

**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, May 4, 2021, 8:30AM**

**TRUSTEES PRESENT:** Michael Rowley  
Erin Masters  
Gregg Gurdak  
William Kuendig

**TRUSTEES ABSENT:** Jay Maher

**OTHERS PRESENT:** Pedro Herrera, Sugarman & Susskind (via phone)  
Bill Cottle, Milliman (via phone)  
Steven Cottle, Milliman (via phone)  
Jeanine Bittinger, Saltmarsh, Cleaveland & Gund  
Richard Cristini, Saltmarsh, Cleaveland & Gund  
Chuck Bryant, Kennedy Capital  
Chris McDonald, Kennedy Capital  
Fraser Thomson, Baillie Gifford (via phone)  
Jim Sexton, HR Director  
Ferrell Jenne, Foster & Foster  
Members of the Public

- I. **Call to Order/Roll Call/Determination of a Quorum** – Ferrell Jenne called the meeting to order at 8:37AM.
  
- II. **Public Comment**
  - A. Jim Sexton introduced himself and explained the City recently adopted an Ordinance that reduced the member contribution rate to 0.50% once a member reached the benefit cap of \$5,500. Jim commented the effective date was 6/1/2021. Jim stated he reached out to Drew Ballard regarding the City shortfall of approximately \$149,000. Jim reviewed the 2018 valuation report that set the FY2019-2020 budget. Jim stated subsequently the City and Union bargained some benefit changes. Jim commented when the City received the actuarial impact statement, the actuary did a re-evaluation of assumptions and made an assumption change without Board approval. Ferrell Jenne commented she spoke with the actuary and he stated the only assumptions that were changed were with Board approval due to the 2020 experience study and a unilateral change that was made for all clients due to the cancer presumption law. Ferrell confirmed she would set up a conference call with the City and actuary to work through the mechanics of how the shortfall was identified. Jim commented he did not feel that the City owed the \$149,000 and stated he looked forward to the call and getting his questions answered.

*Note: Erin Masters arrived at 8:40AM.*

III. **Approval of Minutes**

**The minutes from the February 2, 2021, quarterly meeting were approved, upon motion by Gregg Gurdak and second by Erin Masters; motion carried 4-0.**

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

- A. Saltmarsh, Cleaveland & Gund, Jeanine Bittinger/Richard Cristini, Board Auditor
  - i. September 30, 2020 audit report

- i. Richard Cristini introduced himself and explained they were the plan's independent auditors. Richard commented they had issued a clean unmodified opinion.
- ii. Richard Cristini reviewed the assets and liabilities. The net position restricted for pensions increased from approximately \$184 million to approximately \$204 million. Richard commented the plan had a good year.
- iii. Richard Cristini reviewed the unrealized appreciation, which was \$18,713,727. Richard reviewed the GASB 67 rules and reminded the Board GASB did not allow for smoothing.
- iv. Richard Cristini reviewed the administrative expenses and commented the plan was at 0.32% for investment expenses and 0.15% for administrative expenses. Richard commented the plan should be below 1.0%.
- v. Richard Cristini commented they ran into difficulties due to Salem Trust being acquired by TMI. Richard explained as a result of the acquisition, the accounting platform changed. Richard stated the information was broken out into two statements instead of one cohesive 12-month statement which took more time to audit. Richard reviewed additional money movement that occurred and the tracking that took place on the audit side. Richard commented he reached out to Salem Trust regarding some movement that did end up tying back it was just a timing issue with the bank statements.
- vi. Richard Cristini commented he spent 18 additional hours and their hourly rate was \$250. Richard Cristini commented he was asking the Board for an additional \$1,000 due to the additional work.

**The Board approved the September 30, 2020, audit as presented and the additional \$1,000 audit fee, upon motion by William Kuendig and second by Erin Masters; motion carried 4-0.**

- vii. Richard Cristini reviewed their new agreement for the next 3 years. Richard commented the fee would remain the same for the next audit year and then would increase by \$2,000 each year thereafter. Pedro Herrera commented he had not had the chance to review the agreement.

**The Board approved the audit services agreement as presented contingent upon legal review and approval, upon motion by Gregg Gurdak and second by Erin Masters; motion carried 4-0.**

B. Kennedy Capital, Chuck Bryant/Chris McDonald, Investment Manager

i. Quarterly report as of March 31, 2021

- i. Chuck Bryant introduced himself and explained they were the SMID Cap Core manager, which was a recent shift. Chuck commented they were 100% employee-owned and managed approximately \$5 billion in assets. Chuck commented Chris McDonald was the portfolio manager who was supported by 15 analysts.
- ii. Chris McDonald commented more than half of their employees' compensation was tied to beating the benchmark and peer performance.
- iii. Chris McDonald reviewed the investment process. Chris commented the ESG SMID Cap portfolio was 15% better than the benchmark overall. Chris commented they were able to add value in down and up markets and stated they concentrated on balance.

