



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
Tuesday, the 25th day of April 2017, at 5:00 P.M.

The meeting was called to order by Mr. Pratt at 5:11 PM.

Trustees Present:

Mr. Glen Pratt
Mr. Edward Beckman
Mr. William Bennett
Sergeant Chris Trapnell

Trustee Absent:

Officer Steve Wade

Consultants Present:

Mr. Dana Stewardson
Mr. Brendon Vavrica

Administrator:

Mr. T. Scott Baker

Others present:

Ms. Crystal Feast

**ITEM #1 -- Approval of the minutes of the meetings on March 22, 2017
and March 28, 2017**

The minutes for the meeting on March 28, 2017 were not complete.

Motion: Sgt. Trapnell made a motion to approve the minutes of the meeting for March 22, 2017. Mr. Beckman seconded the motion. The motion passed without opposition.

ITEM #2 -- Open Public Comment

There was no public comment.

ITEM #3 -- Logan Capital Investment Manager Quarterly Report

Mr. Stewardson welcomed everyone and said that the fund year to date, including today, is up about 13% versus the index which is up 11%. He said from the market's perspective and the economy's perspective things are better in Washington than they have been in a long time. He said what this is doing is allowing Growth companies the ability to raise some prices and give great results. He said he also thinks there is a lot of doubt as to what's going on in this market, and he said he thinks the Growth market is going to do very well. He said they are more positive now than they've been in a long, long time.

Mr. Stewardson said the portfolio is right around \$8 ½ million, and at the end of the year it was around \$8.2 million. He asked for any questions. Mr. Pratt asked if they were seeing it continue expanding and not slowing down. Mr. Stewardson said there could be bumps but said the most important thing from where they sit within the plan is shooting for capital appreciation in great Growth names. Mr. Pratt asked if they expect interest rates to continue to rise. Mr. Stewardson said they will but will not be tremendous rises. Mr. Pratt asked if their sector weighting would change and Mr. Stewardson said that they would pretty much stay the same. Mr. Pratt said he noticed they purchased Dick's Sporting Goods, and said other sporting goods companies were going out of business. Mr. Stewardson said he thought Dick's was leader in the business and would do well.

ITEM #4 -- Performance Monitor Report – Brendon Vavrica

- Determination of Investing in Passive Index Fund (per motion in last Quarterly meeting)

Mr. Vavrica started covering his quarterly report on page 2, there are graphs showing the different markets for the quarter. He said it was another very strong quarter. He said the portfolio doesn't have any international exposure but that market had the best performance ranging from a 7 to 11% increase. He said the Domestic Stocks did well, ranging from the S & P up 6 ½% to Small Cap, up 2 ½%. In looking at the 1 year graph, Mr. Vavrica said Fixed Income was essentially flat, but the equity indices were all up.

Moving to page 3, Mr. Vavrica said the quarter performance graph shows a complete reversal from the prior quarter where Growth outperformed Value this quarter, as Value had outperformed Growth the previous quarter. He went to page 9 that shows the Treasury Yield Curve graph and said the direction or slope of the yield curve is how the bond market thinks of the future economic activity. So the steeper it is, the better the bond market feels about the future, and if it's flat or inverted it starts thinking negatively about the economy. He said last quarter the curve was steep and this quarter it has flattened.

Mr. Vavrica continued to page 12 and said the graph shows on a net basis the plan has had about \$6.3 million contributed to it and as of the end of the quarter there was \$25.2 million in it. He said the difference of the two amounts is the amount of investment growth over that time. He said as of the close of business yesterday the fund is at \$25.5 million, which is up about \$300,000 from 03/31.

Continuing to page 17, Mr. Vavrica covered the returns. He said it was a fantastic quarter, up 5.1% versus the market at 4.06% and placed in the 11th percentile. He said

despite the underperformance last quarter (1st quarter in new fiscal year) the fund is up 6.5% versus the market at 6%, so overall the fund is outperforming for the 6 month period and placing in the 12th percentile. He said for the 5 year period the fund's return is 9.54% versus the market at 9.46% and placing in the 5th percentile. In looking at each manager, he said 361 Capital had a return for the quarter of 4.2% versus the market at 3.2% and placing in the 42nd percentile. He said they are a bit behind for the fiscal year at 8.7% versus 10.1%, and the deficit is still there in the one year return of 14.9% versus 19.2%. He said Logan's return for the quarter was 11.2% versus the market at 8.9% and placing in the 10th percentile. For the fiscal year their return is 10.4% versus 10%, and for the one year 18.1% versus 15.7% and placing in the 20th percentile.

Mr. Vavrica said Fixed Income, Garcia Hamilton, was essentially in line with the index for the quarter at 75 basis points versus 78, they were negative .7% versus negative 1.3% for the fiscal year, 1.04% versus .42% for the year period, and for the five year 3.6% versus a 1.9%. Mr. Vavrica said Intercontinental Real Estate was essentially in line with the index for the quarter, returning 1.7% versus the market at 1.77%, with the fiscal year at 7 ½% versus 3 ½%, and the three year return at 13.7% versus 10.6%. He said he always likes to remind the Board, the money, had it not been put in Real Estate, would have stayed in Fixed Income, earning 2.9% instead of 13.7%. Mr. Vavrica went to page 21 and discussed risk in the portfolio.

