

**CITY OF WEST MELBOURNE
POLICE OFFICERS' RETIREMENT BOARD
JULY 28, 2021**

The West Melbourne Police Officers' Retirement Board held its quarterly meeting on Wednesday, July 28, 2021 in the City Council Chamber, 2285 Minton Road, West Melbourne, Florida.

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

MEMBERS ABSENT: Chairman Scott Morgan (resident member) - excused

CONSULTANTS: Pedro Herrera, Board Attorney - *Sugarman & Susskind**
Kerry Richardville, Consultant - *AndCo Consulting*
Mindy Johnson, Custodian - *Salem Trust Company*
Karan Rounsavall, Plan Administrator

Member Curran called the meeting to order at 9:12 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 - attorney attended meeting via communications media technology (Zoom platform hosted by the City of West Melbourne).

APPROVAL OF MINUTES

Member Whitney moved to approve minutes of quarterly meeting April 28, 2021 as submitted. Member Parsons seconded the motion; it carried unanimously.

OFFICER AND TRUSTEE REPORTS - None

PROCESSED DISBURSEMENTS/RECEIPTS

Member Whitney moved to approve plan expenditures for the third quarter of Fiscal Year 2020/2021 (April 1, 2021 through June 30, 2021) in the amount of \$22,851.82 and to acknowledge receipts to the plan in the amount of \$158,404.61. (Reference Plan Administrator's memo dated July 5, 2021 for detail.) Member Parsons seconded the motion which carried on an all-yes vote.

Total disbursements during the quarter were \$270,460.76 which included monthly benefit payments to retirees in the amount of \$152,271.65, refund of employee contributions (\$6,913.24), DROP payout (\$82,404.38), Share Account payout (\$6,019.67) and expenses noted above.

CONSULTANT REPORTS

A. Mindy Johnson - Salem Trust Company (Custodian)

Relationship Manager Mindy Johnson was in attendance for her annual visit with the retirement board. She thanked the board for the ongoing relationship with Salem Trust which just passed the five-year mark.

B. Kerry Richardville - AndCo Consulting (Investment Consultant)

- Performance Report for quarter ended June 30, 2021

Mrs. Richardville presented the performance report and economic commentary for the quarter ended June 30, 2021. Equity markets experienced strong returns for the quarter with the S&P 500 boasting an 8.5 percent return due primarily to the continued reopening of state and local economies resulting from the ongoing distribution of vaccines. With interest rates falling during the quarter, growth-oriented stocks resumed market leadership ahead of value stocks. There were convincing positive returns in international equity markets. Fixed income returns were also positive. Trailing one-year returns for domestic equity were particularly impressive.

All asset classes were within their target ranges; there was no recommendation for rebalancing.

Total market value as of June 30, 2021 was \$20,623,790 up from \$19,758,994 for the previous quarter ended March 31, 2021. On a percentage basis, the composite portfolio was up 5.01 percent for the quarter (gross) ranking in the 69th percentile of public plans which slightly underperformed the fund policy. For the trailing 12 months, the fund was up 25.83 percent which also ranked in the 69th percentile. Note: These were preliminary returns as final performance results from ASB Allegiance Real Estate Fund were not yet available.

Quarterly performance results (i.e., quarter ending June 30, 2021) for the various investment styles/managers represented in the portfolio were as follows:

Garcia Hamilton & Associates (domestic fixed income) - positive return of 0.06% (99)*

EuroPacific Growth (international) - positive return of 6.97% (24)*

Vanguard Total Stock Market Index Fund - positive return of 8.29% (28)*

PIMCO Global Opportunities (global fixed income) - positive return of 0.06% (90)*

BlackRock Multi-Asset Income Fund (other assets) - positive return of 3.36% (75)*

ASB Allegiance Real Estate Fund (real estate) - quarterly return unavailable**

(*Percentile rankings)

(**Final performance result for ASB was positive 2.56% with 94th percentile ranking)

Garcia Hamilton's (GHA) performance had lagged its benchmark and peers for the past several years. Mrs. Richardville discussed its short duration strategy and suggested that a representative from GHA attend the next quarterly meeting to address some of these performance questions. *There was consensus to invite GHA to the next meeting.*

The Brookfield capital call was still pending with \$1 million committed to the infrastructure asset class. Mrs. Richardville expected the capital call by the end of the calendar year. The portfolio was valued at approximately \$20,784,700 as of the previous day.

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

- Request for fee increase effective October 1, 2021

Mrs. Richardville thanked the West Melbourne Police Retirement Board for the continued opportunity to serve as its investment consultant. AndCo provided institutional investment consulting services on a hard dollar, full retainer, flat-fee basis for its clients.

While the proposed fee represented an increase to the current hard dollar fee, it still reflected a reduction on a percentage basis.

