

**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
Tuesday, November 3, 2020, 8:30am**

TRUSTEES PRESENT: Mark Eisner
Gregg Gurdak
Erin Masters
Michael Rowley

TRUSTEES ABSENT: None

OTHERS PRESENT: Pedro Herrera, Sugarman & Susskind (via Zoom)
Bill Cottle, Milliman (via Zoom)
Steven Cottle, Milliman (via Zoom)
Stephanie Saccaro, Block & Leviton LLP (via Zoom)
Jeff Block, Block & Leviton LLP (via Zoom)
Jason Leviton, Block & Leviton LLP (via Zoom)
Zander Grant, Wellington Management (via Zoom)
Kathryn Steiner, Wellington Management (via Zoom)
Nick Wood, Baillie Gifford (via Zoom)
Marisa Woodrum, Goldman Sachs (via Zoom)
Michael Husson, Goldman Sachs (via Zoom)
Katherine Bordlemay, Goldman Sachs (via Zoom)
Chuck Bryant, Kennedy Capital (via Zoom)
Chris McDonald, Kennedy Capital (via Zoom)
Jim Sexton, HR Director
Marcella Bouchard, Bichler & Longo (via Zoom)
Aaron Paro, Disability Claimant
Drew Ballard, Foster & Foster (via Zoom)
Ferrell Jenne, Foster & Foster (via Zoom)
Members of the Public

- I. **Call to Order/Roll Call/Determination of a Quorum** – Mark Eisner called the meeting to order at 8:37am.
- II. **Public Comment** – None.
- III. **Chairman's Comments** – None.
- IV. **Approval of Minutes**

The minutes from the August 4, 2020, quarterly meeting were approved, upon motion by Gregg Gurdak and second by Michael Rowley; motion carried 4-0.

- V. **Reports (Attorney/Consultants)**
 - A. Block & Leviton LLP, Stephanie Saccaro/Jeff Block/Jason Leviton, Securities Litigation
 - i. Stephanie Saccaro commented they are a boutique law firm focused on securities litigation. Stephanie stated they are a small firm by design.
 - ii. Jeff Block reviewed the firm's focus. Jason Leviton reviewed historical cases.
 - iii. Jeff Block reviewed the role and expectations of the Board if they move forward with a case.

The Board voted to hire Block & Leviton LLP, upon motion by Gregg Gurdak and second by Michael Rowley; motion carried 4-0.

- B. Wellington Management, Zander Grant/Kathryn Steiner, Investment Manager
 - i. Quarterly Report as of September 30, 2020
 - i. Zander Grant gave a firm update and stated a new CEO will take office on July 1, 2021.
 - ii. Kathryn Steiner reviewed the firm's investment philosophy. Kathryn stated downside mitigation is just as important as upmarket capture.
 - iii. Kathryn Steiner commented they have generated approximately a 2% outperformance year to date. Kathryn reviewed their regional weights and commented their biggest overweight was to China.
 - iv. Kathryn Steiner commented they anticipate global markets to continue to post positive returns.

- C. Baillie Gifford, Nick Wood, Investment Manager
 - i. Quarterly report as of September 30, 2020
 - i. Nick Wood gave an update and stated they have maintained a long-term focus. Nick reviewed their portfolio holdings and commented they have looked at how resilient each holding is due to the pandemic.
 - ii. Nick Wood reviewed their notable transactions and how they invest in private companies.
 - iii. Nick Wood reviewed their exposure to future trends and historical performance. Nick commented Tesla was the biggest contributor and had the largest position in the portfolio. Nick stated they have slowly started reducing the allocation to Tesla.

- D. Goldman Sachs, Marisa Woodrum/Michael Husson, Investment Manager
 - i. Quarterly report as of September 30, 2020
 - i. Katherine Bordlemay commented there have been no changes to the team. Katherine commented their goal remains to be generating substantial magnitude of alpha with consistency through the cycle.
 - ii. Katherine Bordlemay reviewed their historical performance and commented they are in the top quartile in the Morningstar rank.
 - iii. Katherine Bordlemay reviewed their attribution by country and regional positions.

- E. Kennedy Capital, Chuck Bryant/Chris McDonald, Investment Manager
 - i. Quarterly report as of September 30, 2020
 - i. Steven Cottle stated they were moving from a small cap core strategy to a broader capitalization strategy. Steven commented they were categorizing this as a SMID cap strategy. Steven reviewed reasons why they recommended the strategy change.
 - ii. Chuck Bryant reviewed the SMID core fund and commented they believe the SMID cap space is very appealing. Chuck commented the plan will also save on management fees. The plan is currently paying 85 BPS and the SMID cap strategy has management fees of 70 BPS for the next three calendar years and then 75 BPS thereafter.
 - iii. Chris McDonald commented he was the portfolio manager and reviewed the investment process.
 - iv. Chris McDonald reviewed their portfolio characteristics and sector weightings. Chris commented the portfolio tended to outperform in both up and down markets.
 - v. Chris McDonald reviewed their annualized returns and their sell discipline.

