

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

**City Hall Conference Room 149
301 S. Ridgewood Ave, Daytona Beach, FL 32115
Monday, March 18, 2024, 11:00AM**

TRUSTEES PRESENT: Brenda Fischer
Jay Maher
Gregg Gurdak
Michael Rowley

TRUSTEES ABSENT: Erin Masters

OTHERS PRESENT: Ferrell Jenne, Foster & Foster
Steven Cottle, Segal Marco
Jamie McCourt, Schroders
John Chisholm, Schroders
Tom Clancy, PineSTONE
Henry Willets, MFS
Brett Fleishman, MFS
Chuck Landers, Saltmarsh
Gregg Gosch, Churchill
Laura Stolfi, Churchill
Members of the Public

1) **Call to Order/Roll Call/Determination of a Quorum**

a. The meeting was called to order at 11:02AM by Jay Maher.

2) **Public Comments**

a. Jay Maher stated Mike Scudiero, the Police Benevolent Association Union president, had requested a cost study from the actuary to extend the DROP to 8 years, for the police and fire plans.

The Board approved the Union to work with the plan's actuary to perform an 8-year DROP cost study with all costs paid by the requestor, upon motion by Michael Rowley and second by Gregg Gurdak; motion carried 4-0.

3) **New Business**

a. International Equity Manager Search

i. Steven Cottle stated they would be interviewing 3 managers to possibly replace Wellington. Steven stated Wellington had underperformed over the past 3 years.

ii. PineSTONE, Tom Clancy, Investment Consultant

(1) Tom Clancy stated they were 100% employee owned and reviewed the investment team. Tom stated they were looking for high quality companies and hold them for a long run.

(2) Tom Clancy stated they do not have exposure to emerging markets and reviewed their sell disciplines.

(3) Tom Clancy reviewed the management fees which were 75 basis points. Tom stated they were in the process of launching a new vehicle and the plan could invest in this share class for a limited amount of time for 60 basis points.

- iii. Segal Marco, Steven Cottle, Investment Consultant
 - (1) September 30, 2023 quarterly report (final)
 - (a) Steven Cottle stated he would review the September 20, 2023 final report, while they wait for the other managers to join. Steven stated the September 30, 2023 quarterly report showed returns for all asset classes. Steven stated all returns shown would be net of fees, as this was a conservative way to analyze the returns and associated management fees. Steven stated they also added a line that shows the total fund return, excluding private equity. Steven reminded the Board some of the private equity program investments were early. The Board further discussed the private equity portfolio, which started in 2018.

- iv. MFS, Henry Willets/Brett Fleishman, Investment Consultant
 - (1) Henry Willets gave a firm overview. Henry stated they were headquartered in Boston and stated they would be celebrating their 100-year anniversary this year. Henry reviewed the historical relative performance over different market cycles.
 - (2) Brett Fleishman reviewed the international equity fund team. Brett reviewed the portfolio managers and stated the two managers were very experienced and had worked together for over 8 years.
 - (3) Brett Fleishman reviewed their investment approach and their historical relative performance in diverse markets. Brett reviewed the research team and stated they believe a fully integrated global research platform provides competitive advantages.
 - (4) Brett Fleishman reviewed the investment process and stated they generally had 60 to 80 holdings. Brett reviewed the portfolio construction and commented they were sector neutral.
 - (5) Henry Willets stated the management fees were 66 basis points.

- v. Steven Cottle discussed Wellington and the impact of a key retirement. Steven stated Wellington had struggled the last 3 years once the portfolio manager retired. Steven stated the portfolio manager was unique and it had been hard to replace him. Steven stated as they interview managers, they should pay attention to the succession plan.

Note: The Board took a break from 12:05pm to 12:15pm

- vi. Schroders, Jamie McCourt/John Chisholm, Investment Consultant
 - (1) Jamie McCourt introduced himself and gave a brief firm overview.
 - (2) John Chisholm stated they had a distinctive approach by interpreting information with over 100 analysts, risk management with consistent application of philosophy, and engagement with active management.
 - (3) John Chisholm reviewed their global equities team and stated they had built in a succession plan for the team and portfolio managers.
 - (4) John Chisholm stated the management fees were 45 basis points and administrative fees capped at 10 basis points. John stated this reflects a preferred fee for Segal Marco clients.

- vii. The Board discussed the three presentations, the management fees, and the succession plan for each manager. Steven Cottle stated he recommended to select a top quartile manager with low management fees, which was Schroders.

The Board approved to fully liquidate the Wellington International Quality Growth fund and move the proceeds into the Schroders International Alpha Commingled Trust Fund upon final legal review, upon motion by Michael Rowley and second by Jay Maher; motion carried 4-0.

