

**CITY OF DAYTONA BEACH POLICE AND FIRE PENSION FUND
PENSION BOARD OF TRUSTEES QUARTERLY MEETING**

Commission Chambers

301 S. Ridgewood Ave, Daytona Beach, FL 32115

Tuesday, November 2, 2021, 8:30AM

TRUSTEES PRESENT: Jay Maher
Gregg Gurdak
William Kuendig
Erin Masters

TRUSTEES ABSENT: Michael Rowley

OTHERS PRESENT: Pedro Herrera, Sugarman & Susskind (via phone)
Bill Cottle, Milliman (via phone)
Steven Cottle, Milliman (via phone)
Clifford Taylor, Attorney of Dale Morley (via phone)
Stephanie Notowich, Dodge & Cox (via phone)
Ryan Carrington, Sky Harbor
Matthew Buxton, Loomis Sayles (via phone)
Roger Ackerman, Loomis Sayles (via phone)
Zander Grant, Wellington Management (via phone)
Ryan Lewis, Wellington Management (via phone)
John Cook, Attorney of Dale Morley
Drew Ballard, Foster & Foster
Ferrell Jenne, Foster & Foster
Dale Morley, Plan Retiree (via phone)
Members of the Public

- I. **Call to Order/Roll Call/Determination of a Quorum** – Ferrell Jenne called the meeting to order at 8:42AM.
- II. **Public Comment** – None.
- III. **Approval of Minutes**

The minutes from the August 3, 2021, quarterly meeting were approved as presented, upon motion by Gregg Gurdak and second by William Kuendig; motion carried 4-0.

- IV. **New Business**
 - A. Proposed 2022 meeting dates
 - i. Ferrell Jenne commented she followed the same schedule as last year and had confirmed the dates were good with the board attorney and investment consultant. By consensus, the Board approved the 2022 meeting dates.
 - B. Upcoming trustee term expirations
 - i. Jay Maher confirmed he would like to run for another term. Ferrell Jenne stated she would send an email to Michael Rowley to determine if he also wanted to run for another term. Ferrell confirmed they would send out a term expiration notice to the membership and would hold an election in the future, if needed.
 - ii. The Board discussed how to facilitate staggered terms. Pedro Herrera commented they could amend the Ordinance so one or two trustees held a shorter term initially and therefore made staggered terms. Pedro confirmed he was already working on an Ordinance amendment due to negotiations being finalized so he would also include this additional language change.

- C. Allowance for Temporary Relief Benefit, Carlos Cruz
 - i. Ferrell Jenne read the Temporary Relief Benefit language from the Ordinance and the email from Jim Sexton dated 10/27/21. Jim's email confirmed the member exhausted his leave bank but denied the City's offer to put the member in a light duty position and earn his regular wages. The Board discussed the fact that the member denied returning to work in a light duty position.

The Board denied the Temporary Relief Benefit for Carlos Cruz, upon motion by Gregg Gurdak and second by Erin Masters; motion carried 4-0.

- D. Discussion of Adam Webb
 - i. Jay Maher discussed the passing of Adam Webb and stated he passed away on 9/1/21 due to COVID-19. Jay confirmed the member was an active officer at the time of his passing. Ferrell Jenne reviewed the difference in the benefit of an in-line of duty (ILOD) death versus a non-ILOD death. Pedro Herrera commented there had not been a stance from the State on COVID-related deaths for public safety officers. Pedro read language from the Safeguarding America's First Responder Act of 2020. Pedro commented this law provided presumptive ILOD death and disability benefits to qualifying police officers and firefighters. Pedro commented he had seen most sponsors treat COVID-related deaths of public safety officers as being ILOD. Pedro commented there was legal ground to determine Adam Webb's death as ILOD.

The Board determined the death of Adam Webb to be an ILOD pre-retirement death due to COVID-19 being the cause of death, upon motion by Gregg Gurdak and second by Erin Masters; motion carried 4-0.

- E. Policy for reduced member contributions due to benefit cap
 - i. Drew Ballard reminded the Board there was a benefit cap of \$5,500 in place. Drew commented an Ordinance passed that decreased the member contribution rate to 0.5% once a member reached that benefit cap. Drew commented a policy was drafted to detail when the member contribution rate would decrease, once the cap was hit. Drew stated they were running a quarterly report to capture any members who were estimated to hit the cap. Once the cap was hit during the following month, the member contribution rate would decrease the first of the following month. Drew stated since the members were paid weekly, it would be very difficult to pinpoint the exact date the cap was hit. Ferrell Jenne commented they had one member hit the benefit cap in between meetings on 10/6/21. Ferrell stated they requested the City to reduce his member contributions on 11/1/21, but the City stated they would reduce his contributions the following check. Pedro Herrera commented it was best practice to have a policy in place so all members were handled in the same manner moving forward. Pedro commented the policy had been reviewed by his office and approved; he would just like to add some additional language. Pedro stated the Board could approve the policy, as the concept would not change, and the formal policy could be ratified at the next quarterly meeting.

