



NEW PORT RICHEY POLICE PENSION SYSTEM



Minutes

Of a Quarterly meeting of the Board of Trustees
Meeting at 6739 Adams Street, Police Station,
New Port Richey, Florida 34652
Wednesday, the 28th day of July 2015, at 5:00 P.M.

The meeting was called to order by Mr. Pratt at 5:03 PM.

Trustees Present:

Mr. Glen Pratt
Corporal Chris Trapnell
Mr. William Bennett
Officer Steve Wade

Consultants Present:

Mr. David Durie
Mr. Brendon Vavrica
Mr. Lee Dehner

Administrator:

Mr. T. Scott Baker

ITEM #1 -- Approval of the minutes of the meeting on June 23, 2015

Motion: Mr. Bennett made a motion to approve the minutes of the meeting.
Cpl. Trapnell seconded the motion. The motion passed without opposition.

ITEM #2 -- Open Public Comment

There was no public comment.

ITEM #3-- Acknowledgement of Terminated Member(s)

- **Daniel Durivou**

Mr. Baker said that Dan Durivou was terminated by the city and he is vested in the pension plan. He said he was not sure on the status of the termination and Cpl. Trapnell also said he was unsure. Mr. Pratt said there have been a few terminations lately. Mr. Baker said that Chris Denton terminated with about 2 months shy of vesting. He said he was paid out his personal contributions and rolled it over. Mr. Baker said that Will Phillips ended his DROP and was paid out his lump sum payment.

ITEM #4 -- BRC Investment Manager Quarterly Report

Mr. Durie said that John Riddle and Mark Yeager, who are both portfolio managers (and owners of the firm), have been at the meetings the most. He said he is also an owner of the firm, but not a portfolio manager. He began covering the quarterly report starting on page 4 (Performance – Recent Periods) and said the first quarter was a very good quarter for their large cap strategy. He said the predictions of analysts were working in their favor. He said the second quarter has not been as good, with the graph showing the portfolio as basically flat. He said year to date they are still significantly ahead of their benchmark, the Russell 1000 Value index. He said although the quarter was flat, what they noticed was a very significant increase in volatility.

Mr. Durie continued to page 6 (Market Summary) and said the graph at the top showing all the indices, show that the mega stocks in the universe outperformed the small cap stocks. He said when that happens, their portfolio will have a headwind, because they have a small cap bias. He said they are sector neutral, and the page indicates that Health Care, Consumer Discretionary, and Financials were some of the positive sectors and the worst performing sectors were: Utilities (-6.7%), Industrials (-2.7%), and Energy (-2.6%). Mr. Durie continued to page 7 (Performance Discussion vs Russell 1000 Value) and covered the positive and negative factors listed on that page.

Mr. Durie said there were no positions declining more than 25%, as shown on page 13. He said overall the portfolio is in good shape, performance to the end of the year is good, they have been relatively flat to the index since the end of the quarter, and continue to monitor the volatility of momentum and Value. Mr. Pratt asked why Mr. Durie thought the mega stocks did better than other stocks. He said one suspicion is that when people are nervous (with disruption) people with flock to bigger companies.

ITEM #5 -- Performance Monitor Report – Brendon Vavrica

Mr. Vavrica started covering his report on page 2 (Index Comparison) and said looking at the far left side of the graph (trailing 3 month period), the Barclay's Gov/Credit Bond index was down over 2% in the three month period. He said fixed income has only paid about 2% for the entire year, so in that 3 month period you effectively lost a year's worth of interest. He said because there were negative results, interest rates rose. He said the best performing index was small cap, gaining around 2%, with everything else pretty close to the flat line. He said the middle of the graph in the trailing 12 month period, with a mixed bag with small cap growth outperforming (up over 12%), but everything, with

the exception of international, was positive for the 12 month period. The right side of the graph (3 year period) he said shows continued strong results

Moving to page 3 (Compliance) he said everything is “yes” except two items on page 4, both in Logan’s section. He continued to page 9 showing the pie chart of the portfolio and page 10 with a breakdown by manager. Page 11 shows the dollar figures and said everything is in line with the policy.

