

**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, February 2, 2021, 8:30AM**

TRUSTEES PRESENT: Jay Maher
Gregg Gurdak
Erin Masters
Michael Rowley

TRUSTEES ABSENT: None

OTHERS PRESENT: Pedro Herrera, Sugarman & Susskind (via phone)
Bill Cottle, Milliman (via phone)
Steven Cottle, Milliman (via phone)
Steven Keeler, Lazard (via phone)
Ed Keating, Lazard (via phone)
Jay Rosenberg, Nuveen (via phone)
Jim Clark, Nuveen (via phone)
Kitty Martin, Nuveen (via phone)
Lisa George, Nuveen (via phone)
Gary Gustovich, Dimensional Fund Advisors (via phone)
Chetan Panda, Dimensional Fund Advisors (via phone)
Trey Smith, Blackrock (via phone)
Michael Ott, Blackrock (via phone)
Juan Castano, Blackrock (via phone)
Alistair Hutchings, BlackRock (via phone)
Drew Ballard, Foster & foster
Ferrell Jenne, Foster & Foster
Mike Scudiero, PBA Executive Director
Mark Eisner, Plan Retiree

- I. **Call to Order/Roll Call/Determination of a Quorum** – Ferrell Jenne called the meeting to order at 8:33AM.
- II. **Public Comment**
 - A. Mike Scudiero requested the Board to approve the PBA to pay for a study to put officers back in a 20-year retirement versus the current 25 years and out. Mike commented he will check with the IAFF to see if they were interested in having the study done as well.

The Board approved Foster & Foster to do a study for the PBA and IAFF with all costs covered by the Unions, upon motion by Gregg Gurdak and second by Erin Masters; motion carried 4-0.

- B. The Board presented Mark Eisner with a gift from the City and the pension board. All professional consultants and trustees thanked Mark for his many years of service as a board trustee.

III. **Approval of Minutes**

The November 3, 2020, quarterly meeting minutes were approved, upon motion by Gregg Gurdak and second by Jay Maher; motion carried 4-0.

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

- A. Lazard, Steven Keeler/Ed Keating, Investment Manager

- i. Quarterly report as of December 31, 2020
 - i. Steve Keeler introduced himself and reviewed his experience. Steve thanked the Board for their many years of commitment to the fund. Steve commented they currently had approximately \$202 billion in assets under management.
 - ii. Ed Keating confirmed there had been no changes to their investment team and reviewed the infrastructure universe by region.
 - iii. Ed Keating reviewed their portfolio construction and their top 10 holdings.
 - iv. Ed Keating reviewed their returns. Ed commented for the 12/31/20 quarter they had a 4.59% net return and were down -5.41% on a one-year net return basis.
 - v. Ed Keating commented they recently purchased CK Infrastructure and sold Fraport. Ed commented as of 12/31/20, they had 25 stocks in the portfolio.
 - vi. Ed Keating briefly reviewed their outlook due to COVID-19. Ed commented they had become more risk adverse.

- B. Nuveen (REIT), Jay Rosenberg/Jim Clark/Kitty Martin/Lisa George, Investment Manager
 - i. Quarterly report as of December 31, 2020
 - i. Lisa George introduced herself and briefly reviewed the firm's experience.
 - ii. Jay Rosenberg reviewed the investment team and confirmed there had been no changes.
 - iii. Jay Rosenberg reviewed the portfolio. For the 12/31/20 quarter the portfolio returned 8.11%, underperforming the benchmark of 11.52%. The beginning MVA was \$6,105,399, and the ending balance was \$6,600,818 as of 12/31/20.
 - iv. Jay Rosenberg reviewed the portfolio characteristics and the sector diversification. Jay commented they had 94 holdings as of 12/31/20.
 - v. Jay Rosenberg commented the portfolio was tilted towards growth and reviewed their interest rate outlook.

