CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
QUARTERLY MEETING AGENDA

Port Orange Police Department
Police Department Training Room
4545 Clyde Morris Blvd.
Port Orange FL 32129
Friday, May 19, 2017
9:00 a.m.

Disability Information: If you are a person with a disability who needs any accommodation in order to participate in this proceeding, you are entitled, at no cost to you, to the provision of certain assistance. Please contact the City Clerk for the City of Port Orange, 1000 City Center Circle, Port Orange, FL 32129, telephone number 386-506-5563, within two working days of your receipt of this notice or five days prior to the meeting date. If you are hearing or voice impaired, contact the relay operator at 1-800-955-8771.
Appeal Notice: Any person who decides to appeal any decision made by the Port Orange Police Officers' Pension Board will need a record of the proceedings, and for such purpose he or she may need to ensure at his or her own expense for the taking and preparation of a verbatim record of all testimony and evidence of the proceedings upon which the appeal is to be based.

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1. CALL TO ORDER

2. DETERMINATION OF A QUORUM

3. APPROVAL OF MINUTES

A. Approve the minutes of quarterly meeting February 17, 2017 and special meeting April 3, 2017

4. OFFICER AND TRUSTEE REPORTS

5. CONSENT AGENDA

A. Ratify plan expenditures as follows:

1. Sugarman & Susskind – monthly retainer for March 2017 - $2,600;
2. Sugarman & Susskind – monthly retainer for April 2017 - $2,600;
3. Sugarman & Susskind – monthly retainer for May 2017 - $2,600;
4. Plan Administrator Karan Rounsavall – monthly fee (February 2017, March 2017, April 2017) - $7,200;
5. James Moore, CPA – final billing for 2016 audit - $3,500;
6. Freiman Little Actuaries LLC – contracted actuarial services from 8/13/2016 through 2/14/2017, including actuarial valuation, annual state report, GASB Supplements, and benefit statements, etc. - $23,500;
7. Freiman Little Actuaries LLC – supplemental actuarial services from 8/13/2016 through 2/14/2017 including 2017 COLA calculations and impact statement for defined contribution component ordinance - $2,000 ;
9. Trustee Warren Carman – reimbursement of mileage and meal expenses for attendance at FPPTA Winter Trustees School in Orlando - $146.52;

10. Trustee Drew Bastian – reimbursement of mileage and meal expenses for attendance at FPPTA Winter Trustees School in Orlando - $131.52;
11. Graystone Consulting – Tampa – all-inclusive investment fees (January 1, 2017 through March 31, 2017) - $65,110.95.

B. Acknowledge receipt of deferred vested calculation for Roxanne Morrow (date of separation: March 19, 2017).

C. Acknowledge refund/rollover of member contributions to the following non-vested members:
   1. Robert Hiatt (non-vested member) in the amount of $1,819.87;
   2. Maira Ragon (non-vested member) in the amount of $8,720.07;
   3. John Santana (non-vested member) in the amount of $12,856.95.

6. OLD BUSINESS

7. NEW BUSINESS

A. Status of proposed ordinance creating a defined contribution (DC) component for the Port Orange Police Pension Plan (currently pending conclusion of collective bargaining).

B. Renewal of fiduciary liability insurance policy with Markel American Insurance Company through Ullico Casualty Group.

C. Ratify normal retirement benefits for Robert Gaines as of May 1, 2017.

D. Periodic review of professional service provider agreements.

E. Discussion and possible action to reconsider proposed ordinance increasing trustee terms from two to four years.

8. CONSULTANT REPORTS

A. Charles Mulfinger – *Graystone/Morgan Stanley Wealth Management* (Investment Consultant)
   1. Performance Report for quarter ended March 31, 2017;
   2. Revised Investment Policy Statement (IPS) reflecting actuarial assumption of 7.55 percent with it decreasing by 10 basis points each year until it reaches 7.25 percent.

B. Chad Little – *Freiman Little Actuaries, LLC* (Plan Actuary)
   1. Scope of services and quote to conduct experience study to compare current assumptions against actual behavior in the plan (e.g. retirement age, payroll increases, terminations, etc.)

C. Dustin Watkins – *Sugarman & Susskind* (Attorney)
   1. Legislative Update

D. Karan Rounsavall – Plan Administrator
   1. Educational Opportunity: Florida Public Pension Trustees Association (FPPTA) Annual Conference in Orlando (June 25 – 28, 2017)
   2. Annual Financial Disclosure filing deadline (July 1, 2017)
   3. Notice of election for police officer trustees and notice of reappointment for fifth member and resident trustees. All terms expire October 1, 2017.

9. PUBLIC COMMENT

10. ADJOURNMENT

CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
FEBRUARY 17, 2017

The Port Orange Police Officers' Pension Board of Trustees held its quarterly meeting on Friday, February 17, 2017 in the Police Department Training Room, 4545 Clyde Morris Boulevard, Port Orange, Florida.

MEMBERS PRESENT:	Chairman Steve Braddock (police member) Brian Cobb (resident member) Warren Carman (fifth member) Drew Bastian (resident member)
MEMBERS ABSENT:	William Proctor (police member - excused)
CONSULTANTS:	Ken Harrison, Board 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 9:04 a.m. A quorum was in attendance. *Note: Due to illness, Actuary Chad Little attended the meeting remotely via telephone conference connection.

APPROVAL OF MINUTES

Member Bastian moved to approve minutes of quarterly meeting November 18, 2016 as submitted. Member Carman seconded the motion and it carried unanimously.

OFFICER AND TRUSTEE REPORTS

Members Bastian and Carman reported on their recent attendance at the Florida Public Pension Trustees Association (FPPTA) Winter School in Orlando several weeks earlier.

CONSENT AGENDA

The following items were presented for action as recommended:

A. Approve plan expenditures as follows:
   1. Sugarman & Susskind – monthly retainer for November 2016 - $2,600. *Recommendation:* Ratify payment.
   2. Sugarman & Susskind – monthly retainer for December 2016 - $2,600. *Recommendation:* Ratify payment.
   3. Sugarman & Susskind – monthly retainer for January 2017 - $2,600. *Recommendation:* Ratify payment.
   4. Sugarman & Susskind – monthly retainer for February 2017 - $2,600. *Recommendation:* - Ratify payment.
   5. Plan Administrator Karan Rounsavall – monthly fee (November 2016, December 2016, January 2017) - $7,200. *Recommendation:* Ratify payments.
   6. Florida Public Pension Trustees Association (FPPTA) – membership dues for 2017 - $600. *Recommendation:* Ratify payment.

7. Florida Public Pension Trustees Association (FPPTA) – registration fee for Winter Trustees' School for Warren Carman and Drew Bastian ($1,000) and Certified Public Pension Trustee (CPPT) enrollment for Drew Bastian ($900) - $1,900. ***Recommendation***: Ratify payment.
8. Rosen Centre Hotel Orlando – three nights lodging for FPPTA Winter School for Trustee Warren Carman - $462. ***Recommendation***: Ratify payment.
9. Rosen Centre Hotel Orlando – three nights lodging for FPPTA Winter School for Trustee Drew Bastian - $462. ***Recommendation***: Ratify payment.
10. Trustee Brian Cobb – reimbursement of mileage and meal expenses for attendance at Retirement Division's Conference in Orlando - $153. ***Recommendation***: Ratify payment.
11. Plan Administrator Karan Rounsavall – reimbursement for office supplies (laser toner cartridges) - $198.26. ***Recommendation***: Ratify payment.
12. James Moore, CPA – progress billing through December 31, 2016 for 2016 audit - $6,500. ***Recommendation***: Ratify payment.
13. Graystone Consulting – Tampa – all-inclusive investment fees (October 1, 2016 through December 31, 2016) - $61,218.87. ***Recommendation:*** Ratify payment.

Member Bastian moved to approve consent agenda items A. 1 – 13 per the stated recommendations. Member Cobb seconded the motion and it carried unanimously.

B. Acknowledge receipt of deferred vested calculation for Donald Meurlot (date of separation: March 8, 2006). ***Recommendation***: Acknowledge receipt of calculation and direct plan administrator to provide same to Mr. Meurlot.

Member Carman moved to acknowledge receipt of the calculation for Donald Meurlot as presented. Member Bastian seconded the motion and it carried on an all yes vote.

OLD BUSINESS - *None*

NEW BUSINESS

A. Acknowledge receipt of detailed accounting report for Fiscal Year 2015/2016.

Board members were in receipt of the detailed accounting report for Fiscal Year 2015/2016 prepared by the plan administrator. It reflected all expenses that were actually paid on behalf of the plan during the fiscal year. Total plan expenses were $264,183.50 which was less than the adopted budget for the fiscal year of $284,600. It was noted that the accounting report did not reflect investment management fees.

Member Carman moved to accept the detailed accounting report for Fiscal Year 2015/2016 as presented. Member Bastian seconded the motion and it carried unanimously. A copy of the report would be posted on the bulletin board at the police department. Additionally, the accounting report would be sent to the Division of Retirement as part of the plan's annual report.

