

**CITY OF WEST MELBOURNE  
POLICE OFFICERS' RETIREMENT BOARD  
AUGUST 7, 2017**

The West Melbourne Police Officers' Retirement Board held its quarterly meeting on Monday, August 7, 2017 in the City Hall Conference Room, 2240 Minton Road, West Melbourne, Florida.

MEMBERS PRESENT: Chairman Scott Morgan (resident member)  
Secretary Jennifer Bruno (police member)  
Richard Cordeau (fifth member)  
James Parsons (police member)  
Pat Bentley (resident member)

CONSULTANTS: Pedro Herrera, Board Attorney\* – Sugarman & Susskind  
Tony Kay, Investment Consultant – AndCo Consulting  
Jennifer Gainfort – AndCo Consulting  
Karan Rounsavall, Plan Administrator

Chairman Morgan called the meeting to order at 9:00 a.m. A quorum was in attendance. (\*Attorney Herrera attended the meeting remotely via SKYPE.)

**APPROVAL OF MINUTES**

*Member Bruno moved to approve the minutes of quarterly meeting May 3, 2017 as submitted. Member Cordeau seconded the motion and it carried unanimously.*

**OFFICER AND TRUSTEE REPORTS** – None

**PROCESSED DISBURSEMENTS/RECEIPTS**

*Member Bruno moved to approve plan expenditures for the third quarter of Fiscal Year 2016/2017 (April 1, 2017 through June 30, 2017) in the amount of \$32,745.81 and to acknowledge receipts to the plan for that same fiscal quarter (through June 30, 2017) in the amount of \$208,539.93. (Reference Plan Administrator's memorandum dated July 20, 2017 for detail.) Member Cordeau seconded the motion which carried on an all yes vote.*

Total disbursements during the quarter were \$154,861.86 which included monthly benefit payments to 14 retirees in the amount of \$122,116.05 and expenses noted above.

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Plan Administrator Rounsavall advised that quarterly payments were made from the Plan's receipts and disbursements (R&D) account to ASB Capital Management for the Allegiance Real Estate Fund. She recommended that a new letter of instruction to Salem Trust Company be prepared allowing the direct payment of ASB's invoices from the R&D account as was done for other professional service providers/investment managers. This would expedite the payment process and eliminate the need for two authorized signatures on the invoice.

*Member Cordeau moved in accordance with the plan administrator's recommendation to allow the direct payment of ASB's invoices. Member Parsons seconded the motion which carried unanimously.*

### **CONSULTANT REPORTS**

#### A. Tony Kay – AndCo Consulting (Performance Monitor & Advisory Services)

- Performance Report for quarter ended June 30, 2017

Mr. Kay presented the performance report for the quarter ended June 30, 2017. Equity markets were at an all-time high with non U.S. returns outpacing domestic. The weakness of the dollar overseas benefitted international holdings. Growth stocks were in favor during the quarter. He emphasized that the portfolio was structured such that it could weather a downturn.

Total market value as of June 30, 2017 was \$12,930,199 up from \$12,523,366 for the previous quarter ended March 31, 2017. On a percentage basis, the composite portfolio was up 2.82 percent for the quarter (gross) which ranked in the 60<sup>th</sup> percentile of public plans. Fiscal year-to-date, the fund was up 9.04 percent (ranking in the 35<sup>th</sup> percentile). For the trailing 12 months, the fund was up 12.78 percent (31<sup>st</sup> percentile). As of August 4, 2017, the fund was valued at \$13.3 million.

Quarterly performance results (i.e. quarter ending June 30, 2017) for the various investment styles/managers represented in the portfolio were as follows:

*Garcia Hamilton & Associates (domestic fixed income) – positive return of 0.90% (78)\**

*EuroPacific Growth (international) – positive return of 7.69% (29)\**

*Vanguard Total Stock Market Index Fund – positive return of 3.03% (38)\**

*Templeton Global Total Return (global fixed income) – negative return of -0.99% (100)\**

*BlackRock Multi-Asset Income Fund (other assets) – positive return of 2.43% (46)\**

*ASB Allegiance Real Estate Fund (real estate) – positive return of 0.66% (100)\**

(\*Percentile rankings)

All asset classes were within target ranges. There were no action items.

Ms. Gainfort discussed the underperformance of the ASB Allegiance Real Estate Fund since being added to the portfolio. She pointed out that ASB was a “core” real estate manager. Being such, there was less leverage risk in its portfolio and more leasing risk relative to some of its peers. Leasing income was the most important aspect of a “core” approach. ASB also experienced negative appreciation for the quarter as valuation of some holdings was adjusted downward. The real estate portfolio was funded from assets taken from fixed income and had served to diversify the fund. No change in real estate manager was recommended.

Member Bentley understood that the addition of real estate to the portfolio was a “play for diversity.” He was comfortable with the recommendation to keep ASB and went on to ask whether or not it might be prudent to move some assets from domestic equities to international. Mr. Kay was comfortable with the current 15 percent allocation. *Florida Statutes* capped international exposure at 25 percent. The biggest headwind to the portfolio continued to be fixed income.

