

**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, November 5, 2018, 8:30AM

**TRUSTEES PRESENT:**

Mark Eisner  
Michael Rowley  
Terence Henry  
Erin Masters

**TRUSTEES ABSENT:**

Dan Bolderjack

**OTHERS PRESENT:**

Bill Cottle, Milliman  
Steven Cottle, Milliman  
Pedro Herrera, Sugarman & Susskind  
Kevin Fenelon, Baillie Gifford  
Tom Slater, Ballie Gifford  
Brian Fitzpatrick, Ballie Gifford (via phone)  
Gordon Johnson, LMCG  
Thomas Capobianco, LMCG  
James DiGiuseppe, Wellington  
Ferrell Jenne, Foster & Foster

- I. **Call to Order/Roll Call/Determination of a Quorum** Mark Eisner called the meeting to order at 8:33am.
- II. **Public Comment** - None
- III. **Chairman's Comments** - None
- IV. **Approval of Minutes**

**The board voted to approve the March 5, 2018, special meeting minutes, the August 27, 2018, quarterly meeting minutes, and the September 25, 2018, special meeting minutes as presented, upon motion by Michael Rowley and second by Terence Henry; motion carried 4-0.**

V. **Reports**

A. Ballie Gifford, Kevin Fenelon/Tom Slater, Investment Manager, Quarterly Report as of September 30, 2018

- i. Kevin Fenelon gave an overview of the firm and stated they have approximately \$256 billion in assets under management.
- ii. Kevin Fenelon reviewed their current client list of those who were invested in the U.S. Equity Growth Strategy. Kevin commented they have approximately 106 investment consultants broken out in 19 individual teams.
- iii. Tom Slater reviewed the firm's core investment beliefs. Tom stated they believed in a long-term approach as this enabled the firm to take advantage of asymmetric equity returns. Tom commented they try to identify outliers and own them for as long as possible. Tom stated they have between 30-50 portfolio holdings and briefly reviewed the reason why each company was in the portfolio.
- iv. Brian Fitzpatrick commented the plan would be invested in the mutual fund and confirmed the minimum had been waived.

- v. Tom Slater discussed the maximum holding per security, which was 15%. Tom reviewed the returns. The one-year annualized net returns were 45.5%, beating the S&P 500 index of 17.9% and Russell 1000 Growth Index of 26.3%. The three and five year annualized net returns were 29.0% and 20.2% respectively.
- B. Wellington, James DiGiuseppe, Investment Manager, Quarterly Report as of September 30, 2018
- i. James DiGiuseppe explained they run two strategies for the plan, Real Total Return and International Quality Growth. James commented they currently managed approximately \$1 trillion in assets. James reviewed their investment approach and objective.
  - ii. The board reviewed absolute vs. total return. The board discussed inflation and the return expectation. James DiGiuseppe commented they have multiple strategies that can be presented to the board.
  - iii. James DiGiuseppe reviewed the International Quality Growth portfolio. James reviewed the investment philosophy and thematic weightings.
- C. LMCG Investments, Tom Capobianco/Gordon Johnson, Investment Manager, Quarterly Report as of September 30, 2018
- i. Tom Capobianco gave a brief overview of the firm and recent growth. Tom Capobianco commented they currently have approximately \$7.7 billion in assets under management.
  - ii. Gordon Johnson reviewed the investment process and commented they were a core portfolio with a value basis. Gordon advised they had an emphasis on stock selection and concentrated on a company's balance sheet.
  - iii. Gordon Johnson reviewed the current market environment and commented the growth style has dominated value for the past six years. Gordon stated that their "core with a value basis" approach has been out of favor.
  - iv. Gordon Johnson reviewed the portfolio's performance. The net returns as of September 30, 2018 were -2.4%, underperforming the benchmark of -1.1%. Since inception, the net returns were 4.1%.
- D. Milliman, Steven Cottle/Bill Cottle, Investment Consultant, Quarterly Report as of September 30, 2018
- i. September 30, 2018, quarterly report
    - i. The board discussed market cycles and how the growth and value market had performed. Steven Cottle commented they would continue to watch both.
    - ii. The board discussed Baillie Gifford. Steven Cottle advised Baillie Gifford is completely opposite from Sawgrass and the benchmark. Steven commented they were the closest thing the board could find to a private equity manager in a public space. Steven stated he brought in Baillie Gifford to show the board a different investment approach in the U.S. Equity space.
    - iii. Steven Cottle commented they are moving from a 22% to a 15% target for the large cap equity managers

**The board voted to approve a 5% large cap equity allocation to Baillie Gifford, upon motion by Erin Masters and second by Terence Henry; motion carried 4-0.**

- iv. The board discussed the Wellington absolute return product. Steven Cottle advised that they were adding private equity over the next 3-4 years.

