**CITY OF PORT ORANGE**
**POLICE OFFICERS' PENSION BOARD**
**NOVEMBER 18, 2016**

The Port Orange Police Officers' Pension Board of Trustees held its quarterly meeting on Friday, November 18, 2016 in the Second Floor Conference Room of City Hall, 1000 City Center Parkway, Port Orange, Florida.

MEMBERS PRESENT: Chairman Steve Braddock (police member)
Secretary William Proctor (police member)
Warren Carman (fifth member)
Drew Bastian (resident member)

MEMBERS ABSENT: Brian Cobb (resident member- excused)

CONSULTANTS: Ken Harrison, Board Attorney – Sugarman & Susskind
Dustin Watkins, Attorney – Sugarman & Susskind
Charlie Mulfinger, Investment Consultant – Graystone
Scott Owens, Investment Consultant - Graystone
Chad Little, Actuary – Freiman Little Actuaries
Karan Rounsavall, Plan Administrator

CITY STAFF: Tracey Riehm, Finance Director

Chairman Braddock called the meeting to order at 9:28 a.m. A quorum was in attendance.

**APPROVAL OF MINUTES**

*Member Bastian moved to approve minutes of quarterly meeting August 19, 2016 as submitted. Member Carman seconded the motion and it carried unanimously.*

**OFFICER AND TRUSTEE REPORTS** - None

**CONSENT AGENDA**

The following items were presented for action as recommended:

A. Approve plan expenditures as follows:
   1. Sugarman & Susskind – monthly retainer for August 2016 - $2,300. *Recommendation:* Ratify payment.
   2. Sugarman & Susskind – monthly retainer for September 2016 - $2,300. *Recommendation:* Ratify payment.
   3. Sugarman & Susskind – monthly retainer for October 2016 - $2,300. *Recommendation:* Ratify payment.
   4. Plan Administrator Karan Rounsavall – monthly fee (August 2016, September 2016, October 2016) - $7,200. *Recommendation:* Ratify payments.
   5. Freiman Little Actuaries – Supplemental Services, including presentation to city council on March 15, 2016, calculation of non-taxable portion of retirement benefit for 13 members, etc. - $3,800. *Recommendation:* Ratify payment.

6. Freiman Little Actuaries – Contractual Services (2/13/2016 through 8/12/2016) including benefit calculations - $1,000. *Recommendation*: Ratify payment.
7. Radisson Resort Orlando – three nights lodging for Trustee Brian Cobb (Division of Retirement Annual Conference) - $507. *Recommendation*: Ratify payment.
8. Graystone Consulting – Tampa – all-inclusive investment fees (July 1, 2016 through September 30, 2016) - $59,015.80. *Recommendation:* Ratify payment.

B. Acknowledge refund of employee contributions to the following non-vested members:

1. Kenneth Long (non-vested member) in the amount of $3,661.85. *Recommendation:* Ratify refund as stated.
2. Traven Matthews (non-vested member) in the amount of $11,300.60. *Recommendation:* Ratify refund as stated.
3. Eric McGovern (non-vested member) in the amount of $2,762.57. *Recommendation:* Ratify refund as stated.

C. Acknowledge receipt of deferred vested calculation for Charles Stewart (date of separation: October 4, 2015). *Recommendation:* Acknowledge receipt of calculation and direct plan administrator to provide same to Mr. Stewart.

*Member Bastian moved to approve all consent agenda items per the stated recommendation. Member Carman seconded the motion and it carried unanimously.*

**OLD BUSINESS** - None

**NEW BUSINESS**

A. Ratify early retirement benefits for David Fouts as of September 1, 2016 (100% Joint and Survivor Annuity)

*Member Bastian moved to approve early retirement benefits for Detective Fouts as of September 1, 2016 based on his elected benefit option of 100% joint and survivor annuity. Member Carman seconded the motion and it carried on an all yes vote.*

B. Establish quarterly meeting dates for 2017:
   - Friday, February 17, 2017 at 9:00 a.m.
   - Friday, May 19, 2017 at 9:00 a.m.
   - Friday, August 18, 2017 at 9:00 a.m.
   - Friday, November 17, 2017 at 9:00 a.m.

*Member Bastian moved to approve the quarterly meeting dates for 2017 as presented. Member Carman seconded the motion which carried unanimously.*

C. Authorization to renew membership in Florida Public Pension Trustees Association (FPPTA) for 2017 at a cost of $600

*Member Bastian moved to authorize renewal of the Board's membership in FPPTA for 2017 at a cost of $600. Member Carman seconded the motion and it carried on an all yes vote.*

**CONSULTANT REPORTS**

A. Charles Mulfinger and Scott Owens – *Graystone Consulting/Morgan Stanley Wealth Management* (Investment Consultant)

1. Performance Report for quarter ended September 30, 2016

Mr. Owens provided a brief economic overview. Markets were driven by perception with companies beating revenue and earnings estimates. Once again, small-cap equities outperformed large-cap. The growth style prevailed over value. The Port Orange Police portfolio provided protection on the downside with lesser participation on the upside of financial markets. He mentioned that interest rates rose during the past quarter which reduced the value of bonds. Bonds would struggle as interest rates rose.

