CITY OF PORT ORANGE
FIRE AND RESCUE PENSION BOARD OF TRUSTEES QUARTERLY MEETING
MINUTES
Monday, May 18, 2020, 4:30 PM

Members Present:	Jim Reardon, Chairman Marilyn Ford Vince Jones Joe Meeske, Secretary Chris Taylor
Members Absent:	None
Plan Administrator:	Julie Enright
Plan Attorney:	Pedro Herrera
Consultant:	Frank Wan, Burgess Chambers, Performance Monitor (BCA), Doug Lozen, Foster & Foster
City Staff:	None Present
Public:	None Present

This meeting was held via video conference due to the Covid-19 Coronavirus

CALL TO ORDER/DETERMINATION OF A QUORUM

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

APPROVAL OF MINUTES – Quarterly Meeting, February 18, 2020

Member Taylor moved to approve the quarterly minutes of February 18, 2020; Motion second by Member Meeske and passed unanimously.

REPORTS (ATTORNEY/CONSULTANTS)

Mr. Frank Wan, Burgess Chambers (BCA), Performance Monitor, quarterly report as of March 31, 2020

Mr. Wan presented the March 31, 2020 total fund investment performance report. He noted the 03/31/20 quarterly fund value was down -14.1% with the FYTD fund value down -10.1%. Polen was a good investment move when considering the growth vs. value. Value is going up as market is opening, oil is rising and the fund is underweighted in international equity which has been beneficial. Bonds with Integrity are 40% to corporates which has recovered fully. The fund value as of March 31, 2020 was $28,881,004 and as of May 18, 2020 is $30,479,108. At this time no changes to the investment strategy is recommended.

Pedro Herrera, Plan Attorney

Attorney Herrera advised the Board that a policy for virtual meetings is necessary. Discussion ensued noting that currently virtual meetings are expected through July 4th. An administrative policy with public notice and dates is recommended.

Member Jones moved to approve a virtual meeting administrative policy effective for Governor's Orders only, that includes provision for public notice; Member Ford seconded the motion which passed unanimously.

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Attorney Herrera advised the Board of the provisions of the Cares Relief Act, paid leave time, DROP, etc. and the waivers of the penalties and taxes for distributions. Noting that tax liabilities can be deferred for 3 years and if paid back to fund then there is no tax liability. If members are interested then an amendment to the plan in the DROP or Share sections is required.

There was no legislative action to report; advised that the FRS changed the mortality tables and the actuary will discuss this with the Board; and advised that the Financial Disclosure forms are due July 1st.

Julie Enright, Plan Administrator

A. PNC retiree death audit – no deaths report by bank
B. Request from PNC (custodian bank) to close custody account for the PNC small cap assets (that were sold) and open a separate account for the Vanguard Small Cap Index mutual fund
C. Submitted Annual Fiscal Year End 9/30/19 report of investment activity to the City
D. Submitted detailed accounting report to the City, State, Actuary and plan members
E. Confirmed Council reappointment for one-year term for Jim Reardon and Chris Taylor in accordance with the Ordinance - All future terms will be four years.
F. Transfer funds from Fiduciary Management to Polen 2/18/20
G. Rebalance to transfer funds to the R&D account for payment of expenses and benefit payments
H. Requested records from previous plan attorney Scott Christiansen to be provided to the City for records retention rules. Documents received by Plan Administrator and will be forwarded to the City Clerk's Office.
I. Provided DROP members annual update of DROP balances through 12/31/19
J. Agenda and attachments for future meetings will be emailed to the Board Trustees in advance of the meeting
K. Approval for Integrity Fixed Income change to invoicing methodology to use average daily balance of portfolio
   Consensus of the Board to use the new methodology for Integrity.
L. Next meeting scheduled for August 24, 2020

NEW BUSINESS

1. Acceptance of Actuarial Valuation presented by Actuary Doug Lozen, Foster & Foster
   Actuary Lozen presented the Actuarial Valuation Report, noting that the City slightly overfunded the plan and those funds were applied to the unfunded liability; the liability is currently 76% of payroll and will be 72.8% next fiscal year, the investment return assumed changed from 7.50% to 7.35%; included is funding for the cancer presumption statute; and the funded ratio is 65.6%. Actuary Lozen recommended reducing the investment return assumption to 7.25% and this can be done slowly over the long term incrementally.

   Secretary Meeske moved to accept the 2019 Actuarial Valuation; Member Taylor seconded which passed unanimously.

   Actuary Lozen will file the report with the State and Administrator Enright will file with the City.

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2. Declare expected rate of return for the next year, several years and long term based on the recommendation of investment professionals for submittal to the State and City
Discussion ensued regarding decreasing the assumed rate of return. Investment Advisor Wen and Actuary approved the rate.

Member Ford moved to declare the expected rate of return for the next year, next several years and future at 7.35%; Secretary Meeske seconded which passed unanimously.

3. Discussion regarding set up of a self-directed option for the DROP distributions
The Board discussed the self-directed option for the DROP distribution and the language in the ordinance. Noted is that members have entered the DROP without this option. Attorney advised that it is not a requirement to provide the self-directed option and that the Ordinance states if the Board approves a self-directed option. Discussion ensued regarding the forms and Summary of Benefits to provide to the members. The Attorney will review the forms and the SPD. Reinstatement of the ordinance is an option and then self-directed option can be added later if the Board approves. Member Ford recommended the priorities of the Board be focused on forms and the average final compensation.

