CITY OF PORT ORANGE
FIRE AND RESCUE PENSION BOARD OF TRUSTEES QUARTERLY MEETING
MINUTES
May 15, 2017, 4:30 PM

Members Present:	Jim Reardon, Chairman Bob Ford Chris Taylor
Members Absent:	Joe Meeske, Secretary Vince Jones
Plan Administrator:	Julie Enright
Plan Attorney:	Scott Christiansen
Consultant:	Frank Wan, Performance Monitor, Burgess Chambers (BCA), Steve Stack and Brian Escobedo, Highland Capital, Earl Denney and Chris Caputo, Integrity Fixed Income
City Staff:	Tracey Riehm, Finance Director
Public:	None Present

I. CALL TO ORDER/DETERMINATION OF A QUORUM

Chairman Reardon called the meeting to order at 4:30 PM. There was a quorum with three members present.

II. APPROVAL OF MINUTES – Quarterly Meeting, February 13,2017

Member Ford moved to approve the minutes of February 13, 2017; Chair Reardon seconded the motion, which passed unanimously.

III. REPORTS (ATTORNEY/CONSULTANTS)

1. Burgess Chambers (BCA), Performance Monitor

Quarterly report as of March 31, 2017

Mr. Wan discussed with the Board the firm's basis points that are charged to the fund for performance monitoring services. The firm was hired by the Board in 1992 and since 2006 the fee has been 20 basis points. Mr. Wan proposed to the Board a reduction in the fee by 5 basis points in recognition of the long-term relationship the firm has had with the Board. He noted that his position is salaried therefore he is not affected by changes to the fee, and that the value for each $100 in 1992 is now $689 annualized or 8.1%.

Member Ford moved to authorize the Board Attorney to do an addendum to the current contract reducing the fee from 20 basis points to 15 basis points; Member Taylor seconded the motion which passed unanimously.

Mr. Wan presented the March 31, 2017 total fund investment performance report and noted the one year return is 9.5% which is higher than the expected return, the quarter to date market value of the fund is $25,961,990 and the market value at calendar year end December 31, 2016 was $25,059,563. Despite disappointment in the bonds and performance of PNC domestic equity small cap, the plan is still going strong. Noted was that the Board is taking action to change the fixed income investment manager and is holding interviews of fixed income managers at this Board meeting.

Interview of fixed income managers: Highland Capital and Integrity Fixed Income

Highland Capital – Mr. Steve Stack and Mr. Brian Escobedo presented their firm's background, clients and investment strategy. Noted is that the firm has an office in Lake Mary with the main office located in Memphis, Tennessee and is a part of Argent Financial Group located in Rustin, Louisiana. Their investment approach is that every basis point is very

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valuable. Currently their corporate exposure is about 55% of the portfolio, and are invested in treasuries, tax and municipals, and mortgage backed securities with their main focus on corporate debt. Noted is that in the last five years it has been very difficult to predict interest rates, they can move up/down frequently. The key to their portfolio management is diversity, they review the geo-political situation, oil prices and industrials. They are adding floating rate notes to the portfolio to help dampen volatility in a rising interest rate environment, and to control risk they buy corporates. In the long term they are risk averse, their risk management includes analysis of the environment and review of ETF's (exchange traded funds). They reinvest proceeds and review business relationships in various sectors to determine risk and opportunity in the market, their portfolio turnover is about 35%. The fee is 25 basis points. Discussion ensued regarding reduction of the fee by combining the Fire and General Employees assets.

Integrity Fixed Income – Mr. Earl Denney and Mr. Chris Caputo presented their firm's experience, expertise and management philosophy. Noted is that the firm is located in Orlando and is easily accessible to the Board. Integrity's goal is to provide their clients with the highest returns with lowest risk. Their expertise is with the public pension sector, and they are an active manager frequently buying and selling to improve the portfolio. Interest rate risk is generally within +/-10% of the portfolio benchmark. In choosing sectors they analyze the economy to determine best investment with lowest risk. Discussion regarding the average bond ratings of investments ensued, the firm invests in bonds with AAA, AA, A and BBB ratings with best credit yield and they look for bonds that can withstand declines in the market and economy. The aggregate returns for the firm over ten, five and one year have exceeded the benchmark. Noted is that when they sell/buy bonds it is through a competitive bid process. They like to look for bonds where other firms are not looking and look to reduce risk while increasing return, they manage the portfolio as if it is their own money. In addition, they follow sectors to weight the sector versus the benchmark. Noted is that they have managed the Port Orange General Employees fixed income portfolio for about five years. The fee is 25 basis points.

Mr. Wan presented a comparison of the two managers, noted that both firms have similar returns over time, both are charging 25 basis points, Integrity invests in just bonds and Highland invests with more diversity, Integrity is a smaller firm and has a portfolio turnover rate of 75% versus Highland's at 35%. Discussion of the Board ensued.

Member Ford moved to go hire Integrity Fixed Income with an investment of five million dollars and authorize a contract be prepared by the Plan Attorney, and to authorize the Chair and Secretary to sign the contract; Member Taylor seconded the motion, which passed unanimously.