- C. Dimensional Fund Advisors, Gary Gustovich/Chetan Panda, Investment Manager
 - i. Quarterly Report as of December 31, 2020
 - i. Gary Gustovich gave a firm update. Gary commented they had approximately \$601 billion in assets under management and had been in business for almost 40 years. Gary informed the Board their management fees would reduce from 23BPS to 19BPS.
 - ii. Chetan Panda reviewed how they designed and managed portfolios. Chetan reviewed historical valuations and commented they thought the spread between growth and value would decrease, which would impact the portfolio.
 - iii. Chetan Panda reviewed their performance. As of 12/31/20 the net return was -0.61%. Chetan reviewed the contributors and detractors. Chetan reviewed their 10-year rolling performance and commented they had outperformed 96% of the time.
 - iv. The Board discussed GameStop, and Chetan Panda commented he did not foresee this changing their investment philosophy.

- D. Blackrock, Trey Smith/Michael Ott/Juan Castano/Alistair Hutchings, Investment Manager
 - i. Quarterly Report as of December 31, 2020
 - i. Trey Smith thanked the Board for their partnership and explained they would be reviewing the Global Renewal Power Fund and the iShares portfolio.

- ii. Michael Ott reviewed the Global Renewal Power (GRP) Fund I. Michael commented the vintage year was 2012 and the fund had a 6.4% gross cash yield.
- iii. Alistair Hutchings gave an update on GRP Fund II. Alistair commented they had production at 97% and had strong distributions to investors, achieving a net cash yield of 8.2% for 2020.
- iv. Michael Ott gave a construction update for GRP Fund II and reviewed recent investments.
- v. Juan Castano gave an update on the iShares portfolio and commented this was a passive strategy. Juan commented the goal was to provide the plan with cashflow with reduced transaction costs.
- vi. Juan Castano commented YTD the fund returned 12.19% and 13.99% since inception.

Note: Erin Masters left at 10:00AM.

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

- i. Quarterly report as of December 31, 2020
 - i. Steven Cottle gave a brief market overview. Steven commented value returns were comparable with growth, which was the first time this happened in years.
 - ii. The MVA as of 12/31/20 was \$229,663,007.
 - iii. Steven Cottle reviewed the asset allocation versus the targets. Steven commented everything was in line with the IPS except the Small/Mid Cap Equity and Small Cap asset classes, which would be addressed later in the meeting.
 - iv. The total fund gross returns as of 12/31/20 were 11.6%, slightly outperforming the benchmark of 11.1%. The 1, 3, and 5-year trailing total fund gross returns were 20.0%, 12.1% and 11.5% respectively, compared with the benchmarks of 12.2%, 8.6% and 9.7% for the same respective periods.
 - v. Steven Cottle reviewed the performance of each manager. Steven commented Baillie Gifford and GSAM were the biggest contributors. Steven commented DFA was relatively new to the portfolio and the plan needed to give them time to increase their returns.
 - vi. Steven Cottle reviewed the total fund risk/reward and confirmed the plan's risk was in line with the benchmark.
- ii. Sawgrass memo
 - i. Steven Cottle reviewed Sawgrass and the recent personnel changes. Steven commented Chris Grecco, Anthony Brooks, and Chris Herb left the firm. Steven commented Marty LaPrade would also start to phase out and would be completely retired within five years. Steven commented given the personnel departures and the underperformance, he recommended to do a full redemption with Sawgrass. Steven reviewed the strategic asset allocation targets. Steven recommended moving \$9 million to DFA and \$3.7 million to the BlackRock Liquid Public Policy portfolio. The Board discussed Sawgrass and the timing of the termination.

The Board voted to terminate Sawgrass and moved \$9,000,000 to DFA and \$3,700,000 to the BlackRock Liquid Public Policy portfolio based upon the recommendation of Milliman, upon motion by Jay Maher and second by Michael Rowley; motion carried 3-0.

