



NEW PORT RICHEY POLICE PENSION SYSTEM



Minutes

Due to the Coronavirus (Covid-19) this quarterly meeting of the Board of Trustees was conducted by teleconferencing through Communications Media Technology (CMT), provided by the Technology Solutions Division, City Hall
New Port Richey, Florida 34652
On Tuesday, the 25th day of August 2020, at 5:00 P.M.

The meeting was called to order by Mr. Pratt at 5:06 PM.

Trustees Participating:

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

Consultants Participating:

Ms. Jennifer Gainfort, Andco Consulting (Performance Monitor)
Mr. Dana Stewardson, Logan Capital (Investment Manager)
Mr. Scott Christiansen, Christiansen & Dehner (Attorney)

Administrator Participating:

Mr. T. Scott Baker

Other(s) Participating:

Ms. Crystal Feast, City Finance Director
Unknown person(s)

ITEM #1 -- Approval of the minutes of the meeting on July 28, 2020

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 Investment Manager Quarterly Report
– Dana Stewardson**

Mr. Stewardson said there wasn't too much that has changed in terms of the themes of how they are investing since the last time he was at a meeting. He said they're sticking with technology and consumer stocks. He said the main thing is the Federal Reserve has been very accommodative and Growth assets have been one of the better spots in the market. Mr. Stewardson said he expects a pretty good environment continuing. He said they had a good quarter, gaining 31% versus the benchmark of 28%. He said at the beginning of the year the portfolio was at about \$10.3 million and is now at about \$12.3 million. He said they are up 13% for the current quarter, with the year to date number at 21%. He said this is below the overall index, but said one of the main contributors of being below the index is because of the positions, such as Apple, that are over weighted in the index. He said they own Apple stock and have for years, however they cannot exceed their 6% weighting.

ITEM #4 -- Performance Monitor Report – Jennifer Gainfort

Ms. Gainfort started reviewing the performance report on page 2. She said there were gains in all markets, rebounding from the first quarter. She said the S & P 500 was up 20.5% for the quarter, and said what is interesting is that it took only 23 trading days for the S & P 500 to lose 34% and then went on to gain 52% in the following 97 trade sessions to make it all back up.

Continuing to page 3 Ms. Gainfort said the Value and Growth divide has continued to grow, with the Russell 1000 Growth index return of 27.8% versus the Russell 1000 Value index return of 14.3%. Referring to the bottom graph which is for one year performance, she said Growth returned 23.3%, while Value was still negative, down 8.8%. She said this has been driven by the combination of Energy and Financials in the Value index. Going back to page 2, Ms. Gainfort said all of the international markets gained between 15-18% and the US Barclays Fixed Income aggregate gained 2.9%. She said looking ahead, and still in the middle of the pandemic, what's going to determine the continued pace and direction of recovery will come down to getting a vaccine and slowing the number of cases. She said the election will also impact the markets.

Ms. Gainfort continued to page 13 which shows the asset allocation and said due to the increase in Growth there is a definite overweighting of Logan Capital's assets and said there is a need to rebalance. She said she would cover more on this later. Continuing to page 17 she said this shows the financial reconciliation for the quarter and said at the start of the quarter the fund had \$26.1 million. With the addition and payouts including contributions, management fees, expenses, income, and capital gains the fund had \$29.7 million at the end of the quarter.

Continuing to page 19, Ms. Gainfort said the total fund return was up 15.35%, with the index up 13.38% and ranking in the 14th percentile of all public plans across the U.S. Breaking that down, she said Jackson Creek (formerly 361 Capital) had a strong quarter and was up 18.28%, ahead of the benchmark of 14.29%. She said the longer terms they have had poor returns, especially the one year return of negative 13.2% versus the index of negative 8.84% (94th percentile) and the 5 year return of 1.49% versus the index at 4.64% (95th percentile). Ms. Gainfort said Logan Capital was up 31% for the quarter, versus the

index at 27.84%. She said Garcia Hamilton was doing better with a return of 4.21% versus the index at 2.81%.

