



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 27th day of August 2019, at 5:00 P.M.

The meeting was called to order by Mr. Beckman at 5:02 PM.

Trustees Present:

Mr. Ed Beckman
Sergeant Greg Williams
Sergeant Chris Trapnell
Mr. Bill Phillips

Trustee Absent:

Mr. Glen Pratt

Consultants Present:

Ms. Jennifer Gainfort
Mr. Al Besse
Mr. Scott Christiansen
Mr. Richard Christiansen

Administrator:

Mr. T. Scott Baker

Other(s) Present:

Ms. Crystal Feast, Finance Director

ITEM #1 -- Approval of the minutes of the meeting on July 23, 2019

Motion: Sgt. Trapnell made a motion to approve the minutes of the meeting. Sgt. Williams 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
- Al Besse**

Mr. Besse began covering his quarterly report starting on page 2, showing comments on the overall situation, saying the economy is slowing. He said the US is still stronger than

the rest of the world and said the key drivers are the Fed and what they will do with interest rates, whether or not earnings are slowing, and whether there will be, or when will a recession happen. He said there has been a return to a higher level of volatility saying it is driven by things that are not predictable. He said with quality stocks with a diversification of growth names they will ride out the bumps in the road and should come out fine in the long run.

Mr. Besse continued to page 4 and said two stocks (Foot Locker Inc. and Hanes Brands Inc.) were on the IPS Guideline Requirements Disclosure and have both been sold. He continued to page 9 and said the value of the portfolio at the beginning of the year was \$7.5 million, with the value more recently at \$9.6 million. He said at year to date, June 30th, the portfolio was up over 28%, with the index being up about 21%. He said since June 30th the market has pulled back a bit and said as of yesterday the portfolio was up about 24 ¾%, year to date, with the index up at 21%.

Mr. Besse continued to page 12 showing how the funds are dispersed over the various sectors. He said Information Technology had the highest weighting, followed by Consumer Discretionary and Health Care. He said another item on the page shows the top ten holdings in the portfolio. He said MasterCard had crept up to the 6% threshold and was trimmed recently to keep it below the 6%. Mr. Besse continued to page 13 showing the top and bottom five contributors and best and worst performers.

Mr. Besse continued to page 23 and covered the graph for the Fed and the probability of a rate cut. He said there has been one already and the market is fully expecting at least one more rate cut, with the probability now up to 90%. A discussion took place. Mr. Besse briefly went over the graphs on pages 24 and 27 concerning rate cuts, and page 36 showing Millennials spending. He said that there will probably be a rate cut and that the returns for next year probably will not be as good as they have been. Mr. Besse said the market is a good predictor of who wins the presidential election. He said if the market is up the prior 6 months before the election, the incumbent wins the election, while if the market is down the 6 months prior to the election the challenger wins. He said this has been right for 50 years.

ITEM #4 -- Performance Monitor Report – Jennifer Gainfort

Ms. Gainfort began covering the performance report on page 2, Market Performance, and said the 2nd quarter was another strong quarter, although quite volatile. She said equities and fixed income continued with their year to date gains, with markets managing to recover most if not all of last year's losses. She said that stocks did suffer a setback in May, selling off about 7% due to the concerns with tariffs, and in June stocks came back and reached all-time highs, largely due to the Feds hinting at a rate cut which did occur in July.

Ms. Gainfort said domestic stocks came out ahead of international stocks, Large Cap outperformed Small Cap, with Large Cap S & P 500 up 4.3%, while Small Cap Russell 2000 was only up 2.1%. She said for the trailing year, Large Cap was up 10.4%, while Small Cap was negative 3.3%. She said with fixed income, when interest rates go down, bond prices go up, so the US Aggregate was up 3.1% for the quarter and for the trailing year is up just shy of 8%.

Ms. Gainfort continued to page 3 and said Growth outperformed Value again, which has happened 9 out of the last 10 quarters. She said the Russell 1000 Growth was up 4.6%,

while the Russell 1000 Value was up 3.8% for the quarter. Ms. Gainfort continued to page 13 and 14, showing the current allocations as of 06/30 relative to the plan targets and ranges. She said the portfolio is slightly underweight from the fixed income perspective relative to the other asset classes, with domestic equity right about in line, and real estate a little over. She said all asset classes are well within the ranges so does not see a need for a rebalance. Ms. Gainfort continued to pages 14 and 15, showing the allocations by graph, and said the fund ended last quarter at \$29.1 million and ended this quarter at \$29.77 million. She continued to page 17 and went over the Financial Reconciliation for the quarter, showing all payments, distributions, as well as Income of \$158,530 and Capital gains of \$773,319 which resulted in the \$29.77 million.

She continued to page 19, Total Fund Composite, and said the total fund was up 3.22% for the quarter, with the index up 3.47% and ranking in the 57th percentile. She said fiscal year to date the fund is up just shy of 3%, however said the fund is in the top 1% for the 3 and 5 year periods. Continuing, total equities were up 4.09%, behind the index at 4 ¼%, with 361 Capital slightly underperforming, up 2.58% while to Russell 1000 Value was up 3.84%. She said their fiscal year to date is down 2 ¼% versus the index which is up 2.61%, saying they struggled pretty bad in the 4th quarter, then came back nicely, but again this quarter they underperformed and were negative. She said their 3 year return they have outperformed and are a little behind on the 5 year. She said overall she doesn't have any concerns over their strategies, but wants to keep a close eye on it.