Mr. Mulfinger continued with a review of the Investment Performance Report for the quarter ending September 30, 2016. Total fund performance was a positive 2.83 percent on a time-weighted basis (net of fees) which trailed the policy index which was up 3.28 percent. Total market value as of September 30, 2016 was $29,778,571 representing a gain of $750,333 (net of fees) since the previous quarter ended June 30, 2016. The trailing one-year return was positive (6.20) percent (net of fees), however, still fell short of the policy index return which was positive 9.29 percent. The one-year return was also less than the 7.65 percent assumed actuarial investment rate of return. As of November 14, 2016 the fund had lost some ground with a market value of $29,292,890, representing a loss 0f -0.5 percent since September 30, 2016).

Mr. Mulfinger went on to comment on the fund's underperformance. While the portfolio trailed the policy index, it still enjoyed a positive alpha (i.e. return). When adjusted for risk, the portfolio had performed. He stated that when the markets went down, this portfolio would gain back its underperformance. He also mentioned that the Pension Board had always leaned toward a more defensive portfolio.

Quarterly performance results (net of fees for quarter ending September 30, 2016) for the various investment styles/managers represented in the portfolio were as follows:

*BlackRock (large cap value)* – <u>positive</u> return of 1.33%
*Jennison (large cap growth)* – <u>positive</u> return of 7.67%*
*Wedgewood (large cap growth)* – <u>positive</u> return of 3.48%
*Connors (large cap core)* – <u>positive</u> return of 4.01%*
*Boston Partners (small cap value)* - <u>positive</u> return of 8.75%*
*RBC (small cap growth)* – <u>positive</u> return of 5.48%
*Lazard (international value)* – <u>positive</u> return of 2.73%
*Renaissance (international growth)* - <u>positive</u> return of 7.42%*
*Madison Investment Advisors (fixed income)* – <u>negative</u> return of -0.12%
*Pine Grove (alternative investments – hedge fund)* – <u>positive</u> return of 1.98%*
*Private Advisors (alternative investments – hedge fund)* – <u>positive</u> return of 1.29%*
*UBS (private real estate)* – <u>positive</u> return of 1.27%
* These managers <u>outperformed</u> their respective fund index.

Total fees paid to Graystone Consulting for the quarter were $59,015.80 which included consulting, trading, and custody as well as fees charged by the individual managers. Hedge funds and comingled funds were reported net of fees.

Mr. Mulfinger reviewed the compliance checklist which examined the portfolio against the Board's Investment Policy Statement (IPS) for each asset class. He advised that the compliance checklist would be revised in the future to reflect performance on a risk-adjusted basis.

*Board members acknowledged receipt of the investment performance report as presented.*

B. Chad Little – *Freiman Little Actuaries, LLC* (Plan Actuary)

Mr. Little anticipated presentation of the annual valuation for Fiscal Year 2015/2016 at the quarterly meeting on February 17, 2017. He advised that corrections to payroll figures for certain active members would not be finished until the end of Fiscal Year 2016/2017 (as a result of the payroll audit conducted in the prior year). However, service start dates should be corrected for the 2016 valuation.

Plan Administrator Rounsavall inquired as to the impact statement for the proposed ordinance establishing a defined contribution (DC) component in the pension plan. Mr. Little advised that this was ready. There was no funding for the DC plan in the current fiscal year.

Member Bastian asked Mr. Little to provide a chart illustrating the changes in the pension plans funded percentage and unfunded liability from 2010 to the current date.

C. Ken Harrison – *Sugarman & Susskind* (Attorney)

1. Update on Internal Revenue Service (IRS) regulations relating to normal retirement age

Attorney Harrison advised that the Internal Revenue Service (IRS) ruling on in-service distributions was still pending. This issue was first reported at the previous meeting.

D. Karan Rounsavall – Plan Administrator

1. Educational Opportunity: Florida Public Pension Trustees' Association (FPPTA) Winter Trustees School in Orlando (January 29, 2017 through February 1, 2017)

If any member wished to attend, they were to contact Plan Administrator Rounsavall at their earliest opportunity.

**PUBLIC COMMENT** - None

**ADJOURNMENT**

The meeting adjourned at 10:41 a.m.

Steve Braddock, Chairman

Karan Rounsavall

Karan Rounsavall, Plan Administrator