

**CITY OF 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 4, 2019, 8:30AM

TRUSTEES PRESENT: Mark Eisner
Gregg Gurdak
Erin Masters

TRUSTEES ABSENT: Michael Rowley

OTHERS PRESENT: Pedro Herrera, Sugarman & Susskind
Bill Cottle, Milliman (via phone)
Steven Cottle, Milliman
Gordon Johnson, LMCG
Tom Capbianco, LMCG
Leigh Crosby, Wellington Management
Siera Feketa, Foster & Foster
Drew Ballard, Foster & Foster
Jim Sexton, HR Director
Members of the public

- I. **Call to Order/Roll Call/Determination of a Quorum** Mark Eisner called the meeting to order at 8:32am.
- II. **Public Comment** – None
- III. **Chairman's Comments**

The board approved the moving of the Consent Agenda to Item 6, upon motion by Gregg Gurdak and second by Erin Masters; motion carried 3-0.

IV. **Approval of Minutes**

The board approved the August 5, 2019, quarterly meeting minutes, upon motion by Gregg Gurdak and second by Erin Masters; motion carried 3-0.

V. **New Business**

- A. Actual expenses as of September 30, 2019
 - i. Siera Feketa briefly reviewed the requirement to prepare actual expenses.

The board approved the actual expenses as of September 30, 2019, as presented, upon motion by Gregg Gurdak and second by Erin Masters; motion carried 3-0.

- B. Proposed 2020 meeting Dates
 - i. The board had no conflicts with the 2020 meeting dates.
 - ii. Siera Feketa commented Pedro Herrera was available for all 2020 meeting dates.
 - iii. The board agreed with the 2020 meeting dates by consensus.
- C. 2020 investment manager presentations
 - i. Mark Eisner commented many of the client representatives had changed and requested the administrator contact the investment managers to confirm they are available. Siera Feketa commented her office would contact the investment managers.

- D. Elaina Golsen, DROP disbursement
 - i. Siera Feketa commented Elaina Golsen exited DROP in August 2018, and multiple attempts to contact Ms. Golsen had been made regarding her DROP distribution, with no response received. Mark Eisner requested Siera keep him updated.
 - ii. The board discussed sending Elaina Golsen a certified letter if the administrator continued to receive no response. Mark Eisner commented he would try to contact Elaina.

- E. Steve Eisen, salary information
 - i. Siera Feketa commented they received the annual reports and were able to confirm Steve Eisen's salary information. Siera commented Steve Eisen received his benefit calculation.

- F. Robert Mays' benefit overpayment
 - i. Drew Ballard reviewed the benefit overpayment to Robert Mays.
 - ii. Drew Ballard gave a brief overview of the different benefit options members had at retirement. Drew commented Mr. Mays elected the Social Security option and his monthly benefit was not reduced when it should have been.
 - iii. Mark Eisner asked why the calculation was marked "normal." Drew Ballard commented it was because it was a normal retirement.
 - iv. Mark Eisner commented this was processed when the City was administering the plan and there was a potential problem with the records being transferred properly.
 - v. Drew Ballard commented they went back to check if this occurred with other members and advised that it had occurred with one other member.
 - vi. Drew Ballard commented this would show as a gain on the valuation.
 - vii. Drew Ballard reviewed how to prevent this from occurring in the future. Drew commented Salem Trust would book future changes.
 - viii. Mark Eisner commented Robert Mays' health was deteriorating.
 - ix. Mark Eisner commented this had happened before and they should send a letter to try to recover some funds from both members. Pedro Herrera commented he would draft a letter to the members regarding a repayment.
 - x. Drew Ballard reviewed the current monthly benefit amounts of both members and the corrected benefit amounts effective December 1, 2019.
 - xi. Erin Masters asked how the members would know their benefit was being reduced. Drew Ballard commented the members would receive a letter describing the overpayment and letting them know the benefit would be decreased. Pedro Herrera asked if Foster & Foster would send the letter to the members regarding the reduction in payments. Siera Feketa commented they could send a letter to each member and call the members to give them reasonable notice.
 - xii. Pedro Herrera commented he would send the letter regarding the repayment via certified mail.
 - xiii. The board discussed the health condition of Robert Mays and requested the administrator speak to his Power of Attorney (POA) when contacting him or ask Robert some questions to ensure he was of sound mind.
 - xiv. The board discussed their prior custodians not booking future changes, which caused potential problems such as these. The board and Drew Ballard discussed the processes with Salem Trust to prevent this from happening again.
 - xv. Erin Masters asked if they could let the overpayment go one more month so the members could have more notice before having their benefit reduced. Pedro Herrera commented he could not recommend the correction in benefit being effective January 1, 2020 as they were fiduciaries of the plan and they were aware of an overpayment and it should be corrected.