- b. Segal Marco, Steven Cottle, Investment Consultant
 - i. Updated asset allocation study
 - (1) Steven Cottle reviewed the 2024 asset allocation review and the possibility of lowering the investment return assumption. Steven reviewed the capital market assumptions and the standard deviation of each. Steven pointed out real estate had poor performance and doesn't expect it to get better.
 - (2) Steven Cottle reviewed the asset and product mixes. Steven stated the short-term target was taking into consideration that the 5.00% allocation to JP Morgan real estate was moved to private credit. Steven recommended the Board to adopt the short-term target and move towards to the long-term target. Steven stated he would like to review the asset allocation every year. Steven stated the goal was to make the 7.50% investment return assumption. Steven stated Churchill would be presenting their evergreen open ended private credit strategy, which would help the plan get to the 9.00% private credit allocation.
 - (3) Steven Cottle reviewed the risk allocation and stated private credit was not a high-risk asset class.
- c. Churchill Middle Market Senior Loan Fund V presentation
 - i. Gregg Gosch thanked the Board for their investment in the Fund V unlevered fund.
 - ii. Laura Stolfi stated they had approximately \$50B in committed capital and commented they had been successful in raising capital and putting it to work. Laura stated they were the #1 most active U.S. direct lender.
 - iii. Laura Stolfi reviewed the advantages of evergreen offerings and stated investors were able to increase or reduce exposure over time without having to wait for a successor fund. Laura stated there was a 2-year lockup of funds and it began the day capital was called. Laura stated the second close was in June of 2024. Laura stated if the plan commits capital today, they would be in the second call, which would likely be at the end of 2024.
 - iv. Laura Stolfi reviewed the management fees and stated they were 50 basis points with a 10.00% incentive fee over a 7.00% preferred return hurdle. Laura stated there was a management fee discount of 5 basis points for plans who close prior to December 31, 2024. Laura stated the levered evergreen fund had higher management fees compared to the unlevered fund, as it had a higher hurdle rate. Laura confirmed they only charge on invested capital.
 - v. Laura Stolfi reviewed the target leverage and stated it was less than 2 times.
 - vi. Laura Stolfi reviewed the management fee break for Segal Marco clients and stated they were close to the \$50M commitment, which would lower the management fee another 5 basis points.
 - vii. Gregg Gosch reviewed the agreements and stated they had some other clients with Pedro Herrera. Gregg stated they need the contracts reviewed and side letter executed by May 31, 2024. Gregg confirmed DocuSign was acceptable as long as the certificate was completed as well.

Note: The board took a break from 1:22pm-1:30pm

- d. Saltmarsh, Cleaveland & Gund, Chuck Landers, Board Auditor
 - i. Chuck Landers stated they issued a clean unmodified opinion, which was the highest opinion to give. Chuck reviewed the plan assets, liabilities, additions, and deductions. Chuck stated the net position restricted for pensions increased to \$199,389,202.
 - ii. Chuck Landers reviewed the DROP designations and the new pension liability of the city. Chuck reviewed the impact of adjusting the investment return assumption. Chuck stated the administrative expenses were well below 1.00% threshold.
 - iii. Chuck Landers stated they had 3-year contracts and would like to continue being the plan's auditor. Chuck stated he would send an engagement letter that could be reviewed at the next meeting.
 - iv. The Board discussed the current investment return assumption and the funded ratio without the smooth.

The Board voted to approve the September 30, 2023 audit as presented, upon motion by Gregg Gurdak and second by Michael Rowley; motion carried 4-0.

- e. Segal Marco, Steven Cottle, Continued
 - i. February 29, 2024 monthly flash report
 - (1) Steven Cottle briefly reviewed the February 29, 2024, flash report.
 - (2) The total fund returns for the quarter were 1.4%, slightly underperforming the benchmark of 1.7%. The 1-, and 3-year total fund returns were 6.4%, and 0.5%, compared to the benchmarks of 12.4%, and 3.5% for the same respective periods. Since inception (10/1/1997), total fund gross returns were 6.4%.
 - (3) Steven Cottle reviewed the international equity and real estate portfolio and commented these were two detractors for the portfolio. Steven stated the hiring of Schrodgers would help with the international equity return. Steven reviewed Baillie Gifford and stated he still believes in the manager and reviewed the holdings that had been removed from the fund.
 - ii. Updated Investment Policy Statement
 - (1) Steven Cottle reviewed the updated Investment Policy Statement (IPS) and stated it aligns with the asset allocation study. Steven reviewed the asset allocation plan and target asset mix. Steven asked the Board to approve the short-term target as outlined in the asset allocation study that was discussed previously in the meeting.

The Board voted to approve the short-term target as outlined in the 2024 updated asset allocation study, upon motion by Jay Maher and second by Brenda Fischer; motion carried 4-0.

The Board voted to approve the updated Investment Policy Statement as presented, upon motion by Gregg Gurdak and second by Brenda Fischer; motion carried 4-0.

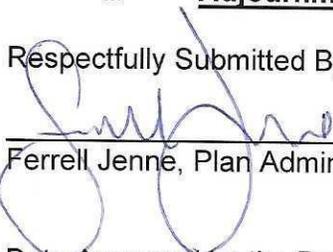
- iii. Steven Cottle reviewed Churchill Evergreen Fund V and recommended to make a \$10M commitment. Steven stated he was aiming to use the State Monies and annual employer contribution to fund the commitment. Steven commented the agreement and side letter must be completed by May 31, 2024, so they could make the next close and participate in the early close discount.

The Board voted to approve a \$10M commitment to the Churchill Evergreen Fund V with all documentation completed by May 31, 2024, upon motion by Brenda Fischer and second by Gregg Gurdak; motion carried 4-0

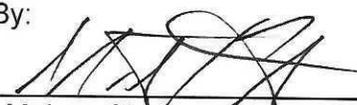
ii. Adjournment - The meeting adjourned at 2:00PM.

Respectfully Submitted By:

Approved By:



Ferrell Jenne, Plan Administrator



Jay Maher, Chairman *MICHAEL BOWEN,
SECRETARY*

Date Approved by the Pension Board: _____

6/18/2024