CITY OF PORT ORANGE
FIRE AND RESCUE PENSION BOARD OF TRUSTEES QUARTERLY MEETING
MINUTES
Monday, June 6, 2016, 5:30 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:	Richelle Hayes, American Realty Advisors
City Staff:	Kenneth Fustin, Fire Chief

CALL TO ORDER/ DETERMINATION OF A QUORUM

The meeting was called to order at 5:31 p.m. by Chairman Reardon. There was a quorum with three members present.

APPROVAL OF MINUTES - Quarterly Meeting - February 22, 2016

Member Ford made a motion to approve the minutes of the quarterly meeting on February 22, 2016; Member Meeske seconded the motion, which passed unanimously.

REPORTS (ATTORNEY/CONSULTANTS

Richelle Hayes, American Realty Advisors

Ms. Hayes provided an overview of the firm's staff; number and types of properties, amount and types of investments, and their ten office locations. All properties currently owned are in the United States, but the firm is now open to investors from outside the country, based on a fairly recent change in status. Currently, there are only two foreign investors. Their clients are all pension plans, with 92 clients in Florida and over 400 throughout the country. American Realty has had no conflicts of interest or securities issues in the firm's history. The firm has only retail, office, multi-family, and industrial properties. Ms Hayes then noted some recently purchased properties in Florida and other areas of the country. If there were a need to liquidate, it could be accomplished at the end of a quarter. Next, Ms. Hayes reported on the specifics of this Plan's original $1 million investment in December, 2014, which has increased to $1.82million as of March 31, 2016, with a 13.36% return in the past one year. The return was over 15% in calendar year 2015. The risk/returns' ratio was highlighted, noting that American Realty is risk averse. There is no queue for exiting the fund. The Plan's dividends are currently being reinvested. The fund this plan is invested in is twelve years old, and has over 300 investors.

The report continued with a review of the types and amount of debt. The firm is 17.7% leveraged, which is quite low, but bodes well for changes in the interest rates. New properties include what is called a "continuum." A new purchase in this regard is land for mixed use purposes (adjacent to Harvard). She concluded by advising that American Realty is a fiduciary to the Plan. Chairman Reardon asked if there are more inflows than outflows. Ms. Hayes said that, currently, monies are in queue to come into the fund, with no funds going out.

Burgess Chambers (BCA), Performance Monitor, quarterly report

Mr. Wan opened with some comments on the price of properties in New York, the foreign investments there and other cities in the country. He then said the latest topic on the economy is whether or not the Federal Reserve will raise rates. Banks have been struggling during the past ten years. Individuals' ability to borrow money has become more difficult. He discussed the economy for the last quarter and what will happen in the next six months. Mr. Wan reported on several changes that have been made to the portfolio over the past few years. Next, he discussed the returns: 2.0% for the quarter; 4.2% for the fiscal year to date; and 6.5% for the last three and five years' periods, all net of fees. The fund had $24,071,947 on March 31, 2016, compared to $23,491,111 on December 31, 2015.

Mr. Wan then discussed the individual managers. He had followed up with PNC after the February meeting, based on the negative returns, and BCA is still comfortable with the firm's strategy. He also negotiated the fees again, with a reduction from .35% to .25%.

Member Ford made a motion to authorize the Attorney to prepare a fee addendum with PNC reducing the rate to .25% for execution by the Chairman and Secretary; Member Meeske seconded the motion, which passed unanimously.

The Chairman commented on the percentile rankings for PNC, noting how poorly PNC did for the quarter, although will much better performance over the long term, which is most important. Member Meeske asked about the impact of a rate increase, if this action is taken by the Federal Reserve. Mr. Wan said an increase, if approved, should not have much effect over the long term. Member Meeske also asked about the investment in bonds, based on the low returns. Mr. Wan stated that the portfolio needs to be balanced for protection, but it is recognized that bond investments do adversely affect the fund's overall return. However, bonds do provide a reasonable return over the years. The risk in the portfolio will be evaluated in the next quarter and some recommendations for change may be made.

In conclusion, Mr. Wan also commented on the change in the sweep account, which is included in the Administrator's report. Due to the deadline for designation of the sweep account preceding today's meeting (May 23, 2016), a letter of direction was sent to PNC in this regard based on BCA's recommendation. Accordingly, the Board is asked to ratify this action.