- xvi. Pedro Herrera commented they could seek repayment but did not recommend waiting another month. Pedro commented there was a lot of support to collect the money, but it may cost thousands to try to collect the funds and they might not actually receive repayment.

The board authorized Pedro Herrera to send a letter to attempt to have the overpayment repaid and have the members' benefit adjusted effective with the December 1, 2019 payment, upon motion by Gregg Gurdak and second by Erin Masters; motion carried 3-0.

- xvii. Mark Eisner commented he would like to go after BNY Mellon, Resource Centers and State Street for not catching this. Mark Eisner commented they already went through this with State Street.

G. Update on trustee terms

- i. Siera Feketa commented her office had followed up with the City regarding Erin Masters' reappointment and had not yet received a response. Jim Sexton commented he would provide an update.

VI. **Consent Agenda**

A. Payment ratification

- i. Warrants #48, #49, #50, #51, #52, #53, #54, #55 and #56

B. New invoices for payment approval

- i. None

C. Fund Activity report for period July 30, 2019 through October 28, 2019

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

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

A. Salem Trust Company, Mindy Johnson, Board Custodian

- i. Siera Feketa commented Mindy Johnson would not be in attendance. Pedro Herrera commented they were going to update the board on the acquisition.
- ii. Pedro Herrera gave a brief overview of the acquisition commenting there should be little to no disruptions. Pedro commented if the board had any questions, they could send them to his office.

B. LMCg Investments, Gordon Johnson/Tom Capbianco, Investment Managers

- i. Quarterly report as of September 30, 2019
 - i. Tom Capbianco introduced himself and Gordon Johnson.
 - ii. Tom Capbianco gave a brief overview of the firm, commenting their CEO would be retiring this year and his duties would be spread amongst senior level management.
 - iii. Gordon Johnson reviewed their investment approach.
 - iv. Gordon Johnson reviewed the current market environment chart in the presentation. Gordon commented it was a simple representation of growth versus value. Gordon Johnson commented we were heading into a global synchronized slow down.
 - v. Gordon Johnson briefly reviewed the American economy commenting it was "cooling," but not in comparison to the rest of the world.
 - vi. Gordon Johnson reviewed the global market environment and foreign markets, commenting the foreign markets that were not doing well would be bad for the global economy.
 - vii. Gordon Johnson reviewed the impacts on emerging markets.
 - viii. Gordon Johnson reviewed the emerging markets sector and country weights.

- ix. Gordon Johnson reviewed the performance of the fund, commenting the returns were net of fees.
- x. As of September 30, 2019, the quarterly net return of the plan was -5.2%, underperforming the core benchmark of -4.3%. The 1- and 3-year trailing returns were -7.2% and 3.3% respectively compared to the core benchmarks of -2.0% and 6.0% for the same respective periods.
- xi. Bill Cottle asked how the emerging market clients of LMCG had responded. Gordon Johnson commented they were concerned but were hanging in there. Gordon commented they understood the value was not doing well, but in the long run it has emphasized growth. Gordon commented it was an anomalous period, but they thought things would turn around.
- xii. Bill Cottle asked if their emerging markets clientele was stable. Gordon Johnson commented they had seen some leave, but it had been fairly stable. Gordon added they have also had clients add to the emerging markets.
- xiii. Steve Cottle asked Gordon Johnson to tell the board about the small cap transition. Gordon Johnson commented this was not really a transition but was an all cap strategy. Gordon commented the goal was to be in the 10-15% range in small cap stocks.
- xiv. Mark Eisner commented he did not have any questions and thought they should wait and see how it played out as they have only had them for four years.

