

**CITY OF PUNTA GORDA POLICE OFFICERS'
RETIREMENT SYSTEM PENSION BOARD OF TRUSTEES
QUARTERLY MEETING MINUTES**
City Council Chambers, 326 West Marion Avenue, Punta Gorda, FL 33950

Thursday, December 19, 2019 at 1:30PM

TRUSTEES PRESENT: Dylan Renz
Sam Kiburz
Chris Salsman
Gerald O'Halloran
Greg Andrulonis

TRUSTEES ABSENT: None

OTHERS PRESENT: Scott Christiansen, Christiansen & Dehner
Ferrell Jenne, Foster & Foster
Kim Kilgore, Foster & Foster
Patrick Donlan, Foster & Foster
Kerry Richardville, AndCo Consulting
Jack Evatt, AndCo Consulting
Members of the public

1. **Call to Order** – Dylan Renz called the meeting to order at 1:30PM.
2. **Roll Call** – As reflected above.
3. **Public Comments** – None.
4. **Approval of Minutes**
 - a. September 19, 2019, quarterly meeting
 - b. October 18, 2019, special meeting

The board approved the September 19, 2019 quarterly meeting minutes and the October 18, 2019 special meeting minutes upon motion by Sam Kiburz and second by Gerald O'Halloran; motion carried 5-0.

5. **Consent Agenda**
 - a. Payment ratification
 - i. Warrant #10
 1. Christiansen & Dehner, invoice #33598, \$3,146.20
 2. Christiansen & Dehner, invoice #33599, \$1,318.56
 3. Garcia Hamilton & Associates, invoice #31134, \$3,069.77
 - ii. Warrant #11
 1. Salem Trust, 3rd quarter fees (Auto-Deduct), \$2,766.88
 2. Christiansen & Dehner, invoice #33648, \$1,263.00
 3. Christiansen & Dehner, invoice #33649, \$88.40
 4. Foster & Foster, invoice #15716, \$1,091.28
 5. Foster & Foster, invoice #15873, \$12,955.00
 6. Foster & Foster, invoice #15943, \$1,400.00
 - b. New invoices for payment
 - i. None
 - c. Fund Activity Report for October 11, 2019 – December 12, 2019

The consent agenda was approved as presented, upon motion by Sam Kiburz and second by Gerald O'Halloran; motion carried 5-0.

6. **New Business**
 - i. Dylan Renz welcomed Greg Andrulonis as the newest trustee to the board.

- ii. Greg Andrulonis introduced himself to the board and gave a brief overview of his work experience.
 - iii. Scott Christiansen stated Greg Andrulonis had filed his financial disclosure form as required.
- a. Actual expenses as of September 30, 2019
- i. Ferrell Jenne explained the purpose of reporting the actual expenses as required by the State.

The board approved the actual expenses as presented upon motion by Gerald O'Halloran and second by Greg Andrulonis; motion carried 5-0.

- b. Records Management Liaison Officer (RMLO)
- i. Dylan Renz commented since Foster & Foster was the plan administrator, it would make sense for them to handle the management of the plan's records.
 - ii. Ferrell Jenne stated as the plan administrator they could be the RMLO at no extra charge.

The board approved the Records Management Liaison Officer (RMLO) to be Ferrell Jenne with Foster & Foster upon motion by Greg Andrulonis and second by Sam Kiburz, motion carried 5-0.

- c. Investment Performance Monitoring and Advisory Services Interviews
- i. Vanguard Institutional Advisory Services, Kristin Marsh and Brian Binkley
 1. Sam Kiburz commented that AndCo had been the investment consultant for the fund for a number of years and it had been recommended to review fees and services provided by the vendors every three to five years.
 2. Sam Kiburz commented they had originally received eight proposals and had narrowed it down to AndCo and Vanguard who were at the meeting today to present their services to the board.
 3. Sam Kiburz commented the current custodian for the plan was Salem Trust and wanted Vanguard to address any concerns with using the current custodian and plan administrator if Vanguard was hired.
 4. Kristin Marsh explained if they took custody of the plan's funds there would be no additional charge.
 5. Scott Christiansen stated Vanguard would have to be a Qualified Public Depository to take custody of the funds.
 6. Kristin Marsh introduced herself and reviewed the assigned team members' investment consulting experience.
 7. Kristin Marsh stated the senior investment consultant assigned to this plan would be Ignacio Saralegui with Brian Binkley as the secondary consultant.
 8. Kristin Marsh stated the assets of the company were around \$5.2 trillion dollars with over four decades of service and their focus for dedication to their clients had never wavered.
 9. Kristin Marsh commented Vanguard was a mutual company and the only firm like it in the industry, they had no outside owners, those who owned the funds were the owners of Vanguard.
 10. Kristin Marsh commented Vanguard had lowered costs over two thousand times since inception in 1975.
 11. Brian Binkley reviewed the steps taken to meet the objectives, restraints and tolerance of the board when constructing the portfolio.
 12. Brian Binkley stated Vanguard Institutional Advisory Services had been serving as a fiduciary for public pension plans for over twenty years with close to \$50 billion dollars in assets.

