

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

City Hall Conference Room 149
301 S. Ridgewood Ave, Daytona Beach, FL 32115
Tuesday, February 6, 2024, 10:30AM

TRUSTEES PRESENT: Brenda Fischer
Jay Maher
Erin Masters
Michael Rowley
Gregg Gurdak

TRUSTEES ABSENT: None

OTHERS PRESENT: Ferrell Jenne, Foster & Foster
Sara Carlson, Foster & Foster
Pedro Herrera, Sugarman, Susskind, Braswell, & Herrera
Bill Cottle, Segal Marco (via Zoom)
Steven Cottle, Segal Marco (via Zoom)
Chuck Bryant, Kennedy Capital (via Zoom)
Chris McDonald, Kennedy Capital
Eric Wilcomes, Taurus
Kevin Campbell, Taurus
Gary Gustovich, DFA
Scott Katzbeck, DFA
Members of the Public

- 1) **Call to Order/Roll Call/Determination of a Quorum**
 - a) The meeting was called to order at 10:43AM by Ferrell Jenne.
- 2) **Public Comment** – None.
- 3) **Approval of Minutes**
 - a) November 7, 2023, quarterly meeting minutes

The November 7, 2023, quarterly meeting minutes were approved as presented, upon motion by Gregg Gurdak and second by Erin Masters; motion carried 5-0.

- 4) **New Business**
 - a) Actual expenses as of September 30, 2023
 - i) Ferrell Jenne reviewed the budget requirement and stated the plan was within their budget.

The Board voted to approve the September 30, 2023, expenses as presented, upon motion by Brenda Fischer and second by Gregg Gurdak; motion carried 5-0.

- 5) **Reports (Attorney/Consultants)**
 - a. Foster & Foster, Sara Carlson, Board Actuary
 - i. October 1, 2023, actuarial valuation report
 1. Sara Carlson introduced herself and reminded the Board the contribution amounts in the valuation report were applicable for Fiscal Year Ending 9/30/2025.

2. The City required contribution increased from \$9,080,581 to \$10,352,877 in conjunction with the October 1, 2023 actuarial valuation report.
3. Plan experience was unfavorable overall on the basis of the plan's actuarial assumptions. Sources of actuarial loss included an investment return of 4.28% (Actuarial Asset Basis) which fell short of the 7.50% assumption, an average salary increase of 20.88% which exceeded the 4.23% assumption, and more retirements than expected. There were no significant sources of actuarial gain.
4. Sara Carlson stated the 4.28% investment return was the lowest she had seen on the plans she provides actuarial services to. Sara stated the average return she had seen was 8-10% and they were all Florida public pension plans. The Board further discussed other Florida pension plans, the returns they had experienced, and the investment consultant those performing better use.
5. The Board discussed the City's budget and Sara Carlson confirmed the valuation report was sent to the city, once approved by the Board. Sara stated the city also had access to approximately \$302,000 prepaid, which could be used to offset the City's funding requirement.
6. Sara Carlson reviewed the participant data, assets, liabilities, and contributions. Sara reminded the Board they use a smoothing technique and there were still actuarial losses that need to be experienced by the plan over the next 4 years. The funded ratio was 74.6% as of 9/30/23.
7. Sara Carlson reviewed the Unfunded Actuarial Accrued Liability (UAAL) and stated it was amortized over 15 years. Sara reviewed the factors that impact the UAAL and stated the amount increased by approximately \$10M.
8. Sara Carlson reviewed the investment return assumption and commented the state might send a letter regarding the current 7.50% assumption. Sara reviewed the 5-year comparison of the investment return on market value and actuarial value of assets.
9. Sara Carlson stated the plans with higher returns likely had a higher allocation to equities. Steven Cottle stated they put more money into fixed income to pay liabilities. Steven stated they also run a quarterly comparison and they were always in the 50th percentile in the peer universe.

The Board voted to approve October 1, 2023 actuarial valuation report as presented, upon motion by Gregg Gurdak and second by Michael Rowley; motion carried 5-0.

