

**CITY OF WEST MELBOURNE
POLICE OFFICERS' RETIREMENT BOARD
JANUARY 27, 2021**

The West Melbourne Police Officers' Retirement Board held its quarterly meeting on Wednesday, January 27, 2021 in the City Council Chamber, 2285 Minton Road, West Melbourne, Florida.

MEMBERS PRESENT: Chairman Scott Morgan (resident member)
Secretary Jennifer Curran (police member)
Pat Bentley (resident member)
James Parsons (police member)
Harvey Whitney (fifth member)

CONSULTANTS: Pedro Herrera, Board Attorney – *Sugarman & Susskind**
Kerry Richardville, Consultant – *AndCo Consulting**
Dan Johnson, Consultant – *AndCo Consulting**
Patrick Donlan, Actuary – *Foster & Foster*
Karan Rounsavall, Plan Administrator

CITY STAFF: Margi Starkey, Finance Director*

Chairman Morgan called the meeting to order at 9:02 a.m. A quorum was in attendance. Trustees and consultants attended the meeting in physical presence and observed social distancing and wearing of masks. *Virtual presence – attended meeting via communications media technology (Zoom platform hosted by the City of West Melbourne).

APPROVAL OF MINUTES

Member Curran moved to approve minutes of quarterly meeting October 28, 2020 as submitted. Member Whitney seconded the motion; it carried unanimously.

OFFICER AND TRUSTEE REPORTS - None

PROCESSED DISBURSEMENTS/RECEIPTS

Member Curran moved to approve plan expenditures for the first quarter of Fiscal Year 2020/2021 (October 1, 2020 through December 31, 2020) in the amount of \$23,711.64 and to acknowledge receipts to the plan in the amount of \$178,176.97. (Reference Plan Administrator's memo dated January 4, 2021 for detail.) Member Whitney seconded the motion which carried on an all-yes vote.

Total disbursements during the quarter were \$184,836.93 which included monthly benefit payments to retirees in the amount of \$149,415.22, refund of employee contributions (\$11,710.07) and expenses noted above.

CONSULTANT REPORTS

A. Patrick Donlan – Foster & Foster (Actuary)

- Presentation of annual actuarial valuation as of October 1, 2020
- Declare expected annual rate of investment return for assets of West Melbourne Police Officers' Retirement Plan

Actuary Patrick Donlan presented the October 1, 2020 Actuarial Valuation Report for the West Melbourne Police Officers' Retirement Plan and began his comments by

emphasizing that the plan was in excellent shape. The valuation established the annual contributions applicable to the Retirement Plan for the fiscal year ending September 30, 2022. The report also included GASB 67/68 disclosure information as of September 30, 2020.

The city's minimum required contribution for the ensuing fiscal year, including the State contribution was 19.51 percent of non-DROP pensionable payroll. This was a slight reduction from the current fiscal year's required contribution of 20.21 percent. Overall plan experience was favorable based on the actuarial assumptions. Sources of actuarial gain included an annual investment return of 10.51 percent despite market volatility due to the COVID-19 pandemic. These gains were recognized over a five-year period (actuarial asset basis) which resulted in an investment return of 8.31 percent which exceeded the 6.80 percent assumed rate of return. Other sources of favorable experience included more turnover than expected and average salary increases less than the assumption. A change in the mortality table to one used by Florida Retirement System for special risk employees also reduced the plan's liabilities. Mr. Donlan also mentioned that a portion of state monies would be used to fund individual share accounts for plan members.

The unfunded actuarial accrued liability (UAAL) was \$673,831 down significantly from the prior year UAAL of \$1,113,728. The Plan's funded status was 96.2 percent (i.e., actuarial value of assets as a percentage of total actuarial accrued liability).

Member Bentley commented on the positive investment returns for the fiscal quarter ended December 31, 2020. If these returns were considered, he felt that the plan's funded status would be over 100 percent. If this trend continued, the plan could further lower its assumed rate of return without increasing the city's contribution.

Attorney Herrera advised that state contributions stopped if a plan was 100 percent funded (based on future liabilities for current and future obligations). Member Whitney mentioned that benefit improvements would lower the funded ratio; this could be a discussion for future meetings.

There was consensus among trustees to discuss the assumed rate of return and funded status at its July 2021 meeting.

Member Bentley moved to approve the annual valuation as of October 1, 2020 as presented. Member Curran seconded the motion which carried on an all yes vote.

Member Bentley moved to approve a 6.80 percent expected rate of return on investments going forward (based on advice of plan consultants). Member Curran seconded the motion which carried unanimously. The plan administrator would prepare the required correspondence to the Division of Retirement advising of the expected annual rate of return.