13. Brian Binkley reviewed the four principles they had identified for a plan's best investment success of goals were balance, cost and discipline.
 14. Brian Binkley reviewed their flexible approach when constructing the portfolio. He further stated they could follow a 100.00% index passive portfolio to keep cost and volatility low and down the road could add active management since Vanguard had plenty of capabilities in that atmosphere as well.
 15. Brian Binkley stated Vanguard invested a lot of money in technology to help set asset allocation and to discuss the risk return trade-offs.
 16. Brian Binkley commented Vanguard was the industry leader in equity indexing currently managing \$3.1 trillion dollars in equity index assets allowing Vanguard to keep fees low.
 17. Brian Binkley stated Vanguard has over \$1 trillion dollars in actively managed funds using twenty-five different external advisors.
 18. Kristin Marsh stated the fee for advisory service was 22 basis points charged quarterly. The investment expense of the net return was between .06% to .15% from all index to all active. There were no additional custodial fees. They also offered trustee and payment services.
 19. Kristin Marsh stated she looked forward to working with the board.
 20. Scott Christiansen pointed out State Statutes required that an independent consultant would need to be hired to evaluate the investment managers and to give them regular recommendations on hiring and firing of independent investment managers.
 21. Brian Binkley commented another firm could be hired to evaluate them periodically.
 22. Scott Christiansen stated they would have to hire an independent consultant if they hired Vanguard.
 23. Scott Christiansen asked about the board's having a say in the investment allocation. Brian Binkley commented they would follow the board's Investment Policy Statement (IPS).
 24. Scott Christiansen asked if they would sign a document stating they were a fiduciary of the plan and they confirmed they would.
 25. Brian Binkley briefly reviewed the trustee services offered by Vanguard stating they would cover the investing of the plan assets and perform any rebalancing, execute exchanges and transactions and process expense payments as directed.
 26. Kristin Marsh explained they could replace the custodian and make payments to retirees for a flat fee of seven thousand dollars and nineteen dollars per in-pay participant annually.
 27. Ferrell Jenne had some concerns with transitioning to a new custodian service since they were already familiar with forms and processes currently in place.
 28. Conversation ensued amongst trustee on the possible use of Vanguard as an investment manager only.
- ii. AndCo Consulting, Jack Evatt and Kerry Richardville
1. Jack Evatt introduced himself to the board.
 2. Jack Evatt stated the assets of AndCo were around \$92 billion dollars with over two hundred Fire and/or Police Plans and over two hundred and fifty Florida public plans.
 3. Jack Evatt commented they have over ninety employees with a dedicated research team.
 4. Jack Evatt explained the importance of being an independent consulting firm to provide a review of the money managers of the fund.
 5. Jack Evatt commented they worked very closely with all the professionals of the plan.

6. Jack Evatt stated AndCo had experience with all public and private investments.
7. Kerry Richardville introduced herself and shared her background and experience in finance and investments.
8. Kerry Richardville reviewed the history and accomplishments of Punta Gorda Police's portfolio since AndCo had been their investment consultant.
9. Kerry Richardville commented going forward she would like to review each asset class on the merits of active or passive in each class.
10. Kerry Richardville reviewed AndCo's flat annual fee of twenty thousand dollars and the services offered which were all-inclusive of the annual fee.
11. Kerry Richardville commented this fee would be guaranteed for three years.
12. Kerry Richardville and Jack Evatt exited the meeting to allow the board to review their proposal presented.
13. Gerald O'Halloran asked why Police and Fire funds were invested separately.
14. Scott Christiansen explained the combination of Police and Fire was permissible through Union negotiations and bargaining units with the City and members.
15. Sam Kiburz commented Vanguard was half the size of AndCo, but they were 50.00% bigger as a corporation and fees were higher, however, AndCo had less fees but very expensive funds so it worked out to be about the same.
16. Sam Kiburz commented he was worried in the future AndCo wanted us to buy mutual funds and Real Estate Investment Trust (REIT) and with Vanguard we could save on fees.
17. Greg Andrulonis commented we could address the fund's investment in the Investment Policy Statement (IPS) and if the investment was not performing well, they could get out of it.
18. Dylan Renz stated that they currently had a reasonably healthy pension fund over the past twenty years with AndCo as the investment consultant. Dylan further commented the board ultimately makes the final decision on what they are investing in.
19. Gerald O'Halloran agreed if AndCo had brought us to where we were today, and they were efficient and cost effective there was no need to change.
20. Sam Kiburz commented it was worth the exercise and he was good with either one of them.
21. By consensus, the board agreed to remain with AndCo as their investment consultant.
22. Scott Christiansen stated no approval was needed to be made today if they were keeping AndCo.