C. Proposed ordinance

- i. Mark Eisner commented Drew Ballard might want to get with Jim Sexton regarding the questions they had on the proposed ordinance. Mark Eisner, Drew Ballard, and Jim Sexton discussed the intent of the ordinance and clarified the proposed ordinance.
- ii. Drew Ballard and Jim Sexton discussed changing the language in the proposed ordinance to reflect separation date rather than date of withdrawal. Jim Sexton commented the first reading would be Wednesday night, but the ordinance could be revised between readings.
- iii. Jim Sexton requested Pedro Herrera send him the necessary language and he would have it revised between readings.
- iv. Drew Ballard commented they would prepare an impact statement.

D. Wellington Management, Leigh Crosby, Investment Manager

- i. Quarterly Report as of September 30, 2019
 - i. Leigh Crosby gave a brief overview of the items she was going to go over.
 - ii. Leigh Crosby gave a brief overview of the firm, commenting they had \$1,102 billion in client assets under management.
 - iii. Leigh Crosby reviewed the professional model of the firm and the status commenting there had not been any major changes.
 - iv. Leigh Crosby reviewed the international quality growth key features. Leigh commented they were trying to be very different from the benchmark.
 - v. Mark Eisner asked how many people they had outside the United States. Leigh Crosby reviewed their international offices.
 - vi. Leigh Crosby reviewed the investment team, their locations and which areas they covered. Leigh commented John Boselli was ultimately who decided what went into the portfolio.
 - vii. Leigh Crosby reviewed the international quality growth investment philosophy and the five enduring attributes.
 - viii. Bill Cottle asked what their recent turnover had been. Leigh Crosby commented it was usually around 50-60%, but she would have to get back to him on the current turnover.

- ix. Leigh Crosby reviewed the predictive power of quality, growth, valuation and capital return.
- x. Mark Eisner asked Leigh Crosby about their opinion on the global slowdown. Leigh commented there was some validity to the discussions had during LMCG's presentation and they were expecting a lot of volatility going into next year. Leigh reviewed the different political actions that could impact the market.
- xi. Leigh Crosby commented through October they were outperforming on a year-to-date basis.
- xii. Steve Cottle asked Leigh Crosby to tell the board about capacity. Leigh Crosby commented they used three strategies. Leigh gave a brief overview of those strategies commenting they were seeing more flows going to global quality growth.
- xiii. Steve Cottle asked what the expectations were for potentially adding to their team. Leigh Crosby commented they were comfortable with the current team and briefly reviewed the resources they had available. Leigh commented from a resource perspective, John Boselli was comfortable.
- xiv. Mark Eisner commented he had no questions and the numbers were great.

E. Cyber Security

- i. Gregg Gurdak asked Drew Ballard about the cyber security for Foster & Foster. Drew commented the current plan was to increase the cyber security coverage to \$5 million. Gregg asked if they had ransom insurance. Pedro Herrera commented the cyber security insurance covered that.

F. FPPTA and NCPERS board membership renewals

- i. Siera Feketa reminded the board Erin Masters needed to leave early and there were items that needed to be voted on further on the agenda. Siera reviewed the remaining items to be voted on, such as the FPPTA and NCPERS board membership renewals.

The board approved the renewal of FPPTA and NCPERS board memberships for 2020, upon motion by Gregg Gurdak and second by Erin Masters; motion carried 3-0.

- G. Mark Eisner asked about the CPPT certification renewals. Siera Feketa commented she would see if it was open and have all certifications renewed if it was.

- H. Siera Feketa briefly reviewed the City needing the draft audit and valuation report.

The board approved the release of the draft audit and valuation report to the City, upon motion by Gregg Gurdak and second by Erin Masters; motion carried 3-0.

I. Milliman, Steve Cottle/Bill Cottle, Investment Consultant

- i. Quarterly Report as of September 30, 2019
 - i. Steve Cottle commented LMCG was on watch, but they would continue to watch them before making changes to the portfolio.
 - ii. The total fund market value of assets as of September 30, 2019, was \$185,019,348.
 - iii. Steve Cottle commented they were currently ok with the asset allocation.
 - iv. Steve Cottle gave a brief overview of the market during the quarter.
 - v. The total fund gross returns for the quarter ending September 30, 2019, was -0.3%, underperforming the benchmark of 0.7%. The 1, 3, and 5-year trailing returns were 5.2%, 8.4%, and 6.2%

respectively, compared with the benchmarks of 5.0%, 7.4% and 6.4% for the same respective periods.