Motion Ford made a motion to ratify the change in the automated sweep account to the PNC Government Money Market Fund as outlined in the May 13, 2016 letter of direction from the Chairman; Member Reardon seconded the motion, which passed unanimously.

Scott Christiansen, Plan Attorney

The Attorney opened by reminding the Board that the Annual Financial Disclosure Forms are due by July 1, 2016 with the Supervisor of Elections' Office.

Member Ford asked about the format change on the form, having heard the form may ask for more detailed financial information in the future. He said, that if this happens, it would discourage participation. The State legislature may consider that change in the future. The Attorney said there is a change on the current forms regarding the requirement for ethics training, applying only to elected officials.

Legislative update

Mr. Christiansen reported that none of the proposed changes (expansion of cancers under the "presumed" diseases for fire personnel or the change in the exemptions to public records to include information on former firefighters, instead of only covering active firefighters). The Attorney said that a section of the public records statute was changed to provide that, going forward, contracts with vendors held by the vendor are a public record; future contracts will include this provision.

The report continued with confirmation that the Plan's ordinance from the new labor contract was enacted by the City Council on May 3, 2016 and has been filed with the Division of Retirement. Mr. Christiansen asked if the Summary Plan Description (SPD) could wait to be changed to include the new labor contract provisions at its next scheduled date re-issue date of June, 2017. Member Meeske said that should be sufficient, with no need to update the SPD off-cycle, as the ordinance itself is attached to the contract and is correct.

Sheila Hutcheson, Plan Administrator

- Administration services

Ms. Hutcheson advised that she would like to work through the end of December and then retire. She commented on her ten years' tenure as Administrator and recommended an associate, Plan Administrator Julie Enright, for the Board's consideration. Based on her extensive experience and knowledge of the Board, Plan members and retirees, labor issues, etc., Ms. Hutcheson said that Ms. Enright is ideally suited to this position. She has extensive administration experience with large, complicated Fire pension plans, labor negotiations, statutory issues, internal City operations, legislative bodies, and has worked for many years with both Ms. Hutcheson and the Port Orange Police Pension Board Administrator, who was hired, sight unseen, by the Board based on her recommendation. The Police Board Administrator is not taking on any additional plans, but would work with Ms. Enright to assist in the transition. Additionally, Ms. Enright has agreed to work with the Board and me for the remainder of this year, unpaid, in preparation for formal retention as Administrator as of December 1, 2016 (one month of paid "overfill" status) and will guarantee that her rate will remain the same as mine ($1,800/month plus expenses) for at least one year. Ms. Hutcheson said that she has a deep commitment to the Plan, Board, members, and retires, and purposely remained active to accomplish certain goals, including the processing of all DROP participants; the last member has retired as of June 1, 2016 and the change through the contract of the one-year limit to DROP entry, etc. Additionally, the phase-in provides for the current Administrator to ensure that certain one time/year items are covered with the new Administrator, such as the budget, administrative expenses report, Annual Report; Valuation, and written notice to all consultants, managers, staff, and members/retirees of the change. If the Board concurs, she recommended a special meeting to meet Ms. Enright, who would then begin to attend quarterly meetings and work with Ms. Hutcheson on Plan activities. The Board thanked Ms. Hutcheson for her service and concurred with her recommendations.

It was the consensus of the Board to approve retaining Julie Enright as the Plan Administrator as outlined above. The Board will hold a special meeting on June 17, 2016 to meet Ms. Enright and to further discuss the transition of services.

- PNC quarterly retiree death audit - no deaths reported.
- Letter of direction was processed to raise cash for DROP distribution on 4/1/16 ($315,088.34).
- Ratify letter of direction dated 5/13/16 that raised cash for last current DROP member's distribution on 6/1/16 ($255,000).

By consensus, the Board ratified the letter of direction.

- PNC notice (4/25/16) regarding changes to automated cash sweep investment fund. Ratify BCA recommendation in this regard (5/12/16 letter signed by Chairman) processed due to 5/23/16 deadline.

By consensus the Board ratified the letter of regarding the automated cash sweep account. This was approved by a formal motion under the Consultant's report.