5-minute break

7. **Old Business** – None.

8. **Reports**

a. Foster & Foster, Board Actuary, Patrick Donlan

i. October 1, 2019, valuation report

1. Patrick Donlan explained the data collected for the valuation was completed one year in advance to when required contributions were due.
2. Patrick Donlan stated the minimum required contribution had increased around ninety thousand dollars due to the assumed rate of return change from 7.75% to 7.00%.
3. Patrick Donlan reviewed the difference in normal cost with the old assumed rate compared to the new assumed rate.

4. Patrick Donlan reviewed the lowered funded ratio from 90.80% to 86.00% due to the change in the assumed rate of return.
5. Patrick Donlan commented the Punta Gorda Police fund was in the top third of Foster & Foster's clients on funding ratio.
6. Patrick Donlan commented the fund beat the assumed rate of return due to the rolling four-year average method used.
7. Patrick Donlan reviewed the participant reconciliation used in the valuation.

The board approved the valuation as presented, motion by Sam Kiburz and second by Chris Salsman, motion carried 5-0.

- b. AndCo Consulting, Investment Consultant, Kerry Richardville
 - i. Quarterly report as of September 30, 2019
 1. Kerry Richardville reviewed the market environment during the past quarter stating there was a lot of volatility and uncertainty.
 2. Kerry Richardville reviewed the Treasury Yield Curve on the last four calendar quarters commenting the downward shift in interest rates as well as a general flattening of the curve were clearly visible over the last quarter.
 3. Market value of assets of September 30, 2019 were \$18,389,820.
 4. Asset allocation as of September 30, 2019 were Domestic Equity 46.60%, International Equity 13.90%, Domestic Fixed Income 26.7%, Global Fixed Income 4.60%, Real Estate 7.30% and Cash 0.90%.
 5. Kerry Richardville reviewed the asset allocation for each segment of the portfolio stating no rebalancing of allocation was needed at this time.
 6. Greg Andrulonis asked if the rebalancing was done automatically. Kerry Richardville stated the rebalancing of assets were not done automatically, typically the investment consultant would bring it to the board's attention and would need the board's approval.
 7. The gross total fund returns for the quarter was 0.81% underperforming the benchmark of 1.06% by -0.25%. The 1, 3, 5 and 10-year returns were 4.59%, 8.66%, 6.65% and 7.89%. Since inception (10/1/1998) was 6.55% outperforming the benchmark of 6.09% by 0.46%.
 8. Kerry Richardville reviewed each of the investment managers performance for the past quarter.
 9. Kerry Richardville reviewed the Templeton Global Total Return strategy and the reason for their performance.
 10. Kerry Richardville commented Templeton's strategy was unique with no United States exposure and they did not invest in developed markets which were heavily indebted.
 11. Sam Kiburz commented that the Templeton fund had made some bad decisions over the past five years.
 12. Greg Andrulonis asked are they weren't getting what they expected for the performance of this fund and if they should be looking at investing into something else.
 13. Kerry Richardville commented if the board would like more exposure to these more indebted countries that make up the index, they could look at a more traditional global fixed income investment.
 14. Kerry Richardville commented Templeton's strategy does very well during times of global distress.
 15. Sam Kiburz commented Templeton had given them subpar returns, five time more in fees and took on significantly more risk with the low investment grade bonds in the portfolio.
 16. Jack Evatt explained how government bonds investment were solvent.

