

**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, February 1, 2022, 8:30AM**

TRUSTEES PRESENT: Jay Maher
Gregg Gurdak
William Kuendig
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)
Drew Ballard, Foster & Foster
Fraser Thomson, Ballie Gifford (via phone)
Chuck Bryant, Kennedy Capital
Ryan Dunnegan, Kennedy Capital
Gary Gustovich, DFA
Mark Schilder, DFA
Rob Cleary, DFA
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 8:48AM.
- II. **Public Comment** – None.
- III. **Approval of Minutes**

The minutes from the November 2, 2021, quarterly meeting were approved as presented, upon motion by Gregg Gurdak and second by Michael Rowley; motion carried 5-0.

- IV. **New Business**
 - A. Update on trustee terms
 - i. Ferrell Jenne commented Jay Maher and Mike Rowley ran unopposed and would both serve another term. Ferrell commented Gregg's seat was also ratified by the City.
 - B. Actual expenses as of September 30, 2021
 - i. Ferrell Jenne reviewed the requirement and each expenditure type.

The Board approved the actual expenses as of September 30, 2021, upon motion by Gregg Gurdak and second by Michael Rowley; motion carried 5-0.

- C. Ratification of member contribution reduction policy
 - i. Ferrell Jenne reminded the board the policy was approved at the last meeting, but Pedro Herrera asked for the ratification to be placed on the Q1 meeting agenda as he initially thought he wanted to add in some legal language. Pedro Herrera confirmed after further review, he had no additions to add to the policy.
 - ii. Pedro Herrera commented Jim Sexton stated in a recent email that the current policy did not align with what the bargaining units agreed on. Jay Maher stated this was imposed, as the police and fire memberships

voted the member contribution reduction down. The board discussed the policy and requested Pedro Herrera to reach out to Jim Sexton and explain the policy and how it was the best possible solution, as calculations could not be run daily. By consensus, the board approved the policy as presented.

V.

Reports (Attorney/Consultants)

A. Baillie Gifford, Fraser Thomson, Investment Manager (via phone)

i. Quarterly report as of December 31, 2021

- i. Fraser Thomson gave a firm update and commented they were starting to return to their international offices and confirmed the investment team had not changed.
- ii. Fraser Thomson reviewed the top contributors and detractors for the quarter. Fraser commented it had been a challenging 12-month period with inflation fears and sentiment shifts. Fraser commented there had also been a sharp pullback in high growth stocks.
- iii. Fraser Thompson reviewed notable transactions and their exposure to important future trends.

B. Kennedy Capital, Chuck Bryant/Ryan Dunnegan, Investment Manager

i. Quarterly report as of December 31, 2021

- i. Chuck Bryant reminded the board they managed two strategies, ESG SMID Cap and SMID Cap Growth. Chuck commented this gave the plan a diversified exposure.
- ii. Ryan Dunnegan gave a firm overview and commented they currently had 4.9 billion in assets under management. Ryan reviewed staff additions.
- iii. Ryan Dunnegan gave an overview of the ESG SMID Cap performance. Ryan commented it was a balanced portfolio for growth versus value stocks and was sector neutral. The quarterly gross return as of December 31, 2021 was 8.0% versus the benchmark of 3.8%.
- iv. Ryan Dunnegan reviewed the growth life cycle and commented they invest across the full spectrum of growth and classify the investments as early growth, steady compounder, or material positive change. Ryan gave examples of the different investment types.
- v. The gross quarterly return for the SMID Cap Growth portfolio as of December 31, 2021 was 4.7% versus the benchmark of 0.2%.
- vi. The board discussed January and the volatility that took place in the marketplace. Chuck Bryant commented the account was down approximately 12.0% through January.

C. DFA, Gary Gustovich, Investment Manager

i. Quarterly report as of December 31, 2021

- i. Gary Gustovich gave a firm overview and commented they currently had approximately 679 billion in assets under management. Gary commented they had one investment philosophy and had been in business for 40 years.
- ii. Mark Schilder reviewed their investment philosophy and portfolio construction. Mark commented they do tilt towards value and mid-cap stocks.
- iii. The quarterly return as of December 31, 2021 was 7.69% compared to the benchmark of 7.77%.
- iv. Rob Cleary introduced himself and commented he was the regional director.

D. Milliman, Steven Cottle/Bill Cottle, Investment Consultant (via phone)

- i. Quarterly report as of December 31, 2021
 - i. Steven Cottle commented markets ended generally higher over a volatile quarter, concluding a strong year for equities. Steven commented both the broader market and the S&P 500 finished higher despite concerns about rising inflation.
 - ii. The MVA as of December 31, 2021 was \$247,247,956.
 - iii. The total fund gross returns for the quarter were 2.7%, compared to the benchmark of 4.0%. The 1, 3, 5, and 7-year trailing total fund gross returns were 12.8%, 17.7%, 12.8%, and 9.7% respectively, compared with the benchmarks of 14.0%, 15.1%, 10.7%, and 8.7% for the same respective periods.
 - iv. Steven Cottle reviewed the asset allocations and reminded the board they had been building out the private equity asset class and were finally close to the 10.0% target. Steven commented everything else was in line with the IPS.
 - v. Steven Cottle reviewed the performance of each manager and did not recommend making any changes. Steven commented they had a meeting with Wellington, as they were bringing on new team members. Steven stated they confirmed there were no current plans for the Portfolio Manager to retire.
 - vi. Steven Cottle reviewed the portfolio's risk/reward and commented the plan was at the top of their peer group for returns and right in the middle for risk.

