

**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, February 4, 2019, 8:30AM

TRUSTEES PRESENT: Mark Eisner
Michael Rowley
Erin Masters
Gregg Gurdak

TRUSTEES ABSENT: None

OTHERS PRESENT: Bill Cottle, Milliman (via phone)
Steven Cottle, Milliman
Pedro Herrera, Sugarman & Susskind
Jane DiGiacomo, Blackrock
Matthew Ptak, Blackrock
Matthew Weinstein, Blackrock
Kitty Martin, Nuveen
Ben Kerl, Nuveen (via phone)
Jay Rosenberg, Nuveen (via phone)
Clint Doroff, Nuveen (via phone)
Ferrell Jenne, Foster & Foster
Members of the Public
Members of the Plan

- I. **Call to Order/Roll Call/Determination of a Quorum** Mark Eisner called the meeting to order at 8:36am.
- II. **Public Comment**
 - A. Mark Eisner commented they did not yet have a quorum, so they would start with the reports.
 - B. The retiree association commented that the 2% COLA was running smoothly.
- III. **Chairman's Comments**
 - A. Mark Eisner tabled the Chairman's comments until a quorum is present.
 - B. Approval of the minutes was tabled until a quorum was present.

Note: Erin Masters arrived at 8:38 am.

- IV. **Reports (Attorney/Consultants)**
 - A. Blackrock NTR Renewable Power Fund, Jane DiGiacomo/Matthew Ptak/Matthew Weinstein, Investment Manager
 - i. Jane DiGiacomo introduced herself to the team.
 - ii. Matthew Ptak reviewed the investments left in Fund I and stated they were in the USA and Ireland.
 - iii. Matthew Ptak reviewed the J-Curve and commented they were now out. Matthew reviewed recent sales and the associated returns.
 - iv. Matthew Ptak gave a portfolio update. As of September 30, 2018, net asset value was \$568.8 million. The net ITT was 4.6%. Matthew commented the fund expected to make another distribution at the end of the year bringing the net income yield of the fund to 4%-5% for 2018, in line with the fund's three-year average.
 - v. Matthew Ptak reviewed the geographical locations of assets. Matthew commented they were in the process of launching their third fund. Jane DiGiacomo briefly reviewed the specifics of Fund III.

Pedro Herrera arrived at 8:49 am.

V. **Approval of Minutes**

- A. November 5, 2018 quarterly meeting minutes

The board voted to approve the November 5, 2018, quarterly meeting minutes as presented, upon motion by Michael Rowley and second by Erin Masters; motion carried 3-0.

VI. **Chairman's Comments**

- A. Mark Eisner introduced Gregg Gurdak and reviewed his experience serving as a trustee on a Florida public pension board. Pedro Herrera reminded the board the fifth trustee is voted on by the other members of the board.

The board voted to appoint Gregg Gurdak as the 5th trustee, upon motion by Erin Masters and second by Michael Rowley; motion carried 3-0.

- B. Pedro Herrera commented that the 5th trustee seat would need to be sent to the City Council for ratification.
C. Ferrell Jenne commented she would send the ratification request to the City so that it could be added to the next Council Agenda.

