CITY OF PORT ORANGE
FIRE AND RESCUE PENSION BOARD OF TRUSTEES QUARTERLY MEETING
MINUTES
Monday, February 13, 2017, 4:30 PM

Members Present:	Jim Reardon, Chairman
	Joe Meeske, Secretary
	Bob Ford
	Vince Jones
Members Absent:	Chris Taylor
Plan Administrator:	Julie Enright
Plan Attorney:	Scott Christiansen
Consultant:	Burgess Chambers, Performance Monitor (BCA)
City Staff:	Tracey Riehm, Finance Director
Public:	None Present

CALL TO ORDER/DETERMINATION OF A QUORUM

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

Welcome New Trustee Vince Jones – Member Jones was welcomed to the Board of Trustees and stated he had completed the Financial Disclosure form.

Election of Board Secretary – *Member Ford moved to appoint Joe Meeske Secretary; Chair Reardon seconded the motion, which passed unanimously.*

APPROVAL OF MINUTES – Quarterly Meeting, November 14, 2016

Member Ford moved to approve the minutes of November 14, 2016; Secretary Meeske seconded the motion, which passed unanimously.

REPORTS (ATTORNEY/CONSULTANTS)

Burgess Chambers (BCA), Performance Monitor, quarterly report as of December 31,2016

Mr. Wan presented the December 31, 2016 total fund investment performance report. He noted the overall U.S. economy has shown signs of improvement, however the strong U.S. dollar has hampered the growth of U.S. companies that rely on exports.

Then Mr. Wan discussed the fund balance market value of $25,059,563 for December 31, 2016 with investment returns as follows:
For the quarter, the fund experienced a market gain of $180K or +0.8% which is ahead of the strategic model of +0.5% with the small cap as the top performing asset.
For the one-year period, the fund earned $1.7 Million or +7.7% which is ahead of the strategic model of +7.3% with Vanguard mid-cap, Fiduciary large cap core and PNC small cap as the top three performers.
For the three and five-year periods, the fund earned +5.5%, ahead of the strategic model of +5.6% and +8.2% below the strategic model of +9.1%, respectively.

Noted was that the PNC fixed income ranked in the bottom percentile for all periods and has not met the investment policy requirements therefore BCA recommends the Board divest 50% of the PNC Fixed Income fund and interview investment managers, targeting fees at 25 basis points and continue using the investment policy benchmark of Barclay's Aggregate.

Mr. Wan presented the potential fixed income investment managers for the Board to consider as follows:
Highland Capital

Integrity Fixed Income
Richmond Capital
Segall Bryant
Vanguard Total Bond Market Index

Discussion ensued regarding the various investment managers, the emphasis of their investments, the fees and returns. Attorney Christiansen advised that the Board should include a provision in the contract that would require the fund to charge the same fees as their other clients for similar services, called "most favored nations". This provision will ensure the fund gets the best fee offered.

Secretary Meeske moved to move $2.3 million from PNC fixed income and invest in Vanguard Total Bond Market Index; Member Ford seconded the motion, which passed unanimously.

Discussion ensued regarding the investment managers to interview with emphasis on the fees charged for services.

Secretary Meeske moved to interview Highland Capital and Integrity Fixed Income at the next quarterly meeting; Member Ford seconded the motion, which passed unanimously.

Also noted is that the International Equity fund benchmark of MSCI EAFE Index is not the benchmark that the Am Funds Euro Pacific Growth fund uses to measure itself against. The investment policy statement would need to be revised for the new benchmark, but it is not imperative at this time and can be done at some point when other changes to the policy are needed.

Patrick Donlan, Foster & Foster, Actuary

Presentation of October 01, 2016 Valuation
Mr. Donlan presented the 2016 actuarial valuation report and noted that the 10/01/2016 valuation determines the contribution for the 10/01/2017 fiscal year. The contribution for 10/01/2016 was 109.1% and for 10/01/2017 is 109.8% of payroll. Mr. Donlan pointed out that although it appears the contribution went up 0.7% in reality it would have gone down except for two changes in the assumptions from 2016 to 2017: The Board has authorized an annual 0.10% step down reduction in the rate of return to reach the goal of 7.5%, so for 2016 the rate was 7.8% and in 2017 the rate is 7.7%; and the State of Florida has mandated that as of 10/01/2016 local pension plans must use the same mortality table as the Florida Retirement System (FRS). The plan has more retirees than active employees and the mortality table change applies to the retirees, therefore the plan liability went up, and along with the reduced return rate this is what caused an increase in the contribution as a percent of payroll.

Noted is that as of 10/01/2016 there were no participants in the Deferred Retirement Option Program (DROP). Although the payroll went up, there was no reduction to payroll for DROP participants, therefore spreading the percent of payroll over a larger payroll helped to lower the contribution amount.