E. Foster & Foster, Drew Ballard, Board Actuary

- i. October 1, 2021 actuarial valuation report
 - i. Drew Ballard reminded the board the contributions set forth in the October 1, 2021 valuation report were applicable to the fiscal year ending September 30, 2023.
 - ii. The City's required contribution decreased from \$9,205,146 to \$8,434,674 in conjunction with the October 1, 2021, valuation.
 - iii. Drew Ballard stated the City had a prepaid contribution of \$32,214 that was available to offset a portion of their required contribution.
 - iv. Plan experience was favorable overall based on the plan's actuarial assumptions. Sources of actuarial gain included an investment return of 11.21% (Actuarial Asset Basis) which exceeded the 7.50% assumption and inactive mortality experience. These gains were offset in part by a loss associated with an average salary increase of 8.24% which exceeded the 4.22% assumption.
 - v. Drew Ballard reviewed the UAAL and reminded the board they used a 5-year smoothing technique.
 - vi. Drew Ballard commented there was approximately 27 million in deferred investment gains that would flow into the plan over the next four valuation reports.
 - vii. Drew Ballard explained he spoke to Patricia Bliss, and she requested the assets in the valuation match the audited financial statements. Drew commented the board would need to make a motion to approve the valuation report contingent on no material differences in the valuation assets and audited financial statements that are prepared by the plan auditor.

The Board approved the October 1, 2021 valuation report contingent on valuation assets were reasonably in line with the audited financial statements prepared by the plan auditor, upon motion by Erin Masters and second by Michael Rowley; motion carried 5-0.

- ii. Pedro Herrera reviewed the declarations of returns requirement.

The Board voted the declaration of returns for the plan shall be 7.50% for the next year, the next several years, and the long-term thereafter net of investment related expenses, upon motion by Gregg Gurdak and second by Michael Rowley; motion carried 5-0.

- F. Sugarman & Susskind, Pedro Herrera, Board Attorney (via phone)
 - i. Acceptance of disability application, Adam Doroski
 - i. Pedro Herrera commented he had completed his review of the Adams Street, Taurus, and GSAM CIT funds.
 - ii. Pedro Herrera reviewed the disability application for Adam Doroski.

The Board accepted the disability application for Adam Doroski, upon motion by Michael Rowley and second by Gregg Gurdak; motion carried 5-0.

- ii. Proposed Ordinance
 - i. Pedro Herrera reviewed the proposed Ordinance and commented he would finalize the language with Jim Sexton.
- iii. Update on changes to death benefit provisions
 - i. Ferrell Jenne discussed the possible changes to the death benefit provisions. Ferrell reminded the board they had an officer pass away while on duty and he was identified as an unprotected class, as currently he would only be due a refund of his contributions. Ferrell commented a refund calculation had been done, but the family was not in a rush to withdrawal the funds. Jay commented he had not heard anything, and it did not seem that the City was open to making changes to the current death benefit provision. Pedro Herrera commented he would be speaking with Jim Sexton on a few things, and he would make another attempt to see if the City was open to amending the Ordinance to cover the officer who passed away while on duty.
 - ii. Pedro Herrera commented HB 117 had been filed that would amend Chapter 112 to include COVID as a presumptive disease.

VI. **Old Business**

- A. Further discussion of Dale Morley's overpayment
 - i. Pedro Herrera commented they researched if the member could take out a life insurance policy and name the pension plan as the beneficiary. Pedro commented it appears the beneficiary needs to be a person and not an entity. The board discussed possible repayment options for the member. Ferrell Jenne confirmed the COLAs had been ceased for Dale Morley, effective with the December 1, 2021 benefit check. Ferrell commented the COLA increase was \$52.11 per month. Pedro confirmed the overpayment amount was approximately \$170,000. The board reviewed how the overpayments were discovered. The board directed Pedro to look into filing an errors and omissions claim with the plan administrator at the time the mistake was made.

VII. **Consent Agenda**

- A. Payment ratification
 - i. Warrants #93 and #94
- B. New invoices for payment approval
 - i. None
- C. Fund Activity report for period October 27, 2021 – January 25, 2022

The consent agenda was approved as presented, upon motion by Michael Rowley and second by Gregg Gurdak; motion carried 5-0.

VIII. **Staff Reports**

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

i. Draft Audit

- i. Ferrell Jenne explained the audit would not be available until the end of the month and the formal presentation would be given to the board at the May meeting. Ferrell commented the board had authorized the plan auditor to release the draft audit to the City in the interim, as this information was used in the City's Comprehensive Annual Financial Report.

The board authorized the plan auditor to release the draft audit to the City upon completion, upon motion by Michael Rowley and second by Gregg Gurdak; motion carried 5-0.

ii. IFEBP membership renewal

- i. Ferrell Jenne commented the board renewed their FPTPA and NCPERS memberships at the last meeting. If the board wanted to continue to be members of the IFEBP, they would need to renew this membership as well. The 2022 membership fee was \$1,100.

The Board approved renewing the IFEBP 2022 Board membership, upon motion by Michael Rowley and second by Erin Masters; motion carried 5-0.

- iii. Ferrell Jenne reminded the board the next meeting was the full disability hearing on March 7, 2022. Pedro Herrera reviewed the full disability hearing process. Ferrell commented all trustees would be able to attend except Mike Rowley. Pedro commented he would reach out to the member's attorney to confirm it was acceptable to proceed without a full board. Pedro commented they would also arrange a conference call with the board's special counsel, administrator, and member's attorney to discuss the approach for the full hearing. Pedro confirmed they would also secure a court reporter.

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

X. **Adjournment** - The meeting adjourned at 10:50AM.

XI. **Next Meeting** – March 7, 2022, at 9:30AM, Disability Hearing

Respectfully Submitted By:

Approved By:



Ferrell Jenne, Plan Administrator



Jay Maher, Chairman

Date Approved by the Pension Board:

MAY 3, 2022