CITY OF PORT ORANGE GENERAL EMPLOYEES' RETIREMENT PLAN
QUARTERLY MEETING MINUTES
September 27, 2021

ROLL CALL:
The meeting of the City of Port Orange General Employees' Retirement Plan was called to order by Chairman Peter Ferreira at 2:00 p.m. on September 27, 2021 in the 2nd Floor Training Room, City Hall 1000 City Center Circle, Port Orange, FL.

TRUSTEES PRESENT:
Chairman Peter Ferreira, Melissa Hicks, Scott Stiltner, Scott Neils, Heather Carrizales, Michael H. (Jake) Johansson and Robin Hayes

ABSENT AND EXCUSED:
Jamie Miller

OTHERS PRESENT:
Peter Prior and Mei Fang of Benefits USA, Inc.; Brent Chudachek, Fund Attorney; Dave Leonard, Actuary; Jeff Swanson of Southeastern Advisory

APPROVAL OF MINUTES:
July 26, 2021 – Quarterly Meeting
Chairman Ferreira asked the Members if there were any corrections, additions, or deletions with the minutes of July 26, 2021 Quarterly Meeting. Ms. Fang reported that the Board Attorney made some changes subsequent to the meeting packets being sent and that she will highlight and send the revised minutes as well as the original to the Board members for their records.

Member Johansson moved to approve the minutes as presented and revised by the Board Attorney. Member Stiltner seconded the motion and the motion passed.

2021 Employee Pension Fund Annual Conference
Chairman Ferreira asked the Members if there were any corrections, additions, or deletions with the minutes of the 2021 Employee Pension Fund Annual Conference. Member Johansson moved to approve the minutes as presented. Member Stiltner seconded the motion and the motion passed.

PARTICIPANT/PUBLIC PARTICIPATION:

There was no participation from the public at this time.

FINANCIALS:

July & August 2021 – Dave Leonard

Actuary Dave Leonard reviewed the financials with the Board. It was noted that the market value of the Fund is $43,293,511.04, an increase of $555,853.16 for the Month. Receipts for the month totaled $2,741,306.93 versus total disbursements of ($2,285,306.00). Payments to retirees and other participants totaled ($215,168.37). The Cash balance as of August 30, 2021, was $1,043,211.61 in the Cash account. Chairman Ferreira reported that the yield for the month is 1.58%.

Southeastern Advisory – Jeff Swanson

Mr. Swanson reviewed the investment performance report for the period ending June 30, 2021. Inflation continues to accelerate in 2021 and it is unclear as to whether this is the beginning of a persistent trend or one effect of a rapidly reopening economy. U.S. CPI is up 6.5% (annualized) YTD through May, largely due to a spike in energy prices, with oil up more than 50%. Fed Chair Jerome Powell believes that price increase will wane, saying that current pressure points "don't speak to a broadly tight economy." Though not typically large contributors to overall inflation used car and truck prices, which were up 10% in April and another 7% in May, provide some evidence of potentially transitory spikes. Real GDP grew by an annualized 6.4% during the first quarter of 2021 and is now just (0.9%) below its pre-COVID high. The largest contributor to growth was personal consumption which was up 11.4% for the quarter, which added 7.4% to the increase in real GDP. Strong household and business spending actually detracted from growth in other facets of GDP. Businesses had to draw down inventories and increasing demand for imports acted as detractors to growth. The Atlanta Fed's GDP forecast for the second quarter currently now stands at 8.3%.

Mr. Swanson reported that the value of the Fund's portfolio as of June 30, 2021, was $42,335,147. The Total Fund returned 5.2% for the second quarter which was 0.5% higher than the target Index of 5.7% and ranked 46% of Total Public Fund Sponsors, 28.1% for the one year, and 12.9% for the past three years on an annualized basis. The asset allocation is 54.0% Domestic Equity, 14.2% Fixed Income, 12.5% International Equity, 17.6% Real Estate and 1.6% Cash. Total Domestic Equities' return was 7.7% which was 0.8% below the S&P 500 Index of 8.5%. Total Fixed Income returned 0.9% which was 0.8% below to the Barclays Aggregate Index of 1.8%. Total International Equities' return was 6.9% which was 1.7% above to the MSCI EAFE Index of 5.2%. Total Real Estate's return was 3.6% which was equal to the NCREIF Property Index of 3.6%.

Mr. Swanson reported that the Manager Allocation is 16.1% managed by Highland Capital, 13.2% managed by Atlanta Cap, 5.1% managed by Euro-Pacific Growth, 7.5% managed by Vanguard Global, 17.7% managed by Principal Real Estate, 26.0% managed by Mellon Company and 14.5% managed by Integrity.