17. Jack Evatt commented Templeton investment does not have a ton of overlap in the fund with the rest of the portfolio, which had given the fund further diversification.
18. Sam Kiburz motioned to redeem the Templeton investment and buy Vanguard International bond index.
19. Scott Christiansen asked for a second to the motion made by Sam Kiburz, no second, motion died.
20. Conversation ensued to perform global fixed income manager search to include Vanguard.

The board approved for the Investment Consultant, AndCo, to perform a global fixed income manager search upon motion by Gerald O'Halloran and second by Greg Andrulonis; motion carried 4-1, with Sam Kiburz opposing.

21. Kerry Richardville reviewed the ASB Real Estate performance during the past quarter with the bankruptcy of Barneys, one of ASB's largest tenants. Kerry Richardville stated it was very likely they would be able to repurpose that property.
22. Greg Andrulonis commented the report showed that ASB has been underperforming for five years.
23. Kerry Richardville briefly reviewed the history of the board's investment in the real estate market and the reason for acquiring ASB real estate investment.
24. Kerry Richardville commented ASB had a conservative approach that the board was comfortable to invest in.
25. Jack Evatt reviewed how the real estate benchmarks strategy used was different from ASB Real Estate.
26. Sam Kiburz reviewed the underperformance of the ASB Real Estate fund for the past five years versus the Vanguard Real Estate Investment Trust (REIT).
27. Jack Evatt reviewed how an REIT investment works.
28. Jack Evatt stated we could begin the redemption of USB investment and have the Investment Policy Statement (IPS) updated at the next meeting.

The board approved to redeem ASB Real Estate investment and invest with Vanguard Total Stock Market fund upon motion by Sam Kiburz and second by Greg Andrulonis; motion carried 5-0.

- c. Christiansen & Dehner, Board Attorney, Scott Christiansen
 - i. Scott Christiansen stated the plan's fiscal year-end report would be provided to the City as required.
 - ii. Addendum to Operating Rules and Procedures
 1. Scott Christiansen reviewed the addition of the Vice-Chairman officer to board of trustee and the duties of that position to the board's Operating Rules and Procedures.

The board approved the addendum to the Operating Rules and Procedures as presented upon motion by Chris Salsman and second by Greg Andrulonis; motion carried 5-0.

- iii. Scott Christiansen confirmed with the Plan Administrator that the revised actuarial contract approved by him would be presented for signature today, Ferrell Jenne confirmed.
- iv. Scott Christiansen asked about the proposed ordinance on the Share Plan and if the choice of method on allocating the funds had been decided. Dylan Renz stated it was agreed to allocate by seniority and he would contact the City attorney to provide Scott with the final language to add to the ordinance.
- v. Scott Christiansen stated the board needed to declare the expected rate of return for the fund. Kerry Richardville recommended it would be reasonable for the plan to assume a 7% rate of return.

The board voted the declaration of returns for the plan shall be 7.00% for the next year, the next several years, and the long-term thereafter net of investment related expenses, upon motion by Greg Andrulonis and second by Chris Salsman, motion carried 5-0.

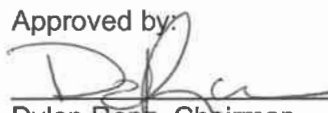
- vi. Scott Christiansen updated the board that a special meeting would be coming soon to determine a disability benefit for applicant Lee Coel. Scott Christiansen further stated he was currently collecting the records for the hearing.

 - d. Foster & Foster, Plan Administrator, Ferrell Jenne/Kim Kilgore
 - i. Annual Report preparation
 - 1. Ferrell Jenne asked the board if they would like Foster & Foster to complete the State Annual Report. Dylan Renz commented the Annual Report would be completed by the City.
 - ii. Online calculator
 - 1. Ferrell Jenne informed the board the online calculator provided currently by Foster & Foster would be going away on December 31st. Ferrell Jenne further stated that Foster & Foster offered an enhanced member portal which performed live calculation and provided other resources for members.
 - 2. Ferrell Jenne suggested on providing the portal demonstration at the next quarterly meeting. By consensus, the board agreed to have Foster & Foster present the member portal at the next quarterly meeting.
 - iii. Lead Administrator
 - 1. Ferrell Jenne introduced Kim Kilgore who has been assigned as the lead administrator for the Punta Gorda Police Plan.
9. **Trustee Reports, Discussions, and Action – None**
10. **Adjournment** – The meeting adjourned at 4:39PM.

Respectfully submitted by:



Kim Kilgore, Plan Administrator

Approved by:


Dylan Renz, Chairman

Date Approved by the Pension Board: 4/1/2020