CITY OF PORT ORANGE
FIRE AND RESCUE PENSION BOARD OF TRUSTEES QUARTERLY MEETING
MINUTES
Monday, November 16, 2015, 4:30 P.M.

Members Present:	Bob Ford
	Rick Gherlone
	Josh Moore
Members Absent:	Jim Reardon
	Rhett Wilgers
Plan Administrator:	Sheila Hutcheson
Plan Attorney:	Scott Christiansen
Consultant:	Frank Wan, Performance Monitor (BCA)
Plan Actuary:	Patrick Donlan, Foster & Foster
Plan Members:	Tom DuBrule, Chris Taylor

CALL TO ORDER/ DETERMINATION OF A QUORUM

The meeting was called to order at 4:35 p.m. by Chairman Gherlone. There was a quorum with three members present.

The Administrator asked that the action items be considered by the Board at the beginning of the meeting, since Member Moore was on duty and might have to leave for a service call, thereby losing a quorum. The Board agreed and first handled all action items on the agenda.

APPROVAL OF MINUTES - Quarterly Meeting - August 24, 2015

Member Ford made a motion to approve the minutes of the quarterly meeting on August 24, 2015, as amended (with correction of a comment by the Chairman on page three that should have been indicated as a question, not a statement); Member Moore seconded the motion, which passed unanimously.

REPORTS (ATTORNEY/CONSULTANTS

Frank Wan, BCA, Performance Monitor

Mr. Wan opened by discussing the strategy used by BCA with respect to the Plan's portfolio, which have worked favorably for the fund, especially in down markets. He then discussed the manager selection process, and stated that PNC has managed their portion of the assets in an outstanding manner. The return was negative 4.1% for the quarter, net of fees. The fund had $23,097,321 on September 30, 2015 and $23,621,480 on June 30, 2015. The 1.9% return for the past year was actually better than the performance of many other plans. The average return for the past four years was 9.0%/year, net of fees. Mr. Wan continued by advising that the real estate investment had earned 14% over the past year. There were no recommendations for change at this time.

Patrick Donlan, Actuary, Foster & Foster (F&F) - Presentation of 2015 Valuation

Mr. Donlan opened his report with the funding requirements noting that the City's cost stayed exactly the same. The costs would have decreased except for the change (reduction from 7.9% to 7.8%) in the investment assumption change. This investment assumption change increased the liabilities by approximately $500,000. The performance return for the past year was adverse for the valuation, but the use of the four-year smoothed average of returns mitigated this impact somewhat. Next, the value of the accrued benefits was highlighted. The administrative expenses have increased by about 1% of payroll due to all the reporting regulations and requirements imposed by the State. The required total contribution is 109.9% of payroll; this includes all sources of funding: State monies, member contribution, and City's contribution. There was some discussion about changing the City's contribution to being shown as a flat dollar amount, if the City prefers that method. Member Ford said he would check with the City staff in this regard; if that is the City's preference, the Board can change this for future valuations to a flat dollar amount at the February, 2016 meeting. The Actuary pointed out that the City had over-contributed $20,583.05 to the Plan for the fiscal year ending September 30, 2015. At the Actuary's request, the Administrator had emailed the City twice asking how the City wanted this over-payment identified. Since the City did not respond in time for the completion of the Valuation, Mr. Donlan applied the $20,583.05 as a "pre-paid." If the City does specify other usage of the over-payment, the Actuary will have to prepare an amended Valuation for the Board's approval (at an additional fee). He then reviewed the unfunded actuarial accrued liability, which is being paid down. Member Ford asked for some detail in this regard. Mr. Donlan said that the City's cost would be zero if the unfunded actuarial accrued liability was paid off. Member Ford has discussed this matter with the City, and he hopes it will be paid down in the next 10-11 years which would be required, as noted by the Actuary, to pay it in full. Although some agencies have used pension obligation bonds in this regard, this mechanism does add risks to the Plan. The actuarial loss/gain analyses showed a reduction from $16.9million to about $15.9 million, but this is based on using the four-year smoothed average of investment returns. Next, the Actuary discussed the effect of the Plan's assumptions on this year's Valuation: there was an investment gain due to the smoothing of returns and there was a loss based on the mortality table; the overall result was a $212,000 gain. Of the gain, $150,000 was due to the four-year smoothing of returns. The specifics of the four years' returns were noted. Next year, the 16.77% return will drop off from the four-year average which will have an adverse impact. However, if the investment return for the fiscal year ending September 30, 2016 is 7.8%, the four-year average will be 6.4%l if the investment return reaches 13.4%, the four-year average would increase to 7.8%. The report continued with discussion of the participant statistics: at the beginning of FY14/15, there were three participants in DROP and 53 active members, which remained the same as of the end of the fiscal year. There were two additional retirees (from vested deferred former members) in the period, and one member contribution refund to a member who terminated employment. Next, he reviewed the GASB 67 and GASB 68 information, advising that, next year, when City prepares its CAFR, the liability will be $17 million, compared to $16.2million last year. The change is due to the GASB regulations not using the smoothing average.