- b. Taurus, Eric Wilcomes/Kevin Campbell, Investment Manager
 - i. Quarterly report as of December 31, 2023

1. Kevin Campbell stated the plan had made a \$10M commitment to Fund I and Fund II. Kevin stated Fund I had an approximately \$112M investor commitment and it was no longer accepting investors. Kevin stated Fund I had 15 private equity managers with 82% in leveraged buyouts, 9% in venture capital, and 9% in private credit.
 2. Kevin Campbell reviewed the sector diversification and stated \$5.65M of the commitment had been contributed to date. Kevin discussed the funds that had provided liquidity.
 3. Kevin Campbell stated they were expecting to make the next capital call in early Q2 of 2024.
 4. Eric Wilcomes reviewed Fund II. Eric stated the fund had \$211M of investor commitments and approximately 37% of fund capital had been committed to private equity partnerships and co-investments. Eric stated Fund II had 8 private equity managers and 1 co-investment.
 5. Eric Wilcomes reviewed the Fund II portfolio construction and the J curve. Eric stated they had called 10% of capital and stated they would be making another capital call in early of Q2 of 2024.
- c. DFA, Gary Gustovich/Scott Katzbeck, Investment Manager
- i. Quarterly report as of December 31, 2023
 1. Gary Gustovich stated they currently had \$677B in Assets under management (AUM) and had been in business for 42 years. Gary briefly reviewed the investment team and how assets had been diversified.
 2. Scott Katzbeck reviewed their investment philosophy and the dimensions of the expected returns. Scott reviewed how they manage and design portfolios. Scott stated they exclude REIT and highly regulated utility securities.
 3. Scott Katzbeck reviewed the sector allocations and stated as of 2/5/24 they had outperformed the benchmark by 66BPS.
 4. Gary Gustovich stated they were very structured to invest in value stocks and the outperformance had come from growth stocks.
- d. Kennedy Capital, Chuck Bryant (via Zoom), Chris McDonald, Investment Manager
- i. Quarterly report as of December 31, 2023
 1. Chuck Bryant thanked the Board for allowing him to attend virtually, as he had a conflict. Chuck reminded the Board they did a merger approximately a year ago and there had been no significant personnel changes. Chuck stated they had a client conference in mid-September and invited the Board to attend.
 2. Chris McDonald stated they had a Small/Mid Cap Core Fund and a SMID Cap Growth Fund with the plan.

- Chris stated they had approximately \$4.8B in AUM and they were majority employee owned.
3. Chris McDonald reviewed the annualized returns for the Small/Mid Cap Core Fund and stated they outperformed the benchmark 3 out of the last 4 years. Chris reviewed the sector weightings and stated they were intentionally overweight in industrials and health care. Chris stated they typically had 110 stocks in the portfolio. The Board briefly discussed AI and the impact on market research.
 4. Chris McDonald reviewed the SMID Cap Growth Fund and stated they had an intentional overweight to info technology, industrials, and consumer staples. Chris stated they typically had 75-100 stocks in the portfolio.
- e. Segal Marco, Bill Cottle/Steven Cottle (via Zoom), Investment Consultant
- i. Quarterly report as of December 31, 2023
 1. Steven Cottle stated he would review the asset allocation study and the changes that were made as a result of the study. Steven stated they pay 3-4% of the plan assets to benefit payments. Steven stated they were trying to avoid having too much in equities so they don't have to fire sell assets in order to make benefit payments.
 2. Steven Cottle stated the Board could consider lowering their current investment return assumption to mirror other FL pension plans.
 3. Steven Cottle reviewed the current asset allocations and stated everything was within the IPS ranges.
 4. The market value of assets (MVA) as of December 31, 2023, was \$ 214,975,745.
 5. The total fund gross returns for the quarter were 6.4%, compared to the benchmark of 7.6%. The 1, 3, 5, and 7-year trailing total fund gross returns were 8.4%, 1.9%, 8.9%, and 8.0%, respectively, compared with the benchmarks of 13.7%, 3.8%, 8.4%, and 7.2% for the same respective periods. Since inception (10/1/1997), total fund gross returns were 6.8%, outperforming the benchmark of 6.6%.
 6. Steven Cottle reviewed the performance of each manager. Steven reviewed the performance of Baillie Gifford and stated they were adding alpha, as expected. Steven reminded the Board the Baillie Gifford portfolio was volatile. Steven stated the international equity portfolio had been a problem spot in the portfolio. Steven reviewed Wellington and key personnel who had left. Steven recommended to take \$10M out of Wellington and reallocate to the international index fund. Steven stated this would be an equal split of active and passive management. Steven stated he would also like to do an International Equity manager search, due to Wellington's underperformance and personnel changes.