**The board voted to terminate the Wellington RTR portfolio and use the proceeds to fund the Baillie Gifford mandate, upon motion by Michael Rowley and second by Erin Masters; motion carried 4-0.**

- v. The board discussed what to do with the Wellington allocation. Steven Cottle confirmed there was approximately \$7 million in the RTR product. The board discussed using the allocation to fund the Baillie Gifford.
- vi. Pedro Herrera commented he would look over the Baillie Gifford agreement and requested that Steven Cottle inform Wellington of the termination. The board directed Ferrell Jenne to move the Baillie Gifford liquidation funds to Dodge & Cox upon contract approval.
- vii. The total fund gross returns as of September 30, 2018, were 3.6%, outperforming the benchmark of 2.4%. The 1, 3, and 5 year trailing total fund gross returns were 8.4%, 9.6% and 7.2% respectively.
- viii. The market value of assets as of September 30, 2018, were \$184,265,601.
- ix. Steven Cottle reviewed the new portfolio allocations. Steven commented he would like to table the revised Investment Policy Statement (IPS) due to the portfolio changes that occurred at this meeting.
- x. Steven Cottle commented they were continuing to watch Kennedy Small Cap and would be visiting the manager shortly after Thanksgiving.

E. Sugarman & Susskind, Pedro Herrera, Board Attorney

- i. Pedro Herrera commented Salem Trust would be working on the transition, with an effective date of January 1, 2019. Pedro confirmed that Nyhart had been terminated.
- ii. Pedro Herrera commented Aaron Tucker might be appealing his disability application. Pedro stated Foster & Foster was working on a non-In-Line-of-Duty (ILOD) disability benefit calculation, at the request of the claimant.
- iii. Pedro Herrera updated the board on Taurus. Pedro commented the side letter agreement should be completed within a week. Pedro commented the closing date was set for December 5, 2018.
- iv. Pedro Herrera reminded the board of receiving gifts from vendors. Anything valued over \$25 should be reported. If the value is \$100 or more, Pedro advised that the gift should be rejected or donated.

VI.

**New Business**

A. Proposed 2019 meeting dates

- i. Ferrell Jenne commented she had confirmed that the attorney and Chambers would be available on all proposed meeting dates provided by Milliman.

B. Discussion of anniversary COLA language and possible Plan Restatement

- i. Mark Eisner commented he spoke with the actuary and confirmed that the Ordinance states that the members receive anniversary COLAs. Mark confirmed a COLA audit is being done by Foster & Foster. The COLAs will be caught up in conjunction with the December 1, 2018, payments.
- ii. Ferrell Jenne commented the last plan restatement was done in 2010, and that there have been approximately 9 amendments since then. The board directed Pedro Herrera to do a plan restatement.

C. Actual administrative expenses as of September 30, 2018

**The board voted to approve the actual administrative expenses as of September 30, 2018, as presented, upon motion by Michael Rowley and second by Terence Henry; motion carried 4-0.**

D. Discussion of travel policy

- i. The board discussed the vacant City appointed Trustee seat. Mark Eisner commented he amended the travel policy slightly. The board reviewed the revised travel policy and had no questions.

**The board voted to approve the travel policy as presented, upon motion by Michael Rowley and second by Terence Henry; motion carried 4-0.**

VII. **Old Business** – None

VIII. **Consent Agenda**

- A. Payment ratification
  - i. Warrants #25, #26, #27, #28, and #29
- B. New invoices for payment approval
  - i. None
- C. Fund Activity report for period August 21, 2018 – October 22, 2018

**The board voted to approve the consent agenda as presented, upon motion by Terence Henry and second by Michael Rowley; motion carried 4-0.**

IX. **Staff Reports**

- A. Foster & Foster, Ferrell Jenne, Plan Administrator
  - i. Ferrell Jenne reviewed upcoming educational opportunities. Mark Eisner and Mike Rowley requested to be registered for the FPPTA Winter Trustee School, once registration opens.

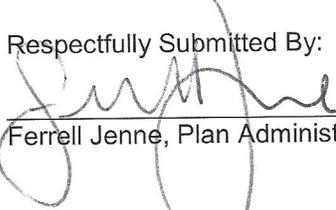
X. **Trustee Reports, Discussion, and Action**

- A. Mark Eisner thanked Terence Henry for his years of service. Pedro Herrera reminded Terence to complete a Form 1F within 60 days.

XI. **Adjournment** - The meeting adjourned at 11:54am

XII. **Next Meeting** – Quarterly Meeting, February 4, 2019, at 8:30am

Respectfully Submitted By:

  
\_\_\_\_\_  
Ferrell Jenne, Plan Administrator

Approved By:

  
\_\_\_\_\_  
Mark Eisner, Chairman

Date Approved by the Pension Board:

FEBRUARY 4, 2019