Plan Member Chris Taylor asked about his frozen benefits and future benefits based on his sixteen years of service. Actuary Donlan addressed Mr. Taylor's benefits going forward. There was discussion on the two "pieces" of benefits to members based on the frozen amount and the prospective amount.

Chairman Gherlone asked about the mortality table used in the 2015 Valuation, it is the RP 2000 mortality table. The new table identified in the July 2015 legislation requires that the new mortality table (the one used by FRS) be used in valuations prepared after January 1, 2016. This mortality table is complicated and it is expected to increase the cost to the Plan by about 5% to 6% of payroll. The Chairman also asked about the additional calculations of returns that the Board had authorized the Actuary to prepare. The additional calculations related to Florida statutory requirements from last year; these initial reports have been completed and submitted to the City as required. This is an annual requirement, to be completed sixty days after each valuation; it will be submitted by January 16, 2016 (sixty days after today's approval of the 2015 Valuation). The Administrator will then forward the calculations to the City to be posted on its website.

Member Ford made a motion to approve the 2015 Valuation; Member Moore seconded the motion, which passed unanimously.

The member statements will be sent in about two weeks to the Administrator and to the Chairman to distribute to the Plan members. As in the past few years, each member will receive two statements: one for the frozen benefit amount and one for the current benefits.

Declaration of returns

The Attorney explained the statutory requirement that the Board declare the expected returns based on advice from its investment consultants in conjunction with the valuation. In this regard, Performance Consultant Frank Wan was asked to provide his recommendation, which was that it is reasonable that the 7.8% actuarial assumption will be reached in the next year, over the next several years, and over the long term thereafter.

Member Ford made a motion to accept the consultant's recommendation for the declaration of returns: that the 7.8% actuarial assumption will be reached in the next year, over the next several years, and over the long term thereafter; Member Moore seconded the motion, which passed unanimously. The Administrator brought the letter on the declaration of returns (to the Division of Retirement, City, and Actuary) for signature by the Chairman.

Scott Christiansen, Plan Attorney

Ordinance and contract update

The Attorney reported that the IRC ordinance has been enacted. The "share" plan included in the July 1, 2015 legislation will need to be in an ordinance in conjunction with labor negotiations, which are still underway.

Status report - disability claim

Mr. Christiansen advised the Board that, regarding the disability claim filed by Carol Calache, the first hearing date must be within ninety days of original application date; accordingly, the deadline date for the initial hearing needs to be extended for ninety days from January 6, 2016 to April 5, 2016 to allow the time, if needed, for receipt of all records and the Independent Medical Examination (IME). The Attorney said he would recommend a special meeting to conduct the initial hearing as soon as the records/IME are completed (hopefully, in January).

Member Ford made a motion to extend the deadline date for the initial hearing for the disability filed by Carol Calache from January 6, 2016 to April 5, 2016; Chairman Gherlone seconded the motion, which passed unanimously.

Sheila Hutcheson, Plan Administrator

- Pension Fiduciary Insurance has been renewed for 10/5/15 policy
- PNC quarterly retiree death audit - no deaths reported
- Authorization for BCA to prepare letter of direction (for execution by the Chairman) to raise cash for DROP distribution on 12/1/15 ($322,941.18)

Member Ford made a motion to authorize execution by the Chairman of a letter of direction to PNC to raise cash for a DROP distribution on December 1, 2015 in the amount of $322,941.18; Member Moore seconded the motion, which passed unanimously.