B. Discussion and possible action to revisit pension board's policy/procedure relating to purchase of prior military or law enforcement service.

An active pension plan participant recently received a calculation to purchase four years of military service and was astonished by the exorbitant (six figure) cost to do so. This was concerning to a number of officers which led to the placement of this matter on the agenda for discussion purposes.

Attorney Harrison and Actuary Little explained that the current pension plan document required that a member pay the "full actuarial cost" to purchase prior service which was dramatically more than the minimal cost to purchase prior service in earlier years (i.e. prior to 2011). Previously, the pension plan was, in effect, subsidizing the cost for a member to purchase credited service. Mr. Little pointed out that if an officer was more than a few years away from retirement, there was a likelihood that they would reach the maximum benefit of $95,000 allowed under the current plan. The longer that a member waited in their career to purchase prior service, the more expensive it became.

Mr. Little advised that the plan currently used a 7.5 percent individual salary increase assumption which was established in 2006. He felt this might be somewhat high as salaries had stabilized in 2010 and remained level for several years. It might be beneficial to move forward with an experience study to test the appropriateness of all assumptions (salary increases, turnover, retirement age, investment return, etc.). However, even if the salary increase assumption was lowered, it would not have a dramatic downward effect on the cost to purchase prior service.

The Pension Board heard from two plan members in attendance about the high cost to purchase prior service which was more than they would ever be able to afford. It seemed to them that the plan would want to encourage the buyback of military time as this was experience that was valuable to the department. They felt it was misleading to include the purchase of prior service as a benefit enhancement as it was so expensive and thus not realistic. Senior members of the department were simply out of luck.

Attorney Harrison responded that there needed to be a balance between benefits and cost. The plan needed to earn enough in its investments to pay for the benefits. He reminded trustees of their fiduciary responsibility to control costs and to administer the plan as written. The purchase of prior service could be discussed during collective bargaining negotiations.

It was the consensus of the Pension Board to direct the actuary to provide a quote at its next quarterly meeting to conduct an experience study. Such a study would compare current assumptions against actual behavior in the plan (e.g. retirement age, payroll increases, etc.).

CONSULTANT REPORTS

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

   1. Presentation of annual actuarial valuation for fiscal year ending September 30, 2016

Board members were in receipt of the October 1, 2016 Actuarial Valuation Report for the Port Orange Police Officers' Pension Plan. This report established the annual City contribution to the Pension Plan for the fiscal year ending September 30, 2018. The City's minimum required contribution, expressed as a percentage of payroll, was 73.10 percent; expressed as a dollar amount, the cost was $3,197,607 (city and state contributions combined). The Plan's funded status was 69.12 percent, representing an increase over the previous year's funded percentage of 65.30 percent. Mr. Little commended the City of Port Orange for always making its required contributions to the Pension Plan.

The investment return on the "market" value of assets was a 6.0 percent; the return on the "actuarial/smoothed" value of assets (five-year smoothing) was 7.1 percent which was less than the 7.55 percent assumed net investment rate of return. Over the long term, investment returns also trailed the assumption. For the past ten years, the average market value return on assets was 5.4 percent; the actuarial return was 4.4 percent. Investment returns less than the assumed rate of return resulted in increased annual minimum required contributions in the future.

The unfunded accrued liability (UAL) was $14,144,579. Effective with this valuation, the mortality table was revised to the mortality assumption used for special risk employees in the July 1, 2015 valuation of the Florida Retirement System (FRS) as required by state statute.

Mr. Little noted that the Pension Fund still carried $7,000 in accumulated state reserves and had done so for many years. It was important that the next collective bargaining agreement (CBA) address "mutual consent" as to how state premium tax revenues were to be treated going forward. He hoped that the CBA would also address the use of the $7,000 reserve.

Further examining the actuarial value of assets, Mr. Little stated that there was $1.5 million in losses to be absorbed over the next five years. For the past four years, returns were less than the assumed rate of return. There would be an increase in required contributions as those losses were absorbed.

The valuation report also included required disclosures under *Florida Statutes* 112.664(1). Report disclosures required by Governmental Accounting Standards Board (GASB) 67 and 68 were provided as a supplemental report.

Member Carman moved to approve the 2016 actuarial valuation report as presented. Member Bastian seconded the motion and it carried on an all yes vote.

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Board members discussed the experience study mentioned earlier by the actuary and asked what it would involve. Mr. Little explained that such a study would review all the assumptions used by the plan and what had actually occurred over the past five years. There had not been an experience study since 2011 when a second tier of benefits for new hires was incorporated into the plan. He would present the study results using 2016 valuation data so board members could see the impact on the cost. The fee for an experience study was estimated at $5,500. If approved, he would present the results of the study at the August 2017 meeting and the Pension Board could then decide on assumptions to be used for the 2017 valuation.

Board members reiterated their consensus to proceed with the experience study. The actuary would provide a formal quote and scope of services at the quarterly meeting in May and bring the results to the August meeting.

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As in previous years, City staff requested that Freiman Little Actuaries present results of the 2016 valuation at an upcoming meeting of the Port Orange City Council. *Member Bastian moved to authorize Mr. Little to do so at an estimated cost of $1,500. Member Carman seconded the motion and it carried unanimously.*

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City staff had also requested that each of the Port Orange Pension Plans authorize an actuarial study to examine the cost and liability associated with a 7.5 percent assumed investment rate of return. Mr. Little was certainly willing to do so at the Board's direction but mentioned that the Police Pension Plan already prepared its valuation using an assumed rate of return of 7.55 percent (very close to 7.5 percent).

Member Bastian moved to authorize Freiman Little Actuaries to proceed with a study to examine the effect on the city's required contribution and unfunded liability if the Plan's assumed rate of return was 7.5 percent (as requested by city staff). Member Cobb seconded the motion and it carried on an all yes vote.

2. Declare expected annual rate of investment return for assets of Port Orange Police Officers' Pension Plan for short term and long term thereafter in accordance with Section 112.661 *Florida Statutes*

Board members sought input from their actuary and investment professional as to an expected investment rate of return going forward. Actuary Little was comfortable with the current 7.55 percent expected investment rate of return. Mr. Mulfinger felt that 7.55 percent was an acceptable rate of return but questioned whether or not it could be achieved over the longer term given the current low interest rate environment for fixed income investments.

Per the Board's previous direction to reduce the assumed rate of return by ten basis points each year (September 3, 2015), the actuary would prepare the 2017 valuation using 7.45 percent as the assumed annual rate of return.

Member Carman moved to declare a 7.55 percent expected rate of return for retirement plan assets going forward. Member Bastian seconded the motion and it carried on an all yes vote.

B. Zach Chalifour – *James Moore CPA* (Auditor)

1. Presentation of draft audit of Police Pension Fund financials for fiscal year ended September 30, 2016

Mr. Chalifour presented the draft audit commenting on the vast improvement and availability of documents compared to prior years. He also noted that no inconsistencies were found in the city's payroll data which was supplied to the actuary for valuation purposes. At this time, his firm presented an *"unmodified opinion"* of police pension financials for Fiscal Year 2015/2016 which was the highest standard.

The audit was performed in conformance with governmental auditing standards. The Pension Plan reflected a fiduciary net position of $30,105.688. Lump sum distributions from the fund exceeded $1 million during the fiscal year, however, at this time there were no DROP participants remaining. The net pension liability was $15,703,709.

The audit report also presented recommendations and comments for improving the Plan's efficiency and internal controls. Three of the four statements included in the previous year's audit were repeated as follows:

2016-01 Preparation of Financial Statements

This was a standard repeat comment. However, as a relatively small plan, Mr. Chalifour saw no reason for the plan to engage the services of an accounting firm to draft financial statements.

2016-02 Document Retention and Retiree Files

Mr. Chalifour noted that there were still some missing files for participants who had retired many years earlier (prior to 2000). He noted significant steps taken to the extent possible to remediate the issue; currently all plan documents were routinely provided to the City Clerk's Office and Human Resources.

2016-03 Creation and Maintenance of Policy Manual

It was noted that the Pension Plan continued to establish policies/procedures through formal board action. Mr. Chalifour recommended that these policies be summarized in a manual, including duties and involvement of those involved with the Pension Plan (i.e. administrator, actuary, city employees). Plan Administrator Rounsavall noted that this was a continuing work in progress.

Member Carman moved to accept the audit report for the fiscal year ended September 30, 2016 as presented. Member Cobb seconded the motion and it carried unanimously.

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Mr. Chalifour and Mr. Little were excused from the meeting at 11:15 a.m.

The meeting recessed at 11:15 and reconvened at 11:25 a.m.

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

1. Performance Report for quarter ended December 31, 2016

Mr. Owens provided a brief economic overview. Asset class returns were mixed for the quarter. Domestic equity indices posted positive performance with small capitalization companies leading the way. International equity and fixed income benchmarks were negative for the period. The quarter was dominated by the presidential election and pro-growth expectations. He felt that the economy was strong.

