

**FIREFIGHTERS' PENSION BOARD
MEETING
SEPTEMBER 19, 2019**

MEMBERS PRESENT: William Albers, Chairman
David Baird, John Briggs,
Justin Gerow, Holden Gibbs

OTHERS PRESENT: Kerry Richardville, AndCo Consulting
Alexander Davenport, Plan member

CALL TO ORDER/ANNOUNCEMENTS

- A. Roll Call
- B. Next Scheduled Meeting
 - 1. December 19, 2019

CITIZEN COMMENTS ON AGENDA ITEMS ONLY

- There were none.

APPROVAL OF MINUTES

- A. June 13, 2019
 - Mr. Briggs pointed out a comment from Mr. Baird was included in the June 13, 2019 minutes; however, he was not present that date.
 - Mr. Albers requested same be corrected.
 - Mr. Briggs MOVED, Mr. Gerow SECONDED approval of the June 13, 2019 minutes as corrected. MOTION CARRIED UNANIMOUSLY.

REPORTS

- A. AndCo Consulting--Kerry Richardville
 - 1. June 30, 2019, Performance Report
 - Ms. Kerry Richardville, AndCo Consulting (ACC), drew attention to ACC's Investment Performance Review, as delineated in the agenda material, for the period ending June 30, 2019, commenting positively on market performance within the second quarter of 2019. She then reviewed asset allocations denoted on pages 10 and 12, stating there was no need to rebalance at this time. She summarized Total Fund Performance denoted on page 15 as follows: quarter, 4.37% (1st percentile); Fiscal Year (FY) to Date, 4.76% (12th percentile); 3 year, 11.59% (2nd percentile); 5 year, 7.88% (1st percentile). She then provided an overview of individual investment manager's performance as compared to the benchmark detailed on pages 15 and 16, opining the current investment manager lineup was strong. She pointed out Dodge & Cox did not appear in the report since the decision to replace Dana Investment Advisors was made near the end of the second quarter; however, same would be included going forward.

2. August 31, 2019 Flash Report
 - Ms. Richardville presented the Investment Performance Review for the period ending August 31, 2019, from the agenda material, noting total fund performance was -1.45% in August 2019. She explained volatility in the markets contributed to the poor performance, expressing optimism the market would stabilize by the end of FY 2018/2019. She recommended no changes at this time.

NOTE: Mr. Gibbs arrived at 8:16 a.m.

3. International Equity Manager/Japan Discussion
 - Ms. Richardville drew attention to the International Equity Manager Discussion report which resulted from the previous discussion regarding the Fund's exposure to Japan. She provided a detailed overview on the following international equity manager firms and their funds: American Funds/Capital Research and Management (EuroPacific Growth Fund); Massachusetts Financial Services (International Growth Fund); Virtus Vontobel (Virtus Vontobel Foreign Opportunities). She reviewed the background and strategies of each firm (pages 3-4) as well as their Global Industrial Classification Sector Attributions (pages 5-7). She explained the difference in regional fund exposure between each firm, noting the EuroPacific Growth Fund had historically higher exposure within emerging markets compared to the other funds (pages 8-9). She stated feedback from the international equity managers indicated corporate governance was responsible for the varying levels of exposure to Japan among the funds, noting Virtus Vontobel had the lowest exposure to Japan historically. She stated all three managers performed well, reviewing each of the international equity funds' correlation to American funds. She expressed preference for continuing to invest with American funds, particularly due to their emerging market exposure, adding expected returns for the next 10 to 15 years were between 6% and 7% for international equities whereas emerging markets were estimated at 10% returns. She distributed an International Equity Earnings and Valuations chart, noting Japan's equity historically traded at approximately 22 times the price-to-earnings ratio; however, equity was currently trading at 13 times same. She then requested Board member input.
 - Mr. Baird expressed concern regarding emerging markets related to the potential impact of robotics on their low-cost labor in addition to the impact of their debt to the United States, concluding he was not in favor of high exposure in same.
 - Ms. Richardville acknowledged emerging markets were not consistent in the short term, opining same still presented an opportunity over the long term. She expressed

uncertainty as to the effect of robotics, offering to speak to international equity managers.

- Mr. Baird spoke in favor of investing in United States multinational corporations to gain international exposure.
- Mr. Albers noted Morningstar, Inc. considered American Funds as average risk and average return, whereas the other two strategies were below average risk and above average return.
- Ms. Richardville explained quality focus had played a factor in the two strategies' success.
- Mr. Gerow spoke in favor of investing with both EuroPacific and Massachusetts Financial Services, questioning how funds should be split between both.
- Ms. Richardville suggested a 50% split.
- Mr. Baird requested an update regarding investment in Brookfield.
- Ms. Richardville responded the Board had decided to invest in Brookfield, explaining paperwork would not be submitted to do so until an ordinance related to the change was approved.
- Discussion ensued regarding optimizing the investment in Brookfield, with Ms. Richardville offering to model the expected returns for varying levels of investment in bonds and the impact of the reduction in bonds on volatility.
- Ms. Richardville concluded an asset allocation study would be discussed at the next meeting, reiterating she did not recommend any changes at this time.