The Board adopted the administrative policy on when to reduce the member contributions due to the benefit cap being reached, upon motion by Gregg Gurdak and second by William Kuendig; motion carried 4-0.

- V. **Reports (Attorney/Consultants)**
 - A. Dodge & Cox, Stephanie Notowich, Investment Manager (via phone)
 - i. Quarterly report as of September 30, 2021

- i. Stephanie Notowich introduced herself and stated they continued to work from home until 2022.
- ii. Stephanie Notowich commented the plan had been a client since 2003 and the income fund account value was approximately \$30 million.
- iii. Stephanie Notowich reviewed the challenging market environment for fixed income. The unannualized returns net of fees were 0.10% for the quarter, compared to the benchmark of 0.05%. The annualized net returns for the 1, 3, 5, 10, and 20-year periods were 1.99%, 6.23%, 4.19%, 4.25%, and 5.04% respectively, compared to the benchmarks of -0.90%, 5.36%, 2.94%, 3.01%, and 4.33% for the same respective periods.
- iv. Stephanie Notowich reviewed the biggest detractors and contributors for the quarter. Stephanie commented most of their outperformance was due to the energy holdings in the portfolio.
- v. Stephanie Notowich reviewed possible interest rate hikes in 2022 and their view was that this would happen in mid-2022.
- vi. Stephanie Notowich commented there were some leadership changes that were expected to take place in 2022. Stephanie commented the current CIO had been with the firm for almost 30 years. Stephanie commented the leadership transition was to current employees who had been with the firm for decades.

B. Sky Harbor, Ryan Carrington, Investment Manager

- i. Quarterly report as of September 30, 2021
 - i. Ryan Carrington introduced himself and commented the current investment committee had been together for over 10 years.
 - ii. Ryan Carrington commented they were underweight in duration by design and reviewed the performance attribution by sector. Ryan reviewed the EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) growth over the last 12-month period.

C. Loomis Sayles, Matthew Buxton/Roger Ackerman, Investment Managers (via phone)

- i. Quarterly report as of September 30, 2021
 - i. Matthew Buxton gave a firm update and stated they were hired last July.
 - ii. Roger Ackerman reviewed their guidelines and limitations and the weighting of each asset classes.
 - iii. Roger Ackerman reviewed the historical portfolio characteristics over the past year. Roger stated they continued to think China would be a market disrupter along with the possibility of rate hikes occurring in middle of 2022.

Note: Erin Masters left at 10:06AM.

D. Wellington Management, Zander Grant/Ryan Lewis, Investment Managers (via phone)

- i. Quarterly report as of September 30, 2021
 - i. Zander Grant introduced himself and commented the portfolio was up 21.7% as of 9/30/21. Zander commented their CEO retired last year and another managing partner was now the CEO as of 7/1/21. Zander confirmed there had been no change in their investment philosophy or process.
 - ii. Ryan Lewis reviewed the performance during the calendar year and stated they had high conviction driven by bottom-up stock selection.

- E. Milliman, Steven Cottle/Bill Cottle, Investment Consultant (via phone)
- i. Quarterly report as of September 30, 2021
 - i. Steven Cottle gave an overview of the market environment during the quarter. Steven stated markets were mixed over the quarter as higher volatility returned. Steven confirmed there were no managers on watch.
 - ii. The MVA as of 9/30/21 was \$236,714,575.
 - iii. Steven Cottle reviewed the current asset allocations and commented everything was within the IPS targets. Steven commented the last asset allocation study was done in 2018 and he believed a new study needed to be done with updated capital market assumptions. Steven commented their agreement provided for one study every 5 years, so there would be no additional fees. Steven reviewed some items to look at in the asset study.
 - iv. The total fund gross returns for the quarter were -0.5%, compared to the benchmark of -0.4%. The Fiscal YTD, 3, 5, and 7-year trailing total fund gross returns were 22.6%, 13.8%, 12.3%, and 9.6% respectively, compared with the benchmarks of 21.8%, 10.9%, 10.0%, and 8.5% for the same respective periods.
 - v. Steven Cottle reviewed the private equity re-investment report. Steven reviewed the 4 private equity managers and commented DuPont would no longer be investing in the private equity space. Steven commented he would like the Board to consider making re-commitments to 2 of the 3 private equity managers who were currently in the fund. Steven briefly reviewed the distinguishing characteristics of each private equity manager and commented they wanted to continue with vintage year diversification.
 - vi. Steven Cottle reviewed the fees and expenses comparison for each of the 3 private equity managers. Steven commented the re-commitment amount would be \$10 million to 2 managers, which was the minimum for JP Morgan and Adams Street.
 - vii. The Board discussed the 3 private equity managers and the historical returns of each. Steven Cottle confirmed if the Board approved a \$20 million additional allocation to the private equity managers, the fund would still be in compliance with the current IPS. Steven commented the goal was to have the private equity managers perform greater than the general market. Steven pointed out Taurus and Adams Street were both employee-owned firms, which meant they would invest alongside the fund.