- The approved FY 14/15 accounting of administrative expenses was sent to the City, Plan Members (via posting on bulletin boards), and the Actuary on 2/23/16.
- Status from City Clerk of posting of required documents (5/5/16 email) on the City's website: Section 112.64, Florida Statutes, Compliance Statement (from Foster & Foster); five-year history of investment returns compared to assumptions and investment portfolio asset allocations (2-page charts from performance consultant); and Fire and Rescue Pension Fund - Actuarial Valuation Report as of October 1, 2015. This was confirmed on May 27, 2016 by the City Clerk.
- 2015 Annual Report has been filed with the Division of Retirement.
- Member Ford had requested City cost reduction in the assumed rate of return for the next valuation. This action had been taken 11/17/14 and began in the 2014 valuation, with the first reduction to a 7.9% rate of return (with the goal of achieving a 7.5% rate of return in five years by 0.10%/year incremental reductions), and to include its impact on the unfunded liability and the City's cost.
- Next quarterly meeting is August 22, 2016 in the Conference Room - 4:30 p.m.

NEW BUSINESS - Discussion: City Clerk's request to allow public input for each agenda item (email dated 2/26/16).

Ms. Hutcheson recommended that the Board approve this request, although it is not required. The Attorney concurred.

Member Ford made a motion to approve allowing public input for each agenda item, as outlined in the information from the City Clerk; Member Meeske seconded the motion, which passed unanimously.

OLD BUSINESS – none

RATIFICATION: DISBURSEMENTS/RETURN OF CONTRIBUTIONS and DEPOSITS

- **DISBURSEMENTS**

1. Sheila Hutcheson, Professional Services - **$5,400.00** (quarterly administration fees)
2. Christiansen & Dehner, Professional Services - **$1,618.15, $3,273.06, $551.60**

3. PNC fees for custody, quarterly fee, 1st quarter, 2016 : SSI -**$704.91;** MCV - **$291.53**; Real Estate - **$218.80**; International - **$168.27;** FMI - **$345.49** (total fees: $1,729.00)
4. PNC Asset Management, quarterly fee, 1st quarter, 2016 - **$5,781.80**
5. Fiduciary Management Inc., quarterly fee, 1st quarter, 2016 - **$9,853.00**
6. Burgess Chambers, Performance Monitor, quarterly fee, 1st quarter, 2016 - **$12,022.39**
7. SSI, quarterly fee, 1st quarter, 2016 - **$4,862.00**
8. American Core Realty Fund - quarterly fee, 1st quarter, 2016 -**$3,263.93**
9. Harry Thomas, commencement of retirement (end of DROP) on April 1, 2016 – lifetime with 100% joint survivor option **- $3,737.75** /month option, distribution of DROP account - **$254,739.20**
10. Carol Calache, commencement of line-of-duty disability on 2/8/16 - retiree's lifetime with first ten years guaranteed - **$2,137.23,** on June 1, 2016 (final based on adoption of Ordinance #2016-5 on 5/3/16, increasing minimum line-of-duty disability benefit to 51% of earnings, instead of 42%); retroactive payment of **$1,417.56** will also be paid for period from 2/8 - 5/31/16.
11. Trustee Meeske, Police/Fire Pension Conference (May, 2016), lodging - **287.00**; registration - **$300.00**; expenses (mileage and meals) - **$348.47**
12. Jim Reardon, reimbursement of postage for 2015 Annual Report - **$11.90**
13. Processed a change in joint annuitant for retiree Robert Jania - increased monthly benefit to **$863.55** (from $836.32/month).
14. Foster & Foster, actuarial services - **$10,604.00**

DEPOSITS

- Securities litigation settlements - **$58.92, $90.86**
- Robert Jania, cost of recalculation by Actuary for joint/survivor change - **$200.00**

Member Ford 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

The Board welcomed the new Fire Chief, Kenneth Fustin, who was introduced by Member Meeske. Chief Fustin, who has previously served on his agency's Fire Pension Board, said he looked forward to his position with the City. Mr. Meeske had an invoice from Foster & Foster, Plan Actuary, that was given to him by the City Finance Director. The invoice was for the Actuary's presentation to the City Council on March 15, 2016. Ms. Hutcheson and the Attorney said the invoice should be paid by the Board (not by the Fire Department as suggested by the Finance Director).

ADJOURNMENT - There was no further business; the Chairman adjourned the meeting at 6:42 p.m.

Respectfully Submitted:

Sheila Hutcheson, Plan Administrator

Approved:

Jim Reardon, Chairman