

**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 5, 2019, 8:30AM

TRUSTEES PRESENT: Mark Eisner
Michael Rowley
Gregg Gurdak

TRUSTEES ABSENT: Erin Masters

OTHERS PRESENT: Pedro Herrera, Sugarman & Susskind
Bill Cottle, Milliman (via phone)
Steven Cottle, Milliman
Jeanine Bittinger, Davidson, Jamieson & Cristini
Richard Cristini, Davidson, Jamieson & Cristini
Stephanie Donald, Disability Claimant
Jon Benezette, Claimant's Attorney
Christina Milkowski, Goldman Sachs
Xiangrong Jin, Goldman Sachs
Ryan Carrington, Sky Harbor
Stephanie Notowich, Dodge & Cox
Matthew Weinstein, BlackRock,
Michael Miller, Blackrock
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 8:31am.

II. **Public Comment** – None

Note: Pedro Herrera arrived at 8:32am

III. **Chairman's Comments**

A. Cost of Living Adjustment (COLA) Study

i. Mark Eisner commented a COLA study was done to help with negotiations.

B. Disability Study

i. Mark Eisner commented a disability study was done to see where the plan was versus the assumption. Mark commented the plan was approximately 2.5 times over the assumption. Mark commented this was being addressed.

IV. **Approval of Minutes**

The board approved the May 6, 2019, quarterly meeting minutes, upon motion by Gregg Gurdak and second by Michael Rowley; motion carried 3-0.

V. **New Business**

A. Informal disability hearing, Stephanie Donald

i. Pedro Herrera commented the member had the right to wait until a full pension board was present. Jon Benezette commented they were prepared to waive the full board being present.

- ii. Pedro Herrera briefly reviewed the informal hearing procedures and process. Pedro commented the member and her attorney would be able to address the board, but no testimony or depositions from outside parties would be allowed during an informal hearing.
- iii. Pedro Herrera reviewed the issues on which the board would need to make a decision.
- iv. Jon Benezette reviewed the application, documents, and Independent Medical Examination (IME) that Stephanie Donald attended. Jon commented they believed she qualified for an In-Line-Of-Duty (ILOD) disability.
- v. The board reviewed the IME results.

The board voted to accept the ILOD disability application with an effective date of August 5, 2019, upon motion by Michael Rowley and second by Gregg Gurdak; motion carried 3-0.

- vi. Pedro Herrera commented the claimant would need to continue to show she was qualified to receive the ILOD disability benefit. Pedro commented this was done on an annual basis.
- vii. The board discussed the double IME payment that occurred due to Stephanie Donald missing her first IME appointment. Jon Benezette commented he never received notice of the first IME appointment until after the appointment date. Pedro Herrera reviewed the correspondence that was sent to Jon Benezette regarding the IME appointment date.
- viii. Mark Eisner asked if the board could expect the attorney to repay the IME fee or if the board should withhold the first pension benefit check and Stephanie Donald would seek repayment from her attorney. Jon commented he would speak with Stephanie and see how she wanted to proceed with the repayment.

B. 2019-2020 budget

- i. Pedro Herrera reviewed the proposed budget requirement.

The board approved the fiscal year 2019-2020 budget as presented upon motion by Gregg Gurdak and second by Michael Rowley; motion carried 3-0.

C. Trustee term expirations

- i. Mark Eisner asked Ferrell Jenne to check with Erin Masters to be sure she wanted to continue to serve. Ferrell confirmed she would reach out to Erin Masters and request the City add her reappointment to the next agenda, if she served again.
- ii. The board discussed the vacant City-appointed seat. Jim Sexton commented no applications had been submitted to date. The board discussed the possibility of the State Monies being held for next year if the seat wasn't filled.

VI.

Reports (Attorney/Consultants)

A. Goldman Sachs, Christina Milkowski/Xiangrong Jin, Investment Manager

- i. Xiangrong Jin reviewed the firm's philosophy with a focus on fundamentals and valuation. Xiangrong reviewed the investment universe and research coverage.
- ii. The I-Shares net of fees returns as of June 30, 2019, were 15.36%, outperforming the benchmark of 10.58%. The 1, 3, and 5-year trailing net returns were 1.52%, 11.23%, and 4.70% respectively, compared with the benchmarks of 1.21%, 10.66%, and 2.49% for the same respective periods.
 - i. Magnitude: The fund had outperformed the MSCI EM index by +2.84% and ranks in the 3rd percentile.
 - ii. Persistency: The fund had outperformed in 13 of 16 up quarters and 4 of 8 down quarters.