Mr. Vavrica continued to page 12 (Performance) and said the bad news in looking at the ranking is there is only one way to go from here and that is down. He said the portfolio is ranked #1 in all trailing periods going out to 5 years. He said he has never seen this before with any fund, and it is phenomenal. He said regardless of what period you look at, the fund is outperforming by a significant amount.

Mr. Vavrica said the equities (middle of page) are the primary driver, and results are excellent. He said the larger, if you will, in this quarter are the equities which were only in the 18th percentile, but still outperformed handily. He said taking it out to 5 years, the return is 18.7% versus the index at 17.5%, and placed #1. He said fixed income was the lone poor spot, with a return of negative 1.2% versus the policy of negative .6%. He said in the board’s last discussion with Garcia Hamilton they discussed how they positioned the portfolio, expecting stable to falling interest rates, and that hurt them in the quarter. Mr. Vavrica said they are still performing very well and said since the board has hired them, they have pretty much nailed every single move.

On page 13, Mr. Vavrica said Logan’s performance returned 1.5% versus the benchmark at .1% for the quarter. He said one of the no’s on the compliance page was due to Logan’s 5 year performance, which has returned 17.8% versus the policy at 18.6%, so they are trailing on the 5 year period. He said BRC was a fraction behind but over the longer periods has been excellent with a 5 year return of 18.1% versus 16.5%.

Mr. Vavrica said Intercontinental Real Estate returned 3.5% for the quarter and taking it out to two years the return is 11.3%. He said as a reminder the money used for real estate was taken from fixed income. He said fixed income returned 3.5% over 2 years and therefore there was an 800 basis point improvement to the plan by making that allocation over the last 2 years. He said that works out to be about 80 basis points that was added to the total return, just by making that trade. He said the fiscal year to date through June 30th was at 8%, and as of this date the fund is up 9% to 9.25%.

ITEM #6 -- Annual State Report Issue – Use of Funding Standard Account

Mr. Baker said he had received a call from Larry Wilson about a week ago saying he had received a call from Julie Browning from the Division of Retirement regarding the city’s contribution for the year. He said the annual report doesn’t reflect the use of the Funding Standard Account and Mr. Wilson said he thought the report would have to be revised. Mr. Baker said he called Jeanine Bittinger and discussed this issue with her and she indicated that the report could not be changed to reflect the use of the Funding Standard Account. She said that she would contact Mr. Wilson in order to determine a solution. Mr. Baker said he wasn’t sure if a report would need to be submitted by Mr. Wilson, but as the Division is indicting that the city is short on their contributions. Mr. Baker said that if issue is not cleared up then the fund does not receive the state money. Mr. Dehner said

he thought the actuary would need to file something and not the accountant. Mr. Pratt asked what the due date was. Mr. Baker said the letter stated that if the annual report has not been approved by September 30th, you will not be able to include your 2014 premium tax monies on the 2015 annual report. Mr. Baker said he wasn't sure the status of the issue, as he tried to contact Ms. Bittinger today, however she did not get back to him. He said he would stay on top of the issue to make sure it gets taken care of.

ITEM #7 -- Legal Report – Lee Dehner
- Update on status of Ordinance

Mr. Dehner said he would start with an update on Senate Bill 534. He said this is the Bill that requires the Actuary to make some calculations for the plan. He said the original statutory requirement was that the report had to be filed with the Division of Retirement and posted on the city website within 60 days of approval of the last Valuation. He said the Division did not have a format for presentation of the calculations until the end of April. Therefore they sent notice at the end of April giving 60 days from the date of the letter, being June 26th, that the report would have to be filed. Mr. Dehner said that Mr. Wilson indicated that they have filed the report electronically with the Division and said it would have to be posted on the city website. Mr. Baker said that the report has been posted on the city website. He said the initial report was posted and then a revised report was re-issued and this report has been posted. Mr. Baker provided hard copies of the revised report to those at the meeting.

