

**MINUTES OF A JOINT EMPLOYEES' RETIREMENT BOARD
AND POLICE RETIREMENT BOARD MEETING
HELD VIA VIDEO CONFERENCE ON
TUESDAY FEBRUARY 2, 2021 at 11:30 AM**

I. ROLL CALL: 11:43 AM

A. Employees' Retirement Board:

Phillip Johnson called the meeting to order for the Employees' Retirement System Board at 11:35 AM.

Those persons present included:

Trustees: Evanna Stephenson, Chair
(Electronically)
Phillip Johnson
Bruce Miller
Richard Collier

Others: Scott Baur, Albert Lovingood, Alison Lichter
Resource Centers
Ken Harrison, Attorney (Sugarman & Susskind)
Tim Nash, Consultant (AndCo)
Eric Levinthal, Auditor (KDST)

B. Police Retirement Board:

Chris Johnson called a meeting to order for the Police Officer Board of Trustees at 11:35 AM.

Those persons present included:

Trustees: Christopher Johnson
Charles Ferry
Bruce Miller
Lonnie Moral

II. PLEDGE OF ALLEGIANCE

All in attendance said the Pledge of Allegiance.

III. EXTRAORDINARY CIRCUMSTANCES FOR TRUSTEES JOINING ELECTRONICALLY

Action: Phillip Johnson made a motion to find extraordinary circumstances existed to allow Trustee Evanna Stephenson join the meeting electronically due to the ongoing COVID pandemic. The motion received a second from Richard Collier.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

IV. PUBLIC COMMENT

No members of the public had any comment.

V. ADDITIONS/ DELETIONS/ REORDERING:

The Board made no changes to the Agenda.

A. Employees' Retirement Board:

B. Police Retirement Board:

C. Employees' and Police Retirement Board:

The Board made no changes to the Agenda.

VI. UNFINISHED BUSINESS:

A. Employees' Retirement Board:

B. Police Retirement Board:

C. Employees' and Police Retirement Board:

VI. NEW BUSINESS:

A. Employees' Retirement Board:

B. Police Retirement Board:

C. Employees' and Police Retirement Boards:

1. Draft Audited Financial Statements

Eric Levinthal reviewed the draft audit report for the Employees Retirement System, still pending receipt of the GASB 67 footnotes and disclosures. KSDT provided an unmodified (clean) opinion for the report. He reported that the Employees' Retirement System had total net assets of \$73,547,600 as of September 30, 2020, up from \$71,483,084 as of the September 30, 2019 fiscal year end. He reviewed the Changes to the Net Plan Assets; the Retirement System received more additions than outflows to pay benefits and expenses. The contributions remained consistent with the prior year, while the investment earnings increased substantially. Benefit payments for DROP distributions also increased. Mr. Levinthal reviewed the administrative expenses for the Plan, about 20 bp overall. He noted that KSDT does not test internal controls, but the auditor also did not identify any material deficiencies or weaknesses.

Action: Phillip Johnson made a motion to approve the audited financial statement for September 30, 2020, subject to receipt and inclusion of the GASB 67 report. The motion received a second from Richard Collier.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

Mr. Levinthal then presented the audit report for the Police Officers' Retirement System. He reported that the plan had net assets of \$36,264,199, up from \$33,305,790 the prior year. Mr. Levinthal reviewed the Changes to Net Plan Assets, noting again that investment gains provided the primary driver for the increase in assets. Benefit payments remain substantially unchanged from the prior year. The Police Officers' Retirement System, meanwhile, had administrative expenses of approximately 27 bp. Both the Employees Retirement System and the Police Officers Retirement System operate very efficiently with low overall expenses.

Action: Charles Ferry made a motion to approve the audited financial statement for September 30, 2020, subject to inclusion of the GASB 67 report. The motion received a second from Lonnie Moral.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

2. Investment Consultant: Quarterly Performance Report

Tim Nash reported that the fiscal year started well, with gains of over 9% for the quarter ending December 31, 2020. The S&P 500 finished the calendar year up over 20% after a very volatile year. Mr. Nash reviewed the profile and annual statement for his company, stating that AndCo receives only hard dollar fees and now advises on over \$100 billion in assets. AndCo employs 91 individuals total and added to the team since the prior year.