Mr. Mulfinger continued with a review of the Investment Performance Report for the quarter ending December 31, 2016. Total fund performance was a positive 1.72 percent on a time-weighted basis (net of fees) which slightly trailed the policy index which was up 1.75 percent. Total market value as of December 31, 2016 was $30,417,979 representing a gain of $522,774 (net of fees) since the previous quarter ended September 30, 2016. The trailing one-year return was positive 5.38 percent (net of fees), however, still fell short of the policy index return which was positive 7.86 percent. The one-year return was also less than the 7.55 percent assumed actuarial investment rate of return. As of February 14, 2017 the portfolio's market value was $30,825,085, representing a gain of 3.9 percent since September 30, 2016.

Quarterly performance results (net of fees for quarter ending December 31, 2016) for the various investment styles/managers represented in the portfolio were as follows:

BlackRock (large cap value) – positive return of 8.70%*
Jennison (large cap growth) – negative return of -1.54%
Wedgewood (large cap growth) – positive return of 1.64%*
Connors (large cap core) – positive return of 2.82%
Boston Partners (small cap value) - positive return of 10.43%*
RBC (small cap growth) – positive return of 5.68%*
Lazard (international value) – negative return of -4.60%
Renaissance (international growth) - negative return of -4.31%
Madison Investment Advisors (fixed income) – negative return of -1.46%*
Pine Grove (alternative investments – hedge fund) – positive return of 2.22%*
Private Advisors (alternative investments – hedge fund) – positive return of 2.51%*
UBS (private real estate) – positive return of 1.25%
* These managers outperformed their respective fund index.

Total fees paid to Graystone Consulting for the quarter were $61,218.87 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 explained that Graystone received $36,578.62 (0.50%) and investment managers received $24,640.25 (0.34%).

Mr. Mulfinger reviewed the compliance checklist which examined the portfolio against the Board’s Investment Policy Statement (IPS) for each asset class.

Understanding that Graystone Consulting/Morgan Stanley had served as the investment consultant for the Port Orange Police Pension Plan for 20-plus years, Member Cobb suggested that the Board consider a request for proposal (RFP) for investment consulting services as part of its due diligence/fiduciary responsibility. Member Carman felt likewise and supported an RFP.

It was noted that the Pension Board reviewed Graystone’s agreement in 2015 as part of its policy for annual review of service providers.

Attorney Harrison advised that the Board could elect to do an RFP at any time. An RFP was a formal process. As an alternative, the Board could ask its plan administrator to conduct an informal study. Mr. Mulfinger expressed concern with a formal RFP, as it indicated to the investment world, that the Board was not happy. He felt that fees at 84 basis points were reasonable.

It was the consensus of the Board to direct its plan administrator to share the results of an RFP conducted by the West Melbourne Police Retirement Plan in 2015 for comparative purposes.

Member Bastian moved to acknowledge receipt of the investment performance report as presented. Member Carman seconded the motion and it carried.

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

Attorney Harrison advised an in-service ruling from the Internal Revenue Service (IRS) ruling was still pending.

He also advised that the current plan document did not provide for subrogation rights. *There was no board action to direct the attorney to prepare an ordinance providing such language.*

Attorney Harrison went on to mention that he had planned to retire as of September 2017. Due to recent personnel changes at his law firm, he now planned to stay on for another year. However, Associate Attorney Dustin Watkins would be attending every other meeting in his stead.

E. Karan Rounsavall – Plan Administrator

1. Educational Opportunity: Florida Public Pension Trustees' Association (FPPTA) Annual Conference in Orlando (June 25 – 28, 2017)

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

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At this time, Member Carman expressed concern with the underperformance of certain investment managers in the portfolio, particularly with not achieving the assumed rate of return. He wondered whether or not Mr. Mulfinger recommended any change to achieve the 7.55 percent assumed rate of return. Mr. Mulfinger responded that the markets had been on a "run" for eight years and a pullback was inevitable. It was his opinion that the time to be more aggressive in the portfolio was after a big pullback.

Member Carman emphasized the importance of achieving the target investment return. Mr. Mulfinger did not believe that an annual return of 7.55 percent was achievable over the next seven to eight years.

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PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 12:35 p.m.

Steve Braddock, Chairman

Karan Rounsavall, Plan Administrator

CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
APRIL 3, 2017

The Port Orange Police Officers' Pension Board of Trustees met in special session on Monday, April 3, 2017 in the Police Department Training Room, 4545 Clyde Morris Boulevard, Port Orange, Florida.

MEMBERS PRESENT:	Chairman Steve Braddock (police member) Secretary William Proctor (police member) Warren Carman (fifth member) Drew Bastian (resident member) Brian Cobb (resident member)
CONSULTANTS:	Karan Rounsavall, Plan Administrator

Note: Attorney Ken Harrison of Sugarman & Susskind was available by telephone if needed.

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Chairman Braddock called the meeting to order at 9:00 a.m. A quorum was in attendance.

The purpose of the meeting was to discuss investment consulting options moving forward and to consider possible action to proceed with a request for proposal (RFP) for investment consulting services for the Port Orange Police Officers' Pension Plan.

Board members were in receipt of the city auditor's recent comparison of the three pension plans sponsored by the City of Port Orange (General, Fire & Police), specifically as to investment returns and fees. Chairman Braddock was disturbed by the results which showed the Police Pension Plan with the lowest returns and highest fees. He stated that it was clearly time to do some window shopping as to investment consulting options and reminded the Board of its fiduciary responsibility to ensure that the Fund's fees were reasonable and that the Police Pension Plan was receiving the best possible oversight and care. Board members were further in receipt of an email he received over the weekend from Charles Mulfinger of Graystone Consulting offering an explanation for its higher fees and lower returns.

The floor was open for discussion. Member Cobb stated that the Fund was underperforming and paying more in fees for that underperformance. The biggest issue in his estimation was the high fees. He was in full support of a RFP for investment consulting services.

Member Bastian had similar feelings. Every plan had its up and down years, however, the Police Fund was simply not getting performance. This lack of performance did not match the premium price that was being paid to the consultant. For the past three years, the Police Fund had been the last among the Port Orange Pension Plans in terms of performance, yet it was paying the most in fees. He likewise wanted to see what else was available in terms of investment consulting services.

Member Proctor did not object to a RFP for investment consulting services to see what else might be available. However, he wanted to be sure that the Board was comparing "apples to apples" in terms of investment goals, asset allocation, etc. Along this line, the Board asked the plan administrator to provide a comparison of risk/asset allocation between the three Port Orange Pension Plans.

Member Carman moved to direct the board attorney and plan administrator to prepare a request for proposal for investment consulting services. Said RFP to include a request that the responder provide an analysis of what its plans had actually earned over the past three to five years, including fees. Member Cobb seconded the motion and it carried unanimously.

Plan Administrator Rounsavall briefly reviewed the RFP process, including time frame for responses, review of responses by board members, short list of best responders, presentations, selection, etc. The RFP would be sent to prospective providers and advertised on the Florida Public Pension Trustees Association web site.

Member Bastian moved that the RFP be prepared and "on the street" no later than May 1, 2017. Member Carman seconded the motion and it carried on an all yes vote.

PUBLIC COMMENT - None

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The meeting adjourned at 9:37 a.m.

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Steve Braddock, Chairman

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Karan Rounsavall, Plan Administrator

FLA
FREIMAN LITTLE ACTUARIES

March 13, 2017

Karan Rounsavall
Pension Administrator, City of Port Orange Police Pension Fund
3695 Indian River Drive
Cocoa, FL 32926

Re: Proposed Amendment to Create Defined Contribution Plan Component

Dear Karan:

As requested, we have reviewed the impact associated with the attached proposed ordinance that creates a defined contribution (DC) component for the City of Port Orange (the City) Police Pension Fund (the Plan). This proposed change is as required under section 185, Florida Statutes (FS), effective upon entering into a collective bargaining agreement on or after July 1, 2015. This letter outlines our understanding of the proposed change and summarizes the actuarial impact on the Plan.

Summary of Proposed Changes

The changes are summarized as follows:

Section	Amendment
54-126(g)	Creates Defined Contribution Component of the Plan

Actuarial Impact

We understand that, although this benefit is being called a "defined contribution component," all benefits under the Plan are only subject to the maximum benefit limitations of Internal Revenue Code (IRC) Section 415(b). We understand IRC limitations that are applicable to defined contribution plans do not limit the benefits under this DC component.

In years when the DC component is funded, State moneys that would have been used toward offsetting the City's portion of the actuarially determined minimum required contribution are used toward funding benefits under this DC component. The increase in cost to the City would be equal to the contributions made to the DC component. Mutual consent regarding the use of State moneys will need to be established effective upon entering into a collective bargaining agreement on or after July 1, 2015. We understand that no collective bargaining agreement has been entered into after July 1, 2015. Therefore, there is no impact of this proposed change at this time.