- iii. Update on asset allocation implementation

- i. Steven Cottle commented they would liquidate Sawgrass and move the proceeds to DFA in cash.
- ii. Steven Cottle reviewed the asset allocation implementation memo dated January 14, 2021. Steven reviewed their recommended policy target and total fund benchmark changes.
- iii. Steven Cottle recommended terminating Lazard.

The Board voted to terminate the Lazard infrastructure portfolio as recommended by Milliman, upon motion by Michael Rowley and second by Gregg Gurdak; motion carried 3-0.

- iv. Updated Investment Policy Statement (IPS)
 - i. Steven Cottle reviewed the updated IPS and commented it mirrored the asset allocation implementation memo.

The Board approved the updated IPS as presented, upon motion by Jay Maher and second by Gregg Gurdak; motion carried 3-0.

- F. Foster & Foster, Drew Ballard, Board Actuary
 - i. October 1, 2020 actuarial valuation report
 - i. Drew Ballard reminded the Board the contributions set forth in the 10/1/2020 valuation were applicable to the plan year ending 9/30/2022.
 - ii. The City's required contribution increased from \$8,661,430 for FYE 9/30/2021 to \$9,151,803 for FYE 9/30/2022.
 - iii. Plan experience was unfavorable overall on the basis of the plan's actuarial assumptions. Sources of actuarial loss included an average salary increase of 7.86% which exceeded the 4.91% assumption, inactive mortality experience, and unfavorable retirement experience. These losses were offset in part by a gain associated with an investment return of 7.86% (Actuarial Asset Basis) which exceeded the 7.50% assumption.
 - iv. Drew Ballard reviewed the assumption changes that were made as a result of the 7/30/2020 experience study.
 - v. Drew Ballard reviewed the UAAL and reviewed the unfunded piece that would drop off in five years.
 - vi. Drew Ballard reviewed the difference between the actuarial value of assets (AVA) and market value of assets (MVA). Drew commented there were deferred investment gains due to the 5-year smoothing technique.

The Board approved the October 1, 2020 actuarial valuation report as presented, upon motion by Gregg Gurdak and second by Jay Maher; motion carried 3-0.

- ii. COLA Fund Reserve Policy – Draft
 - i. Drew Ballard reviewed the COLA fund reserve policy. Drew commented the original COLA was 2.0%, deferred six years. Drew commented subsequently, the COLA was reduced to provide for a blended COLA. Drew reviewed the Ordinance language that set up the COLA reserve fund.
 - ii. Drew Ballard stated in 2014, there was an initial COLA transfer of \$879,889. Drew stated since the 10/1/14 valuation, no additional transfers had occurred, but it had gained interest.
 - iii. Mark Eisner commented there was a Memorandum of Understanding (MOU) stating there would be no future transfers.
 - iv. Drew Ballard commented the intention was to use the COLA reserve account to make up the difference and provide for a 2.0% COLA for those retirees who receive a blended COLA of less than 2.0%.

- v. Drew Ballard recommended to pay the 2.0% COLA instead of the blended COLA using the COLA reserve account. Drew commented they would reconcile the COLA reserve fund every year when they did the annual valuation report. Drew commented there were sufficient funds to pay all eligible retirees a 2.0% COLA for several years.
- vi. Drew Ballard commented he needed Board direction if they wanted the actuary to look back to retirees who had received a blended COLA and make them whole with a one-time catch-up payment. Drew commented there may be 15-20 retirees that would need the catch-up payment.

The Board voted to adopt the COLA fund reserve policy as presented, upon motion by Jay Maher and second by Gregg Gurdak; motion carried 3-0.

- vii. By consensus, the Board agreed to pay all impacted retirees.

G. Sugarman & Susskind, Pedro Herrera, Board Attorney

- i. Order denying disability – Informal hearing of Aaron Paro
 - i. Pedro Herrera commented they drafted an Order to deny the disability application for Aaron Paro. Pedro commented the member would have the opportunity to appeal the decision and petition for a full hearing.

The Board voted to approve the Order for Aaron Paro as presented, upon motion by Jay Maher and second by Gregg Gurdak; motion carried 3-0.

