

**POLICE OFFICERS' PENSION BOARD
MEETING
MARCH 21, 2019**

MEMBERS PRESENT: Samuel Kiburz, Acting Chairman
Norman Ashworth, Harry Bartell, Chris Salsman

MEMBERS ABSENT: Dylan Renz

OTHERS PRESENT: Board Attorney Scott Christiansen
Kerry Richardville, AndCo Consultants
Greg Peters, Dana Investment Advisors
Dave Stamm, Dana Investment Advisors
Steven Alto

CALL TO ORDER/ANNOUNCEMENTS

- A. Roll Call
- B. Next Scheduled Meeting
 - June 20, 2019

CITIZEN COMMENTS ON AGENDA ITEMS ONLY

- There were none.

APPROVAL OF MINUTES

- A. November 29, 2018
 - Mr. Bartell inquired as to the motion used to approve the expected rate of return.
 - Board Attorney Scott Christiansen explained the State required the expected rate of return be established for the current year, the next several years and the long term thereafter.
 - Mr. Salsman MOVED, Mr. Bartell SECONDED to approve the November 29, 2018 minutes. MOTION CARRIED UNANIMOUSLY.

NEW BUSINESS

- A. Report from AndCo Consultants
 - Ms. Kerry Richardville, AndCo Consultants (ACC), drew attention to ACC's Investment Performance Review/Period Ending December 31, 2018, as delineated in the agenda material, commenting negatively on market performance in general. She stated the plan had finished the quarter at \$16,649,967. She then reviewed asset allocations as outlined on pages 10 and 12, noting the Fund remained in alignment with its target allocations. She summarized Total Fund Performance, as delineated on page 15, as follows: quarter, -8.22% (54th percentile); 1 year, -3.06% (26th percentile); 3 year, 5.53% (64th percentile); 5 year, 4.80% (51st percentile). She then provided an overview of

individual investment managers' performance as compared to the benchmark and comparative performance trailing returns.

- Discussion ensued regarding Dana Large Cap Value's returns as compared to market indexes and mutual funds as well as the returns of the Fund's total equity composite as compared to market indexes.
- Ms. Richardville next drew attention to the Investment Performance Review/Period Ending February 28, 2019, included in the agenda material, noting market volatility had returned. She noted Total Fund Performance of 2.08% for the month and -1.66% for the fiscal year to date, then reviewing the performance of individual managers.
- Mr. Kiburz remarked WCM Focused International Growth Institutional Class (WCMIX) and Oakmark International Institutional (OANIX) had performed poorly.
- Ms. Richardville stated WCMIX had a high-tracking error, noting OANIX had no exposure to emerging markets.

B. Discussion of MFS Growth Fund Exchange

- Ms. Richardville recommended members exchange the Fund's current holdings in MFS Growth Fund's Institutional Share Class for the R6 Share Class as doing so would save nine basis points.
- Mr. Bartell MOVED, Mr. Salsman SECONDED to transfer from MFS Growth Fund's Institutional Share Class to the R6 Share Class. MOTION CARRIED UNANIMOUSLY.

C. Review of Asset Allocation Analysis (AndCo)

- Ms. Richardville presented the Asset Allocation Analysis, as delineated in the agenda material, providing an overview of the long term asset allocation model inputs, as denoted on page 10. She then reviewed historical returns for the Fund's current asset allocations, stated on page 12, noting the current asset allocations were expected to produce returns of 5.55% going forward with a standard deviation of 9.20%.
- Mr. Kiburz commented the forecast rate of returns was 2.25% lower than the Fund's expected rate of return. He confirmed the projected inflation rate over the forecast period was 2%.
- Ms. Richardville then drew members' attention to the return, risk and probability forecasts for the Fund's current allocations, depicted on page 17, reviewing potential return scenarios. She stated pension plans were being encouraged to reduce their expected rates of return.
- Mr. Bartell spoke in favor of reviewing the Asset Allocation Analysis in greater detail before making a decision.