Please let us know if you have any questions or need additional information.

Sincerely,

Chad M. Little, ASA, EA
Partner, Consulting Actuary

ORDINANCE NO. 20__-_____

AN ORDINANCE OF THE CITY OF PORT ORANGE, FLORIDA, AMENDING CHAPTER 54, ARTICLE V, CODE OF ORDINANCES, ENTITLED POLICE PENSION FUND; ADDING SUBSECTION 54-126(g) TO CREATE A DEFINED CONTRIBUTION PLAN COMPONENT IN COMPLIANCE WITH CHAPTER 185, FLORIDA STATUTES; PROVIDING FOR CODIFICATION; PROVIDING FOR REPEAL OF CONFLICTING ORDINANCES; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Port Orange ("City") and the City of Port Orange Police Pension Fund ("Pension Fund") wishes to comply with Chapter 185, Florida Statutes; and

WHEREAS, the Florida Legislature amended Chapter 185, Florida Statutes, to require sponsors of local law police retirement plans to implement a defined contribution plan component; and

WHEREAS, amended Chapter 185, Florida Statutes, requires a defined contribution plan component even though it may or may not receive any funding depending on agreements reached in collective bargaining; and

WHEREAS, the City intends to determine the disposition of insurance premium tax revenues through the process of collective bargaining and mutual consent rather than through the default mechanism set forth in the amended statutes; and

WHEREAS, the City Council has received, reviewed, and considered an actuarial impact statement describing the actuarial impact of the amendment provided for herein; and

WHEREAS, the City Council deems it to be in the public interest to make this change to the Pension Fund;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF PORT ORANGE, FLORIDA:

Section 1. Section 54-126 of the City of Port Orange Police Pension Fund is hereby amended by adding a new subsection (g) as follows:

Sec. 54-126. – Pension benefits.

…

(g) *Defined contribution plan component.* There is hereby created a defined contribution plan component that shall operate as an element of the plan and exist in conjunction with the defined benefit plan component that meets minimum benefits and minimum standards within the meaning of Chapter 185, Florida Statutes. The defined contribution plan component shall receive deposits, if any, for the purpose of providing benefits to police officers. The retirement benefits of the defined contribution plan component, if any, shall be provided through individual member accounts in accordance with the applicable provisions of the Internal Revenue Code and related regulations and are limited to the contributions, if any, made into each member's account and the actual accumulated earnings, net of expenses, earned on the member's account.

The defined contribution plan component shall be funded in accordance with Section 185.35(1), Florida Statutes, provided that the defined contribution plan component shall only receive contributions in the event the plan sponsor and the members' collective bargaining representative fail to reach mutual consent on an alternative means of using insurance premium tax revenues. Mutual consent shall be defined in accordance with the Florida Division of Retirement's regulations and administrative guidance.

The defined contribution plan component shall only receive funding in the absence of mutual consent.

Notwithstanding the foregoing establishment of a defined contribution plan component, all insurance premium tax revenues shall be used in accordance with Section 54-137(c) of the City Code. The funding and structure of this defined contribution plan component may be modified only by the mutual consent of the collective bargaining parties or by operation of Section 185.35, Florida Statutes. The provisions of this component governing earning rates, distribution rules, and administration shall be negotiated between the City and the members' collective bargaining representative at the time Chapter 185 insurance premium tax revenues are assigned to this component. The Board of Trustees may adopt rules in accordance with this section.

Section 2. Specific authority is hereby granted to codify and incorporate this ordinance in the existing Code of Ordinances of the City of Port Orange.

Section 3. All ordinances or parts of ordinances in conflict with this ordinance are hereby repealed to the extent of such conflict.

Section 4. If any provision of this ordinance or the application thereof to any person or circumstance is held invalid in a court of competent jurisdiction, such invalidity shall not affect other provisions or applications of this ordinance which can be given effect without the invalid provision or application.

Section 5 This ordinance amendment shall take effect upon adoption.

____
MAYOR ALLEN GREEN

ATTEST:

____
Robin L. Fenwick, City Clerk

Passed on first reading on the _______ day of ___________, 20__.

Passed and adopted on second and final reading on the _______ day of _________________, 20________.

Reviewed and Approved:______________________________
Margaret T. Roberts, City Attorney

ULLICO ORGANIZED LABOR PROTECTION GROUP, LLC

a voluntary membership organization operating pursuant to the Liability Risk Retention Act of 1986 and whose principal office is: 1625 Eye Street NW, Washington, DC 20006

GOVERNMENTAL FIDUCIARY LIABILITY INSURANCE PREMIUM QUOTATION

DATE ISSUED: 05/11/2017 **UNDERWRITER:** Ann Hughes

QUOTATION NO: QT0000038412 **RENEWAL:** Y

ISSUED BY: **Markel American Insurance Company**

INSURANCE REPRESENTATIVE: **Ullico Casualty Group, Inc.**
8403 Colesville Road, 13th Floor
Silver Spring, MD 20910

PRODUCER: United Members Insurance, Inc.

ADDRESS: 6826 Linebaugh Avenue
Tampa, FL 33625

TRUST(S) OR PLAN(S): Port Orange Municipal Police Officers' Retirement Plan

ADDRESS: 1000 City Center Parkway
Port Orange, FL 32129

POLICY PERIOD: 05/31/2017 to 05/31/2018

PRIOR & PENDING LITIGATION DATE: 05/31/2006

LIMITS OF LIABILITY: (a)	$1,000,000	**Limit of Liability** for all **Loss** **(Aggregate)**
(b)	$200,000	**Voluntary Compliance Program Expenditure** Sub-Limit: **Aggregate Limit of Liability** for all **Voluntary Compliance Program Expenditures** (included within and not in addition to the maximum **Aggregate Limit of Liability** set forth in Item 04(a) of the **Policy Certificate**.
SELF-INSURED RETENTION:	$0	each **Claim**

COVERAGE: **Markel American Insurance Company**
Governmental Fiduciary Liability Insurance **Claims**-Made Policy Form GOV-1000 (11/2014), **Claims Expenses** Inclusive

PREMIUM:	(a)	$4,795.00	**Basic Premium**
	(b)	$0.00	**Tax/Other**
	(c)	$4,795.00	**Total**

CONDITIONS/COVERAGE SUBJECT TO:

Nothing else required

THE FOLLOWING ENDORSEMENTS WILL ATTACH TO THE POLICY:

END NO./REF NO.	ENDORSEMENT
1. TRIA (06/15)	Cap on Losses From Certified Acts of Terrorism
2. GOV-FL (06/15)	Florida Amendatory Endorsement
3. GOV-005e (06/15)	Additional Insured/Third Party Administrator
4. GOV-054 (05/16)	Modification Endorsement

This quotation is valid for a period of thirty (30) days from the Issue Date shown above unless amended or withdrawn by **Markel American Insurance Company (Insurer)**, with or without cause, prior to its acceptance and binding, and is subject to the terms and conditions of the policy (ies) to be issued. If the information supplied by the **Trust** or **Plan** in the application changes between the date of the application for this insurance and the **Effective Date** of the insurance or the time when the policy is bound (whichever is later), the **Trust** or **Plan** must immediately notify **Insurer** in writing of such changes and the **Insurer** may withdraw or amend any outstanding quotations based upon such changes.

Ullico Organized Labor Protection Group, LLC is administered by Ullico Casualty Group, Inc., a/k/a Ullico Insurance Agency, Inc. in CA, and Ullico Casualty Agency in NY. CA License #OH86030 and FL (Craig Arneson) License # A008437.

INTERLINE

Markel American Insurance Company

4521 Highwoods Parkway
Glen Allen, VA 23060

TRIA
Issue Date:
Policy Number:
Endorsement Number:
Endorsement Effective Date: (12:01 a.m. Local Time)

Cap on Losses From Certified Acts of Terrorism

It is agreed that the above numbered policy is amended as follows:

A. If aggregate insured losses attributable to terrorist acts certified under the Federal Terrorism Risk Insurance Act exceed $100 billion in a calendar year and we have met our **Insurer** deductible under the Terrorism Risk Insurance Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds $100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

"Certified act of terrorism" means an act that is certified by the Secretary of the Treasury in accordance with the provisions of the Federal Terrorism Risk Insurance Act, to be an act of terrorism pursuant to such Act. The criteria contained in the Terrorism Risk Insurance Act for a "certified act of terrorism" include the following:

1. The act resulted in insured losses in excess of $5 million in the aggregate, attributable to all types of insurance subject to the Terrorism Risk Insurance Act; and

2. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

B. The terms and limitations of any terrorism exclusion, or the inapplicability or omission of a terrorism exclusion, do not serve to create coverage for any **Loss** that is otherwise excluded under this policy.

Nothing contained herein shall vary, alter or extend the terms, conditions and limitations of the policy except as stated above.

This **Endorsement** is part of the above numbered policy and is effective as of the **Endorsement Effective Date** shown above.