Investment Advisor Wan advised the Board to consider the level of risk to be born by the members, for example will the Board allow investment in emerging markets. There are several options to consider:
1. Piggy-back on the City's ICMA plan noting they have fees. ICMA has a conservative investment option with 15 investment options. Negotiate with ICMA for fees and investment option set up. Advantage Plus has fixed income options.
2. Money Market option with no risk
3. Evaluate options and risks
4. Simplify an investment policy that shows fees
5. Disclosure form of professional investment option for protection of the Board
6. Education of members – noted that Frank Wan could invite members to meeting as educational only – not for investment advice

Discussion ensued regarding what self-directed options to make available and are the fees reasonable. Noted is that the DROP assets are still in the plan and not claimed as income until received. The Board is responsible for the funds offered, the risk and understanding of the fees. As of 09/30/19 the DROP balance was $125,000. Secretary Meeske noted that some members view instead of an investment account as a savings account option.

Investment Advisor Wan will informally contact ICMA to determine if joining their plan is an option for this plan and will advise Board at the next meeting.

4. Discussion regarding Plan Attorney attending future Board meetings telephonic with option to attend in person if requested
Consensus of the Board for the Attorney to attend meetings either via telephone or Zoom.

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OLD BUSINESS

Continue discussion regarding computation of average final compensation (AFC) – Tabled from March 24th Special Meeting

Actuary Doug Lozen reviewed the plan options with Part 1 (3 year average), Part 2 (5 year average, but not less than the 3 year average), and Part 3 with all the parts having different eligibility dates and COLA's. The methodology discussed is to calculate the average final compensation at time of termination and apply it to all parts as long as it as great as the 3 years average in 2013. The 5-year average is calculated at retirement and the parts 1 and 2 of the benefit portion (for those portion of the years of service) is subtracted from total so that each amount can apply the COLA difference, etc. Discussion ensued regarding the calculation for all benefits if employed for 25 years should be 75% of average salary for the highest 5 of the last 10 years.

It was noted that the Average Final Compensation definition did not change in the Ordinance with the other Plan changes. Attorney Herrera advised the Board's direction is to calculate the benefits as outlined in the Ordinance and will be administered in the most appropriate way. Actuary Lozen advised that the change will have a funding impact of approximately .9% of payroll with the next valuation.

Secretary Meeske moved to adopt the methodology and incorporate fees; Member Taylor seconded which passed unanimously.

RATIFICATION: DISBURSEMENTS/RETURN OF CONTRIBUTIONS AND DEPOSIT

1. Sugarman & Susskind, Professional Services dated 4/7/20 **$2,422.50**
2. PNC fees for custody, quarter end 3/31/20: FMI - **$818.13;** SSI -**$362.86;** Cash - **$0;** MCV - **$212.93;** Real Estate - **$69.98**; International - **$336.28;** SCC **$112.63;** Fixed income ETF - **$341.23;** Integrity **$805.11;** Polen Capital **$226.63** (total fees: $3,285.78)
3. Fiduciary Management Inc. 3/31/20 quarterly fee **$9,580**
4. Burgess Chambers, Performance Monitor, 3/31/20 quarterly fee - **$10,733.66**
5. SSI, quarterly fee, 3/31/20 quarterly fee - **$6,287**
6. American Realty Advisors – 3/31/20 quarterly fee -**$4,128.97**
7. Integrity Fixed Income Management – 3/31/20 quarterly fee **$4,025.50**
   Note: Approval to change of invoicing method
8. Julie Enright, Professional Services - **$7416** (quarterly administration fees paid for February, March, April); copy charges from 2/18/20 meeting **$46.14**
9. Polen Capital Management quarter end 3/31/20 in the amount of **$3,579.18**
10. Travel reimbursement for hotel, meals and mileage of Joe Meeske to FPPTA Winter School in the amount of $785.52 dated 2/12/2020
11. Annual 2020 Membership renewal to FPPTA in the amount of $620.00
12. Foster & Foster dated 5/6/20 in the amount of **$6,635.00** and dated 3/10/20 in the amount of **$15,719.00**
13. Christiansen & Dehner invoice for archive record delivery in the amount of $17.37
14. Change for insurance deduction for Frank Sheridan from pension check
15. Distribution of annual COLA'S for March, April, May to: Bazanos, Hammons,

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Morrisey, Vola, Amara, Delameter, Meister, Nigh, Rafferty, DelValle, Jenkins, Pelletier, Ste. Claire, Stewart

Secretary Meeske moved to approve the disbursements as listed; motion seconded by Member Ford which passed unanimously

STAFF REPORTS, DISCUSSION, AND ACTION
Administrator Enright advised the Board that the City is requesting to engage Foster & Foster for actuarial services to calculate costs and benefits for it's use during negotiations. The documents would be confidential work product.

Member Taylor moved to agree to the City's use of Foster & Foster for actuarial services; Member Ford seconded and the vote was 4 to 1 with Secretary Meeske against, the motion passed.

TRUSTEES' REPORTS, DISCUSSION, AND ACTION - None

REQUESTS FROM THE PUBLIC/EMPLOYEES PRESENT - None

ADJOURNMENT – There was no further business; Chairman Reardon adjourned the meeting at 7:17 PM.

Respectfully Submitted:

Julie Enright

Julie Enright, Plan Administrator

Approved:

Jim Reardon

Jim Reardon, Chairman