



NEW PORT RICHEY POLICE PENSION SYSTEM



Minutes

Of a quarterly/Fiscal Year End meeting of the Board of
Trustees

Meeting at 6739 Adams Street, Police Station,
New Port Richey, Florida 34652

Tuesday, the 26th day of November 2019, at 5:00 P.M.

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

Trustees Present:

Mr. Glen Pratt
Mr. Ed Beckman
Sergeant Greg Williams
Mr. Bill Phillips

Trustee Absent:

Sergeant Chris Trapnell

Consultants Present:

Ms. Jennifer Gainfort
Ms. Jana Hamilton
Mr. Dana Stewardson
Mr. Mark Jaeger
Mr. Peter Hapgood
Mr. Scott Christiansen

Administrator:

Mr. T. Scott Baker

Other(s) Present:

Ms. Crystal Dunn, City Finance

ITEM #1 -- Approval of the minutes of the meeting on October 22, 2019

Motion: Mr. Phillips 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 Quarterly Report – Dana Stewardson

Mr. Stewardson said there was a typo on page 4 of their report, saying that “Sales” should be “Purchases” and “Purchases should be “Sales”. He said things are going very well as the portfolio is up 35%, ahead of the benchmark, for the Calendar Year period. He said they had a horrible 4th quarter a year ago. Mr. Stewardson said he believes the economy is pretty positive, as the markets don’t seem to be affected by issues like the Impeachment and the Fed is very accommodating. He said he thinks next year the economy will pick up steam, rates are eventually going up but will stay down for a while, and the Fed has said they would like to see a 2% inflation rate.

Mr. Stewardson said one item to mention in the portfolio is that they are very aware of risk. He said for instance Apple Computers has been a long term holding, having been in the portfolio almost since inception, but the index right now has an 8% weighting, and said will never go above 6%. So whenever a stock gets over 6% they automatically pairing it back. Referring to page 4, he said they moved on from Foot Locker.

Mr. Stewardson said the portfolio is at \$10 million and said the performance over the two prior years has been good, nicely ahead of the index, while this fiscal year, ending in September was right around the index. He went over some of the portfolio holdings listed on page 12.

ITEM #4 -- 361 Capital Quarterly Report – Mark Jaeger

Mr. Jaeger started on page 4 of his quarterly report. He said they have 31 employees and \$1.7 billion in assets under management. He said they have no legal or regulatory actions to report this quarter or for the year. Moving on to page 6 he said during the 3rd quarter Large Cap stocks significantly outperformed Small Cap stocks. He said the S & P 500 was up 1.7% for the quarter, while the Russell 2000 was down 2.4%. He said Growth and Value were about the same for the quarter, however said for the year Growth has significantly outperformed Value. He said the best performing sectors for the quarter were Utilities, Real Estate, and Consumer Staples with the worst performing sectors being Energy, Health Care, and Materials.

Mr. Jaeger continued to page 7 where he said the portfolio has about \$8.5 million, with a cash balance that they keep at less than 2%, so they are fully invested at all times. He said the performance for the quarter was unfavorable by about 2%, and year to date. He said they also had a terrible 4th quarter last year and their 12 month performance has been significantly unfavorable. Mr. Jaeger continued to page 8 which shows the portfolio returns on a fiscal year basis, going back to the inception of the portfolio. He said for the last nine fiscal year periods they have outperformed in five, even in one, and underperformed in three. He said the two worst were in 2016 and this past fiscal year where he said both years had extreme fact of volatility.

Mr. Jaeger went over the “Performance Discussion” for positive and negative factors on page 9. He covered the charts on page 10. He skipped to page 12 and discussed momentum and Factor Returns, explaining the reasons for their underperformance. He continued to the graph on page 13 and said Growth has outperformed Value in 24 of the past 34 months and 31 of the past 33 rolling 3 month periods. Mr. Jaeger covered the graphs on page 14 (Intra-Market Correlation Russell 1000), page 15 & 16 (Passive vs. Active US Equity Fund Flows), and page 17 (Market Cap Valuation Distortion Russell

1000). He said they don't think the flow from Active to Passive can continue, and said they think the numbers will revert, which should be a benefit to the portfolio.