- ii. Pedro Herrera commented the draft Order was sent to the member's attorney. The member's attorney confirmed they would appeal the Board's decision. Pedro reviewed the full hearing process and recommended the Board to engage special counsel from Klausner, Kaufman, Jensen & Levinson (KKJL). Pedro commented the hourly rate would be \$350.

The Board approved hiring KKJL as special counsel for the full hearing of Aaron Paro, upon motion by Jay Maher and second by Gregg Gurdak; motion carried 3-0.

- iii. Update on proposed Ordinance
 - i. Pedro Herrera commented he did not have much of an update on the proposed Ordinance. Pedro commented his understanding was there was a plan amendment being worked on by the City which would be incorporated in the Plan Restatement.
- iv. Discussion of Dale Morley's overpayment
 - i. Pedro Herrera reviewed the overpayment of Dale Morley. Pedro commented they recently received correspondence from the member's attorney and documents were sent to the attorney by the plan administrator. Pedro recommended to grant the continuance in hopes of working with the member's attorney regarding the overpayment. By consensus, the Board agreed to the continuance.
- v. E-Verify Law special report
 - i. Pedro Herrera reviewed the new E-Verify law that would require all plan vendors to use the E-Verify System for employment verification. Pedro commented this requirement was effective 1/1/21. Pedro commented the plan was also required to comply and register with the E-Verify system.

- V. **New Business**
 - A. Update on member election
 - i. Ferrell Jenne confirmed Jay Maher ran unopposed to fill the remaining term of Mark Eisner.
 - B. Election of Officers

The Board elected Jay Maher as Chairman, upon motion by Gregg Gurdak and second by Michael Rowley; motion carried 3-0.

- C. Actual expenses as of September 30, 2020
 - i. Ferrell Jenne reviewed the expenditure types and filing requirement.

The Board approved the September 30, 2020 actual expenses as presented, upon motion by Gregg Gurdak and second by Michael Rowley; motion carried 3-0.

- VI. **Old Business**
 - A. The Board discussed purchasing laptops. Pedro Herrera commented the Board could make a motion to allow Foster & Foster to purchase the laptops and reimburse Foster & Foster for the cost. The Board discussed setting a “not to exceed” cost for each laptop. The Board discussed the liability of using a personal device and the impact of a public records request.

The Board approved the plan administrator to purchase five trustee laptops for a not to exceed fee of \$7,000, upon motion by Jay Maher and second by Gregg Gurdak; motion carried 3-0.

- B. The Board confirmed that five laptops should be purchased, even though the City appointed seat was vacant. The Board discussed the seat vacancy.

- VII. **Consent Agenda**
 - A. Payment ratification
 - i. Warrants #79, #80, #81
 - B. New invoices for payment approval
 - i. None
 - C. Fund Activity report for period October 28, 2020 – January 26, 2021

The consent agenda was approved 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. Authorization to release draft audit
 - i. Ferrell Jenne explained the audit would be done later in the month and was needed by the City for their CAFR. Ferrell stated the Board would need to make a motion to release the draft audit to the City or else it would not be released until after the next quarterly meeting when it had been formally approved by the Board.

The Board authorized the release of the September 30, 2020 draft audit to the City, upon motion by Michael Rowley and second by Jay Maher; motion carried 3-0.

- ii. Educational opportunities
 - i. Ferrell Jenne reviewed the upcoming educational opportunities.

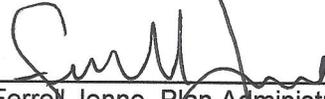
- IX. **Trustee Reports, Discussion, and Action** – None

X. **Adjournment** - The meeting adjourned at 11:30AM.

XI. **Next Meeting** – May 4, 2021, at 8:30AM, Quarterly Meeting

Respectfully Submitted By:

Approved By:



Ferrell Jenne, Plan Administrator



~~Jay Maher, Chairman~~ Mike Rowley

Date Approved by the Pension Board: MAY 4, 2021