- iv. Chris McDonald reminded the Board the SMID Cap strategy was first implemented in November of last year.
  - v. Chris McDonald briefly reviewed the growth portfolio and commented this portfolio was supported by the same analysts. Chris reviewed the sector weightings and commented the portfolio had a difficult fourth quarter in 2020 due to some of their exposures. Chris commented as of 4/30/21, the portfolio was up 8.5% and the benchmark was up just over 6%.
  - vi. The Board discussed the current market environment. Chris McDonald commented they could see some impacts in the next few months due to material shortages and commodity inflations.
- C. Baillie Gifford, Fraser Thomson, Investment Manager (via phone)
- i. Quarterly report as of March 31, 2021
    - i. Fraser Thomson gave a brief firm update and stated they were continuing to work remotely but hoped to phase in reopening their office.
    - ii. Fraser Thomson commented they focused on companies with growth potential and their average hold time for stocks was 6 years.
    - iii. Fraser Thomson reviewed the portfolio contributors and detractors and stated they had beaten the benchmark on the 1 year, 3 year, and since inception trailing periods. Fraser commented they had recently reduced their allocation to Tesla, but it was still their largest holding.
- D. Milliman, Steven Cottle/Bill Cottle, Investment Consultant (via phone)
- i. Quarterly report as of March 31, 2021
    - i. Steven Cottle gave an overview of the market environment during the quarter. Steven commented government bonds did poorly during the quarter.
    - ii. Steven Cottle reminded the Board the Lazard Global Listed Infrastructure strategy was liquidated and reviewed the current asset allocations. Steven commented they were within all the policy ranges, so no rebalancing was required.
    - iii. The MVA as of 3/31/21 was \$232,239,930.
    - iv. The total fund gross returns as of 3/31/21 were 3.9%, slightly underperforming the benchmark of 4.3%. The 1, 3, and 5-year trailing total fund gross returns were 42.6%, 13.4% and 12.2% respectively, compared with the benchmarks of 36.0%, 10.4% and 10.2% for the same respective periods.
    - v. Steven Cottle reviewed the performance of each manager and did not recommend any changes.
    - vi. Steven Cottle commented he would continue to work with Salem Trust to ensure there were no issues with the auditor and the statements encompassed all holdings.
- E. Sugarman & Susskind, Pedro Herrera, Board Attorney (via phone)
- i. Update on Aaron Paro, disability applicant
    - i. Pedro Herrera commented he received an email early this morning from KKJL regarding Aaron Paro's full disability hearing. Pedro commented the member's attorney was setting up physician depositions and then the formal hearing would be scheduled.
  - ii. Update on overpayments
    - i. Pedro Herrera gave an update on the overpayments. Pedro commented Dale Morley and his attorney would attend the next meeting. Pedro commented the member's attorney opined they

were comfortable with the pension benefit being reduced prospectively. Pedro commented the repayment schedule would be discussed at the next meeting. The Board requested a repayment proposal be sent to them prior to the meeting. Pedro commented he will reach out to the member's attorney.

- ii. Pedro Herrera reminded the board Robert Mays passed away and the estate had not yet been opened. The Board discussed a timeframe for an estate to be opened. Pedro gave a brief overview of pending civil litigation and the follow-up that had occurred regarding the estate. Pedro commented they would continue to monitor the docket and report back to the Board.

- iii. **Legislative Update**

- i. Pedro Herrera commented SB84 did not pass, which would have closed the FRS defined benefit plan to future general employees. Pedro commented there were no additional bills that would impact pension plans.
- ii. Pedro Herrera reminded the Board to file their financial disclosure forms prior to 7/1/21 to avoid fines.
- iii. Pedro Herrera commented the Governor declared the State of Florida would no longer be operating under a State of Emergency after 6/22/21.

- V. **New Business**

- A. Update on City appointed trustee

- i. Ferrell Jenne informed the Board the City Commission appointed William Kuendig to the vacant City appointed trustee seat. The trustees welcomed William to the Board. William commented he was a retired actuary and stated he looked forward to serving on the Board. The trustees introduced themselves.

- VI. **Old Business** – None.

- VII. **Consent Agenda**

- A. Payment ratification

- i. Warrants #82, #83, #84

- B. New invoices for payment approval

- i. None

- C. Fund Activity report for period January 27, 2021 – April 27, 2021

**The consent agenda was approved as presented, upon motion by Gregg Gurdak and second by Erin Masters; motion carried 4-0.**

- VIII. **Staff Reports**

- A. Foster & Foster, Ferrell Jenne, Plan Administrator

- i. Update on State Annual Report

- i. Ferrell Jenne stated the Annual Report had been filed with the State. Ferrell commented they would upload the approved audit report that was presented today and would then need the shortfall deposit date from the City.

- ii. Financial disclosure forms

- i. Ferrell Jenne reminded the Board the financial disclosure forms were due by 7/1/21. Ferrell recommended the trustees to file their form in-person or by certified mail so they had proof the filing was done.

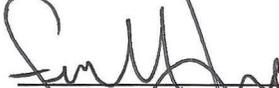
iii. Educational opportunities

- i. Ferrell Jenne reviewed the upcoming educational opportunities.

- IX. **Trustee Reports, Discussion, and Action** – None
- X. **Adjournment** - The meeting adjourned at 10:58AM.
- XI. **Next Meeting** – August 3, 2021, at 8:30AM, Quarterly Meeting

Respectfully Submitted By:

Approved By:

  
\_\_\_\_\_  
Ferrell Jenne, Plan Administrator

  
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Jay Maher, Chairman

Date Approved by the Pension Board: AUGUST 3, 2021