Mr. Dehner said that Senate Bill 172, which deals with allocation of excess state money, provides the parties (cities - plan sponsors, and unions or memberships) will agree how the money will be allocated. He said if no agreement is reached, then there is a default provision that essentially provides that 50% will go to the city and 50% to the members, but that 50% would have to go into a share plan, as opposed to buying new benefits. Mr. Dehner said that because of this a share plan draft will need to be done and amended into the plan by the expiration of the current CBA, which he thinks is next year. He said another requirement of 172 is prior to October the board needs to do a line item budget ending September 30, 2015. It needs to be brought to the first board meeting after October 1st for approval by the board and then file it with the commission (city council) and the Division. Mr. Pratt asked if there was a format for the budget. Mr. Dehner said there were certain line items that would be required but said there was no standardized form. Mr. Dehner said then at the (quarterly) meeting following the October meeting a projected budget for 2016 would have to be completed, approved, and filed.

Mr. Dehner said what had been Senate Bill 242, and came out as House Bill 1309 requires local law plans to use the same mortality table assumptions as used by FRS. He said in most cases this will add to the funding costs of the plan because the tables are more conservative. He said the statute becomes effective January 1, 2016 so the implementation would have to begin with the Valuation report of 10/01/2016.

Mr. Dehner said the pending ordinance 2015-2043, which was discussed with Peter Altman, is his understanding that it was going to first reading with the city council, but he has not seen a signed copy. Mr. Baker asked if Mr. Dehner has spoken to Mr. Altman lately, because he said he has not seen the ordinance on the city's agenda and he has

heard there were still problems. A discussion took place, including that there were possibly still some language problems.

ITEM #8 -- Approval of expenditures

There were 6 Distribution Authorizations for approval by the Board of Trustees for payment: \$1,300.00 to Davidson, Jamieson & Cristini for Auditing services, \$11,012.00 to Logan Capital Management for Investment Management Fees for the quarter ending 06/30/2015, \$3,803.80 to Garcia Hamilton for Investment Management Fees for the quarter ending 06/30/2015, \$11,435.00 to BRC Investment Management for Investment Management Fees for the quarter ending 06/30/2015; \$5,976.00 to GRS (Gabriel Roeder Smith & Co.) for Actuary fees for the quarter ending 06/30/2015; and \$4,582.00 to Thistle Asset Consulting for performance monitoring for the quarter ending 06/30/2015.

Motion: Officer Wade made a motion to approve the expenditures. Cpl. Trapnell seconded the motion. The motion was passed without opposition.

ITEM #9 -- Any other business

Mr. Baker said he gave the trustees a copy of a letter sent to the city by GRS in reference to GASB 68 for their information. Mr. Dehner said this takes the place of GASB 25 and it is something that has to be followed. Mr. Baker asked if the listed fees are paid by the city. Mr. Dehner said it could go both ways, as GASB 67 is for the pension fund and GASB 68 is for the city. He said that would have to be discussed, as some have the city pay and others the pension fund. He said that it is an annual expense and the city ends up paying it either way because it adds dollar for dollar on the valuation funding requirement, but it shows lower expenses for the board if the city pays it directly. Mr. Baker asked if a letter should be sent to the city by the board asking that they pay the expenses for GASB 68 and Mr. Dehner said he would recommend that. Mr. Dehner said that if the board wanted to go that route he would suggest a motion be done.

Motion: Officer Wade made a motion to send a letter to the city asking them to pay the expenses for GASB 68. Mr. Bennett seconded the motion. The motion passed without opposition.

Mr. Vavrica said the next meeting in October is fiscal year end and previously all investment managers have attended. He asked if the board wanted all managers to attend the meeting. The board said they wanted all managers to attend. That meeting will be on October 27th.

Motion: Officer Wademade a motion to adjourn. Cpl. Trapnell seconded the motion. The motion passed without opposition. The meeting was adjourned at 5:50 PM.