

CITY OF PORT ORANGE
FIRE AND RESCUE PENSION BOARD OF TRUSTEES QUARTERLY MEETING
MINUTES
Monday, February 22, 2016, 4:30 P.M.

Members Present:	Bob Ford Joe Meeske Josh Moore Jim Reardon
Members Absent:	Chris Taylor
Plan Administrator:	Sheila Hutcheson
Plan Attorney:	Scott Christiansen
Consultant:	Frank Wan, Performance Monitor (BCA)
Investment Manager:	Janet Newcomb, Andrew Gillentine, PNC
Plan Members:	Joe Wulfing
Public:	Dianne Gardner, Mike Gardner, Ted Nofall
City Staff:	Tracey Riehm, Finance Director

CALL TO ORDER/ DETERMINATION OF A QUORUM

The meeting was called to order at 4:30 p.m. by Chairman Reardon. There was a quorum with four members present. Ms. Hutcheson reported that newly appointed Trustee Chris Taylor had a previously scheduled vacation out-of-state and was unable to attend.

APPROVAL OF MINUTES - Quarterly Meeting - November 16, 2015; Special Meeting - February 8, 2016

Member Meeske made a motion to approve the minutes of the quarterly meeting on November 16, 2015 and the special meeting on February 8, 2016; Member Ford seconded the motion, which passed unanimously.

REPORTS (ATTORNEY/CONSULTANTS)

Burgess Chambers (BCA), Performance Monitor, quarterly report

Mr. Wan opened by discussing the economy for the last quarter and since December 31, 2015. Factors affecting the economy are still improving despite the market corrections. The market is like a pendulum, with uncertainty still there but there is "light at the end of the tunnel." The energy market is driving the economy. He discussed the global pendulum, noting that pension plans have to take the long view, with certain market risks taken to meet the Plan's assumed rate of return. He reported that the U.S. market is still positive as of December 31, 2015.

The return was 2.2% for the quarter; 0% for the past twelve months (in the top percentile of peers); and 7.7% for the last four years, 6.2% for the last five years, all net of fees. The fund had \$23,491,111 on December 31, 2015, compared to \$23,097,321 on September 30, 2015.

Mr. Wan then discussed the individual managers, noting that FMI has outperformed the market in a down cycle. This was followed by an overview of each manager. Next, he highlighted the investment

policy review. The portfolio is near its targets, and no changes are recommended. He noted the new format used in this report. Mr. Wan continued by advising that the real estate investment had earned 15% over the past year. He said that the fixed income investment would be discussed during Ms. Newcomb's presentation. Mr. Wan said that the investment earnings contribute to about 90% of the portfolio growth, not the contributions. Chairman Reardon asked about the money coming into the fund being about the same as the outgo, and the consultant said that is true since this is a mature plan.

Janet Newcomb, Andrew Gillentine, PNC

Ms. Newcomb opened by noting the long history of her firm with the Plan, and introduced Andrew Gillentine, who has assumed the duties previously held by Caleb Croquart. She then discussed the information in the report she distributed. Mr. Gillentine reviewed the PCA small cap equity investment, noting that the 1.8% return in the past year is good in view of the market. Job creation in the U.S. has remained strong in the last year, and the housing market has recovered well since 2008. Jobs and housing were what led the Federal Reserve (FED) to increase the interest rate in December, 2015. Large cap stocks were the best performing class for 2015. The fixed income segment of the fund had about a one-half of one percent return for the year. Small cap stocks were down about 11% for the year; large cap stocks were down about 5%. The bonds are up about 2%. The important periods for returns are much longer term, out to twenty years. The report with a discussion of the investment strategy and the portfolio characteristics. Next, Mr. Gillentine discussed the fixed income investment, which has mildly under-performed for the past few years, but has better long-term returns. It is a conservative strategy, and the investment team's view has had to change, adding more duration to the portfolio. The fund is still positioned defensively for a change in interest rates. This fund is investment grade only. Member Meeske asked about the FED rates; Ms. Newcomb said that no rate increase is expected in March, but an increase could happen in the summer. There will likely be two more rate hikes this year. He also asked if the small cap stocks follow the market in the down side. Mr. Gillentine said that, typically, the conservative strategy protects on the down side.

Consultant Frank Wan said BCA is a fiduciary to the plan. Ms. Newcomb said that other investment managers from PNC can attend a Board meeting; Mr. Wan will coordinate with her in this regard.

Scott Christiansen, Plan Attorney

The Attorney opened by reporting that the order granting a service-connected disability to Carol Calache has been signed by the Chairman and Secretary. Next, he advised that the ordinance prepared by Mr. Linn enacting the labor contract provisions was recently received by the City for their review, but it has not yet been sent to Mr. Christiansen. He said he has emailed the City about the retroactive compensation basis for Ms. Calache so that her benefit will be adjusted once the ordinance is adopted. He has also sent the IRS changes to Jim Linn asking that they be included in the ordinance.

Member Meeske asked what the Board's role is with regard to ordinances. The Attorney said the Board reviews the City's ordinance to be sure it accurately reflects what is in the labor contract. The Board has no authority in regard to the City ordinance process. Mr. Meeske said the poorly written current ordinance adversely affects Plan members; Mr. Christiansen said he will review the City's proposed ordinance when it is sent to him. Member Ford said he would be sure Attorney Christiansen is provided the ordinance.