MARKEL AMERICAN INSURANCE COMPANY

Authorized Representative

Markel American Insurance Company

4521 Highwoods Parkway
Glen Allen, VA 23060

GOV-FL
Issue Date:
Policy Number:
Endorsement Number:
Endorsement Effective Date: (12:01 a.m. Local Time)

Florida Amendatory Endorsement

It is agreed that the above numbered policy is amended as follows:

1. Section IV. Exclusions, Part A is amended by adding the following new exclusion:

   Based, upon, arising from, or in consequence of the manufacturing, handling, selling, distribution, disposal, existence, use of, or exposure to asbestos dust, asbestos fibers, or asbestos products or materials.

2. Section VII. Conditions, Item K (Cancellation), paragraph 2 is deleted and replaced with the following:

   If the **Insurer** cancels:

   Cancellation of Policies in Effect for Ninety (90) Days or Less

   If this policy has been in effect for ninety (90) days or less, the **Insurer** may cancel it by mailing or delivering to the **Insured** shown in Item 02 of the **Policy Certificate**, written notice of cancellation, accompanied by the reasons for cancellation, at least:

   a. Ten (10) days before the **Effective Date** of cancellation if the **Insurer** cancels for non-payment of premium; or

   b. Twenty (20) days prior to the **Effective Date** of cancellation if the **Insurer** cancels for any other reason, except the **Insurer** may cancel immediately if there has been:

      (i) A material misrepresentation; or\

      (ii) A failure to comply with underwriting requirements established by the **Insurer**.

   Cancellation of Policies in Effect for More Than Ninety (90) Days

   If this policy has been in effect for more than ninety (90) days, the **Insurer** may only cancel it for one or more of the following reasons:

   a. Non-payment of premium;

   b. The policy was obtained by a material misstatement;

   c. There has been a failure to comply with underwriting requirements within ninety (90) days of the **Effective Date** of coverage;

d. There has been a substantial change in the risk covered by the policy;

e. The cancellation is for all **Insureds** under such policies for a given class of **Insureds**.

If the **Insurer** cancels this policy for any of the above reasons, it will mail or deliver to the **Insured** shown in Item 02 of the Policy Certificate written notice of cancellation, accompanied by the reasons for cancellation, at least:

a. Ten (10) days before the **Effective Date** of cancellation if the cancellation is for non-payment of premium; or

b. Forty-five (45) days before the **Effective Date** of cancellation if the cancellation is for any other reason stated above, except non-payment of premium.

3. Section VII. Conditions, Item L (Non-Renewal) is deleted in its entirety and replaced with the following

Non-Renewal of Policy

If the **Insurer** non-renews the policy at the end of the **Policy Period**, we will mail or deliver written notice stating the reason(s) for non-renewal, to the last known address of the **Insured** shown in Item 02 of the **Policy Certificate** at least forty-five (45) days prior to the **Expiration Date**. Proof of mailing will be sufficient proof of notice.

4. Section IX. Definition T (**Pollutants**) is deleted in its entirety and replaced with the following definition:

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

Nothing contained herein shall vary, alter or extend the terms, conditions and limitations of the policy except as stated above.

This **Endorsement** is part of the above numbered policy and is effective as of the **Endorsement Effective Date** shown above.

MARKEL AMERICAN INSURANCE COMPANY

Authorized Representative

MARKEL®

Markel American Insurance Company

4521 Highwoods Parkway
Glen Allen, VA 23060

GOV-005e
Issue Date:
Policy Number:
Endorsement Number:
Endorsement Effective Date: (12:01 a.m. Local Time)

Additional Insured/Third Party Administrator

It is agreed that the above numbered policy is amended as follows:

1. The following third party administrator is designated as an additional **Insured** as of the **Endorsement Effective Date** shown above but only with respect to services it renders on behalf of the **Plan**.

   Additional **Insured**/Third Party Administrator Name:______________________________

2. Solely with respect to coverage extended pursuant to this **Endorsement**, Section IV. Exclusions, Part A is amended by the addition of the following:

   Any assertion, allegation, causes of action or demands whatsoever by or on behalf of any other **Insured**.

3. All **Loss** incurred solely with respect to the coverage extended pursuant to this **Endorsement**, during the **Policy Period** as set forth in Item 03 of the **Policy Certificate**, shall be subject to the following Sub-Limit and Self-Insured Retention:

   Sub-Limit: $____________

   Self-Insured Retention: $____________ each **Claim**

   This Sub-Limit is part of, and not in addition to, the **Aggregate Limit of Liability** stated in Item 04(a) of the **Policy Certificate**. This Self-Insured Retention is separate and apart from that **Self-Insured Retention** stated in Item 05 of the **Policy Certificate** but in the event more than one Self-Insured Retention applies, only the highest single Self-Insured Retention shall apply.

4. In the event the above referenced additional **Insured**/third party administrator is also covered under any other fiduciary liability policy issued by the **Insurer**, the maximum we will pay on behalf of such additional **Insured** as Loss for any **Claims** shall be limited to the highest remaining **Aggregate Limit of Liability** of any single applicable policy. Liability under the respective policies shall be apportioned by equal shares among all effected policies. No **Plan** shall be afforded, or have **Loss** payments applied to their policy, in excess of their own individual **Aggregate Limit of Liability** as stated in Item 04(a) of the **Policy Certificate**.

5. Notwithstanding the above, the coverage extended pursuant to this **Endorsement** shall apply only as excess insurance over, and shall not contribute with, any other valid and collectible insurance available to the additional **Insured** unless such other insurance is specifically in excess of this **Endorsement**.

Nothing contained herein shall vary, alter or extend the terms, conditions and limitations of the policy except as stated above.

This **Endorsement** is part of the above numbered policy and is effective as of the **Endorsement Effective Date** shown above.

MARKEL AMERICAN INSURANCE COMPANY

Authorized Representative

MARKEL®

GOVERNMENTAL FIDUCIARY LIABILITY

Markel American Insurance Company

4521 Highwoods Parkway
Glen Allen, VA 23060

GOV-054
Issue Date:
Policy Number:
Endorsement Number:
Endorsement Effective Date: (12:01 a.m. Local Time)

Modification Endorsement

It is agreed that the above numbered policy is amended as follows:

Section VII. Conditions, Item M. Other Insurance is deleted in its entirety and replaced with the following:

> This insurance shall be specifically excess of and will not contribute with any other valid and collectible insurance, whether such other insurance is stated to be primary, contributing, excess, contingent or otherwise, unless such other insurance is specifically stated to be excess of this policy.

Nothing contained herein shall vary, alter or extend the terms, conditions and limitations of the policy except as stated above.

This **Endorsement** is part of the above numbered policy and is effective as of the **Endorsement Effective Date** shown above.

MARKEL AMERICAN INSURANCE COMPANY

Authorized Representative

MEMORANDUM

May 12, 2017

TO: Port Orange Police Officers' Pension Board

FROM: Karan Rounsavall, Plan Administrator Karan G. Rounsavall

SUBJECT: Periodic Review of Professional Service Provider Agreements

At its February 20, 2015 quarterly meeting, the Port Orange Police Pension Board adopted a policy providing for the periodic review of professional service provider agreements. The review policy is set out below:

REVIEW POLICY

The Port Orange Police Officers' Pension Board of Trustees shall routinely review all professional service provider agreements to determine appropriateness and timeliness of the terms contained therein.

The Port Orange Police Officers' Pension Board of Trustees shall conduct a review of one professional service provider agreement each year based on the date of original execution with the oldest professional relationship being the first/next agreement subject to review.

The Port Orange Police Officers' Pension Board of Trustees may, in its sole discretion at that time, continue with that service provider, solicit bids or issue a request for proposal (RFP) for the professional services under review.

Attached is a listing of professional service providers and agreement execution dates. The Board's agreement with Sugarman & Susskind (Board Attorney) is the oldest relationship that has not yet been reviewed. Original agreement was executed on December 1, 2006 with fee addendum executed in 2014 which provides for annual increases through 2017.

Any questions, please advise.