The Board approved moving from the Kennedy Capital Small Cap Core CIT to the Kennedy Capital SMID Cap ESG strategy in a separately managed account upon the recommendation of Milliman, upon motion by Michael Rowley and second by Gregg Gurdak; motion carried 4-0.

- vi. Chuck Bryant commented since the plan is just changing strategies, they might be able to just do an addendum to the current contract.
- vii. Steven Cottle commented he does not want Kennedy Capital to rush into making the strategy change, due to the pending election and upcoming holidays which will impact the market. Steven commented he would like to target a change date of the first or second week of December or the start of 2021.

Note: Erin Masters left at 9:55AM.

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

- i. Quarterly report as of September 30, 2020
 - i. Steven Cottle gave an overview of the market environment during the quarter. Steven commented it was a strong quarter with growth stocks outperforming value stocks.
 - ii. Steven Cottle reviewed the watch list and commented LMCG was added to the watch list on 8/5/19. Steven commented LMCG discontinued the strategy during the third quarter of 2020 due to poor performance and personnel departures. Steven commented the assets were reinvested into the other emerging market providers.
 - iii. Steven Cottle commented the Market Value of Assets (MVA) as of September 30, 2020, was \$201,047,747 and the plan was able to post positive returns for the quarter.
 - iv. The total fund gross returns as of September 30, 2020, were 7.1%, outperforming the benchmark of 5.5%. The 1, 3, and 5-year trailing total fund gross returns were 14.2%, 9.2% and 9.6% respectively, compared with the benchmarks of 6.5%, 6.0% and 8.0% for the same respective periods. The FYTD total fund gross returns were 14.2%, outperforming the benchmark of 6.5%.
 - v. Steven Cottle reviewed the current asset allocations. Steven commented there was an overweight to large cap due to how well Baillie Gifford had performed. Steven reminded the Board they were still in the process of building out the private equity allocation. Steven commented they used some of the State and City contribution to add to the fixed income portfolio, as it was under weight as of 9/30/20.
 - vi. Steven Cottle reviewed the performance of each manager and reviewed the changes that the plan made to the asset allocations.
 - vii. Steven Cottle reviewed the market outlook, commenting he believed there was going to be a lot of volatility short-term. Steven commented the portfolio was set-up to benefit from volatility.

G. Sugarman & Susskind, Pedro Herrera, Board Attorney

- i. Update on Charles Connally/Robert Mays overpayments
 - i. Pedro Herrera gave an update on Robert Mays and Charles Connally. Pedro commented the estate of Robert Mays had not yet been opened, and Charles Connally requested a repayment plan.
- ii. Update on Plan Restatement

- i. Pedro Herrera stated Jim Sexton requested a strikethrough version of the Plan Restatement, and Pedro commented he will check with his office to be sure it was sent. Pedro commented the Collective Bargaining Agreements will not expire until 9/30/2021, so the Plan Restatement should not be held up.
 - iii. Update on Gerald Skinner's disability offset
 - i. Pedro Herrera stated he reviewed the impairment benefit that Gerald Skinner was receiving. Pedro commented he did not believe there should be an offset for this. Pedro commented once the Workers' Compensation settlement was finalized, the documents should be reviewed to ensure this does not prompt an offset.
 - iv. Pedro Hererra commented the Governor did not extend his Order that allowed pension boards to meet virtually. Pedro commented this will require a physical quorum be present for all meetings. Pedro commented vendors and professional consultants can continue to attend virtually if the Board wishes to meet in a hybrid fashion to reduce the number of people in the meeting room.

VI. **New Business**

A. Initial disability hearing, Aaron Paro

- i. Pedro Herrera reminded the Board this was an informal disability hearing. Pedro commented the Board had to determine whether the disability was in the line of duty (ILOD) or not and if the disability was total and permanent.
 - ii. Marcella Bouchard introduced herself and commented she was representing Aaron Paro. Marcella commented Mr. Paro was seeking a disability benefit due to hypertension. Marcella reviewed Mr. Paro's employment history and the state law regarding hypertension in first responders.
 - iii. Marcella Bouchard reviewed the Workers' Compensation diagnosis and commented his medical records supported the diagnosis. Marcella commented Mr. Paro had a clean pre-employment physical.
 - iv. Marcella Bouchard commented the records showed that Mr. Paro cannot perform all the duties of a police officer. Marcella commented it was permanent, as the treating physicians stated Mr. Paro had reached Maximum Medical Improvement (MMI).
 - v. Marcella Bouchard briefly reviewed the Independent Medical Examination (IME) and the statement that a beta-blocker may help with Mr. Paro's hypertension.
 - vi. Pedro Herrera asked Marcella Bouchard about her statement that the records showed Mr. Paro cannot perform the duties of a police officer. Marcella commented the IME stated Mr. Paro could continue working in an office setting and may benefit from a beta blocker. Marcella reviewed the records that indicated Mr. Paro had grade 1 hypertension.
 - vii. The Board discussed the contributing factors to Mr. Paro's hypertension and the fact that the IME stated he was not permanently disabled at this time.