2. Scott Christiansen, Plan Attorney

Attorney Christiansen advised the Board that the annual financial disclosure form is due June 30, 2017 and requested the Plan Administrator follow up with Board members not in attendance. Also requested was a copy of the declaration of the expected rate of return of 7.7% to the State of Florida. In addition, Attorney Christiansen advised the Board must complete a Budget at the next meeting since it is the last meeting before the end of the fiscal year – this is a legislative requirement. Noted is that there were no legislative changes at the 2017 session.

Discussion ensued regarding the correspondence from Attorney Christiansen regarding a retiree's Qualified Domestic Relations Order. At this point the order is not in compliance with the law, and Attorney Christiansen has notified the retiree's attorney of such.

Member Taylor asked what changes need to be done to make the pension calculations easier. Attorney Christiansen advised the calculations are governed by City Ordinance and must be followed as established in the ordinance. City Ordinances are established by the City Council.

Member Taylor asked if the Attorney can review an employee's estimated pension calculation from Foster & Foster. Attorney Christiansen advised that he does not get involved in pension calculations. Plan Administrator Enright advised

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that she may be able to explain the calculation and answer questions from the employee. Member Taylor will advise the employee to contact Administrator Enright.

3. Julie Enright, Plan Administrator

Plan Administrator Enright advised the Board as follows:

- PNC retiree death audit – no deaths reported to bank.
- Request for Plan Administrator to attend arbitration hearing for Calache by Attorney representing City. Hearing continued and a date has not been scheduled as yet.
- Correspondence from Brad Heinrichs' of Foster & Foster regarding on-line filing of the Annual State Report and associated fee increase – tabled
- Correspondence from Patrick Donlan of Foster & Foster regarding the City's request for an estimated cost to change to a 7.5% rate.
- Confirmation that City has been provided required documents for posting on the website – compliance statement, 5-year history and actuarial valuation report.
- Correspondence from Attorney Christiansen regarding Qualified Domestic Relations Order – discussed under Attorney's Report
- Completed PNC liquidation of a portion of the Fixed Income account
- Foster & Foster confirmed a request from the City regarding a member's contribution deducted from their pay prior to DROP date – amount to be refunded to member.
- Reminder of FPPTA conference scheduled for June 25-28 in Orlando and trustee's school October 8-11 in Tampa
- Advised the next quarterly meeting is on August 21, 2017 in the Council Chamber at 4:30 PM.

IV. NEW BUSINESS

Review/approval of updated Summary Plan Description

Attorney Christiansen reviewed the changes to the Summary Plan Description as follows:

1. The Plan Administrator and contact information was added
2. Page 4, Item G – Added reference to the Share Plan with a description of what a Share Plan is.
3. Page 5 – Disability Retirement changed minimum percentage from 42% to 51%; and Deferred Retirement Option Program (DROP) eliminated the one year limitation for entering the DROP.
4. Page 10 – Maximum Benefit section, the maximum per member benefit changed to $215,000 per year
5. Page 12, Item 9, items B & C are additions: Item B is the Budget Report and Item C is the actual administrative expenses report, these reports are available to the members by request to the Plan Administrator.
6. Board members listing updated

Member Ford moved to approve the updated Summary Plan Description; Member Taylor seconded the motion, which passed unanimously.

V. OLD BUSINESS – none

VI. RATIFICATION: DISBURSEMENTS/RETURN OF CONTRIBUTIONS AND DEPOSITS

- **DISBURSEMENTS**

1. Julie Enright, Professional Services - $5,400 for quarterly administration fees paid for February, March, and April 2017; mileage reimbursement of $41.73
2. Christiansen & Dehner, Profession Services - $163.60; $2,033.19; $0
3. PNC fees for custody, quarterly fee, quarter ended 03/31/2017; SSI - $334.68; MCV - $253.15; Real Estate - $159.93; International - $384.43; FMI - $821.89; Fixed Income ETF - $288.44 (total fees: $2,242.52)

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4. PNC Asset Management, quarter ended 03/31/2017 - $2,970.31
5. Fiduciary Management Inc., quarter ended 03/31/2017 – $11,568
6. Burgess Chambers, Performance Monitor, quarterly fee, 03/31/2017 - $12,944.82
7. SSI, quarterly fee, 03/31/2017 - $5,584
8. American Realty Advisors – quarterly fee, 03/31/2017 - $3,440.68
9. Foster & Foster dated 03/15/2017, $16,848.00
10. Stop payment for James Whitmarsh (member passed away 03/17/2017). Beneficiary predeceased retiree and no other beneficiary was named.

Member Ford made a motion to approve the Disbursements as listed above; Chair Reardon seconded the motion, which passed unanimously.

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

VIII. TRUSTEES' REPORTS, DISCUSSION, AND ACTION

IX. REQUESTS FROM THE PUBLIC/EMPLOYEES PRESENT

X. ADJOURNMENT – There was no further business; Chairman Reardon adjourned the meeting at 5:49 PM.

Respectfully Submitted: | **Approved:**

Julie Enright

Julie Enright, Plan Administrator

Joe Mieske

~~**Jim Reardon, Chairman**~~
Joe Mieske, Secretary