Mr. Vavrica began discussing a second handout, which he said is a follow-up to the conversation from last quarter. He said essentially there have been only 3 managers over the last 3 years that have beat the index for Large Cap Growth. He said there have actually been 7, but 4 of the 7 are enhanced index funds, so they don't really count from that standpoint. He went to page 4, showing the holdings of the three managers. Most of which are all large companies with good returns. Mr. Vavrica said he wanted to show how difficult it is for an active manager and what has happened over the last couple of years. He said that as seen in the reports things seem to have turned a corner the past 3-6 months and are headed in a much better direction.

ITEM #5 -- Updates on Benevolent Fund (Johnny Cash Fund)

Sgt. Trapnell said he reached out to the Suncoast PBA on the 501(3)(c) and said they have not gotten back with him. Mr. Baker said he received a letter from Morgan Stanley advising the check is overdue and asked if a new check was needed. Mr. Baker asked Mr. Beckman if he had spoken to Chip Wright regarding placing of the funds. He said he has not seen him at Rotary, but would try to reach out to him.

ITEM #6 -- Acceptance approval of Member Retirement/DROP issues

- **Lieutenant Michael Anderson, Entering DROP**
- **Deputy Chief Steven Kostas, Leaving DROP**

Mr. Baker said that Michael Anderson started with the city on 05/04/1997 and will be entering DROP on 05/05/2017. All necessary paperwork has been submitted. Mr. Pratt said a motion was not necessary to approve the retirement/DROP.

Mr. Baker said he had the Actuary complete a Final DROP Statement as of Steven Kostas' last date of employment, May 26, 2017. He said that the payment cannot be made

until after that date. Mr. Baker said Kostas will be receiving a DROP payment in the amount of \$334,239.27 and the paperwork has not been turned in as to where he wants the money to go, however Mr. Baker said an approval of the total amount can be made so that when the paperwork is received the payments can be made.

Motion: Mr. Beckman made a motion to make a DROP disbursement to Steven Kostas totaling \$334,239.27. Mr. Bennett seconded the motion. The motion passed without opposition.

Mr. Vavrica said that amount of money is typically more cash than what is normally held in the plan. He said the money would be taken from a heavier weighted manager and said he could evaluate the assets at that time.

ITEM #7 -- Acknowledgement of new member(s)
- Officer Ryan Warner

Officer Ryan Warner was acknowledged as a member into the plan.

ITEM #8 -- Legal Report – Lee Dehner

This item was cancelled due to Mr. Dehner being ill and not being present.

ITEM #9 -- Approval of expenditures

Mr. Baker said there were 6 Distribution Authorizations that were approved by the Board of Trustees for payment: : \$11,432.00 to 361 Capital LLC for Investment Management Fees for the quarter ending 03/31/2017, \$12,343.00 to Logan Capital Management for Investment Management Fees for the quarter ending 03/31/2017, \$3,956.31 to Garcia Hamilton for Investment Management Fees for the quarter ending 03/31/2017, \$4,720.32 to AndCo Consulting for performance monitoring for the quarter ending 03/31/2017, \$7,128 to GRS (Gabriel Roeder Smith & Co.) for Actuary fees for the quarter ending 03/31/2017, and \$2,399.42 to Christiansen & Dehner, P.A. for Attorney's fees.

Motion: Mr. Bennett made a motion to approve the expenditures. Sgt. Trapnell seconded the motion. The motion was passed without opposition.

ITEM #10 -- Any other business

Mr. Baker said he was having a delay on the payment of Kaller's disability. He said that the figures took some time to receive from the Actuary and when it was received there was only one option, 10 years certain, for Kaller to choose. Mr. Dehner had said before that there would be different options for him to choose. Mr. Baker said he did finally get ahold of Mr. Dehner who said that 185.18(6) FL State Statute covers disability pensions and the different optional forms of benefits available. Mr. Baker said that he has e-mailed Mr. Wilson and advised him what Mr. Dehner had advised, however he has not heard back from Mr. Wilson.

Mr. Baker said he has provided some requested information to City Council consisting of all manager contracts and the Investment Policy Statement. He asked Ms. Feast if they had requested any further information. Ms. Feast said that a City Council Member had made a request for the pension investment managers to attend a city council meeting. Mr.

Pratt said that he had responded to the e-mail and suggested the council member attend a quarterly board meeting, as there would be less cost to the city. Ms. Feast said that Mr. Baker had also made this suggestion to her and said she was waiting for further response from council.

Motion: Mr. Beckman made a motion to adjourn. Mr. Bennett seconded the motion. The motion passed without opposition. The meeting was adjourned at 6:00 PM.