**ITEM #5 -- Large Cap Value Equity Manager Analysis Presentation
– Jennifer Gainfort**

Ms. Gainfort said due to the change from 361 Capital to the new Jackson Creek Advisors it was decided that a review of their performance compared to other Value Managers was in order. She said she met with their research team and asked them for recommendations for who would be a good fit for this plan. She said they narrowed it down to 4 companies: (1) Brandywine Global Investment Management – Dynamic Large Cap Value strategy, offered as a separate account, fee structure 45 basis points on the first \$10 million, 40 basis points on the next \$15 million & so on; (2) Dodge & Cox – Mutual Fund, offered at 52 basis points; (3) BNY Mellon Investments Corporation – Dynamic Large Cap Value strategy, offered as a separate account, fee structure 55 basis points on the first \$25 million & goes down from there; (4) Vanguard Group sub-advised by Wellington Management and Vanguard group – Mutual Fund, offered at 18 basis points. She also lists 361 Capital, which is a separately managed portfolio with fees of 60 basis points. Mr. Christiansen asked if the Vanguard group was an index fund or an actively managed fund and Ms. Gainfort said it is an actively managed fund.

Moving to page 4, Ms. Gainfort said this provides a look at information of the firms and strategies of the companies. This information includes year founded, US Headquarters location, number of offices, primary benchmark, investment approach, and other factors. Continuing to page 5 which shows Team Information and Portfolio Construction Information showing things such as decision makers, number of products, number of analysts, style bias, sector constraints, typical sectors overweight/underweight, typical asset turnover, maximum foreign exposure and several others.

Continuing to page 13, Ms. Gainfort said this shows the comparative performance of all of the funds. She said there are two ways to look at performance, one is performance relative to the benchmark, and performance relative to their peers. The chart shows one through ten years of performance shown in terms of a percentage amount of gain/loss and their rank. Ms. Gainfort compared the one year returns and said Brandywine had the best return and rank, while 361 Capital had the worst performance and ranked the lowest. Looking at the 5-6 year return, Vanguard had the best performance, followed closely by Brandywine. And looking at the 10 year performance return Brandywine has had the best performance with a return of 13.26% and ranked #5. Ms. Gainfort said that while most of the 4 funds had met or exceeded the benchmark for each time period, 361 Capital is far below the benchmark in all time periods, however for the longer periods 361 Capital does not have data.

Continuing to page 14 Ms. Gainfort said the chart shows performance for Calendar Year Returns going back to 2010. She said 361 Capital's performance has been all over the place depending on the year. She said they performed particularly well in 2014, 2015, and 2017, but years 2016 and 2019 had been big drags on their trailing numbers. She said the other managers/strategies have been more consistent and look much better on the trailing return standpoint. She continued to page 16, which shows risk. She said Vanguard is a bit more conservative on the strategy and has much lower risk than the others. She said the others are pretty close in the amount of risk, with Brandywine being next in lower risk.

Ms. Gainfort continued to page 19 and said this looks at the risk and reward trade off, as the greater amount of risk you take on, in hopes of earning greater returns. There are 4 graphs on the page which show 3, 5, 7, & 10 year periods. She said for example the 3 year graph shows that the dot that is furthest to the right in 361 Capital, which shows they have taken on the most risk and have earned the least return. She said the next dot is Mellon, which is taking on a little extra risk versus the benchmark, and earning a return that is about equal to the benchmark. The blue dot is Brandywine, which shows they are taking on slightly more risk than the benchmark, but less than Dodge & Cox, but earning a higher return. Then the yellow dot is Vanguard, which is furthest to the left meaning they are taking less risk than the benchmark, however receiveing a higher return than the benchmark, but slightly less than Brandywine. Ms. Gainfort said the other graphs are very similar in the risk/return areas, with Vanguard earning more return with less risk than the others and 361 Capital being a lager versus the other strategies.

Ms. Gainfort said her takeaway from this is that 361 Capital has been struggling and said she could definitely see an argument to possibly move in a different direction, especially after a spinoff of that company to Jackson Creek. She said looking at the different firms there are two that really stand out to her, those being Brandywine and Vanguard. She said they both have their pros and cons. She said Vanguard has lower fees, 18 basis points versus 45 basis points. Brandywine would be a separate account versus Vanguard which is a mutual fund. Ms. Gainfort said the Board likes to hear from a representative from the firm and Brandywine could have someone come to the meetings once a year or so, whereas Vanguard would not have a reprehensive to attend the meetings and she would do the reporting for them. She said they both have good returns, with Brandywine having slightly better during the longer periods. She asked for questions and/or comments.