The Board approved making a \$10 million re-commitment to Taurus and a \$10 million re-commitment to Adams Street, upon motion by Gregg Gurdak and second by William Kuendig; motion carried 3-0.

- viii. The Board discussed upcoming closings. Steven Cottle commented Taurus would have their first close in March of 2022.
- ix. Steven Cottle commented they would target presenting the updated asset allocation study at the third quarter meeting in 2022. By consensus, the Board agreed to the timeline.

- F. Sugarman & Susskind, Pedro Herrera, Board Attorney (via phone)
- i. Pedro Herrera stated Aaron Paro's special counsel was trying to schedule the hearing in January and they had sent over possible dates to Aaron Paro's attorney.
 - ii. Pedro Herrera reviewed the current pre-retirement death benefit. Pedro stated a plan member passed away as a result of being shot by a suspect. Pedro stated the current benefit that would be due to Jason

Raynor's estate was a refund of his member contributions, as the member was not married at the time of his death and neither of his parents were his dependents. Pedro stated his understanding was that negotiations had ended and there were no changes made to the death benefits. Pedro reminded the Board they could not change benefits; their job was to administer the benefits that had been negotiated between the parties. Jay Maher commented he had not had the chance to speak with the City and the Union, so he would like to wait another quarter before any payment was processed to Jason Raynor's estate.

- iii. Pedro Herrera requested the Board to give the Chairman authorization to make payment to Jason Raynor's estate for the refund amount, if requested by the family. By consensus, the Board agreed.
- iv. Pedro Herrera reviewed the State ethics law of receiving gifts, due to being a trustee on the pension board. Pedro commented they would be making a \$10,000 donation to a cancer research firm on behalf of all their clients.

VI. **Old Business**

A. Further discussion of Dale Morley's overpayment

- i. Pedro Herrera reminded the Board they were directed to explore alternative options for Dale Morley to repay the funds or seek repayment from professional vendors who were employed by the fund at the time of the error. Pedro commented they did not find many viable options.
- ii. Clifford Taylor stated himself and John Cook were present to represent Dale Morley. Clifford stated the Board discussed Dale Morley foregoing future COLAs and stated they were willing to take on the case to seek repayment from professional vendors who were in place at the time the error occurred for no additional legal fees.
- iii. The Board discussed the overpayment amount and possible options to recoup the funds. The Board discussed Dale Morley having a life insurance policy and the possibility of seeking funds from the insurance policy once the member passed away. Pedro Herrera commented he would need to verify the pension plan could be listed as a beneficiary of the life insurance policy. Clifford Taylor stated they would have to know the life insurance premium before agreeing to that option. Clifford commented they looked into the statute of limitations and stated his understanding was that the time limit only began once the Board was made aware of the error. Clifford commented they were happy to explore the option of seeking repayment from professional vendors who were in place at the time of the error on behalf of Dale Morley. Pedro commented he was fine with Clifford exploring the option of seeking funds from the professional vendors who were employed at the time of the error, but Clifford would not represent the Board in those efforts. By consensus, the Board tabled a decision on Dale Morley's overpayment until the next meeting when more information was received.
- iv. Ferrell Jenne asked for Board direction on future COLAs that would be due to Dale Morley.

The Board voted to cease all future COLAs due to Dale Morley to help offset the overpayment amount, upon motion by Gregg Gurdak and second by William Kuendig; motion carried 3-0.

VII. **Consent Agenda**

- A. Payment ratification
 - i. Warrants #88, #89, #90, #91, #92
- B. New invoices for payment approval
 - i. None
- C. Fund Activity report for period July 28, 2021 – October 26, 2021

The consent agenda was approved as presented, upon motion by Gregg Gurdak and second by William Kuendig; motion carried 3-0.

VIII. **Staff Reports**

A. Foster & Foster, Ferrell Jenne, Plan Administrator

i. Update on State Monies

i. Ferrell Jenne commented the fire plan received approximately \$53,000 more than the prior year and the police plan received approximately \$30,000 less than the prior year.

ii. Renewal of Board memberships

i. Ferrell Jenne stated the 2022 Board memberships were due, if the Board wanted to continue to be members of FPPTA and NCPERS. Ferrell commented the annual fee for NCPERS was \$275 and the annual fee for FPPTA was \$750.

The Board approved renewing the NCPERS and FPPTA 2022 Board memberships, upon motion by Gregg Gurdak and second by Jay Maher; motion carried 3-0.

iii. Educational opportunities

i. Ferrell Jenne reviewed the upcoming FPPTA Trustee school.

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

X. **Adjournment** - The meeting adjourned at 11:31AM.

XI. **Next Meeting** – February 1, 2022, at 8:30AM, Quarterly Meeting

Respectfully Submitted By:

Approved By:



Ferrell Jenne, Plan Administrator



Jay Maher, Chairman

Date Approved by the Pension Board:

FEBRUARY 1, 2022