

**CITY OF WEST MELBOURNE
POLICE OFFICERS' RETIREMENT BOARD
JANUARY 31, 2024**

The West Melbourne Police Officers' Retirement Board held its quarterly meeting on Wednesday, January 31, 2024 in the Police Department Training Room, 2290 Minton Road, West Melbourne, Florida.

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

CONSULTANTS: Pedro Herrera, Board Attorney—*Sugarman, Susskind et al**
Kerry Richardville, Consultant – *AndCo Consulting*
Pete Strong, Actuary – *Gabriel, Roeder, Smith & Co.*
Peter Tramont, Actuary – *Gabriel, Roeder, Smith & Co.*
Karan Rounsavall, Plan Administrator

CITY STAFF: Candice Blake, Finance Director

Chairman Morgan called the meeting to order at 10:00 a.m. A quorum was in attendance. *Virtual presence – Member Curran and Attorney Herrera attended meeting via communications media technology (Zoom platform hosted by the City of West Melbourne).

APPROVAL OF MINUTES

Member Curran moved to approve minutes of quarterly meeting October 25, 2023 as submitted. Member Parsons seconded the motion; it carried unanimously.

OFFICER AND TRUSTEE REPORTS - None

PROCESSED DISBURSEMENTS/RECEIPTS

Member Parsons moved to approve plan expenditures for the first quarter of Fiscal Year 2023/2024 (October 1, 2023 through December 31, 2023) in the amount of \$29,447.025 and to acknowledge receipts to the plan in the amount of \$171,081.80 (Reference Plan Administrator's memo dated January 6, 2024 for detail.) Member Curran seconded the motion which carried on an all-yes vote.

Total disbursements during the quarter were \$246,613.15 which included monthly benefit payments to retirees in the amount of \$217,166.13 and expenses noted above.

CONSULTANT REPORTS

A. Pete Strong and Peter Tramont – GRS Consulting (Actuary)

- Presentation of annual actuarial valuation as of October 1, 2023
- Declare expected annual rate of investment return for assets of West Melbourne Police Officers' Retirement Plan

Actuary Pete Strong presented the October 1, 2023 Actuarial Valuation Report for the West Melbourne Police Officers' Retirement Plan. The valuation established the annual contributions applicable to the Retirement Plan for the fiscal year ending September 30,

2025. The report also included GASB 67/68 disclosure information as of September 30, 2023.

The city's minimum required contribution for the ensuing fiscal year increased compared to the prior year. Expressed as a percentage of non-DROP pensionable payroll, the city's required contribution was 12.97 percent. Expressed as a dollar amount, the minimum contribution was \$349,635. This percentage/amount did not include estimated State contributions. Mr. Strong noted that the state's contribution increased by nearly 20 percent due to automobile insurance premium increases. The amount of state money received in 2023 was \$262,691. Of this amount, \$18,300 was allocated to fund individual share plan accounts for active members.

There was a net actuarial loss for the year due mainly to unfavorable investment experience. The investment return (based on the smoothed actuarial value of assets over a five-year period) was 4.1 percent which was less than the assumed rate of 6.45 percent. Based on the market value of assets, the investment return for Fiscal Year 2023 was a gain of 8.8 percent.

The Plan's funded status as of October 1, 2023 was 94.8 percent compared to 97.5 percent as of October 1, 2022 (i.e., actuarial value of assets as a percentage of total actuarial accrued liability). The unfunded liability was \$1,123,332.

Due to revisions in Actuarial Standards of Practice, there was a new calculation included in this year's valuation called a *low-default-risk obligation measure (LDRM)*. The LDRM was a market-based measurement of pension obligations.

Discussion turned to the expected rate of return. The current assumed rate of investment return was 6.45 percent. While the assumed rate of 6.45 percent was certainly reasonable, Mr. Strong advised that it was more conservative than most similarly situated retirement plans. The average of which was 6.7 percent. Capital market forecasts had also recently improved. Investment Consultant Kerry Richardville was very comfortable with the current rate of 6.45 percent.

Given that the retirement fund did not currently have excess returns as it was still absorbing 2022 investment losses, Chairman Morgan did not feel the board could lower its assumed rate at this time. Member Bentley, however, favored further lowering the assumed rate of return to an even more conservative percentage, perhaps as low as 6.25 percent.

It was mentioned that the retirement board typically gave direction to the actuary at its August meeting as to the assumed rate of return to be used for the next valuation. *Member Bentley suggested that this discussion take place at the next quarterly meeting. There was no objection to his suggestion.*

Member Bentley moved to approve the Actuarial Valuation Report as of October 1, 2023 as presented. Member Erenstoft seconded the motion which carried unanimously.

Member Parsons then moved to declare a 6.45 percent expected rate of return on investments going forward (based on advice of plan consultants). Member Curran seconded the motion which carried on a vote of four yes, one no. The dissenting vote was cast by Member Bentley. The plan administrator would prepare the required correspondence to the Division of Retirement advising of the expected annual rate of return.