The Board denied the ILOD disability application for Aaron Paro, upon motion by Michael Rowley and second by Gregg Gurdak; motion carried 3-0.

- viii. Pedro Herrera commented since the application was denied, the member can appeal the decision. Pedro commented if an appeal were made, the Board would need to engage special counsel. Pedro stated depositions can be given at a formal hearing.
 - ix. Pedro Herrera confirmed an appeal must be made within 90 days of the Order.

B. Proposed 2021 meeting dates

- i. By consensus, the Board approved the proposed 2021 meeting dates as presented.

C. Discussion of cost study/proposed Ordinance

- i. Pedro Herrera explained the City drafted a proposed Ordinance that reduced member contributions once a member reached their maximum benefit. Mark Eisner commented the Police Benevolent Association (PBA) did not pass the Memorandum of Understanding. Jim Sexton commented they hired an attorney to help redraft the language so it would align with Chapter 175/185 requirements.

VII. **Consent Agenda**

- A. Payment ratification
- B. Warrants #73, #74, #75, #76, #77 and #78
- C. New invoices for payment approval
 - i. None
- D. Fund Activity report for period July 29, 2020 – October 27, 2020

The Board approved the consent agenda as presented, upon motion by Gregg Gurdak and second by Michael Rowley; motion carried 3-0.

VIII. **Staff Reports**

- A. Foster & Foster, Ferrell Jenne, Plan Administrator
 - i. Update on Foster & Foster's cyber liability coverage
 - i. Ferrell Jenne commented Foster & Foster increased their cyber liability coverage from \$1 million to \$2 million.
 - ii. Renewal of 2021 Board memberships
 - i. Ferrell Jenne reviewed the 2021 Board membership fees for IFEBP, NCPERS, and FPPTA.

The board voted to renew the 2021 board memberships for IFEBP, NCPERS, and FPPTA, upon motion by Michael Rowley and second by Gregg Gurdak, motion carried 3-0.

- iii. Update on State Monies deposit
 - i. Ferrell Jenne reviewed the State Monies distribution amount and commented the plan received approximately \$75,000 more than the prior year.
- iv. Ferrell Jenne commented the actuary was working on the 12/1/20 cost-of-living adjustments (COLAs) and identified an overpayment to Dale Morley. Drew Ballard explained that when the member retired, the first benefit check included a one-time retro check which was not subsequently removed. Drew commented the 12/1/20 benefit needed to be adjusted to reflect the correct benefit amount and the Board needed to address the overpayment.
- v. Pedro Herrera commented the member should be given the opportunity to attend the next quarterly meeting regarding the overpayment. Drew Ballard confirmed they will show the member a schedule of how the overpayment was determined.
- vi. The Board discussed historical pension records and auditing the paperwork. Drew Ballard suggested the paperwork on the COLA retirees be audited each month. Drew explained the analyst could audit the files from the prior administrator when calculating the monthly COLAs, and the billing would be based off their hourly rates. By consensus, the Board requested the actuary to audit the member files each month when preparing the COLAs.

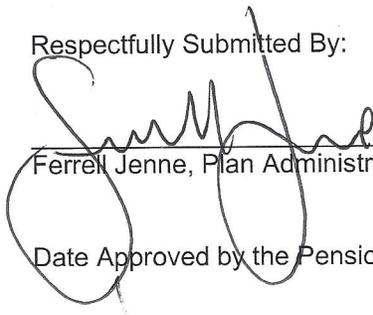
IX. **Trustee Reports, Discussion, and Action** – None

X. **Adjournment** - The meeting adjourned at 11:40am.

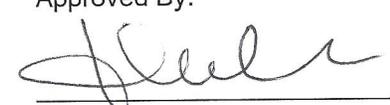
XI. **Next Meeting** – Quarterly Meeting, February 2, 2021, at 8:30am

Respectfully Submitted By:

Approved By:



Ferrell Jenne, Plan Administrator



Chairman

Date Approved by the Pension Board:

FEBRUARY 2, 2021