Mr. Swanson commented that in the past Highland Capital would attend most quarterly meetings since they were the only investment manager, but now there are seven managers investing on behalf of the Pension. He reported that Highland Capital has requested that going forward, they are not required to attend each quarterly meeting and will instead attend specific meetings per the Board's request. The Board acknowledged the request.

Mr. Swanson reviewed the existing Real Estate allocation that includes only the Principal Core Real Estate Fund. Based on changes to the Real Estate market post-COVID and the larger size of the Pension Fund assets; Southeastern recommends increasing diversification across additional managers and Funds. Of the eleven managers that have passed Southeastern's diligence, TA Core and Principal Core Plus Funds were identified as complementing the Board's legacy Fund. The addition of the additional funds would serve to increase the weightings in industrial and multi-family sectors. Mr. Swanson recommended a $3M allocation to TA Realty and $3M to Principal Core Plus. Approximately $3M would be ultimately remaining in the legacy Principal Core Fund.

Fund Attorney Brent Chudachek noted that he has worked with all these Funds, but it could be contentious as most Firms will not amend their standard documents. There is a solution to some Firms that work in Florida and it is called a "Side Letter" which is very common in Florida. Attorney Chudachek noted that the TA Realty and Principal investments are comingled Fund with hundreds of pages to review, which takes significant time and back and forth with the other parties. He suggested that the diversification transfer should be done after his review and approval of the Side Letters for those two companies and he will do his best to get the most favorable terms that Principal and TA Realty's attorneys will agree to in the Side Letters. Member Stiltner moved to approve the recommendation from Southeastern Advisors to diversify further with the real estate portfolio. Member Johansson seconded the motion and the motion passed.

<u>UNFINISHED BUSINESS:</u>

Discussion of Lowering the Assumed Rate of Return – Dave Leonard

Actuary Dave Leonard noted if the Board is going to lower the Assumed Rate of Return, this would be a good time to do it with the higher returns the Plan is experiencing. Actuary Leonard suggested to spread the cost over a three-year time frame. Ultimately it is the Board's decision to lower the assumed rate of return. Member Robin Hayes noted that the other Plan she was a member of lowered their assumption to 6.5%. After further discussion, it was decided to discuss this issue at the next quarterly meeting. Administrator Mei Fang suggested that the Board table this until the 2021 Valuation is presented and the Board could see all the costs at that time. The Chair and Board agreed and this item will be on the February meeting Agenda.

NEW BUSINESS:

Actuary Updated Contract

Actuary Dave Leonard commented on the contract and thanked the Board Attorney Brent Chudachek for his input. Actuary Dave Leonard reviewed his contract with the Board regarding the changes and asked the Board if they had any questions. Member Heather Carrizales commented that fees charged by him are significantly lower than the other two Pension Funds and wants to be sure he is being fairly compensated. Actuary Dave Leonard said that he is and thanked the Board for their concern.

Member Johansson moved to approve the contract as submitted. Member Stiltner seconded the motion and the motion passed.

CONSENT AGENDA:

For Ratification:

Warrant #171

Benefits USA, Inc. (Admin Fees 08/2021)	$ 2,500.00
LORIUM PLLC (Ste 32)	$ 137.50
BNY Mellon, N. A. (2nd Qtr. 2021; INV #146947)	$ 13,693.13

For Approval:

Warrant #172

Benefits USA, Inc. (Admin Fees 09/2021)	$ 2,500.00
LORIUM PLLC (Ste 33)	$ 1,265.00

Hearing and seeing no changes, Member Johansson moved to approve Warrant #171 and Warrant #172. Member Stiltner seconded the motion and the motion passed.

DISTRIBUTIONS:

For Ratification:

Voluntary Plan

Julia Wiggins	Total Withdrawal	$ 1,482.84

For Approval:

Mandatory Plan

Shawn Eisenman	Total Withdrawal	$ 30,470.00

The Members reviewed the paperwork for the above distributions and noted that the paperwork is in order. Member Carrizales moved to approve the distributions as noted above. Member Johansson seconded the motion and the motion passed.

REPORT:

Comments from Attorney:

No further comments

Administrator

Mr. Prior provided an update on the January 23-26, 2021 Winter Trustee School and noted that if anyone needs CEU credits, the FPPTA is also having a virtual class as well.

NEXT MEETING DATE:

October 25, 2021@2:00 p.m. – Regular Meeting

ADJOURNMENT:

The meeting adjourned at 2:59 p.m.

12/15/21

Chairperson **Date**