Mr. Pratt asked if Ms. Gainfort had worked with any of the companies. She said she has worked with both Brandywine and Vanguard. Mr. Christiansen said that he has previously done a contract with Brandywine and were able to have them initially lower their fees. Mr. Pratt asked Mr. Christiansen if a mutual fund is something that the plan could do, as they have never had a mutual fund. Mr. Christiansen said very few plans now aren't using some mutual funds and they have some plans that use nothing but mutual funds. He said he doesn't think there is a downside to that, saying that it used to be that everyone wanted to use separate accounts, but said the situation and the environment has changed a lot over the years and mutual funds are a lot more accepted for providing good management. Mr. Pratt asked Mr. Stewardson's opinion and he said either one would fit for this plan and said there are no downfalls to either the separate account or mutual fund.

Mr. Pratt asked if any other Board members had questions/comments. He asked if anyone wanted to move forward on the matter or table the matter. Mr. Beckman suggested that the matter be tabled until the next Board meeting. Mr. Christiansen said the only problem with that is that you won't remember the report that was just presented. Mr. Pratt said if there wasn't any other input then the matter will be tabled until the next meeting.

Ms. Gainfort said because of the Growth portion (Logan Capital) of the fund is outside of its limitation of 30%, she was recommending to rebalance the fund as it is about 9% overweight relative to its target.

Motion: Mr. Phillips made a motion to rebalance the fund to allow for the Growth portion of the fund to be brought to its 30% target. Sgt. Trapnell seconded the motion. The motion was passed without opposition.

Mr. Christensen confirmed the funds from the Growth Manager will be moved to the Value Manager. Ms. Gainfort confirmed this and said she would put together a letter to be signed in the next few days

ITEM #6 -- 2019 Premium Tax Distribution

Mr. Baker said that the numbers are out for the amount of money all of the plans will be receiving. He said this year the plan will be receiving \$229,821.26. He said the amount is about \$8,900 more than last year, however it is still short about \$55,000 of what is needed to fund the \$500 monthly supplement. He asked Ms. Feast to be on the look-out for the check to get to City Hall and get it deposited with Fiduciary Trust.

**ITEM #7 -- Budget – Senate Bill 172 Requirement
- Discussion/Approval of 2020-2021 Budget**

Mr. Baker showed an excel format expense sheet of the expenditures for the year and said the Board would need to set a budget amount for each category. The following amounts were set for the various areas in the budget: \$12,000 Legal; \$5,000 Legal Misc.; \$5,000 Schools; \$20,000 Fiduciary Trust; \$400 Clerical; \$12,000 Administrator; \$35,000 Actuary; \$700 Dues; \$25,000 Auditor; \$22,000 Performance Monitoring; and \$4,500 Fiduciary Insurance.

Motion: Mr. Beckman made a motion to approve the projected 2021 fiscal Budget. Sgt. Williams seconded the motion. The motion was passed without opposition.

Mr. Christiansen said the expense report needed to be completed by the next meeting and presented for approval in November.

ITEM #8 -- Legal Report – Scott Christiansen

Mr. Christiansen said everyone has filed their Financial Disclosure forms. He said that Sgt. Williams was not on the list. He confirmed that he did file. Mr. Baker said that the city did not list Sgt. Williams as a Trustee and still had a previous member listed. This has been discussed with the city and Department of Ethics and they are aware. Sgt. Williams will be listed next year. Mr. Christiansen asked about the letter sent for the quarterly meeting dates and provided the dates. He asked for a motion to approve.

Motion: Sgt. Williams made a motion to approve the quarterly meeting dates. Sgt. Trapnell seconded the motion. The motion was passed without opposition.

ITEM #9 -- Approval of expenditures

Mr. Baker said he had a distribution authorization for retired Police Officer Anthony Iozzio for payment of his final DROP amount. He requested that the amount, \$107,744.75 be paid directly to him.

Motion: Mr. Phillips made a motion to approve the expenditure to Anthony Iozzio. Mr. Beckman seconded the motion. The motion was passed without opposition.

Mr. Baker said he had three Distribution Authorizations for approval by the Board of Trustees for payment: \$1,500.00 to Saltmarsh, Cleaveland & Gund for Auditing services, \$230.00 to Christiansen & Dehner, P.A. for Attorney services, and \$200.00 to T. Scott Baker for petty cash.

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

ITEM #10 -- 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 6:16 PM.