- Letter to City transmitting FY14/15 report of investment activity for execution by the Chairman.
- Terms of elected Trustee Rick Gherlone and Fifth Member Rhett Wilgers end on 12/31/15. An election will be coordinated for Member Gherlone's elected position. Appointed Trustee Jim Reardon's term ends on 2/15/16; he is willing to be reappointed. The Board may wish to appoint Member Wilgers as fifth member, contingent upon the election/reappointment of Members Gherlone and Reardon. The fifth member appointment will be submitted to City Council to follow the reappointment of Member Reardon.

Ms. Hutcheson reported that she had no response from Member Wilgers as to whether or not he wished to be reappointed by the Board. The Attorney recommended deferring this item to the February meeting, when there would be more members in attendance. Chairman Gherlone said he does not wish to run again for the Board. As noted, an election notice will be sent to members requesting names of those interested in serving as an elected trustee.

- Credit has been received in the amount of $2,500.00 from Foster & Foster for inadvertent payment of study for the City.
- State monies and supplemental monies were received/deposited.
- Annual Budget was submitted to the City and to Plan members for FY15/16.
- Approve quarterly meeting dates for 2016 (all on Mondays at 4:30 p.m. in the Conference Room), as follows:
    - February 22, 2016
    - May 16, 2016
    - August 22, 2016
    - November 14, 2016

It was the consensus of the Board to approve the 2016 meeting dates.

- Consideration of City Clerk as Records Management Liaison Officer (RMLO).

Member Ford made a motion to approve Resolution 2015-1, designating the City Clerk as the Records Management Liaison Officer (RMLO) for the Plan; Member Moore seconded the motion, which passed unanimously.

The Administrator will submit the applicable form in this regard to the Division of Library and Information Services. Ms. Hutcheson will coordinate the transfer of the records (other than those currently used for Plan administration) to the City Clerk's office.

- Consideration of annual accounting of expense payments for FY14/15 will be on Feb. 22, 2016 agenda.
- Next meeting is February 22, 2016 (Conference Room)
- Municipal Police/Fire Pension Conference: Nov. 17 - 19, 2015 (Radisson Resort, Orlando Celebration) - Member Ford will attend on Nov. 18 -19.

NEW BUSINESS OLD BUSINESS - none

RATIFICATION: DISBURSEMENTS/RETURN OF CONTRIBUTIONS and DEPOSITS

- **DISBURSEMENTS**

1. Sheila Hutcheson, Professional Services - **$5,400.00** (quarterly administration fees), **$112.62** (mileage)
2. Christiansen & Dehner, Professional Services - **$47.25; $2,752.38, $394.00**
3. PNC fees for custody, quarterly fee, 3rd quarter, 2015 : SSI -**$718.19;** MCV - **$297.28**; Real Estate - **$207.17**; International - **$147.97;** FMI - **$355.15** (total fees: $1,725.77)
4. PNC Asset Management, quarterly fee, 3rd quarter, 2015 - **$6,003.30**
5. Fiduciary Management Inc., quarterly fee, 3rd quarter, 2015 - **$9,336.00**
6. Burgess Chambers, Performance Monitor, quarterly fee 3rd quarter, 2015 - **$11,531.20**
7. SSI, quarterly fee, 3rd quarter, 2015 - **$5,036.00**
8. American Core Realty Fund - quarterly fee, 3rd quarter, 2015 -**$3,099.86**
9. J.W. Edens Insurance Agency - pension fiduciary insurance renewal -**$3,990.00**; waiver of recourse endorsement for Trustees (paid by City) - **$75.00**; waiver of recourse endorsement for Plan Administrator (paid by Sheila Hutcheson) - **$25.00**
10. Ken Burgman, commencement of retirement on Dec. 1, 2015 - lifetime option **$4,741.64/month**; distribution of DROP account - **$322,941.18**

- **DEPOSITS**
- 2014 Premium Tax Distribution - **$390,657.92** (2013: $369,600.25)
- 2014 Firefighters' Supplemental Compensation Trust Fund - $459.24 (2013: $16,594.76)

Member Ford made a motion to ratify the Disbursements, Return of Contributions and Deposits; Member Gherlone seconded the motion, which passed unanimously.

STAFF REPORTS, DISCUSSION, AND ACTION/TRUSTEES' REPORTS, DISCUSSION, AND ACTION /REQUESTS FROM THE PUBLIC/EMPLOYEES PRESENT - none

ADJOURNMENT - There was no further business; the Chairman adjourned the meeting at 5:45 p.m.

Respectfully Submitted:

Sheila Hutcheson, Plan Administrator

Approved:

Jim Reardon, Chairman