- iii. Xiangrong Jin reviewed how they picked holdings for the portfolio. Xiangrong commented they felt the team was fully resourced and every area was well covered.
- B. Sky Harbor Capital Management, Ryan Carrington, Investment Manager
- i. Ryan Carrington reviewed the global growth concerns.
 - ii. For the period ending July 31, 2019, the Broad High Yield Market Partners LP Fund's performance was 0.62%, outperforming the ICE BofAML US High Yield Index of 0.51%. Year-to-date, the Fund's performance was 9.63%, underperforming the ICE BofAML US High Yield Index of 10.72%.
 - iii. Ryan Carrington commented they hadn't had any defaults in the portfolio. Ryan commented they were up approximately 11 Basis Points (BPS) for July and 20BPS so far in August.
 - iv. Ryan Carrington commented they did not believe there was a need for the Fed to cut rates again this year.
 - v. Ryan Carrington briefly reviewed their outlook on future market returns.
- C. Dodge & Cox, Stephanie Notowich, Investment Manager
- i. Stephanie Notowich gave a fund overview. Stephanie commented the plan had been invested with their firm since June of 2003 and the income fund account value was approximately \$20 million.
 - ii. As of June 30, 2019, the Income Fund's unannualized returns were 2.79%, underperforming the Bloomberg Barclays U.S. Aggregate Bond Index of 3.08%. Annualized trailing returns for the 1, 3 and 5-year periods were 7.58%, 3.68%, and 3.27% respectively, compared with 7.87%, 2.31%, and 2.95% for the same respective periods.
 - iii. Stephanie Notowich reviewed changes in the portfolio and the sector composition. Stephanie commented they were expecting approximately a 3% return but would be slightly lower if rates were raised again this year.
 - iv. Stephanie Notowich reviewed the investment team and their experience. Stephanie commented they were exploring an emerging market stock fund.
- D. BlackRock, Matthew Weinstein, Investment Manager
- i. Matthew Weinstein introduced Michael Miller. Michael reviewed the Liquid Policy Portfolio (LPP) and commented it was to help with cash drag.
 - ii. Michael Miller commented the fund is liquid, with cash access upon request. Mike commented cash was available trade date plus one.
 - iii. Michael Miller reviewed the asset class allocations and the holdings. Michael commented they weren't in the asset classes, they replicate them.
 - iv. Michael Miller reviewed the risk/return summary. Michael commented this would be more volatile versus cash.
 - v. The board discussed the process for drawing down cash from the BlackRock LPP fund.
 - vi. Steven Cottle recommended to update the process in the Investment Policy Statement (IPS) regarding cash flow if the board approved the BlackRock LPP fund.
 - vii. The board discussed the BlackRock LPP fund and the risk/reward. Steven Cottle commented it would improve the efficiency of the plan. Bill Cottle commented the returns for the Miami fund that was using the BlackRock LPP fund was approximately 6%. Steven reminded the board they didn't have an allocation to cash. Steven commented the addition of the BlackRock LPP fund was not to increase the investment return, but to increase the efficiency of the fund.

The board approved the hiring of the BlackRock LPP Fund as presented, upon motion by Gregg Gurdak and second by Michael Rowley; motion carried 3-0.

viii. Pedro Herrera commented they would work on the contract with BlackRock.

E. Milliman, Steven Cottle/Bill Cottle, Investment Consultant

i. Steven Cottle reviewed the watch list. Steven recommended to remove the Kennedy Capital Small Cap Core Fund from the watch list.

The board approved removing Kennedy Capital Small Cap Core Fund from the watch list as recommended by Milliman, upon motion by Michael Rowley and second by Gregg Gurdak; motion carried 3-0.

ii. The total fund gross returns for quarter ending June 30, 2019, were 3.5%, outperforming the benchmark of 3.1%. The 1, 3 and 5-year trailing total fund gross returns were 9.3%, 9.6% and 5.9% respectively.

iii. The market value of assets as of June 30, 2019, was \$188,411,537.

iv. Steven Cottle reviewed the performance of each manager. Steven recommended putting LMCG on watch. Steven commented it was early to look at the returns for the private equity managers, as they were recently added to the portfolio.

The board approved putting LMCG on watch as recommended by Milliman, upon motion by Gregg Gurdak and second by Michael Rowley; motion carried 3-0.

v. Steven Cottle reviewed the core fixed income portfolio. Steven commented they expected the Dodge & Cox fund returns would be muted over the next year. Steven recommended the board to search for a complimentary manager to Dodge & Cox. Steven commented he expected to take 5-7% from Dodge & Cox to fund the new manager.