/attachment

PORT ORANGE POLICE OFFICERS' PENSION PLAN
CONSULTANT LIST – AGREEMENT DATES

Company	Title	Contact	Agreement Dates
Freiman Little Actuaries	**Plan Actuary**	Chad Little Paula Freiman	November 10, 2006 (original agreement) August 22, 2014 (revised fee schedule guaranteed for three years through August 22, 2017)
Sugarman & Susskind	**Plan Attorney**	Ken Harrison Dustin Watkins	December 1, 2006 (original agreement) August 22, 2014 (revised monthly retainer fee to provide for annual increases for three years through October 31, 2017)
Graystone Consulting/ Morgan Stanley (all inclusive fee/WRAP arrangement)	**Investment Advisor**	Charles Mulfinger Tim Haugaard Scott Owens	October 1995 – plan assets transferred to Graystone Consulting November 16, 2012 (Institutional Services Agreement executed) November 20, 2015 (fee addendum effective January 1, 2016)
Karan Rounsavall	**Plan Administrator**	Karan Rounsavall	March 19, 2014 (fee guaranteed for one year through April 1, 2015) August 21, 2015 (fee guaranteed through May 1, 2017)
First State Trust	**Custodian Bank**	James Robinson	August 23, 2012 (Custodian's fees for services paid by Morgan Stanley Smith Barney as primary investment consultant and fiduciary of the plan.)
James Moore, Certified Public Accountants & Consultants	**Auditor**	Zach Chalifour	September 3, 2015 Agreement to audit financial statements of the pension plan for years ended 9/30/2015, 9/30/2016, and 9/30/2017

May 12, 2017

STATEMENT OF INVESTMENT POLICY AND OBJECTIVES

For The

CITY OF PORT ORANGE POLICE PENSION FUND
~~August 19, 2016~~ February 17, 2017

I. INTRODUCTION AND BACKGROUND

The City of Port Orange Police Pension Fund is a defined benefit plan established by Ordinance of the City of Port Orange to provide retirement benefits for its Police Officers. The City of Port Orange is the "plan sponsor". The Plan is administered by the Police Pension Fund Board of Trustees. The Plan is a pension plan maintained to provide retirement, disability, termination and death benefits to participants in accordance with the express provisions of the Plan.

The Plan and the benefits provided thereunder are funded by contributions by the City of Port Orange, tax rebates from the State of Florida pursuant to Chapter 185, Employees' contributions, interest income and other income in accordance with the underlying Plan documents.

The Board of Trustees is charged by Ordinance with the responsibility of developing a policy for the investment of the assets of the Fund. The trustees are named fiduciaries. The investment of the assets of our retirement plan must be consistent with the written investment policy adopted by the board of trustees. The policies are structured to maximize the financial return to the retirement plan consistent with the risks incumbent in each investment and are structured to establish and maintain an appropriate diversification of the retirement system or plan's assets. To assist the Board in this function, they are authorized to engage the services of investment and actuarial consultants to provide expert assistance. The Board periodically undertakes studies to evaluate the potential consequence of alternative investment strategies on the long term well being of the Plan. In the view of its consultants and the Board, the investment program defined in this Statement will produce a result over the long term consistent with the Plan's primary objective of preserving and enhancing the purchasing power of assets.

In the implementation of the investment program, the Plan will employ investment managers who have demonstrated expertise with particular asset classes. Furthermore, the Plan's investment managers utilize a variety of investment approaches. This diversification of managers and investment approach should reduce the risk of loss and contribute to the attainment of a more consistent positive return. Nonetheless, there will be short term periods when the fund may experience negative returns. Such periods are not inconsistent with achievement of the targeted long term objective.

II. INVESTMENT POLICY AND OBJECTIVES

Based on analysis of the Plan assets and expected investment returns and risks associated with alternative asset mix strategies, the Board adopted the following asset class targets, based on market value:

TRADITIONAL ASSET CLASSES		
EQUITY	**% Range**	**% Target**
Large Capitalization Value Manager	**13.75 – 8.75%**	**11.25%**
Large Capitalization Growth Manager	**13.75 – 8.75%**	**11.25%**
Large Capitalization Core Manager	**12.50 – 7.50%**	**10.00%**
Small Capitalization Value Manager	**7.50 – 5.00%**	**6.25%**
Small Capitalization Growth Manager	**7.50 – 5.00%**	**6.25%**
International Value Manager	**7.50 – 2.50%**	**5.00%**
International Growth Manager	**7.50 – 2.50%**	**5.00%**
Total Equity	**57.50 – 52.50%**	**55.00%**
FIXED INCOME MANAGER	**30.00 – 25.00%**	**27.50%**
ALTERNATIVE ASSET CLASSES	**% Range**	**% Target**
HEDGE FUNDS/ FUNDS OF HEDGE FUNDS	**10.00 – 0.00%**	**7.50%**
PRIVATE REAL ESTATE FUND	**12.50 – 0.00%**	**10.00%**
TOTAL ALTERNATIVE ASSET CLASSES	**20.00 – 0.00%**	**17.50%**
TOTAL TRADITIONAL & ALTERNATIVE		**100.00%**

These ranges and targets are established as maximum weightings in each respective asset class. If the investment manager determines a percentage of their allocation should be invested in cash, then they are permitted that flexibility and will be evaluated by their decisions accordingly.

Over time, it is the Board's intention to direct cash flows toward the asset class(es) under-represented and away from the class(es) over-represented.

The General investment objectives of the Board are as follows:

1. Establish a Prudent Investment Program

Although the Pension Fund is not covered by the Employee Retirement Income Security Act of 1974 (ERISA), the assets of this fund shall be invested in a manner consistent with the fiduciary standard set forth in ERISA, as though ERISA applied to the Pension Fund; namely, (1) in accordance with the safeguards and diversity to which a prudent investor would adhere (2) and all transactions undertaken on behalf of the Fund must be for the sole interest of Plan participants and their beneficiaries in order to provide benefits and pay the expenses of the Fund. The pension investment program must operate in compliance with all applicable State and Federal laws and regulations concerning the investment of pension assets.

2. Achieve Growth in Purchasing Power

Primary investment emphasis must be placed upon the consistent protection of the funds assets and growth performance, i.e., the achievement of adequate investment growth must not be at the expense of the protection of the assets over the investment horizon.

More specific investment objectives established by the Board include the following:

- The Fund should earn a return over time exceeding the assumed actuarial rate of ~~7.65%~~ 7.55%. The assumed actuarial rate will decrease by 10 basis points every year on October 1st until a rate of 7.25% is achieved. In addition, the Fund should earn a return greater than inflation, as measured by the Consumer Price Index, by 4.0% per year. ~~Meeting this objective indicates active management of the various portfolio components has added value over a passively managed fund.~~ It is also consistent with the Board's objective to enhance the purchasing power of the Funds.

- Individual investment managers will not be measured against the aggregate fund objective stated above. They will be compared to appropriate market indices and the performance of other managers who utilize a similar investment style.

III. TRADITIONAL ASSET CLASSES - INVESTMENT GUIDELINES

A. Liquidity Requirements

There is a requirement to maintain liquid reserves for the payment of pension benefits and expenses. The Board will review these projected cash flow requirements at least annually.

B. Compliance & Monitoring

Compliance and monitoring is the responsibility of the consultant and the trustees. The consultant's responsibility is to report any non-compliance with the investment policy and objectives to the trustees each quarter.

The plan shall comply with the Protecting Florida's Investments Act (PFIA). The investment managers are prohibited from purchases and are required to divest any investments in those companies with certain business operations in the countries of Sudan and Iran ~~that are~~ designated as "scrutinized companies" under the PFIA. The consultant will monitor your holdings for compliance with the PFIA. The consultant ~~Each manager~~ shall be responsible for keeping current as to the companies ~~that are~~ listed as "scrutinized companies" by the Florida State Board of Administration. ~~The consultant shall report quarterly on each manager's compliance.~~

C. Equities

The investment managers are permitted to invest in equity securities (including convertible bonds) listed on the New York~~, American~~ and principal regional and foreign (for foreign securities) exchanges. They may also invest in over-the-counter securities where an active market maker is regulated by the NASD. The equity position in any one company shall not exceed 5% of the total portfolio at market. For international investing, ADR's that trade over the counter, such as "Pink Sheet" ADR's and Bulletin Board ADR's are permissable. Any investment that does not fall into a category listed above is prohibited.

The equity portion of each portfolio manager shall not:

1. Be more than 12.5% invested in the securities of any one company at market. Exceptions are permitted when an unusual event occurs that causes the percentage in the company to exceed 12.5% (example – a merger or buyout). In these instances, The manager shall have a reasonable period to cure by reducing the position.

2. Make short sales.

3. Use margin or leverage.

4. Be invested in commodities.

5. Be invested in private real estate.

6. Be invested in " investment art objects".

7. Invest in Options, including the purchase, sale or writing of options unless options are "covered" by the corresponding security.

8. Be invested in warrants, although warrants issued in connection with stocks held by the fund may be sold, held, or converted by the investment manager at its discretion.

The total portfolio shall not exceed the 25% maximum limit on foreign securities at market set forth in Section 185, Florida Statutes. The compliance and monitoring of this Section (III.B.) is the responsibility of the consultant and the trustees. The consultant's responsibility is to report any non-compliance to the trustees each quarter.

a.) <u>Large –Capitalization Value, Growth, & Core Stocks</u>

Large capitalization stocks are expected to have the greatest weighting in the Pension Fund. They are expected to provide more consistent returns over time than our other equity styles. The objective is to maximize investment return over a market cycle by investing in large capitalization equities having the potential to generate investment returns exceeding a passively managed large stock index.

Large-capitalization equity manager performance parameters include the following:

- Performance within the top half of a Universe of Large Capitalization Value, Growth, or Core Managers.

- Performance comparable to the Russell 1000 Value, Russell 1000 Growth, or S&P 500 Indexes.

- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) should not exceed the appropriate index without a corresponding increase in performance above the index.

- Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle.

b.) Mid/Small Capitalization Stocks

Mid/Small capitalization stocks are expected to improve total portfolio diversification and provide opportunities for higher incremental returns in the long run. The objective is to maximize investment return over a market cycle by investing in mid/small capitalization equities having the potential to generate investment returns exceeding a passively managed mid/small stock index. Mid/Small capitalization growth stock managers generally purchase companies with a market capitalization of greater than $500 million.

Mid/Small capitalization equity manager performance parameters include the following:

- Performance within the top half of a Universe of Mid/Small Capitalization Value or Growth Managers

- Performance comparable to the appropriate Russell Indexes.

- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) should not exceed the appropriate index without a corresponding increase in performance above the index.

- Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle for the mid/small capitalization market.

c.) International Stocks

International Stocks are expected to improve total portfolio diversification and provide opportunities for higher incremental returns in the long run. The objective is to maximize investment return over a market cycle by investing in international securities through American Depository Receipts (ADRs) as well as any foreign company that trades directly in a U.S. equity market. These equities should generate investment returns exceeding a passively managed international index.

International equity manager performance parameters include the following:

- Exceed the MSCI EAFE – Net Dividend or MSCI All Country World ex USA Indexes.

- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) should not exceed the appropriate index without a corresponding increase in performance above the index.

- Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle of the international market.

D. Fixed Income

Fixed income securities shall be invested entirely in marketable debt securities issued or guaranteed by either (a) the United States Government or its agencies, (b) domestic corporations (including industrial and utilities) or Israel Bonds (c) domestic banks and other US financial institutions. All securities must hold a rating in one of the three highest classifications by a major rating service. Such investments shall ~~all~~ be in accordance with the Code of the City of Port Orange. Any investments that do not fall under the criteria listed above are prohibited from being purchased. Securities ratings reduced beneath the three highest classifications after purchase should be sold by the portfolio manager within a reasonable period of time as determined by the manager. It is the manager's responsibility to notify the board in writing immediately after a security is downgraded below the policy guidelines. The written explanation should describe the manager's intentions regarding the disposition of the security being downgraded. Restrictions on fixed income include the following:

1. Except for Treasury and Agency obligations, the debt portion of the Fund shall contain no more than ten percent (10%) of a given issuer irrespective of the number of differing issues. Other diversification standards should be developed and applied by the Investment Manager(s).

2. If commercial paper is used it must be ~~only~~ of the highest quality (A-1 or P-1).

3. Private placement debt is not permissible.

Fixed income manager(s) performance parameters include the following:

- Performance comparable to the Barclays Capital Intermediate Government/Credit Bond Index (BC Int. G/C)

- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed the Barclays Capital Intermediate Government/Credit Bond Index without a corresponding increase in performance above the index.

- Achieve the above objectives within a time horizon of a minimum of three to five years or a full market cycle.

IV. ALTERNATIVE ASSET CLASSES - INVESTMENT GUIDELINES

Alternative asset classes historically have low to moderate correlation to market indices. Alternative asset classes are expected to improve total portfolio diversification and provide opportunities for higher incremental returns over the long-term. Many of the asset categories are expected to generate absolute returns (positive returns regardless of market environment) versus relative returns (returns ~~comparative~~ comparable to a given benchmark).

Alternative asset classes guidelines differ from traditional asset classes guidelines. Alternative asset managers may use leverage and derivatives, may short securities, generally have higher fees, typically have reduced liquidity, and performance is dependent primarily on advisor skill.

A. Funds of Hedge Funds (FofHFs)

Hedge Funds (HF) and Fund of Hedge Funds (FofHFs) are private investment funds investing primarily in the global equity and fixed income markets typically employing sophisticated trading strategies using leverage and derivative instruments. FofHFs invests in multiple, single manager hedge funds. The strategy designs a diversified portfolio of managers with the objective of significantly lowering the risk (volatility) of investing with an individual manager. The FofHFs manager has discretion in choosing which strategy to invest in for the portfolio. A manager may allocate funds to numerous managers within a single strategy, or with numerous managers in multiples strategies. The investor has the advantage of diversification among managers and styles with significantly less capital than investing with separate managers.

Low Volatility Funds of Hedge Funds (LVFofHFs)
The manager selects hedge fund investment managers that invest in Relative Value Arbitrage/ Event Driven asset classes. Relative Value Arbitrage/ Event Driven asset class categories consists of hedge fund managers specializing in Convertible Arbitrage, Fixed Income Arbitrage, Distressed, Statistical Arbitrage, and Equity Market Neutral Strategies.

Mid to High Volatility Funds of Hedge Funds (MHVFofHFs)
The manager selects hedges fund investment managers that invest in Long/ Short, Global Macro/ Managed Futures, and Manager Futures asset classes.

a.) Low Volatility Funds – Hedge Funds (HFs) & Funds of Hedge Funds (FofHFs)
Low volatility funds are expected to improve total portfolio diversification and provide opportunities to achieve higher incremental returns in the long-term. The objective is to provide absolute returns over a market cycle. The standard deviation for the combination of hedge fund managers' strategies are expected to have return volatility in the range of 2-5% over a market cycle.

Low volatility funds manager performance parameters include the following:

- Exceed appropriate Hedge Fund Research, Inc. index.

- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed the appropriate index without a corresponding increase in performance above the index.

- Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle.

- Compare to the Barclays Capital US Aggregate Bond Index for return and risk over a time horizon of three to five years or a full market cycle.

b.) Mid to High Volatility Funds – Hedge Funds (HFs) & Funds of Hedge Funds (FofHFs)

Mid to high volatility funds are expected to improve total portfolio diversification and provide opportunities to achieve higher incremental returns in the long-term. The objective is to provide absolute returns over a market cycle. The standard deviation for the combination of hedge fund managers strategies are expected to have return volatility in the range of 5-15% over a market cycle.

Mid to high volatility funds manager performance parameters include the following:

- Exceed appropriate Hedge Fund Research, Inc. index.

- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed the appropriate index without a corresponding increase in performance above the index.

B. Private Real Estate

Private real estate investments are expected to improve total portfolio diversification and provide income and opportunities for higher incremental returns in the long-term. The objective is to maximize investment return over a market cycle by investment in real estate through private ownership. The investment managers are permitted to invest in private real estate. Private real estate will be purchased through an institutional vehicle. The institutional vehicle provides diversification of property type and geographical location and provides a competitive price structure. These private real estate investments should generate investment returns exceeding a passively managed private real estate index.

Private real estate investment performance parameters include the following:

- Exceed the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index or Open-End Diversified Core Index .

- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed the comparison index without a corresponding increase in performance above the index.

- Achieve the above objectives within a time horizon of five to ten years or a full real estate market cycle.

V. STATE MANDATED REQUIREMENTS

1. EXPECTED ANNUAL RATE OF RETURN. For each actuarial valuation, the board shall determine the total expected annual rate of return for the current year, for each of the next several years, and for the long term thereafter. This determination must be filed promptly with the Department of Management Services and with the plan's sponsor and the consulting actuary.

2. THIRD-PARTY CUSTODIAL AGREEMENTS. The securities should be held with a third party, and all securities purchased by, and all collateral obtained by, the board should be properly designated as an asset of the board. No withdrawal of securities, in whole or in part, shall be made from safekeeping except by an authorized member of the board or the board's designee. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure ~~that~~ the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

3. MASTER REPURCHASE AGREEMENT. All approved institutions and dealers transacting repurchase agreements shall execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to requirements of the Master Repurchase Agreement (where applicable).

4. BID REQUIREMENT. The board shall determine the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investment, and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the most economically advantageous bid must be selected.

5. INTERNAL CONTROLS. The board shall establish a system of internal controls which shall be in writing and made a part of the board's operational procedures. The policy shall provide for review of such controls by independent

certified public accountants as part of any financial audit periodically required of the board's unit of local government. The internal controls should be designed to prevent losses of funds which might arise from fraud, error, misrepresentation by third parties, or imprudent actions by the board or employees of the unit of local government.

6. CONTINUING EDUCATION. The continuing education of the board members in matters relating to investments and the board's responsibilities is required.

7. REPORTING. Appropriate annual or more frequent periodic reports of the investment activities shall be prepared for submission to the City Council. The reports shall include investments in the portfolio by class or type, book value, income earned, and market value as of the report date. Such reports shall be available to the public.

8. FILING OF INVESTMENT POLICY. Upon adoption by the board, the investment policy shall be promptly filed with the Florida Department of Management Services and the City of Port Orange and consulting actuary. The effective date of the investment policy, and any amendment thereto, shall be the 31st calendar day following the filing date with the City of Port Orange.

9. VALUATION OF ILLIQUID INVESTMENTS. Illiquid investments for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism shall be valued in accordance with Section 215.47(6), Florida Statutes, when those investments are utilized. Any asset without a fair market value shall be excluded from the determination of annual funding costs. The Board shall notify the Florida Department of Management Services and the City of Port Orange of each such asset.