Mr. Nash reviewed the performance of the market sectors, with small cap stocks up 31.4% for the quarter, the best quarterly gain since 1979. All asset classes had gains for the calendar quarter. Value stocks performed better than growth stocks for the quarter as well, although growth stocks still performed better for the calendar year. Tesla is now part of the R1000 Index, up a743.4% for 2020 as a company. Mr. Nash continually

rebalances the portfolio with cash flows used to pay benefits and expenses, so the current asset allocation falls within Policy target ranges. Mr. Nash further reviewed the cash flows for the quarter for both the Employees Retirement System and the Police Officers Retirement System. The Employees Retirement System ended December 31 with \$75,807,475 of invested assets, a return of 9.95% gross and 9.89% net of expenses compared to 10.25% for the benchmark. Police ended the quarter with net assets of \$35,011,964, a net gain of 9.85% compared to 10.25% for the benchmark. Tim Nash reported that most managers performed well, but Sawgrass substantially underperformed the benchmark for the large growth equity allocation. He recommended the Board begin a manager search to replace Sawgrass.

Action: Bruce Miller made a motion for the Employees Retirement System to authorize a manager search to replace Sawgrass. The motion received a second from Phillip Johnson.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

Action: Bruce Miller made a motion for the Police Officers' Retirement System to authorize a manager search to replace Sawgrass. The motion received a second from Charles Ferry.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

Mr. Nash presented some alternatives to Sawgrass. He reported that Chris Greco, head of marketing for Sawgrass, accepted a position as president for a new investment management firm. The change did not impact the recommendation by Tim Nash or AndCo to replace Sawgrass. Mr. Nash further compared Sawgrass to the domestic equity manager universe. While Sawgrass has lower volatility, the risk adjusted performance still falls well below the universe average. He reviewed the attribution for investment gains by the manager, noting that securities selection by the manager hurt performance. The other equity managers retained by both Boards performed well.

In spite of the underperformance by Sawgrass, the investment returns for the Employees' Retirement System ranked in the top 6% and Police the top 13% for the trailing 10 years. The managers overall average about 50 bp of investment expenses.

Mr. Nash advised that Vanguard charges 4 bp for the Total Market Index Fund while Fidelity now offers an index ETF (Exchange Traded Fund) at 1.5 bp. He projected a savings of about \$330 per year if the Board on manager fees if the Boards change index funds. Regions will do a simultaneous buy/sell to eliminate any possible market impact resulting from the change.

Action: Richard Collier made a motion for the Employees Retirement System to approve the change from Vanguard to the corresponding Fidelity ETF. The motion received a second from Phillip Johnson.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

Action: Charles Ferry made a like motion for Police to approve the change from Vanguard to the corresponding Fidelity ETF. The motion received a second from Lonnie Moral.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

D. Board Attorney's Report:

Attorney Report – Ken Harrison, Sugarman & Susskind

Ken Harrison explained the new E-Verify registration requirements for the Boards. Public employers in Florida must register and all contracted service providers must register as well. Even without any employees, the Boards meet the definition of a public employer. Future Board agreements and addendums must all include provisions mandating compliance.

Mr. Harrison reported that the incoming Senate president proposed eliminating the FRS defined benefit plan option.

E. ADMINISTRATOR REPORT:

Mr. Baur reviewed the current SOC 1 Type 2 audit report for the Resource Centers. The auditor did not find any exceptions to the stated controls and procedures in place at the plan administrator, which allows both auditors and plan administration clients of the firm to rely on accuracy of those controls and procedures. Mr. Baur explained the difference between a Type 1 SOC audit report, which states but does not test the controls and procedures, and a Type 2 SOC audit report, which fully tests all the internal controls in place. His firm has completed a Type 2 SOC audit now for 13 years.

VII. CONSENT AGENDA:

A. Employees' Retirement Board:

1. **Warrants for Accounts Payable: February 2, 2021**
2. **Benefit Approvals: February 2, 2021**
3. **Interim Financial Statements: December 31, 2020**
4. **Regular Employees Retirement System Minutes: December 1, 2020**

B. Police Retirement Board:

1. **Warrants for Accounts Payable: February 2, 2021**
2. **Interim Financial Statements: December 31, 2020**
3. **Regular Meeting Minutes: November 3, 2020**

C. Employees' and Police Retirement Board

Action: Richard Collier made a motion for the Employees Retirement System to accept the Consent Agenda. The motion received a second from Bruce Miller.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

Action: Charles Ferry made a like motion for Police to accept the Consent Agenda. The motion received a second from Lonnie Moral.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

VIII. PUBLIC COMMENTS:

No members of the public had any comment for the Boards.

IX. ADJOURNMENT:

Action: There being no further business, Richard Collier made a motion adjourn the meeting for the Employees Retirement System at 12:56 PM. The motion received a second from Bruce Miller.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

Action: Charles Ferry made a motion for Police to adjourn at 12:56 PM. The motion received a second from Bruce Miller.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

Evanna Stephenson, Chair Employees' Retirement Board

Christopher Johnson, Chair Police Officers' Retirement Board