ITEM #5 -- Intercontinental Real Estate Investment Report – Peter Hapgood

Mr. Hapgood said there were no changes to the firm, as the last person added was Leon Palandjian, shown on page 3 of his report. He continued to page 6 and he said this is a partial list of Investors, showing 29% of the Investors in the Public Sector. Mr. Hapgood continued to page 10 showing that the initial commitment was almost \$2 million and are in the DRIP Program, Dividends Reinvestment Program. So the dividends of almost \$ ½ million have been reinvested and right now the asset value is \$3.5 million. The chart on page 10 shows the yearly return versus the index, all years being ahead of the index.

Moving to page 12, Mr. Hapgood said that 80% of their properties are Core or Core Plus and up to 20% can be Value Added. Mr. Phillips asked what an example of Value Added was and Mr. Hapgood said they are ground up developments and said on page 24 shows their current Ground Up projects at a cost of \$951 million. Mr. Phillips said that two of the projects are Multifamily/Retail buildings and asked if this was working well, as the city of New Port Richey has been trying to get a similar project finished. Mr. Hapgood said they feel it is a good mix. Mr. Hapgood said the fund performance is reported on pages 18 and 19. He said the types of properties were shown on pages 20 through 24.

ITEM #6 -- Garcia Hamilton & Associates Quarterly Report

Ms. Hamilton thanked the Board for being its Fixed Income manager now for almost 10 years. She started covering her quarterly report on page 1 and said they've had pretty good numbers, since inception, except for this past fiscal year. She said they underperformed the market by about 1%, gaining around 7% and the benchmark at 8%. Ms. Hamilton said they had a tough year and the reason is their Duration is short of the benchmark and they didn't buy-in to the economy woes, and still don't. She said they are basing their portfolio on economic data and fundamentals. She said they think there was probably an over-reaction to the Fed on concerns of recession woes, concerns of all of the noise in the market and again they have not seen any issues with the economy, nothing but healthy signs in the economy.

Mr. Phillips asked if the election would have any effect on the overall performance and Ms. Hamilton said they think it's one of the noise situations out there and said it might have a slight slowdown but thinks generally the economy is running on all cylinders and believe it will continue to be positive. She went over economy numbers, including jobs numbers. Ms. Hamilton quickly went over the charts and graphs on pages 4 through 8 (Market Expectations for Fed Funds Rate Cuts; Money Supply Growth; Money Supply Long Term Growth; Initial Jobless Claims and Consumer Confidence; and Job Openings and Unemployed Workers).

Continuing to page 9, Ms. Hamilton said the chart shows spreads are not signaling a Recession. She said increasing spreads tend to give you an advance signal of a recession and said that when you start to see them it is usually 12-16 months prior to a recession. She said they are not seeing any signs. Ms. Hamilton covered the graph on page 13 showing the historical sector weightings since 2010. Continuing to page 14 she explained the graphs saying their Duration is shorter than the benchmark, 2.8 versus 3.8, their average yield to maturity is 2.3 versus the benchmark at 2.0. Ms. Hamilton continued to

page 16 showing a snapshot of their firm and said they have been in business for 30 years, have \$15 billion in assets, and the public fund business is about 60% of their business with over 100 public funds in Florida. She then covered the firm's Partners on page 17 and the last tab showing a letter that they are in compliance with the fund's guidelines.

ITEM #7 -- Performance Monitor Report, Fiscal Year End – Jennifer Gainfort

Ms. Gainfort started on page 12 of the performance report and said the graph shows the growth of the plan from 06/1998 through present. She said in 1998 the plan had about \$10 ½ million and today it has \$29 ½ million. Moving to page 13 she said this shows the allocation of the fund with everything in line. Continuing to page 17 showing the financial reconciliation for the quarter saying the fund started the quarter at \$29,777,422, contributions made of \$147,176, distributions of \$363,114, management fees of \$38,805, expenses of \$30,698, generated income of \$150,112, capital loss of \$112,507, resulting in the balance of \$29,529,586 to end the quarter. She covered the numbers on page 18, showing the same figures for the fiscal year.

Continuing to page 19 Ms. Gainfort covered the fund performance saying the total fund was up .13% for the quarter versus the policy at 1.41%, trailing the benchmark. She said most of the underperformance was from the domestic equity strategies. She said fixed income was slightly ahead for the quarter and real estate had a great quarter at 2%. She said for the full fiscal year the fund was up 3.08%, with the long term figures being in good shape, despite this year not being quite the best. Ms. Gainfort said this past year has been interesting, but said this month has been strong moving into the new fiscal year.