NEW BUSINESS

A. Foster & Foster 2018 Ranking Schedule

- Mr. Albers drew attention to the Foster & Foster 2018 Ranking Schedule denoted in the agenda material, noting the average market return in 2018 for 209 cities was 8.68%, with Punta Gorda's return being 11.08%; furthermore, the average market return on a five year basis for 193 cities was 7.5%, with Punta Gorda's return being 8.5%. He then stated 198 cities required an average contribution of 41%, while Punta Gorda's contribution was only 17.5%. He concluded the Pension Fund had performed very well.

B. Administrative Expense Budget for 2019/2020

- Mr. Briggs announced the Administrative Expense Budget for FY 2018/2019, as delineated in the agenda material, required an amendment due to legal fees exceeding the original budget. He explained same was due to contract negotiations as well as amendment of the Plan's ordinance and Investment Policy Statement, suggesting the

attorney budget be increased to \$10,000. He stated the attorney could attend the next meeting to explain the costs.

- Mr. Gerow MOVED, Mr. Gibbs SECONDED to accept the amended FY 2018/2019 Budget as recommended. MOTION CARRIED UNANIMOUSLY.
 - Mr. Briggs drew attention to the Administrative Expense Budget for FY 2019/2020 detailed in the agenda material, noting the attorney fees were increased to \$10,000. He requested a motion to approve the budget.
 - Mr. Baird questioned why \$20,000 was budgeted for the Plan's actuary when \$14,705 was spent in FY 2018/2019.
 - Mr. Briggs responded the figure could be decreased if needed.
 - Discussion ensued regarding the budgeted amount for the actuary with consensus to reduce the budget from \$20,000 to \$16,000.
 - Mr. Baird MOVED, Mr. Gerow SECONDED to approve the FY 2019/2020 budget as amended. MOTION CARRIED UNANIMOUSLY.
- C. 49th Annual Police Officers & Firefighters Pension Trustee Conference
- Mr. Albers suggested members attend the 49th Annual Conference, noting same would be beneficial.
 - Mr. Briggs explained members would be required to adhere to the City's per diem policy, offering to review same. He explained members would need to provide receipts for related expenses.
 - Members discussed details of the conference.
1. City of Punta Gorda Travel and Expenses Procedure
- No discussion.

UNFINISHED BUSINESS

- A. Letter from Pension Attorney, Ken Harrison, regarding High Yield Investments
- Mr. Albers drew attention to the letter from the Board Attorney, noting the proposed ordinance amendment would expand investment types for the Plan. He stated City Council approval of the ordinance was needed. He then reviewed a letter Ms. Richardville wrote which explained the reason for the amendment.
 - Mr. Baird MOVED, Mr. Gerow SECONDED to approve the revised ordinance which included real estate investments along with the additional permissible allocations. MOTION CARRIED UNANIMOUSLY.
1. Ordinance change regarding High Yield Investments
- Discussed under Item A.
2. Investment Policy Change

- Mr. Albers presented the Investment Policy Change from the agenda material, noting the associated letter from the attorney would be included with the proposed ordinance.
 - Mr. Briggs MOVED, Mr. Gerow SECONDED to approve the Investment Policy Change. MOTION CARRIED UNANIMOUSLY.
- B. Ordinance change, Prior Firefighter Service Buyback
- Mr. Albers announced the ordinance previously approved by the Board would be presented to City Council. He noted the actuary had determined there would be no impact to the Plan, suggesting a brief paragraph be added to explain the ordinance.
 - Mr. Briggs provided a brief review of the ordinance, noting same was for Firefighters purchasing prior credit for firefighter and military service and to have the ability to spread out the payments for a longer period.
 - Mr. Albers clarified the ordinance would be attached to the contract with the actuary and there would be no impact to the Plan, suggesting a brief paragraph be added which described the ordinance.
 - Mr. Briggs agreed to do so.
 - Mr. Gibbs MOVED, Mr. Gerow SECONDED to approve the ordinance. MOTION CARRIED UNANIMOUSLY.
1. Letter of no impact - Foster & Foster
- Discussed under Item B.

STAFF COMMENTS

- Mr. Alexander Davenport, Plan member, inquired as to the timeframe for implementation of the military buyback, noting he had requested the buyback approximately two years prior.
- Mr. Albers stated the adoption process would be completed by City Council's first meeting in November 2019.
- Mr. Davenport inquired whether he should request a buyback cost now.
- Mr. Briggs suggested he wait until City Council approved the ordinance, noting he would obtain a form from the attorney to apply for the buyback.

CITIZENS' COMMENTS

- None.

ADJOURNMENT

- Meeting Adjourned: 9:08 a.m.

William Albers, Chairman

Leah Pues, Recording Secretary