VII. **Reports (Attorney/Consultants) (Continued)**

- A. Nuveen Asset Management, Kitty Martin, Investment Manager
- i. Quarterly report as of December 31, 2018.
 - a. Kitty Martin reviewed the portfolio characteristics including:
 - Number of Holdings
 - Weighted Average Market Capitalization (millions)
 - Price/Book
 - Median Estimated Long-Term Growth Rate
 - Return on Equity
 - b. Jay Rosenberg briefly reviewed the real estate cycle. Jay commented that last year had some inflation concerns and faced headwinds.
 - c. Jay Rosenberg commented that for January, they were up approximately 10%.
 - d. Jay Rosenberg reviewed portfolio equity real estate holdings of the plan. The ending market value as of December 31, 2018, was \$5,491,771. Jay reviewed the historical portfolio earnings versus the benchmark.
 - e. Jay Rosenberg reviewed the global allocation and confirmed that 50% will go outside of the U.S.
 - f. Clint Doroff reviewed the fees. The separate account fees are at 70 basis points (BPS), and the other one was a separate account at 103BPS.
 - g. Jay Rosenberg suggested the mutual commingled fund, as the plan was now using Salem Trust as the custodian. Jay commented Salem could not handle some of the overseas holdings.
- B. Milliman, Steven Cottle/Bill Cottle, Investment Consultant
- i. Quarterly Report as of December 31, 2018
 - a. Steven Cottle briefly reviewed the total fund performance as of December 31, 2018.
 - b. The total fund gross returns as of December 31, 2018, were -7.2%, slightly underperforming the benchmark of -7.1%. The 1, 3 and 5-year trailing total fund gross returns were -2.7%, 6.1% and 4.5% respectively.
 - c. The market value of assets as of December 31, 2018, was \$172,947,162.
 - d. Steven Cottle reviewed the Sawgrass investment thesis. Steven commented they provided good downside protection.
 - ii. Kennedy Capital SMID Cap Growth Memo
 - a. Steven Cottle reviewed the Kennedy SMID Cap Growth memo. Steven commented that shortly after their visit, they learned that two of the main

portfolio managers left to go to another firm. Steven recommended staying with Kennedy and reviewed the reduced fee schedule they were offering. Steven commented they were still on the watch list. The board reviewed the large amount of asset outflows.

- iii. BlackRock Renewable Power Update
 - a. Steven Cottle reviewed the BlackRock memo and reminded the board they were raising a third fund. Steven commented he didn't think this was the time to commit more capital to BlackRock, as they just allocated \$30 million to Private Equity.
- iv. Nuveen Global REIT Strategy Memo
 - a. Steven Cottle reviewed the Nuveen memo. Steven recommended that the board switch to the Nuveen Global REIT Fund. Steven commented that even though the fees would increase, they also expected the returns to increase. Steven confirmed that the fees in the current separate account are 70BPS. The R6 share class for the domestic strategy is 87BPS and the global strategy is 1.09%.

The board approved moving to the Nuveen Global REIT Strategy, upon motion by Michael Rowley and second by Erin Masters; motion carried 4-0.*

Note: The 5th trustee seat had not yet been ratified by Council.

- v. Revised Investment Policy Statement (IPS)
 - a. Steven Cottle briefly reviewed the revised IPS. Steven commented he updated the targets with the new allocations. Pedro Herrera commented he had some clean-up language for the Investment Policy Statement (IPS). Upon board approval, he would like to send those revisions to Milliman.

Upon legal review and approval, the board voted to approve the revised Investment Policy Statement, upon motion by Michael Rowley and second by Erin Masters; motion carried 4-0.*

Note: The 5th trustee seat had not yet been ratified by Council.

- C. Salem Trust Company, Debbie Kocsis, Board Custodian
 - i. Debbie Kocsis introduced herself. Debbie reviewed future changes and commented that the prior custodian did not populate future changes. Debbie stated that she would work closely with the Foster & Foster to get all future changes set up.
 - ii. Debbie Kocsis reviewed the federal withholdings that came over for a number of retirees and commented that there were invalid withholdings. Debbie stated she would work with Foster & Foster to get updated W-4Ps for the affected retirees.
 - iii. Debbie Kocsis commented they could hold the Dodge & Cox mutual fund instead of it being a sundry asset. Debbie commented this would make paperwork seamless and the cash raise process shorter. Debbie commented they were already shadowing the asset so there wouldn't be any additional fees.

The board voted to move the Dodge & Cox Fund to Salem Trust, upon motion by Michael Rowley, and second by Erin Masters; motion carried 4-0.*

Note: The 5th trustee seat had not yet been ratified by Council.

- iv. Debbie Kocsis reviewed how they calculated the market value of assets and the cost of shares.
- v. Debbie Kocsis reviewed the possibility of having a standing rebalancing letter and reviewed an example from another plan.
- vi. The board discussed the need to raise capital every month in order to pay benefits. Erin Masters commented there were money market accounts that

- had decent interest rates. Debbie Kocsis commented they used Goldman Sachs as their cash account. Debbie commented she would have to get the interest information to the board at a later date as she didn't have that information ready today. Steven Cottle commented he would look into some money market options and would bring the alternatives to the next meeting.
- vii. Pedro Herrera commented there were many plans that used a standard rebalancing letter. By consensus, the board tabled the decision on the standing rebalancing authorization letter until the next meeting.
 - viii. Debbie Kocsis commented that she would need authorization to work with the plan's securities litigation firms.
 - ix. Debbie Kocsis commented they had a different book value for Adams Street. Steven Cottle commented he would work with Salem Trust to get the value corrected.

