the meeting.
- v. Steven Cottle reviewed the 10% Private Real Estate allocation. Steven advised the JP Morgan Strategic Property Fund would be funded next month by Dodge & Cox.
- vi. Steven Cottle reviewed the 5% infrastructure allocation. Steven advised that the BlackRock Global Renewable Power Fund I would be returning a significant amount of capital within the next two to four quarters.
- ix. Steven Cottle advised the plan would be out of compliance in the next three months as a result of asset changes. The revised IPS would be presented at the next meeting to memorialize the new asset targets.

E. Sugarman & Susskind, Pedro Herrera, Board Attorney

- i. Pedro Herrera advised that Klausner Kaufman, Jensen & Levinson would represent the board for Aaron Tucker's appeal. Pedro commented that Robert Klausner would like another IME done on the applicant by the physician who performed the PTSD evaluations on the officers who responded to the Pulse Night Club scene.

The board voted to approve the additional Independent Medical Exam for Aaron Tucker and the engagement with KKJL, upon motion by Terence Henry and second by Erin Masters; motion carried 4-0.

- ii. Pedro Herrera reminded the trustees to file their financial disclosure forms if they haven't already done so in order to avoid fines.

VII. **New Business**

A. Foster & Foster Actuarial Presentation, Brad Heinrichs, Actuary

- i. Brad Heinrichs introduced himself and the firm's experience providing actuarial services to Florida plans.
- ii. Brad Heinrichs reviewed the actuarial team that would be assigned to the plan and advised he would be the lead actuary and the main point of contact.
- iii. Brad Heinrichs reviewed the ways actuaries were typically evaluated
- iv. Brad Heinrichs reviewed the online tools the firm offers.
- v. Brad Heinrichs reviewed the peer group ranking schedules and how the plan measured up against other plans in six different categories.
- vi. Brad Heinrichs commented that the time he spends on the plan depends on the year. For example, he commented he would spend more time with the plan in open negotiation years. On average, Brad commented he would dedicate approximately 5%-15% of his time to the plan.
- vii. Brad Heinrichs reviewed the firm's retention and commented they had never been fired for cause.

- viii. Brad Heinrichs reviewed the firm's peer review and quality control processes.
- ix. Brad Heinrichs commented the hourly rates are \$100 less than their current actuary and they do not limit their liability.
- x. Brad Heinrichs reviewed the proposed fees and advised the majority of work is on a flat rate basis, so the board knows what they will be charged. The current actuary charges the majority of work on an hourly fee. Brad commented the board will likely save approximately \$20,000 per year if they hired Foster & Foster.
- xi. The board reviewed the current fee arrangement with Nyhart and the employee turnover.

The board voted to terminate actuarial services with Nyhart and hire Foster & Foster as the board's actuary, upon motion by Terence Henry and second by Erin Masters; motion carried 4-0.

- xii. Pedro Herrera commented he would work on a contract with Foster & Foster and look into the termination clause on the Nyhart contract. Pedro advised he would contact Nyhart to inform them about the termination.

B. Review Custodial Service Proposals

- i. The board reviewed the custodial service proposals and the associated fees.
- ii. The board discussed the MSCI platform and commented that Salem Trust would need to be set-up. The set-up process takes approximately 6 months and costs approximately \$10,000.
- iii. Steven Cottle recommended the custodial firms present their best and final offer at the September Special Meeting.
- iv. The board commented that Pedro Herrera could attend the special meeting via phone.

Note: Erin Masters left at 12:00pm

The board voted to bring in Salem Trust and Fiduciary Trust to interview in a special meeting in September, upon motion by Terence Henry and second by Michael Rowley; motion carried 3-0.

C. Proposed 2018-2019 Proposed Budget

- i. Ferrell Jenne reviewed the budget requirement under SB172 and the different expenditure types.

The board voted to approve the proposed Fiscal Year 2018-2019 Budget as presented, upon motion by Terence Henry and second by Michael Rowley; motion carried 3-0.

D. Discussion of Shawna Hamel's Accrued Benefit

- i. Pedro Herrera reviewed the death of vested terminated member, Shawna Hamel. Pedro commented she didn't have a beneficiary on file when she passed away. Therefore, the benefit is payable to her estate. Pedro advised the pension plan is limited on the payout from a pension plan due to tax laws. It would be a lump sum or monthly annuity payments over the next 5 years.
- ii. Pedro Herrera commented that the plan didn't allow for a lump-sum payment, and the board would need to approve the payout over the next 5 years.

The board approved payments to Shawna Hamel's estate over the next 60-months once the amount has been calculated by the actuary, upon motion by Terence Henry and second by Michael Rowley; motion carried 3-0.

- iii. Pedro Herrera commented he would reach out to the family's probate attorney and provide an update.

VIII. **Old Business** – None

IX. **Consent Agenda**

- A. Payment ratification
 - i. Warrant #20, #21, #22, #23, #24
- B. New invoices for payment approval
 - i. None
- C. Fund activity report for period April 24, 2018 – August 20, 2018

The board voted to approve the Consent Agenda as presented, upon motion by Terence Henry and second by Michael Rowley; motion carried 3-0.

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

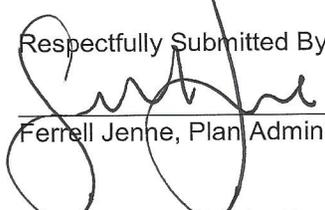
- A. Foster & Foster, Ferrell Jenne, Plan Administrator
 - i. Update on the State Annual Report
 - i. Ferrell Jenne reviewed the distribution amounts, commenting the plan would receive approximately \$129,000 more than the prior year
 - ii. Foster & Foster online portal
 - i. Ferrell Jenne gave an update on the online calculator portal and advised it was rolled out approximately 3 weeks ago.
 - iii. Fiduciary liability policy
 - i. Ferrell Jenne advised the 2018-2019 fiduciary liability policy had been renewed through Ullico.
 - iv. Educational opportunities
 - i. Ferrell Jenne reviewed the upcoming educational opportunities.

XI. **Trustee Reports, Discussion, and Action** – None

XII. **Adjournment** - The meeting adjourned at 12:20pm

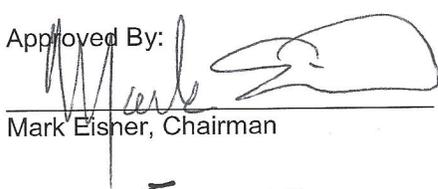
XIII. **Next Meeting** – November 5, 2018, at 8:30am

Respectfully Submitted By:



Ferrell Jenne, Plan Administrator

Approved By:



Mark Eisher, Chairman

Date Approved by the Pension Board:

NOVEMBER 5, 2018