Mr. Donlan discussed the plan's funded ratio, noting that the traditional funded ratio compares the actuarial value of the assets to the actuarial accrued liability, and after including the assumption changes noted above, the ratio is 59.3%. There is also the plan termination funded ratio that compares the market value of assets to the accrued benefits, that ratio, after assumption changes, is 59.1%.
The Board discussed the assumption changes and Mr. Donlan noted that the rate of return change will be in effect for another two years whereas the mortality table change has minor changes next year but is not recurring.

Also discussed was the unfunded actuarial accrued liability of $17,507,703, noting that there was an increase to the liability due to investment returns lower than the assumed rate as a result of four year smoothing and the actual payroll was higher than the assumed payroll. Gains and Losses are amortized over 10 years, benefit changes 30 years and assumption changes 20 years.

The total combined City and State contribution for FY2015 was $2,689,491; the actual combined contribution was $ where the City overcontributed approximately $30,000. Discussion ensued regarding the timing of the City's contributions. By Ordinance, the City is required to make at least bi-weekly contributions which they currently do. If the City were to make the full year's contribution at the beginning of the fiscal year, there would be a discount of approximately $91,200. The timing of the contributions, other than the ordinance requirements, is a policy decision of the City.

Member Ford made a motion to approve the 2016 actuarial valuation; Secretary Meeske seconded the motion, which passed unanimously.

Secretary Meeske made a motion that based on advice of Mr. Chambers, Investment Performance Monitor, the expected rate of return for the near term, next several years, and the long term is 7.7%; Member Ford seconded the motion, which passed unanimously.

Scott Christiansen, Plan Attorney

Mr. Christiansen advised the Board that the "Summary Plan Description" is required to be updated every two years, the previous one was completed in May 2015, therefore an update is required in May 2017.

Member Ford moved to authorize the Plan Attorney to update the "Summary Plan Description"; Secretary Meeske seconded the motion, which passed unanimously.

Mr. Christiansen discussed with the Board 2017 legislation for the upcoming Legislative Session as follows:

- Proposed changes to F.S. 112 for all Boards regarding voting conflicts. Currently, a Board member is prohibited from voting on a proposal where there would be specific private gain; the new language prohibits voting where there is any gain.
- SB158, HB143 proposes adding four cancers to the presumptive list of diseases for in line of duty disability: multiple myeloma, non-Hodgkin's lymphoma, testicular and prostate cancers.
- SB632, HB603 proposes a requirement that the actuarial assumed rate of return cannot be higher than the highest rate of return over the highest 50% of the last 30 years, effective in 2021. It requires review of the assumed rate of return for the last 30 years, identify the highest rates of return over 50% of the years, then the highest rate of the 50% list is the maximum rate allowed for the assumed rate of return. If the plan's current assumed rate of return is higher than the highest rate, it must be reduced by 25 basis points until it reaches the maximum rate allowed.

Julie Enright, Plan Administrator

Ms. Enright advised the Board the next quarterly meeting is scheduled for May 15, 2017 at 4:30 PM in the Council Chambers; and that the City has requested a cost estimate from the Actuary for a study to determine the effect to the City's contribution as a percent of payroll and the unfunded liability if the Board were to reduce the assumed rate of return to 7.5%. The City is seeking to use this as a planning tool. Discussion ensued and it was determined that the change to the contribution would be approximately 3.2% of payroll, and an increase to the unfunded liability of approximately $850,000. No action was taken on the request since the approximate amounts were determined and the City's Finance Director could use the approximate amounts for planning purposes.

NEW BUSINESS/OLD BUSINESS – none

RATIFICATION: DISBURSEMENTS/RETURN OF CONTRIBUTIONS AND DEPOSITS

- **DISBURSEMENTS**

1. Sheila Hutcheson, Professional Services - $3,600 for quarterly administration fees paid for November and December 2016
2. Julie Enright, Professional Services - $1,800 for quarterly administration fees paid for January 2017
3. Christiansen & Dehner, Professional Services - $1,145.84
4. PNC fees for custody, quarterly fee, 4th quarter, 2016 total $1,834.88: SSI - $319.91; MCV - $243.59; Real Estate - $158.94; International - $351.49; FMI - $760.95
5. PNC Asset Management, quarterly fee, 4th quarter, 2016 - $4,310
6. Fiduciary Management Inc., quarterly fee, 4th quarter, 2016 – $10,951.00
7. Burgess Chambers, Performance Monitor, quarterly fee, 4th quarter, 2016 - $12,524.20
8. SSI, quarterly fee, 4th quarter, 2016 - $5,322

9. American Realty Advisors – quarterly fee, 4th quarter, 2016 - $3,373.66
10. FPPTA 2017 membership dues - $600

- **DEPOSITS** – none

Member Ford made a motion to approve the Disbursements as listed above; Secretary Meeske 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; Chairman Reardon adjourned the meeting at 6:09 PM.

Respectfully Submitted:

Julie Enright

Julie Enright, Plan Administrator

Approved:

Jim Reardon

Jim Reardon, Chairman