

**CITY OF WEST MELBOURNE  
POLICE OFFICERS' RETIREMENT BOARD  
JULY 29, 2020**

The West Melbourne Police Officers' Retirement Board held its quarterly meeting on Wednesday, July 29, 2020. Pursuant to Executive Order signed by Florida Governor Ron DeSantis, the virtual meeting was conducted via communications media technology (Zoom platform hosted by the City of West Melbourne). Members of the public were able to participate in the virtual meeting.

**MEMBERS PRESENT:** Chairman Scott Morgan (resident member)  
Secretary Jennifer Curran (police member)  
Pat Bentley (resident member)  
James Parsons (police member)  
Harvey Whitney (fifth member)

**CONSULTANTS:** Pedro Herrera, Board Attorney – *Sugarman & Susskind*  
Dan Johnson, Director – *AndCo Consulting*  
David Julier, Research Analyst – *AndCo Consulting*  
Karan Rounsavall, Plan Administrator

Chairman Morgan called the meeting to order at 9:00 a.m. A quorum was in attendance.

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**APPROVAL OF MINUTES**

*Member Curran moved to approve the minutes of quarterly meeting April 29, 2020 as submitted. Member Whitney seconded the motion; it carried on unanimous roll call vote.*

**OFFICER AND TRUSTEE REPORTS** – None

**PROCESSED DISBURSEMENTS/RECEIPTS**

*Member Whitney moved to approve plan expenditures for the third quarter of Fiscal Year 2019/2020 (April 1, 2020 through June 30, 2020) in the amount of \$20,831.94 and to acknowledge receipts to the plan in the amount of \$162,085.32. (Reference Plan Administrator's memo dated July 7, 2020 for detail.) Member Curran seconded the motion.*

Total disbursements during the quarter were \$191,374.17 which included monthly benefit payments to 17 retirees in the amount of \$148,284.99, refund of employee contributions (\$22,257.24) and expenses noted above.

*A roll call vote carried unanimously.*

**CONSULTANT REPORTS**

- A. Presentation from Brookfield Super-Core Infrastructure Partners (BSIP) on its Access Fund Infrastructure strategy

Board members welcomed Theo Buchsbaum and Hillary Higgins of BSIP who expressed appreciation for the opportunity to present the Brookfield Super-Core strategy. BSIP was an open-end fund targeting core infrastructure in developed economies with a focus on current yield, diversification and inflation protection. The strategy invested in mature, cash generating core infrastructure assets in developed regions across North America, Western Europe and Australia. Global presence, alignment of interests, and capital preservations were hallmarks of the Brookfield

advantage. The strategy was fully integrated in environmental, social and governance principles. Assets were held for long periods of time typically with a predictable/steady cash flow profile (predominantly contracted or regulated). During the ongoing COVID-19 pandemic, all of Brookfield assets were deemed essential and continued to operate.

Member Bentley inquired as to BSIP's investment in data facilities. Ms. Higgins responded that the fund's current exposure involved provision of cooling and electrical services to large data centers. She would research and reply to Member Bentley's further questions about data rates and age of facilities.

The fund's gross rate of return was around nine percent with a target asset yield between five and six percent. A significant percentage of returns came from cash distributions as opposed to appreciation. Infrastructure investments provided further diversification to a portfolio with low correlation to other major asset classes. BSIP's assets were valued quarterly by a third party.

While the minimum investment was typically \$5 million, BSIP agreed to accept smaller investments from pension funds. The fee structure was 100 basis points calculated on net asset value. There was a three-year lockout period. The queue for a capital call was around six to nine months. No fees were assessed until a capital call.

As there were no further questions, the presentation concluded.

B. Dan Johnson – AndCo Consulting (Investment Consultant)

- Performance Report for quarter ended June 30, 2020

Mr. Johnson presented the performance report and economic commentary for the quarter ended June 30, 2020. Financial markets rebounded sharply coming on the heels of one of the most challenging quarters of all time due to the Coronavirus pandemic. The S&P 500 was up over 20 percent for the quarter with small and mid-cap equities doing even better. Value stocks continued their recent trend of underperformance relative to growth. Tech heavy companies drove the equity markets. Fixed income performance was also strong although Mr. Johnson expected lower returns from bonds going forward. Aggressive and quick action from the Federal Reserve preserved liquidity and mitigated the effects of the pandemic and set the stage for a "V" shaped recovery. All asset classes in the portfolio were within their respective target ranges.