The board approved Milliman to do a search for an opportunistic fixed income manager, upon motion by Michael Rowley and second by Gregg Gurdak; motion carried 3-0.

vi. The board discussed the revised IPS that would include the BlackRock LPP fund. Pedro Herrera reminded the board the IPS would become effective 31 days after it's filed.

The board authorized the Chairman to execute the revised IPS as discussed, upon motion by Gregg Gurdak, and second by Michael Rowley; motion carried 3-0.

F. Sugarman & Susskind, Pedro Herrera, Board Attorney

i. IME cancellation fee, Stephanie Donald

i. Pedro Herrera reviewed the additional \$5,000 IME fee that was paid due to the claimant's attorney not notifying the member of the first IME appointment.

ii. Pedro Herrera reviewed the financial disclosure forms and reminded the board they needed to be filed as soon as possible to avoid fines.

iii. Update on SB 426

i. Pedro Herrera reviewed the cancer bill that passed for firefighters. Pedro commented there were pension and City benefits that were provided under this bill. Pedro reviewed the parameters that must be met by a firefighter in order to be eligible for the benefits. Pedro commented the benefit was irrebuttable, once determined.

iv. Proposed Ordinance

i. Pedro Herrera reviewed the proposed Ordinance that incorporated the cancer bill language. Pedro commented the actuary would need to prepare an actuarial impact statement (AIS).

The board authorized Foster & Foster to prepare the AIS and send to City for first reading, upon motion by Michael Rowley and second by Greg Gurdak; motion carried 3-0.

- v. Pedro Herrera briefly reviewed some recent lawsuits regarding ADA compliance. Pedro reviewed recent cyberattacks.

- G. Davidson, Jamieson, & Cristini, Jeanine Bittinger/Richard Cristini, Board Auditor
 - i. Jeanine Bittinger informed the board they were merging with Saltmarsh. Jeanine Bittinger commented Saltmarsh has been in business for 75 years and is a Florida based firm. Jeanine commented they will have more support on the back office side and they will still be performing the audit. Jeanine confirmed the fees will remain the same.
 - ii. Pedro Herrera confirmed a new contract would need to be executed by the board. Jeanine Bittinger commented the board would also need to authorize them to transfer the records.
 - iii. Richard Cristini discussed the BlackRock LPP fund and recommended putting this as a temporary investment in the September 30, 2019, audit report.

VII. **Old Business** – None

VIII. **Consent Agenda**

- A. Payment ratification
 - i. Warrants #41, #42, #43, #44, #45, #46, and #47
- B. New invoices for payment approval
 - i. None
- C. Fund Activity report for period April 27, 2019 through July 29, 2019

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

IX. **Staff Reports**

- A. Foster & Foster, Ferrell Jenne, Plan Administrator
 - i. Fiduciary liability policy renewal
 - i. Ferrell Jenne commented the fiduciary liability policy had been renewed and the premium only went up \$9.00.
 - ii. Update on SB 534 posting
 - i. Ferrell Jenne reviewed the SB 534 requirements and commented the City had posted the calculations.
 - iii. Financial disclosure forms
 - i. Ferrell Jenne commented all trustees were showing that they had filed their financial disclosure forms.
 - iv. Educational opportunities
 - i. Ferrell Jenne reviewed the upcoming educational opportunities.
 - IFEBP 65th Annual Employee Benefits Conference, October 20-23, 2019, San Diego, SA
 - Milliman Conference, September 11-13, 2019, Monterey, CA
 - FPPTA Fall Trustee School, October 6-9, 2019, Ponte Vedra, FL
 - v. Ferrell Jenne reviewed a couple of situations where members were not making their benefit elections in a timely manner or were not deciding on the DROP distribution method. Mark Eisner and Michael Rowley commented they would work on contacting the members. Pedro Herrera commented he could draft an election policy for board review.

X. **Trustee Reports, Discussion, and Action** - None

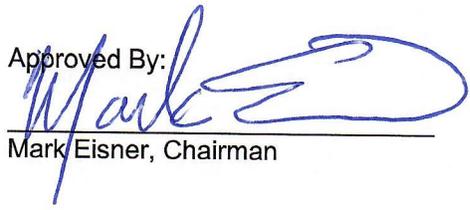
XI. **Adjournment** - The meeting adjourned at 11:00am

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

Respectfully Submitted By:

Ferrell Jenne, Plan Administrator

Approved By:



Mark Eisner, Chairman

Date Approved by the Pension Board: November 4, 2019