ITEM #8 -- Legal Report – Scott Christiansen

Mr. Christiansen asked for a copy of the August 2019 meeting minutes be sent to him. He said there were some Trustee terms that were expiring and said Sgt. Trapnell's term was up at the end of the year. Mr. Baker said the notice had been posted and no one else has submitted their name and Sgt. Trapnell said he wanted to continue to serve. Mr. Beckman said he was re-appointed by City Council and the term expires in 2023. Mr. Christiansen said that Mr. Pratt is the 5th member and his term expires at the end of the year. He said if the board wanted to re-appoint Mr. Pratt then it should be done now. Mr. Beckman said that can be done under new business.

Mr. Christiansen said the board has to do what he calls a fiscal year-end report that gets sent to city council. He said this is a listing of the assets owned as of the end of the fiscal year, which is in the operating rules. He said the state legislature says the board has to do a formalized report periodically. He said a letter should be attached to the performance monitor report, which shows assets and valuations and sent to city council.

Mr. Christiansen said the board is required to complete an expense report which is done in conjunction with the budget for the next fiscal year. He said the budget had been done at a previous meeting and now the expense report needs to be completed. Mr. Baker said he had the expense report and said it was similar to what was discussed while completing the budget, with all expenses being the same, except for no attorney charges in September. Mr. Baker handed out the expense report and began reviewing it. Mr. Christiansen said for future reference the report does not have to have the managers' charges included. Mr. Christiansen said the report is for administrative expenses and asked if the report could be

re-done, not to include the manager's fees. Mr. Baker said he would amend the expense report for the next board meeting.

Mr. Christiansen said the two ordinances passed and the board had actually authorized for him to attend the council meeting, however he wasn't able to attend and the 13th check ordinance passed. He said the only issue was they (City Council) didn't include the re-employment after retirement language in the other ordinance. He said that could potentially cause a problem going forward. He said the language basically takes care of the situation where someone retires, are gone for a while, and then come back. He said, what happens? Do they continue to get their pension benefit, when they get re-employed? He said right now, the plan is silent. He said this is the only city that doesn't have re-employment after retirement and it also wasn't allowed in the fire ordinance. He said these are IRS Rules, so if someone gets re-employed after they retire, they cannot collect their retirement, even in a different job capacity within the city. A discussion took place regarding different scenarios and whether it was something the union would have to negotiate. Mr. Christiansen said this isn't negotiable, it's a rule from the IRS.

Mr. Christiansen said he thinks it could be a problem holding the meetings at the PD due to the fact that the doors lock at 5:00 PM and there is no one at the front desk. Sgt. Williams said the front doors are left unlocked during pension meetings and said there is a buzzer that rings into dispatch and they can speak to the person. He said their Dispatch was very busy tonight so that may be the reason for the delay tonight. Mr. Stewardson suggested putting a note on the door to call a cell number.

Mr. Christiansen asked if Mr. Baker had received his memo regarding Cyber Liability and said it hadn't been received. Mr. Christiansen said he would get that out to the board.

ITEM #9 -- Approval of expenditures

Mr. Baker said there were 2 expenditures needing to be approved for payment: \$1,500.00 to Saltmarsh, Cleaveland & Gund for Preparation of Interim Compiled Financial Statements for period ended 06/30/2019, and \$620.00 to FPPTA for 2020 Membership Dues.

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

ITEM #10 -- Any other business

Motion: Mr. Beckman made a motion to re-appoint Mr. Pratt as the 5th member Trustee of the pension board. Sgt. Williams seconded the motion. The motion was passed without opposition.

Mr. Phillips brought up the accessibility to the PD to attend the pension meetings again and a discussion took place. Mr. Beckman recommended placing an easel board with the dispatch number out front. Sgt. Williams said he would check to see if the PD had one that could be used.

The date of the next monthly pension board meeting is scheduled for December 24, 2019 so it was discussed and the December meeting was cancelled.

Motion: Mr. Beckman made a motion to adjourn. Mr. Phillips seconded the motion. The motion passed without opposition. The meeting was adjourned at 6:37 PM.