Total market value as of June 30, 2020 was \$16,346,239 up from \$14,325,664 for the previous quarter ended March 31, 2020. On a percentage basis, the composite portfolio was up 13.93 percent for the quarter (gross) ranking in the 74<sup>th</sup> percentile of public plans and outperforming the benchmark. Fiscal year to date, the fund was up 4.64 percent which ranked in the 38<sup>th</sup> percentile. As of July 28, 2020, the portfolio was valued at \$16,813,241. These were preliminary returns as AndCo was still waiting on final performance results from ASB Allegiance Real Estate Fund. Mr. Johnson expected the final returns to be slightly higher than 13.93 percent.

Quarterly performance results (i.e. quarter ending June 30, 2020) for the various investment styles/managers represented in the portfolio were as follows:

*Garcia Hamilton & Associates (domestic fixed income)* – positive return of 4.24% (32)\*  
*EuroPacific Growth (international)* – positive return of 22.77 (23)\*

*Vanguard Total Stock Market Index Fund* – positive return of 22.10% (38)\*  
*BlackRock Multi-Asset Income Fund (other assets)* – positive return of 9.45% (70)\*  
*ASB Allegiance Real Estate Fund (real estate)* – negative return of -0.70% (30)\*  
(\*Percentile rankings)

Mr. Johnson reminded the retirement board that it liquidated the position in Templeton Global Total Return Fund during the quarter and re-invested the proceeds in the PIMCO Global Opp Fund.

*The Board acknowledged receipt of the investment performance report as presented.*

- Discussion and possible action to consider investment in infrastructure

At its previous quarterly meeting, the retirement board amended its Investment Policy Statement (IPS) to allow a five percent allocation to infrastructure. An ordinance allowing collective investment trusts (i.e. infrastructure funds) was also pending. Mr. Johnson reiterated to the board that infrastructure was a complicated investment and would lock up funds for at least a three-year period. It was, however, a lower volatility investment that would perform well on economic recovery, produce a yield greater than fixed income and offer further diversity to the portfolio. In line with the five percent allocation per the IPS, he recommended a potential investment in the Brookfield Super-Core Infrastructure Fund of \$850,000. When the capital call was received, the allocation could be funded by reducing overweight asset classes, most likely a reduction to domestic equities and global bonds.

Because the capital call would not occur until 2021 and state premium tax revenues were yet to be received, trustees were comfortable with increasing the infrastructure commitment to \$1 million. There was also a preference to fund the infrastructure allocation by further reduction to fixed income.

Mr. Johnson mentioned that the annual valuation would be available at the February 2021 quarterly meeting. This would be an opportune time to review the asset allocation and assumed rate of return for the retirement plan. *Board members agreed to address this at the February 2021 meeting in conjunction with the valuation.*

*Member Bentley moved to proceed with a \$1 million commitment to the Brookfield Super-Core Infrastructure Fund contingent upon legal review/approval of the subscription agreement/side letter and adoption of pending ordinance allowing commingled investment trusts. Member Curran seconded the motion and it carried on a unanimous roll call vote.*

- Update standing letter of instruction to Salem Trust Company for quarterly rebalancing of the portfolio

Board members were in receipt of a revised letter of instruction to Salem Trust (custodian) for quarterly rebalancing of the portfolio in accordance with the recently revised investment policy statement and asset allocation targets. The proposed letter of instruction also reflected the acquisition of PIMCO Global Opps which replaced the Templeton Global Bond Fund. Mr. Johnson pointed out that this letter did not address assets held outside Salem Trust (i.e. real estate and infrastructure).