The existing annual fee was \$17,500; the proposed fee was \$20,000 which expressed as a percentage of current plan assets was ten basis points. The proposed retainer fee included all components of AndCo's consulting services and was guaranteed for three years. The fee increase was effective as of October 1, 2021.

Member Bentley moved to approve the proposed \$20,000 annual fee for AndCo Consulting effective October 1, 2021. Member Parsons seconded the motion which carried on an all yes vote.

Attorney Herrera would prepare the appropriate addendum to AndCo's contract to reflect the new fees.

- Consultant's recommendation as to investment of State of Florida premium tax revenues upon receipt of funds

State premium tax revenues were expected in mid-August (approximately \$198,000). The board requested the investment consultant's recommendation as to investment of these funds upon receipt. Mrs. Richardville recommended that they be invested pursuant to target allocations in accordance with the standing letter of instruction on file with Salem Trust Company (custodian).

Member Parsons moved in accordance with the consultant's recommendation. Member Whitney seconded the motion and it carried unanimously.

As a point of information, Attorney Herrera advised that a jurisdiction would no longer receive premium tax dollars if its retirement plan was fully funded. *Florida Statutes* defined fully funded to mean that a plan had sufficient assets to pay past, present, and future liabilities. The West Melbourne Police Retirement Plan did not currently meet this statutory definition.

C. Pedro Herrera - Sugarman & Susskind (attorney)

Attorney Herrera mentioned that the State of Florida earmarked funds to provide \$1,000 bonus checks for first responders which included police and fire employees. These funds should be distributed in the very near future and would be tax free to recipients.

He also mentioned that Attorney Ken Harrison experienced some health issues in the past week but was recovering. Attorney Herrera hoped to attend the next quarterly meeting of the West Melbourne Police Retirement Board in person.

D. Karan Rounsavall - Plan Administrator Report

- Acknowledge refund of member contributions for Austin Crosby (non-vested member) in the amount of \$6,913.24
- Acknowledge refund of member contributions for Marcelo Vurro (non-vested member) in the amount of \$13,921.00
- Acknowledge refund of member contributions for Mark Knott (non-vested member) in the amount of \$6,769.31
- Acknowledge refund of member contributions for Austin Souther (non-vested member) in the amount of \$1,150.65

Member Whitney moved to acknowledge the above-stated refunds. Member Parsons seconded the motion which carried on an all-yes vote.

OLD BUSINESS - None

NEW BUSINESS

A. Discuss assumed investment rate of return and retirement plan's funded status

At its January 27, 2021 quarterly meeting the retirement board agreed to discuss the plan's assumed rate of return and funded status at this meeting. With a current 6.80 percent assumed rate of return, Mrs. Richardville felt that the retirement fund was in a very comfortable position and saw no urgency to lower the return assumption. Its return assumption was already lower than most plans throughout the state. Perhaps it would be appropriate to discuss the matter further with the plan's actuary at the next meeting.

Member Parsons pointed out that the retirement plan consistently lowered its assumed rate of return over past years. He wondered about the feasibility of increasing benefits as an alternative while keeping costs the same. Member Curran felt that improved benefits would be helpful from a recruitment and retention standpoint.

Member Bentley was concerned that the board might be overstepping its responsibilities by discussing benefit improvements. Attorney Herrera reminded the board that its role was to administer the retirement plan as written. Consideration of benefit improvements typically were channeled through the collective bargaining process. The cost to implement new benefits could be determined by the plan's actuary with their fee typically covered by the union or city. The board would need to authorize its actuary to perform any benefit improvement study. The actuary could also provide capital market outlooks.

It was the board's consensus to invite Actuary Patrick Donlan (Foster & Foster) to attend the next quarterly meeting (via conference call) to discuss these issues with the understanding that he agreed to do so at no cost to the plan.

B. Approval of administrative expense budget for Plan Year 2021/2022

The Retirement Board was in receipt of the proposed budget for Plan Year 2021/2022 as prepared by the plan administrator. Pursuant to *Florida Statutes*, 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 2021/2022 was \$84,433.

Mrs. Rounsavall reviewed individual line items in the proposed budget. The fee increase for AndCo Consulting was included in the proposed budget. No fee increases were anticipated for other professional service providers. Administrative costs for the retirement plan were very modest. In fact, the plan was currently under budget for Fiscal Year 2020/2021 based on estimated expenses of \$71,483.

Member Parsons moved to approve the administrative expense budget for Plan Year 2021/2022 in the total amount of \$84,433. Member Bentley seconded the motion; it carried on an all-yes roll call vote.

The adopted budget would be presented to the West Melbourne City Council (plan sponsor), posted on the City's web site, and posted on the Police Department bulletin board for plan members.

PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 10:14 a.m.