- vi. Steve Cottle commented many of the negative returns for the quarter were caused by the large cap growth equity managers.
- vii. Steve Cottle reviewed the trailing returns and the percentiles commenting for the 7-year period, they were right at the benchmark and for the 10-year period they were just above the benchmark.
- viii. Steve Cottle reviewed the investments of Baillie Gifford and reviewed their strategy and commented they acted just as expected and their portfolio had bounced back, but the underlying holdings of the strategy were going to be subject to price volatility. Steve commented these managers needed a 5-year runway before making changes.

ii. Opportunistic fixed income search update

- i. Steve Cottle commented this was done to give Dodge & Cox a complimentary manager, a broader strategy.
- ii. Steve Cottle commented they had identified 8 managers. Steve gave a brief overview of these managers commenting Wellington was a strategy they were familiar with and had clients with for about 5 years.
- iii. Steve Cottle commented it was their recommendation to interview at least two of the potential candidates reflected in the report.
- iv. Pedro Herrera asked about the pros of TSW. Steve Cottle commented they had a large allocation to mortgages and had reduced their duration. Steve commented in a rapid rising interest-rate market, they would outperform.
- v. The board discussed their options and asked to have Wellington present at the next quarterly meeting.

J. Updated Investment Policy Statement (IPS)

- i. Steve Cottle reviewed the changes to the IPS commenting they made very minor changes. Steve added there was just language changed to move cash and sweep into the ETF account.

K. Steve Cottle commented he had a preliminary flash report through October 31, 2019, and the fund had a total fund return of 9.4%.

The board approved the Investment Policy Statement effective November 4, 2019, upon motion by Gregg Gurdak and second by Erin Masters; motion carried 3-0.

L. Sugarman & Susskind, Pedro Herrera, Board Attorney

- i. Discussion of benefit election policy
 - i. Pedro Herrera commented he would get the policy to them for review and adoption at the next meeting. Pedro reviewed the purpose of having a benefit election policy.
 - ii. Pedro Herrera reviewed the financial disclosure requirements for the board as it was gift-giving season.
 - iii. Mark Eisner asked about drafting a policy regarding members who do not request a distribution of their funds. Siera Feketa and Pedro Herrera reviewed the situation with Elaina Golsen. Pedro commented the easiest way to get the funds distributed was to try to contact a family member. Mark commented he would reach out to the member.

VIII. **Old Business** – None

IX. **Staff Reports**

A. Foster & Foster, Siera Feketa, Plan Administrator

- i. Renewal of FPPTA Board Membership
 - i. This was approved earlier in the meeting.
- ii. Renewal of NCPERS Board Membership
 - i. This was approved earlier in the meeting.
- iii. Update on State monies and deposit
 - i. Siera Feketa commented the total distribution of \$983,698.11 was deposited on August 27, 2019. Siera commented the total distribution was an increase of over \$45,000 from the prior year's distribution.
 - ii. Pedro Herrera commented there would be no supplemental distribution.
- iv. Authorization to release draft audit and valuation report.
 - i. This was approved earlier in the meeting.
- v. Educational Opportunities
 - i. Siera Feketa reviewed the NCPERS Legislative Conference, January 26-28, 2020, in Washington, DC.
 - ii. Siera Feketa reviewed the FPPTA Winter Trustee School from January 26-29, 2020, in Orlando, Florida.
- vi. Mark Eisner requested Ferrell Jenne get with their IT to price new tablets for the board with bigger screens. Siera Feketa commented she would get with Ferrell on this.

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

XI. **Adjournment** - The meeting adjourned at 10:08am

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

Respectfully Submitted By:

Siera Feketa
Siera Feketa, Plan Administrator

Approved By:

Mark Eisner
Mark Eisner, Chairman

Date Approved by the Pension Board:

FEBRUARY 4, 2020