*Member Curran moved to approve the standing rebalancing instructions as set forth in the referenced letter of instruction to Salem Trust. Member Parsons seconded the motion. It carried on an all-yes roll call vote.*

- Consultant's recommendation as to investment of Florida premium tax revenues upon receipt of funds

Annual receipt of premium tax revenues from the State of Florida were anticipated in the middle of August (estimated at \$169,000). Mr. Johnson recommended that these funds be directed to the receipts and disbursements account (R&D) with standing rebalancing to occur as of October 1, 2020. There was no discussion and no formal action needed in this matter.

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Mr. Johnson expressed his appreciation for the opportunity to work with the West Melbourne Police Retirement Board during this challenging time. He also spoke of his gratefulness for all law enforcement officers.

C. Pedro Herrera – Sugarman & Susskind (attorney)

Attorney Herrera advised that there were no changes to public pension plans during the recent legislative session. He went on to report that Florida's Governor extended the state of emergency due to the COVID-19 pandemic. Pursuant to Executive Order No. 20-193, this further suspended the statutory requirement for a physical quorum to be in attendance for meetings of local government agencies and authorized the continued use of virtual meeting forums. The extension was granted through September 30, 2020.

Chairman Morgan advised that socially distanced meetings could be arranged in the Council Chamber if necessary.

D. Karan Rounsavall - Plan Administrator Report

- Acknowledge rollover of member contribution for Jacob Mathis (non-vested member) in the amount of \$14,673.71

*Member Curran moved to acknowledge the rollover for Officer Mathis as stated. Member Whitney seconded the motion which carried unanimously on a roll call vote.*

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The next quarterly meeting was October 28, 2020.

**OLD BUSINESS**

- A. Status of pending ordinance to expand allowed investments in the retirement fund portfolio, specifically collective investment trusts (e.g. infrastructure fund) and modifying the IRS compliance section to recognize recent changes to the required minimum distribution age from 70½ to 72 in connection with the SECURE Act

At its April 29, 2020 meeting, the retirement board directed the attorney to draft the referenced ordinance. Trustees were in receipt of the proposed ordinance which had been reviewed by the city attorney and forwarded to the plan actuary for preparation of a statement of no impact.

Pending receipt of the impact statement, the proposed ordinance would be presented to the West Melbourne City Council for consideration/adoption. Upon adoption, appropriate revisions would be included in the next publication of the Summary Plan Description.

### **NEW BUSINESS**

#### A. Approval of administrative expense budget for Plan Year 2020/2021

The Retirement Board was in receipt of the proposed budget for Plan Year 2020/2021 as prepared by the plan administrator. Pursuant to *Florida Statutes*, the Board was required to adopt and operate pursuant to an administrative expense budget each year. The budget included all administrative expenses (e.g. actuary, legal, investment consultant, custody, administration, insurance, etc.) but did not include investment management fees. The proposed budget for 2020/2021 was \$84,203.

Mrs. Rounsavall reviewed individual line items in the proposed budget. No fee increases were anticipated for professional service providers. Administrative costs for the retirement plan were very modest. In fact, the plan was currently under budget for Fiscal Year 2019/2020 based on estimated expenses.

*Member Whitney moved to approve the administrative expense budget for Plan Year 2020/2021 in the total amount of \$84,203. Member Curran seconded the motion; it carried on an all-yes roll call vote.*

The adopted budget would be presented to the West Melbourne City Council (plan sponsor), posted on the City's web site, and posted on the Police Department bulletin board for plan members.

#### B. Acknowledge Jean Miller as beneficiary of Retiree Richard Miller

Retiree Richard Miller died on April 16, 2020. Having elected the 100 percent joint and survivor option at the time of his retirement in 2004, his monthly benefit continued to his spouse Jean Miller. The plan administrator had notified the plan custodian of Mr. Miller's death and worked with Mrs. Miller to direct monthly benefits directly to her.

*Member Curran moved to acknowledge Jean Miller as beneficiary of Richard Miller and her continued receipt of monthly benefits pursuant to his selected option. Member Parsons seconded the motion which carried unanimously on a roll call vote.*

Board members observed a moment of silence in memory of Richard Miller.

**PUBLIC COMMENT** - None

### **ADJOURNMENT**

The meeting adjourned at 11:25 a.m.