Legislative update

There are some pending bills in the current legislative session. One bill deals with the "presumptive" diseases that are deemed work-related and the basis for in-line of duty disability. The proposal would

add four types of cancers (multiple melanoma, testicular cancer, non-Hodgkin's lymphoma, and prostate cancer) to the list of diseases. If the member had a physical examination prior to employment, and didn't have the disease at that time, it is presumed that it is job-related. If a long-time Firefighter was hired without a physical examination before his/her employment date, and contracts one of the covered diseases, it is presumed job-related. This provision would affect disability and workers' compensation claims. The other proposed bill relates to the exemptions from public record of certain personal information of firefighters in City records. The exemptions currently apply only to active firefighters, not former personnel (as it does with Police Officers). The proposed bill would extend the public records exemptions to former firefighters. These bills have been proposed before but not passed. The Attorney will report on these bills at the next meeting.

Sheila Hutcheson, Plan Administrator

- PNC quarterly retiree death audit - no deaths reported.
- Letter of direction was sent to PNC regarding cash for DROP distribution on 12/1/15 (\$322,941.18).
- Request authorization for letter of direction to raise cash for DROP distribution on 4/1/16 (\$315,088.34).

Member Ford made a motion to authorize BCA to prepare a letter of direction, for execution by the Chairman, for a \$315,088.34 DROP account distribution on April 1, 2016; Member Meeske seconded the motion, which passed unanimously.

- Actuary Patrick Donlan will make a presentation to the City Council on 3/15/16.
- City contributed an additional \$125,361 to the fund for the year ending 9/30/15 and specified that this amount and the \$20,583.05 excess contribution both be used to pay down the unfunded liability. The Actuary has prepared a revised 2015 valuation in this regard.
- Next meeting is May 16, 2016 (Conference Room).

NEW BUSINESS

Approve revised 2015 valuation

Member Ford made a motion to approve the revised 2015 valuation; Member Meeske seconded the motion, which passed unanimously.

Consideration/approval of detailed accounting of administrative expense payments for FY14/15

Member Ford made a motion to approve the detailed accounting of administrative expense payments for FY14/15 for submittal to the City, Plan members, and the Actuary for the 2015 Annual Report; Member Meeske seconded the motion, which passed unanimously.

The Administrator will distribute the report as required.

OLD BUSINESS - none

RATIFICATION: DISBURSEMENTS/RETURN OF CONTRIBUTIONS and DEPOSITS

• **DISBURSEMENTS**

1. Sheila Hutcheson, Professional Services - **\$5,400.00** (quarterly administration fees), **\$287.87** (reimbursement of copying, postage, and mileage expense related to disability claim)
2. Christiansen & Dehner, Professional Services - **\$2,250.35, \$3,196.04, \$3,473.58**
3. PNC fees for custody, quarterly fee, 4th quarter, 2015 : SSI -**\$679.06**; MCV - **\$293.61**; Real Estate - **\$211.39**; International - **\$159.39**; FMI - **\$353.68** (total fees: \$1,697.13)
4. PNC Asset Management, quarterly fee, 4th quarter, 2015 - **\$5,868.78**
5. Fiduciary Management Inc., quarterly fee, 4th quarter, 2015 - **\$9,260.00**
6. Burgess Chambers, Performance Monitor, quarterly fee, 4th quarter, 2015 - **\$11,697.54**
7. SSI, quarterly fee, 4th quarter, 2015 - **\$5,044.00**
8. American Core Realty Fund - quarterly fee, 4th quarter, 2015 -**\$3,191.24**
9. Foster & Foster, actuarial services - **\$14,508.00**
10. Mike Nigh, commencement of retirement (end of DROP) on April 1, 2016 – lifetime option, **\$4,557.60/month**; distribution of DROP account - **\$315,088.34**
11. Bob Ford, reimbursement of hotel, per diem, and mileage expense for Police/Fire Conference, Kissimmee, FL, 11/17 - 11/19/15: **\$295.04**

DEPOSITS - First National Bank, settlement of litigation to Bain Capital - **\$238.47**

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

STAFF REPORTS, DISCUSSION, AND ACTION/TRUSTEES' REPORTS, DISCUSSION, AND ACTION /REQUESTS FROM THE PUBLIC/EMPLOYEES PRESENT

Member Ford requested the Board's consideration of decreasing the Plan's assumed rate of return by 0.10% annually for several years, to avoid some of the problems the City has had in funding in past years. The Board requested that the Administrator obtain the City's additional cost if the rate of return is decreased to 7.70% and then to 7.65% and include this item on the May agenda. The Board can discuss this matter in May and decide if the Actuary should attend the August meeting. Mr. Ford also reported that the City Council has discussed having a joint meeting with all three Pension Boards.

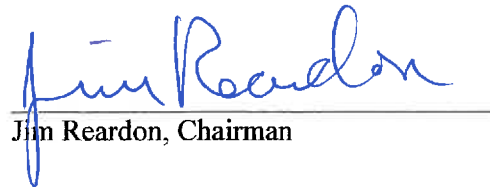
ADJOURNMENT - There was no further business; the Chairman adjourned the meeting at 5:56 p.m.

Respectfully Submitted:



Sheila Hutcheson, Plan Administrator

Approved:



Jim Reardon, Chairman