B. Dan Johnson – AndCo Consulting (Investment Consultant)

- Performance Report for quarter ended December 31, 2020

Mr. Johnson presented the performance report and economic commentary for the quarter ended December 31, 2020. Market index returns were broadly positive during the quarter except for the U.S. government bond index. Performance was largely driven

by expectations related to vaccine availability, resolution of the presidential election, and potential for further government stimulus. During the quarter, value stocks reversed recent trends and outperformed growth stocks across all capitalizations. However, for the trailing 12 months, growth-oriented stocks had significantly outperformed value.

Mr. Johnson was quite proud of the West Melbourne Police Retirement Plan and commended board members for their conservative approach, particularly related to the assumed rate of investment return.

Total market value as of December 31, 2020 was \$19,222,175 up from \$17,506,023 for the previous quarter ended September 30, 2020. On a percentage basis, the composite portfolio was up 10.00 percent for the quarter (gross) ranking in the 62nd percentile of public plans and outperforming the fund policy. For the trailing 12 months, the fund was up 15.03 percent which ranked in the 50th percentile. Mr. Johnson noted that these were preliminary returns as final performance results from ASB Allegiance Real Estate Fund were currently unavailable.

Quarterly performance results (i.e., quarter ending December 31, 2020) for the various investment styles/managers represented in the portfolio were as follows:

Garcia Hamilton & Associates (domestic fixed income) – positive return of 0.36% (89)*

EuroPacific Growth (international) – positive return of 19.95% (24)*

Vanguard Total Stock Market Index Fund – positive return of 14.69% (39)*

PIMCO Global Opportunities (global fixed income) – positive return of 2.47% (71)*

BlackRock Multi-Asset Income Fund (other assets) – positive return of 6.54% (75)*

ASB Allegiance Real Estate Fund (real estate) – unavailable

(*Percentile rankings)

In reviewing the asset allocation, Mr. Johnson noted that the portfolio was currently overweight in equities and underweight in fixed income. He recommended rebalancing back to target weights. He also mentioned that the fund previously committed \$1 million to Brookfield Super-Core Infrastructure Fund. This capital call was pending and could come at any time.

Member Bentley suggested increasing the commitment to infrastructure by \$250,000. Mr. Johnson reminded the board of the illiquid nature of an infrastructure investment. He did not recommend a change at this time. Increasing the target weight for infrastructure could be discussed later in the year.

Member Bentley moved to rebalance the portfolio as recommended by the consultant by selling \$600,000 in the Vanguard Total Stock Market Index Fund and then transferring \$400,000 to Garcia Hamilton & Associates and buying \$200,000 of additional shares of PIMCO Global Opps Fund. When the \$1 million capital call for infrastructure was received, it would be funded by rebalancing back to target weights depending on market conditions at that time. Member Whitney seconded the motion which carried unanimously.

The Board acknowledged receipt of the investment performance report as presented.

C. Pedro Herrera – Sugarman & Susskind (attorney)

- Enactment of Mandatory E-Verify Law

The State of Florida recently enacted a new law that made the use of “E-Verify” mandatory for government employers. This change impacted local pension funds to some extent beginning January 1, 2021. E-Verify was a federal electronic database intended to aid employers in confirming against federal databases that documentation provided by new hires to establish lawful employment eligibility was valid. The plan administrator was in receipt of sample correspondence to be sent to all professional service providers advising of the E-Verify requirement. Mrs. Rounsavall would handle this matter for the retirement plan.

Chairman Morgan asked Attorney Herrera to provide an analysis at the next meeting as to funding of law enforcement agencies.

D. Karan Rounsavall - Plan Administrator Report

- Acknowledge rollover of member contributions for Christopher Rutherford (non-vested member) in the amount of \$11,710.07

Member Curran moved to acknowledge the rollover for Officer Rutherford, Member Whitney seconded the motion which carried on an all-yes vote.

Mrs. Rounsavall went on to advise that Sara Hill (retiree beneficiary) passed away during the past quarter. There was no survivor benefit for a beneficiary. The plan's custodian was advised accordingly.

Annual confirmation of receipt of benefits was mailed to current retirees the previous week.

OLD BUSINESS - None

NEW BUSINESS - None

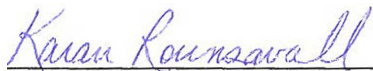
PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 10:50 a.m.



Scott Morgan, Chairman



Karan Rounsavall, Plan Administrator