Ms. Gainfort said Logan Capital, the Large Cap Growth strategy, was up about 5 ½% for the quarter, with the Russell 1000 Growth up 4.64%. Fiscal year to date they are up 4 ½% with the index up 2.19%. She said Garcia Hamilton, Fixed Income, was up 2.09% for the quarter, with the Intermediate US Government Credit Index up 2.59%. She said fiscal year to date they are up 5.43% versus 6.7% from the index, but said long term they have done well, with a return of 2.26% for 3 years and 2.84% for 5 years. Ms. Gainfort said Intercontinental Real Estate was up about 1 ½% for the quarter which is in line with the index. She said they are up 5.67% for fiscal year to date. She said they are up 10% and 11% for the 3 and 5 year periods. She said this quarter to date the fund is slightly negative as the markets have pulled back a lot. She asked for any questions and there were none.

ITEM #5 -- Status of 13th Check Ordinance

Mr. Baker said the ordinance has not been placed on the agenda yet and he said he spoke to Officer Joe Iopollo, the PBA Union Representative on the 12th. Officer Iopollo said the City Manager had reached out to him to run the ordinance by the union. He said that it appeared there may be opposition to the ordinance as someone has said they do not want to give the benefit to those Officers in DROP, and didn't want to give the benefit to those who have recently retired. Mr. Baker said he didn't know what date of retirement they wanted to use to give the benefit. A discussion took place regarding this information. After discussing the issue Mr. Beckman asked if a workshop could be set up with the City Council to discuss the Ordinance. Mr. Christiansen said he did not think it would take too long as it was only a one time check and he said he could go before City Council to explain it. Mr. Phillips said the Board has the opportunity make a presentation to Council before they hear the Ordinance. A further discussion took place regarding how to further present the information and/or speak to the City Council.

After the discussion Mr. Christiansen asked if the Board wanted him to plan on attending the City Council meeting once the Ordinance has been placed on an agenda and make a presentation. All the Board members present said they wanted Mr. Christiansen to attend the meeting to make a presentation. The Board members also indicated they would be present. Mr. Christiansen said he would send a letter to the city requesting them to notify him when the Ordinance is placed on an agenda. He also said he wanted to ask them to place the other Ordinance, for IRC changes, on the same agenda for consideration.

ITEM #6 -- 2018 Premium Tax Distribution

Mr. Baker said the state money mounts have been posted and said the amount the plan will receive this year is \$220,931 which is down from last year's amount of \$236,919, a difference of about \$16,000. He said the \$500 supplement will also not be able to be given, again, due to the amount being \$64,228 short of the \$285,159 needed to fund the benefit.

ITEM #7 -- Fall FPPTA School – October 6th – 9th, 2019; Sawgrass Marriott, Ponte Vedra, FL or

Municipal Police Officers and Firefighters' Retirement Trust Funds Office (MPF) 49th Annual Conference, October 29th-31st, 2019; Renaissance Orlando Airport Hotel, Orlando, FL

Board members considered and advised they would have to check the dates to determine if anyone can attend. Mr. Baker said there was also a Winter FPPTA School in Orlando from January 26th – 29th, 2020.

ITEM #8 -- Discussion of GRS Engagement Letter for Experience Study

Mr. Baker said he had sent the Trustees the letter earlier by email to review. He asked if they wanted to discuss the experience study, as the letter included costs associated for the study. He said that GRS has been asking the Board to consider doing an experience study for a long time. The costs are broken down into full, half and quarter studies. Mr. Christiansen said the norm is to do an experience study every 5-6 years. He said they look at all the assumptions in the actuarial valuation, and they are re-evaluating those assumptions to see if they reflect what is actually happening. A discussion took place and Mr. Christiansen said he recommended doing a full experience study on all assumptions. Mr. Beckman asked if the Board wanted to look at this issue further and discuss it further at the next meeting and they agreed.

**ITEM #9 -- Budget – Senate Bill 172 Requirement/Approval
- Discussion/Approval of 2019-2020 Budget**

Mr. Baker said the Budget needs to be set and approved for the 2020 fiscal year. He provided two documents to the Trustees. The first one shows the expenses paid for the 2019 fiscal year. He said the only expense that he hasn't received a total for the year is from the Attorney, so a figure of \$1,800 for September was placed as an estimated expense to be included for the year.

The second document shows what the projected expenses were for the 2019 fiscal year in blue with the actual expenses in red for the 2019 fiscal year. He said the next line in black is where the Board would need to determine a projected amount for fiscal 2020. The following projected expenses were set by the Board: \$11,000 Legal; \$8,000 Legal Misc.; \$8,000 Schools; (Mr. Christiansen said projected amounts were not necessary for the Investment Managers: 361 Capital, Garcia Hamilton, Logan Capital, and Intercontinental

Real Estate); \$16,000 Fiduciary Trust; \$400 Clerical; \$12,000 Administrator; \$40,000 Actuary; \$700 Dues; \$25,000 Auditor; \$22,000 Performance Monitoring; and \$4,500 Fiduciary Insurance.