- Board Attorney Christiansen reviewed the process for reducing the assumed rate of return in the Actuarial Valuation Report.
 - Mr. Bartell noted some pension plans were reducing their expected rate of return over a period of years.
 - Board Attorney Christiansen pointed out the actuary's experience study should also be considered.
 - Mr. Kiburz stated he would share the asset allocation analysis with the actuary.
- D. Report from Dana Investment Advisors
- Mr. Greg Peterson, Dana Investment Advisors (Dana), stated domestic market performance had been poor in the fourth quarter of 2018, noting the portfolio underperformed compared to its benchmark; however, the portfolio had outperformed its benchmark as of March 12, 2019.
 - Mr. David Stamm, Dana, presented Dana's Portfolio and Economic Update, as delineated in the agenda material. He provided a brief equity market update, as denoted on page 9, detailing factors which had affected performance. He discussed Dana's strategy profile and top strategy detractors, as noted on pages 10 and 11.
 - Mr. Bartell requested Mr. Stamm focus on Dana's long-term performance.
 - Mr. Stamm drew members' attention to the historical calendar year returns denoted on page 33, opining Dana's high quality portfolio would offer long-term downside protection.
 - Mr. Kiburz confirmed Mr. Stamm had been with Dana and managed this portfolio since 2007.
 - Discussion ensued regarding the number of portfolios in the strategy as well as the strategy's assets.
 - Mr. Bartell questioned if the Russell 1000 Index was a fair benchmark.
 - Mr. Stamm replied affirmatively, noting the strategy's portfolio had a mid cap stock bias; however, the portfolio had shifted toward mega cap stocks over the past year.
 - Mr. Bartell expressed hesitance to retain a manager who had underperformed for five years, speaking in favor of finding an alternative manager or else indexing this component of the Fund. He then confirmed 78% of funds in the large cap value equity universe outperformed Dana.
 - Ms. Richardville offered to provide a chart of index rankings at the June 20, 2019 meeting, stating she believed the indexing cycle would soon peak.

UNFINISHED BUSINESS

- A. Approval of Fiscal Year 2018 Expense Report
- Board Attorney Christiansen stated an administrative expense report was required each year by State law.
 - Discussion ensued regarding the information available in the administrative expense report, with members expressing desire for an itemized list of expenses.
 - Board Attorney Christiansen commented the members might want to consider retaining a plan administrator.
 - Mr. Salsman MOVED, Mr. Bartell SECONDED to approve the administrative expense report for Fiscal Year 2017/2018. MOTION CARRIED UNANIMOUSLY.
 - Mr. Salsman stated supporting documentation for the administrative expense report was available and could be presented to the Board.
- B. Proposed Ordinance and Operating Rules Changes
- Board Attorney Christiansen announced the Plan's Ordinance required amendment in order to comply with changes to the Internal Revenue Code, noting changes pertained to missing benefit recipients and reemployment after retirement. He offered to answer any questions, recommending the Board approve the ordinance.
 - Mr. Bartell MOVED, Mr. Ashworth SECONDED to approve the proposed ordinance and to present same to City Council. MOTION CARRIED UNANIMOUSLY.
 - Board Attorney Christiansen requested members consider the changes to the Retirement System's Operating Rules and Procedures at the June 20, 2019 meeting.
 - Mr. Ashworth inquired as to the education requirement for new trustees.
 - Board Attorney Christiansen replied same was a state requirement; however, a trustee could complete training at any point during his or her term. He offered to provide information regarding training opportunities. He then introduced himself as previous Board Attorney Lee Dehner's partner, explaining he intended to continue to represent the Plan.
 - Mr. Kiburz expressed preference to continue to work with Christiansen & Dehner given Board Attorney Christiansen's familiarity with the lawsuit related to Mr. Lee Coel.
 - Board Attorney Christiansen explained the disability case was on hold until conclusion of the criminal case against Mr. Coel. He then confirmed the Actuarial Valuation Report letter had been provided to the State. He concluded with an overview of State legislative bills related to agendas and public comment.

- Mr. Kiburz announced he was now a certified Florida Public Pension Trustee. He then suggested the Board reevaluate the Plan's current providers, speaking in favor of issuing a request for proposals for investment consultant services.
- Mr. Bartell MOVED, Mr. Salsman SECONDED to begin the process of soliciting proposals from service providers over a period of time to exceed a year, to begin with investment consulting services and to direct Board Attorney Christiansen to do so. MOTION CARRIED UNANIMOUSLY.
- Mr. Bartell confirmed this process would not address Dana.
- Mr. Ashworth expressed uncertainty if action should be taken at this time.
- Mr. Kiburz spoke in favor of the motion, inquiring as to Ms. Richardville's recommendation for reallocation of funds currently invested in Dana Large Cap Value.
- Ms. Richardville recommended transferring to a mutual fund, confirming members desired to reallocate funds from the MFS Growth Fund as well.
- Discussion ensued regarding index funds.
- Mr. Bartell MOVED, Mr. Ashworth SECONDED to reallocate funds from Dana Large Cap Value and MFS Growth Fund to Vanguard Total Stock Market Index Fund. MOTION CARRIED UNANIMOUSLY.

COMMITTEE/BOARD COMMENTS

- Mr. Bartell inquired if Mr. Kiburz's promotion was related to his Florida Public Pension Trustee certification.
- Mr. Kiburz replied in the negative.

CITIZENS' COMMENTS

- Mr. Steven Alto stated he was a financial advisor with Merrill Lynch, requesting the Board consider meeting with his firm.
- Board Attorney Christiansen reviewed the request for proposal process.
- Ms. Richardville noted ACC did not engage in fee sharing, recommending the Board ask pointed questions regarding fees and revenue generation during interviews.

ADJOURNMENT

- Meeting Adjourned: 3:35 p.m.

Sam Kiburz, Acting Chairman

Sara Welch, Recording Secretary