VI. <u>REVIEW OF INVESTMENT MANAGERS</u>

The Board will meet at least semiannually with the consultants. Additionally, the Board will review investment results quarterly.

These reviews will focus on:

- the managers' adherence to the policy guidelines;
- comparison of managers' results against funds using similar policies (in terms of the diversification, volatility, style, etc.);
- the opportunities available in equity and debt markets; and

- material changes in the managers' organizations, such as philosophical and personnel changes, acquisitions or losses of major accounts, etc.

VII. PERFORMANCE EXPECTATIONS

The most important performance expectation is the achievement of investment results consistent with the Plan's investment policy statement. A 4.0% real return is a reasonable expectation in light of this policy. The Board recognizes this real return objective may not be attainable during some time periods, it is a long term goal. In order to ensure investment opportunities available over a specific time period are fairly evaluated, the Board will use comparative performance statistics to evaluate investment results. Performance of the Plan will be compared to other funds utilizing a similar investment policy.

VIII. FIDUCIARY AND OTHER RESPONSIBILITIES

The Investment Manager shall carry out its duties with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. The Investment Manager shall discharge its duties hereunder solely in the interest of the Pension Fund’s participants and beneficiaries for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Pension Fund’s retirement plan. The Investment Manager shall diversify the assets in the account so as to minimize the risk of large losses. The Investment Manager, by execution of this Agreement, acknowledges it is a fiduciary with respect to the Pension Fund and a named fiduciary within the meaning of Section 112.656(2), Florida Statutes.

IX. POLICY REVIEW

Periodic reviews of the Policy Statement will be made by the Board to evaluate its appropriateness. Any modification of policy guidelines shall be approved by the Board of Trustees and acknowledged in writing by the investment managers.

Adopted ________________ Signed ________________________________
Date Chairman

Investment Manager's Acknowledgment

I, the undersigned, acknowledge I have received the policy statement for the City of Port Orange Police Pension Fund, dated ~~August 19, 2016~~ February 17, 2017. I affirm I have read and understand said Policy Statement, and do hereby agree to abide to the guidelines expressed in the Policy Statement.

Name of Firm

Signed Date

FREIMAN LITTLE ACTUARIES

May 11, 2017

Karan Rounsavall
Pension Administrator, City of Port Orange Police Pension Fund
3695 Indian River Drive
Cocoa, FL 32926

Re: Fee Proposal for Experience Review

As requested by the Board of Trustees (the Board) for the City of Port Orange (the City) Police Pension Fund (the Plan), this letter provides a fee proposal for our firm to complete an experience review of the Plan to help determine appropriate actuarial assumptions. The previous experience review was performed as of 2006.

Background

In a defined benefit pension plan, the true cost of a plan will only be known after the last benefit that will be paid from the plan has been paid. To determine the appropriate amount to contribute each year to fund the benefits, the actuarial model needs demographic assumptions (death, termination, etc.) and economic assumptions (investment return, salary growth, etc.). Periodically the Board should direct the actuary to review how the assumptions have performed compared to actual experience and recommend appropriate changes.

Scope of Services

Some assumptions have a greater impact on the assumed cost of the Plan than others. However, all assumptions should be appropriate. We will review the experience for a five year period of all the major demographic assumptions (mortality, termination, disability, and retirement) and economic assumptions (investment return, individual salary growth, and aggregate payroll growth). Our report will provide an explanation of each assumption, a discussion of how well each assumption has compared to actual results, and an explanation of any recommended changes in each assumption. We will also provide the Board with estimated valuation results (as of October 1, 2016) based on our recommendations and provide tables showing these results before and after the recommended changes. Our fee for this review is $5,500.

Please let us know if you have any questions or need any additional information.

Sincerely,

Chad M. Little, ASA, EA
Partner, Consulting Actuary

KEEPING THE PENSION PROMISE

FPPTA 33rd ANNUAL CONFERENCE

Omni Orlando Resort at ChampionsGate

June 25 - 28, 2017

FPPTA®
FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION
SINCE 1984

Saturday, June 24th	2:00 PM Board of Directors Meeting
Sunday, June 25th	**Conference Theme: "Keeping the Pension Promise"**
8:00 AM	**Associate Charitable Golf Classic**
2:00—6:00 PM	**Exhibitors Set Up**
3:-00—6:00 PM	**Conference Registration**
5:00—7:00 PM	**Welcome Gathering**
Monday, June 26th	
8:30—9:15 AM	**Opening Ceremonies** **Raymond T. Edmondson Award** **CPPT Awards**
7:30—8:30 AM	**Continental Breakfast in Exhibit Hall** (Closed during opening ceremonies)
9:15—12:30 PM	**Exhibit Hall Open ...Networking Opportunities**
9:15—10:00 AM	**The New World Order** *Suzette Rothberg, Invesco*
10:05—10:35 AM	**Florida League of Cities: Position on DB Plans** *Michael Sittig, Executive Director*
10:35—11:30 AM	**Morning Break in Exhibit Hall ...Networking Opportunities**
11:30—12:30 PM	**Keeping the Pension Promise: Public Pension Industry Panel** *Hank Kim, Executive Director, NCPERS* *Diane Oakley, Executive Director, NIRS* *Alex Brown, Director of Research, NASRA*
12:30—2:00 PM	**Lunch Break (Exhibit Hall Closed for Lunch)**
2:00—4:30 PM	**Exhibit Hall Open ...Networking Opportunities**
12:30—3:15 PM	**Administrators' Certificate Program**
Afternoon Breakout Sessions	
2:10—2:40 PM	Breakout I - **Financial Challenges of Retiree Health Care** *TBA, Leroy Collins Institute* Breakout II - **Florida Division of Retirement Update** *Elizabeth Stevens, Director* Breakout III - **Florida Legislative Update** *Ron Cohen, Rice Pugatch Robinson & Schiller*
2:45—3:15 PM	Breakout I - **Financial Challenges of Retiree Health Care** *TBA, Leroy Collins Institute* Breakout II - **Florida Division of Retirement Update** *Elizabeth Stevens, Director* Breakout III - **Florida Legislative Update** *Ron Cohen, Rice Pugatch Robinson & Schiller*
3:30 PM	**Afternoon Break and Daily Raffle ...In Exhibit Hall**

Tuesday, June 27th – FPPTA Morning Show

7:30—12:30 PM	**Exhibit Hall Open**
7:30—8:30 AM	**Continental Breakfast in Exhibit Hall**
8:30—8:45 AM	**Insight & Perspective** (*Kim Ryals, MJ Chwalik, Peter Hapgood* and *Sean McKinstry*)
8:45—9:10 AM	**FPPTA News Hour** (*Sue Marden* and *Fred Nesbitt*) *Jacksonville F&P Pension Plan ...The Rest of the Story*
9:10—10:00 AM	**Around the Industry** (*Kim Ryals* and *Peter Hapgood*) *Video & Live presentations (Actuaries)* *(10) Actuarial Concepts*
10:00—11:00 AM	**Morning Break in Exhibit Hall ...Networking Opportunities**
11:00—12:30 PM	**Ongoing Debate ...Keeping Our Pension Promises** **(Moderators: Mike Spencer & David West)** *Brad Heinrichs, Foster & Foster* *Michael Welker, AndCo Consulting* *Ron Ryan, Ryan ALM* *Mark Meyer, AON Consulting*
12:30—2:00 PM	**Lunch Break (Exhibit Hall closed for lunch)**
2:00—5:00 pm	**Exhibit Hall Open ...Networking Opportunities**
2:00—3:10 PM	**Administrators Certificate Program (cont.)**
2:10—3:10 PM	**Afternoon Roundtables** ***Chapter 112 Plans*** *(Moderators: Phyllis Shaw –Dwight Mattingly)* ***Chapter 175 Plans*** *(Moderators: Warren West – Tim Olsen)* ***Chapter 185 Plans*** *(Moderators: Dave Puscher – Steve Corbett)*
3:15—4:00 PM	**FPPTA Annual Membership Meeting**
4:00—5:00 PM	**Afternoon Break and daily raffle prizes in Exhibit Hall**
5:00—8:00 pm	**Exhibit Hall Closed ...Exhibitor booth breakdown**

Wednesday, June 28th

7:30 – 8:45 AM	**FPPTA CPPT Breakfast**
7:45—8:45 AM	**Continental Breakfast in the Ballroom Foyer**
8:45 – 8:55 AM	**Administrators Certificate Program Awards & Recognition**
9:00 – 10:00 AM	**Impact of Social Media** *Jennifer Golbeck, Professor, University of Maryland*

Upcoming Events:

June 25—28, 2017
33rd Annual Conference
& Exhibit Hall

October 8—11, 2017
Fall Trustee School

January 26—31, 2018
Winter Trustee School

June 24—27, 2018
34th Annual Conference
& Exhibit Hall