D. Sugarman & Susskind, Pedro Herrera, Board Attorney

- i. Pedro Herrera commented the non-In-Line-of-Duty (ILOD) calculation had been sent to Aaron Tucker. Pedro commented that the item was still pending, as he had not heard back from the member's attorney.
- ii. Pedro Herrera reviewed Marvin Powers and commented he changed his Joint Annuitant when he was divorced, but a recalculation of benefits wasn't done. Pedro commented he spoke with Foster & Foster and had them do a recalculation of benefits and the spouse had commenced benefits based on the revised amount.
- iii. Pedro Herrera reviewed Shawna Hamel. Pedro commented that if benefits were paid out, it had to be done over a 5-year period. The board discussed the present value of Ms. Hamel's benefit. Pedro reviewed the present value calculation from the actuary.

The board approved to make annual payments over the next 5-years, upon motion by Erin Masters and second by Michael Rowley; motion carried 4-0.*

Note: The 5th trustee seat had not yet been ratified by Council.

- iv. Pedro Herrera reviewed a member, Josh Merriseau, who was reinstated through an arbitration award. Pedro commented the member would be receiving back pay and Pedro recommended taking member contributions from the backpay check. The City did not agree with that methodology. Pedro commented the actuary could come up with the amount of member contributions that were owed as part of the back pay that was given to the member.
- v. Pedro Herrera commented they were still working on the Plan Restatement and would have that ready for the next meeting.
- vi. Pedro Herrera informed the board that only one bill has been pre-filled that is geared towards correctional officers and forfeitures.

VIII. **New Business**

- A. Gregg Gurdak commented that a Senate Bill passed last year that allowed PTSD to be covered under workers' compensation. Gregg reviewed the suicides that have occurred in the last year amongst first responders. Mark Eisner commented the City has taken initiative and brought in professionals over the last year to offer help and information to the officers and firefighters.

IX. **Old Business** – None

- X. **Consent Agenda**
 - A. Payment ratification
 - i. Warrants #30, #31, #32, #33, and #34
 - B. New invoices for payment approval
 - i. None
 - C. Fund Activity report for period October 23, 2018 – January 28, 2019.

The board voted to approve the consent agenda as presented, upon motion by Michael Rowley and second by Erin Masters; motion carried 4.0.*

Note: The 5th trustee seat had not yet been ratified by Council.

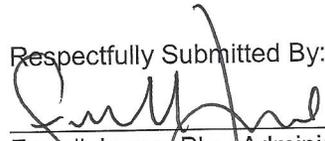
- XI. **Staff Reports**
 - A. Foster & Foster, Ferrell Jenne, Plan Administrator
 - i. Ferrell Jenne reviewed upcoming educational opportunities.
 - ii. The board discussed the valuation and audit. A quorum couldn't be determined for the March 29, 2019, special meeting. The board discussed releasing the draft audit and valuation to the City as soon as it was available.

Note: Greg Gurdak left at 10:41 am.

The board authorized Ferrell Jenne to send the draft audit and valuation to the City once available, upon motion by Michael Rowley and second by Erin Masters; motion carried 3-0.

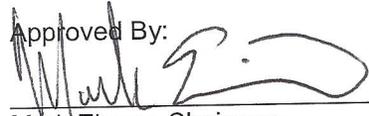
- XII. **Trustee Reports, Discussion, and Action** - None
- XIII. **Adjournment** - The meeting adjourned at 10:41am
- XIV. **Next Meeting** – Special Meeting, March 4, 2019, at 8:30am

Respectfully Submitted By:



 Ferrell Jenne, Plan Administrator

Approved By:



 Mark Eisner, Chairman

Date Approved by the Pension Board:

MAY 6, 2019