B. Kerry Richardville – AndCo Consulting (Investment Consultant)

- Performance Report for quarter ended December 31, 2023

Mrs. Richardville presented the investment performance report and economic commentary for the quarter ended December 31, 2023. Overall, the economy surged during the final calendar quarter fueled by the Federal Reserve's welcome decision to pause an interest rate hike. Domestic equities moved broadly higher during the quarter with the S&P 500 index gaining nearly 12 percent. Domestic fixed income also rallied, posting a return of 6.8 percent as reported on the Bloomberg Index.

All asset classes remained within target ranges; there was no recommendation for rebalancing at this time.

Total market value as of December 31, 2023 was \$20,756,365 up from \$19,294,351 for the previous quarter ended September 30, 2023. On a percentage basis, the composite portfolio was up 8.01 percent for the quarter (gross), slightly overperforming the fund policy of 7.79 percent. Trailing one-year performance was positive at 11.47 percent. (Note: Percentile rankings of public plans were unavailable at the time of report publication as were final quarterly returns for infrastructure and real estate holdings.)

At the last meeting, Member Bentley expressed concern with the underperformance of Garcia Hamilton (GHA - domestic fixed income) against its benchmark over the past several years. Mrs. Richardville reported that Garcia Hamilton earned a positive return of 6.99 percent for the quarter, ranking in the top three percentile ranking of public funds in this sector. Its performance was stronger in a falling interest rate environment. Over the longer term, GHA's rankings were below average.

The board accepted the investment performance report as submitted.

- Real Estate Manager Search

At the October 25, 2023 meeting, Mrs. Richardville reported that the ASB Allegiance Real Estate Fund lagged its peers in performance over the past year. In anticipation that AndCo would soon downgrade this manager, she distributed an analysis of real estate managers for the board's review.

Mrs. Richardville recommended that the board give notice to ASB Allegiance of its intent to exit its current position. She went on to advise that real estate funds typically had an extended exit queue and it could take several years to fully liquidate West Melbourne's position in ASB. As such, the board had adequate time to find another real estate fund to fill this asset class.

Based on the recommendation of the investment consultant, Member Bentley moved to provide notice to ASB Allegiance Real Estate Fund of intent to exit its position. Notice would be given 30 days in advance of the quarter ending March 31, 2024. Member Erenstoft seconded the motion and it carried unanimously. There was no action to replace ASB at this time.

- Domestic Fixed Income Manager Search

Board members were also in receipt of an intermediate fixed income manager review. At the previous meeting, Member Bentley asked to see a comparison of bond funds against Vanguard bond market index funds, particularly given Vanguard's very low

management fees. However, at this time, Member Bentley was comfortable staying the course with Garcia Hamilton understanding that they were a duration type manager.

Likewise, it was the consensus of the retirement board to retain Garcia Hamilton as the fund's domestic fixed income manager.

Board members mentioned that it would be helpful and informative to invite the plan's investment managers to meetings on a rotating basis in the future.

Mrs. Richardville announced that AndCo Consulting would be joining Mariner, a national advisory firm as its new institutional platform sometime in mid-April. Mariner and AndCo shared a strong cultural alignment focused on a client-first, objective approach. The same AndCo team currently supporting clients would not change and would continue to deliver the same services, tools, and guidance as always.

In light of this announcement, Attorney Herrera advised it was appropriate for the retirement board to consent to the assignment of its investment advisory agreement with AndCo to Mariner. Once the transaction was complete, a new consulting agreement would be prepared and presented to the board.

Member Bentley moved to consent to the assignment as stated above. Member Curran seconded the motion which carried on an all yes vote.

C. Pedro Herrera – Sugarman, Susskind, Braswell & Herrera (attorney)

- Legislative Update

Attorney Herrera advised there was no proposed legislation affecting local public pension plans. A bill was filed to reinstitute a three percent COLA for employees under the Florida Retirement System.

He further advised that annual financial disclosure statements were to be electronically filed with the Florida Ethics Commission. These forms would no longer be filed with the County Supervisor of Elections.

D. Karan Rounsavall - Plan Administrator Report

- Acknowledge refund of member contributions for Steven Wolf (non-vested member) in the amount of \$1,045.23
- Acknowledge refund of member contributions for Sean Carter (non-vested member) in the amount of \$540.81

Member Erenstoft moved to acknowledge the refunds as stated. Member Curran seconded the motion which carried unanimously.

The next quarterly meeting was scheduled for April 24, 2024.

OLD BUSINESS - None

NEW BUSINESS

- A. Approval of assignment agreement with Argent Institutional Trust Company (custodian) doing business as Salem Trust Company, a division of Argent Institutional Trust Company

Member Bentley moved to approve the assignment as presented. Member Erenstoft seconded the motion which carried unanimously.

PUBLIC COMMENT

ADJOURNMENT

The meeting adjourned at 11:37 a.m.

Scott Morgan, Chairman

Karan Rounsavall, Plan Administrator