The Board approved taking \$10M from Wellington and reallocating it into the BlackRock EAFE Equity Index Fund, upon motion by Gregg Gurdak and second by Brenda Fischer; motion carried 5-0.

7. Steven Cottle reviewed the fixed income portfolio and stated Dodge & Cox had been a big bright spot in the portfolio and had done well over the 20 years they had been in the portfolio.

Note: Erin Masters left at 12:32pm

8. Steven Cottle reviewed the real estate portfolio and the headwinds this portfolio was facing. Steven stated the JPM Strategic Property Fund had underperformed for the quarter, 1-year, 3-year, and 5-year period. Steven reviewed the portfolio manager that left. Steven stated there was a redemption queue of approximately 1 year. Steven recommended to place a full redemption with JPM Strategic Property Fund Steven reminded the Board they still had Nuveen in the real estate portfolio and recommended to reinvest the JPM Strategic Property Fund redemptions in Nuveen.
9. Pedro Herrera stated he had other clients that put in redemptions with JPM Strategic Property Fund a while back and his understanding was the queue was closer to 2 years. Steven Cottle stated his understanding was that JPM was fulfilling partial redemptions.

The Board voted to approve a full redemption of JPM Strategic Property Fund and all redemptions were placed in the Nuveen Real Estate fund, upon motion by Michael Rowley and second by Brenda Fischer; motion carried 4-0.

10. Steven Cottle reviewed the private equity portfolio and stated it was adding the value they were expecting.
 11. Steven Cottle stated their peer universe consists of approximately 200 plans and the current asset allocation model was working.
- f. Sugarman, Susskind, Braswell, & Herrera, Pedro Herrera, Board Attorney
 - i. Financial Disclosure memo
 1. Pedro Herrera stated the Board would start filing their financial disclosure forms only online, through the Florida Ethics Commission's Electronic Financial Disclosure Management System. Pedro stated the form was still due on July 1st. Pedro stated the new form only allows the trustees to use a dollar value.
 2. Pedro Herrera stated there were no pre-filed Bills that would impact Chapter 175/185 plans. Pedro stated FRS had filed a Bill that would reimplement the Cost-of-Living Adjustment (COLA) and increase the supplemental benefit.
 - ii. Acceptance of ILOD disability application, Paul Rosi

1. Pedro Herrera stated they had received an ILOD disability application for Paul Rosi.

The Board accepted the ILOD disability application for Paul Rosi, upon motion by Brenda Fischer and second by Michael Rowley; motion carried 4-0.

2. The Board discussed Dale Morley and Pedro Herrera confirmed the promissory note was executed by the member. Pedro stated they are in line for the repayment amount, once the estate is opened.

iii. **Old Business** – None.

iv. **Consent Agenda**

- a. Payment ratification
 - i. Warrants #114, #115, #116
- b. New invoices for payment approval
 - i. None
- c. Fund Activity report for period November 1, 2023 – January 30, 2024

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

v. **Staff Reports**

- a. Foster & Foster, Ferrell Jenne, Plan Administrator
 - i. Update on trustee terms
 1. Ferrell Jenne stated the reappointment of Erin Masters was on the 2/7/24 Council agenda.
 - ii. Ferrell Jenne stated they had begun work on the State Annual Report.
 - iii. Educational opportunities
 1. Ferrell Jenne reviewed the upcoming FPPTA conference June 23-26, 2024 in Orlando, FL.
 - iv. Ferrell Jenne stated the auditor was finalizing the draft audit. Similar to past years, the city was asking for a copy of the draft audit, so it doesn't hold up the Comprehensive Annual Financial Report (CAFR).

The Board approved releasing the draft audit to the City, upon motion by Michael Rowley and second by Gregg Gurdak; motion carried 4-0.

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

vii. **Adjournment** - The meeting adjourned at 1:05PM.

viii. **Next Meeting** – June 18, 2024, at 10:30AM, Quarterly Meeting

Respectfully Submitted By:



Ferrell Jenne, Plan Administrator

Approved By:



Jay Maher, Chairman

MICHAEL ROWLEY,
CHAIRMAN

Date Approved by the Pension Board:

6/18/2024