*The Board acknowledged receipt of the Investment Performance Report as presented.*

B. Mindy Johnson – Salem Trust Company (Custodial Services)

It was one year since the West Melbourne Police Retirement Board re-established its relationship with Salem Trust Company for custodial services. Mrs. Johnson thanked the board for the opportunity to serve as its custodian. Salem Trust was committed to service excellence and reliability. There were no action items.

C. Pedro Herrera – Sugarman & Susskind (Attorney)

- Legislative Update/Amendment to Public Records Act

Attorney Herrera advised that there were no changes to Chapter 185 (Police) plans during the recently adjourned state legislative session.

Board members were in receipt of the law firm's legislative update on amendments to the Public Records Act. He reviewed changes to the public records law designed to minimize the filing of law suits due to frivolous public records requests intended primarily to cause a violation of the law and result in an attorney fee award. New legislation required the prominent posting of contact information for the agency's custodian of public records in the agency's primary administrative building and on the agency's website. He pointed out that the City of West Melbourne and the West Melbourne Police Retirement Plan were two separate legal entities.

Plan Administrator Rounsavall advised that the city clerk served as the Records Management Liaison Officer (RMLO) for the Police Retirement Plan and that she routinely transferred records to the City's archives.

*Member Cordeau moved to officially designate West Melbourne City Clerk Sue Frank as the Police Retirement Plan's RMLO and to post the required notice on the bulletin board at city hall and the city's web site. Member Bruno seconded the motion and it carried on an all yes vote.*

- Proposed reduction in monthly retainer due to remote attendance at quarterly meetings

Attorney Herrera advised that Sugarman & Susskind was able to reduce its monthly retainer for legal services from \$1,250 to \$1,000 if it was acceptable for him to attend quarterly meetings remotely via SKYPE. He stressed, however, that he was always glad to personally attend any board meetings as needed.

*Member Bentley moved to allow the board attorney to attend quarterly meetings via video conferencing/SKYPE and to direct the preparation of a new engagement letter setting forth a monthly retainer of \$1,000 effective October 2017. Member Bruno seconded the motion; it carried unanimously.*

C. Karan Rounsavall – Plan Administrator

- Educational Opportunities:
  - ✓ Florida Public Pension Trustees' Association (FPPTA) Fall Trustees School in Tampa (October 8-11, 2017)
  - ✓ Florida Division of Retirement Annual Police Officers' & Firefighters' Pension Conference in Orlando (November 15-17, 2017)

Mrs. Rounsavall announced the upcoming educational sessions. If any trustee wished to attend, they were to contact her at their earliest opportunity.

**OLD BUSINESS** - None

**NEW BUSINESS**

A. Approval of administrative expense budget for Plan Year 2017/2018

The Retirement Board was in receipt of the proposed budget for Plan Year 2017/2018 as prepared by the plan administrator. Pursuant to *Florida Statutes 185.05(8)*, the Board was required to adopt and operate pursuant to an administrative expense budget each year. The budget included all administrative expenses (e.g. actuary, legal, investment consultant, custody, administration, insurance, etc.) but did not include investment management fees. The proposed budget for 2017/2018 was \$80,000.

Plan Administrator Rounsavall reviewed individual line items in the proposed budget and projected increases. She included an additional \$6,000 under actuarial expenses in the event the Board wished to conduct an experience study in the ensuing plan year. She also advised that expenditures for 2016/2017 were less than anticipated.

Board members discussed the possibility of an experience study which would review current assumptions against actual behavior in the plan. *It was the consensus of the Board to direct the plan administrator to contact Foster & Foster (plan actuary) to gather further information as to cost, scope of study, and timing of an experience study and to report back at the next quarterly meeting.*

*Member Bruno moved to approve the administrative expense budget as presented. Member Cordeau seconded the motion and it carried on an all yes vote. The budget would be presented to the West Melbourne City Council (plan sponsor), posted on the City's web site, and posted on the bulletin board at the Police Department for plan members.*

B. Status of Ordinance No. 2017-10 implementing changes to the retirement plan as a result of collective bargaining agreement with Police Benevolent Association, including share plan implementation and DROP eligibility for Tier II members as well as clarification of death benefit payable to beneficiary in the case of pre-retirement death of an active member

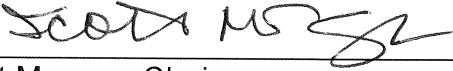
The actuary prepared an impact statement to accompany the subject ordinance which was scheduled for public hearing and adoption by City Council on August 15, 2017. While the ordinance was prepared by the City's outside pension attorney, Board Attorney Herrera had reviewed it and his suggested revisions were incorporated.

Plan Administrator Rounsavall noted that adoption of this ordinance creating the share plan, etc. coincided with the statutory requirement to publish and distribute the Summary Plan Description (SPD) on a biennial basis. *Attorney Herrera agreed to draft language for the SPD related to the share plan which the plan administrator would incorporate into the updated document. The revised SPD would be presented to the Retirement Board for approval at the next quarterly meeting.*

**PUBLIC COMMENT** - None

**ADJOURNMENT**

The meeting adjourned at 10:24 a.m.



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Scott Morgan, Chairman



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Karan Rounsavall, Plan Administrator