Motion: Mr. Phillips made a motion to approve the projected 2020 fiscal Budget. Sgt. Williams seconded the motion. The motion was passed without opposition.

ITEM #10 -- Legal Report – Scott Christiansen

- **Board Rules and Procedures, Review & Approval**
- **Assignment of Auditing Services Agreement**

Mr. Christiansen said that there were some Trustees terms that were expiring. He said that Mr. Pratt's and Sgt. Trapnell's terms expire December 31, 2019 and Mr. Beckman's term expires November 10, 2019. Mr. Christiansen said in checking with Financial Disclosure filings Mr. Phillips and Sgt. Williams are not listed, however the other three Trustees show they have filed. He went on to asking about the meeting dates for next year and said he had provided those dates on a memo earlier and the Board reviewed them.

Motion: Mr. Phillips made a motion to approve the Quarterly Board Meeting dates. Sgt. Trapnell seconded the motion. The motion was passed without opposition.

Mr. Christiansen said he had an updated Rules & Procedures which he did with strikes and underlines. He said the last time the Rules have been updated was in 2002. Mr. Beckman asked if the Trustees had a chance to review the document. Mr. Christiansen said that he needed to remove Rule #19, as this was something the Board had done in the past, however no longer does. It had required the Board get medical records of every new employee and they are kept in a separate place under lock and key. He said he would remove that section.

Motion: Sgt. Williams made a motion to approve the changes made to the Rules and Procedures, with Rule #19 removed. Sgt. Trapnell seconded the motion. The motion was passed without opposition.

Mr. Christiansen said with regard to the Assignment of Auditing Services Agreement he thought Mr. Cristini should have a chance to explain. Mr. Cristini said at his accounting firm they have 5 Partners and two of them want to retire. He said they want to continue doing auditing in government and pension plan work. He said they have been looking for a firm that was interested in this and said that Davidson, Jamieson, & Cristini will continue doing in practice doing tax returns and family and estate law, and will no longer be doing auditing.

Mr. Cristini said they have joined the firm of Saltmarsh, Cleaveland & Gund, P.A.. He said the firm employs about 175 people and has been in the state of Florida for 75 years. He said there are offices throughout the state of Florida and said they do have a governmental practice, however want to grow it. Mr. Cristini said all they do are cities and pension plans, with 46 clients. He said by merging with the new firm there will be no changes to the existing contract and not changes terms and conditions, or fees.

Mr. Christiansen said the document the Board has does a couple of things: (1) It adds a couple of provisions to the public records, and (2) electronic delivery. He said it is also an assignment to the contract that the Board currently has with the current firm. Mr. Phillips

asked what the expiration was on the contract. Mr. Christiansen said the current contract provides that they were going to do audits for 18, 19, and 20. Mr. Cristini said there wouldn't be any change in the personnel handling the audit.

Motion: Sgt. Williams made a motion to approve the Assignment of Auditing Services Agreement. Mr. Phillips seconded the motion. The motion was passed without opposition.

Mr. Cristini said the 2nd quarter report is late in coming because they ran into a problem. He said one of the things they do is get the bank statement and check the money received by the plan. He said then they get the payroll journals from the city, showing individual pay and contributions. He said they compare those totals from what they received on the bank statement. He said the 1st quarter the numbers matched, however the 2nd quarter he can't match any of the payroll journals with the amounts deposited into the account. Mr. Phillips said there was a change in the software. Mr. Christiansen said this needs to get corrected as year-end figures will be need soon for the actuary. He asked what can be done and Mr. Cristini said he had made the request through Mr. Baker, who has asked the city finance for answers, however hasn't gotten a response. The Board asked that Mr. Baker contact the city again and attempt to get the issue resolved.

ITEM #11-- Approval of expenditures

Mr. Baker said there were 4 expenditures needing to be approved for payment: \$3,300.00 and \$1,500.00 to Davidson, Jamieson, & Cristini, P.L. for Preparation of agreed upon procedures for GASB68 (City) and Preparation of Interim Compiled Financial Statements for period ended 03/31/2019, \$224.00 to Christiansen & Dehner, P.A. for Attorney's fees and \$200.00 to T. Scott Baker for replenishment of petty cash.

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

One Invoice was not paid from Davidson, Jamieson & Cristini. It was for the preparation of agreed upon procedures for the city's GASB68 report in the amount of \$3,300.00. It was not paid because Ms. Feast said they never received the report. She said she had reached out to them a few times, however never heard back, so the city used other methods to get the report information data.

ITEM #12 -- Any other business

There was no other business.

Motion: Sgt. Trapnell made a motion to adjourn. Sgt. Williams seconded the motion. The motion passed without opposition. The meeting was adjourned at 6:53 PM.