CITY OF PORT ORANGE GENERAL EMPLOYEES' RETIREMENT PLAN
QUARTERLY MEETING MINUTES
July 26, 2021

ROLL CALL:
The meeting of the City of Port Orange General Employees' Retirement Plan was called to order by Chairman Peter Ferreira at 12:00 p.m. on July 26, 2021 in the 1st Floor – City Council Chambers, 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 Interim Deputy City Manager Jamie Miller

ABSENT AND EXCUSED:

OTHERS PRESENT:
Peter Prior of Benefits USA, Inc.; Brent Chudachek, Fund Attorney; Dave Leonard, Actuary; Jeff Swanson of Southeastern Advisory and James Robinson of First State Trust Company

APPROVAL OF MINUTES:
June 21, 2021 – Regular Meeting
Chairman Ferreira asked the Members if there were any corrections, additions, or deletions with the minutes of June 21, 2021. Member Johansson moved to approve the minutes as amended. Member Neils seconded the motion and the motion passed.

PARTICIPANT/PUBLIC PARTICIPATION:
There was no participation from the public at this time.

FINANCIALS:
June 2021- Dave Leonard Report
Actuary Dave Leonard reviewed the financials with the Board. It was noted that the market value of the Fund is $42,546,967.29, an increase of $261,246.67 for the Month. Receipts for

the month totaled $1,587,654.44 versus total disbursements of ($1,300,041.92). Payments to retirees and other participants totaled ($472,003.82). The Cash balance as of June 30, 2021, was $685,766.83 in the Cash account. Chairman Ferreira reported that the yield for the month is 1.51%.

Southeastern Advisors

Mr. Swanson reviewed the investment performance report for the period ending March 31, 2021. Inflation indexes have been on the rise during the past few months, with growth rates meaningfully above 2%. Part of the jump in prices is due to depressed prices six months earlier, but the most recent observation suggests that there are new inflationary pressures within the U.S. economy. A jump in energy prices accounted for more than two-third of the increase in the Producer Price Index (PPI) in February, while both gasoline and food prices weigh on consumers. The big question with the accelerating PPI is whether goods producers will be able to increase prices while the labor market continues to recover. Investors are expecting at least some continues inflation as the 10-years breakeven inflation rate equaled 2.4% at quarter-end, the highest level in more than five years. Fed Chair Jerome Powell does not expect much higher inflation in the near-term and the Federal Reserve will likely remain patient regardless of price increase above their 2% target.

Mr. Swanson reported that the value of the Fund's portfolio as of March 31, 2021, was $40,922,744. The Total Fund returned 3.8% for the first quarter which was 0.8% higher than the target Index of 3.0% and ranked 49% of Total Public Fund Sponsors, 37.6% for the one year, and 11.9% for the past three years on an annualized basis. The asset allocation is 53.5% Domestic Equity, 15.5% Fixed Income, 12.1% International Equity, 17.6% Real Estate and 1.3% Cash. Total Domestic Equities' return was 6.1% which was 0.1% below the S&P 500 Index of 6.2%. Total Fixed Income returned (1.1%) which was 3.2% above to the Barclays Aggregate Index of (4.3%). Total International Equities' return was 2.8% which was 0.7% below to the MSCI EAFE Index of 3.5%. Total Real Estate's return was 2.4% which was 0.7% above to the NCREIF Property Index of 1.7%.

Mr. Swanson reported that the Manager Allocation is 16.2% managed by Highland Capital, 13.0% managed by Atlanta Cap, 4.9% managed by Euro-Pacific Growth, 7.2% managed by Vanguard Global, 17.6% managed by Principal Real Estate, 25.1% managed by Mellon Company and 16.0% managed by Integrity.

Mr. Swanson updated that the value of the Fund's portfolio as of July 23, 2021, was $42,758,314 and FYTD Returned 9.5%. Mr. Swanson suggested that the Fund revise the Rebalancing Instructions to raise $2,000,000.00 from The Boston Company Equity Account transferred into Integrity Fixed Income Account. Member Stiltner seconded the motion and the motion passed. Mr. Swanson suggested that First State Bank is to maintain a targeted balance of $500,000.00 in the R&D account. Should the balance fall below this level, First State is authorized to contact and request that cash is raised 100% from The Boston Company Equity Account. Excess balances above $600,000.00 are to be transferred into the Integrity fixed income account. It is the intent to limit the frequency of rebalancing between accounts no more than once per quarter. Member Johansson moved to approve the Rebalancing Instructions as suggested. Member Stiltner seconded the motion and the motion passed.

UNFINISHED BUSINESS:

Discussion of Lowering the Assumed Rate of Return – Dave Leonard

Chairman Ferreira said that this item was moved from the last quarterly meeting agenda. Member Johansson asked what will happen if the Pension Fund got 100% funded? Actuary Dave Leonard answered that it will reduce both employees' and City's contribution.

Mr. Swanson said that he suggested lowering the assumed Rate of Return from 6.75% to 6.00%. Mr. Swanson reviewed the Pension Fund Absolute Return Objective is 6.75% since 2016 which was already equal to the current Assumed Rate of Return of 6.75%. Mr. Swanson said he is concerned that if the Market continued to perform well, then it is easier to lower the rate from the 6.75%. This is the reason that he suggested the Board lower the Assumed Rate of Return from 6.75% to 6.00%. The Board Actuary, Mr. Leonard, reviewed his interest rate study and the impact of a potential change in rates from 6.75% to 6.00%. The one-year change in the contribution rate would be 13.7% of payroll, or about $480,000.00. The change could be phased in over three or five years and other experience factors would modify the ultimate increase by the end of the phase in period. There was discussion concerning the lowering of the assumed Rate of Return from 6.75% to 6.00% or 6.5%. After further discussion, it was decided to discuss this issue at the next quarterly meeting. Member Johansson moved to table this item to next quarterly meeting agenda. Member Carrizales seconded the motion and the motion passed.

Letter to Retiree Marceda Zurawski

Chairman Ferreira reviewed the Letter with the Board and asked whether Retiree Marceda Zurawski received the letter. Administrator Pete Prior reported that Ms. Zurawski received the letter and called back to Administrator Mei Fang, Ms. Fang explained the Pension Fund Policy with her and she abided with Pension Board's decision.

Michael Madorma – Revised Early Retire Payment for Approval

Mr. Michael Madorma wanted to change his retirement date from 9-20-2021 to 9-30-2021. Chairman Ferreira reviewed the documents reflecting the revised early retirement payment for Mr. Michael Madorma. Member Johansson moved to approve the retirement payment for Mr. Madorma. Member Neils seconded the motion and the motion passed.

NEW BUSINESS:

Election of Vice Chair

Member Johansson nominated Member Melissa Hicks as a Vice Chairperson. Member Stiltner seconded the nomination. After hearing and seeing no further nominations Member Melissa Hicks is elected by acclimation.

CONSENT AGENDA:

For Approval:

Warrant #170

Benefits USA, Inc. (Admin Fees 06/2021plus Postage)	$ 2,506.96
LORIUM PLLC (Ste 31)	$ 577.50
Southeastern Advisory (Investment Consulting Services: INV #2102)	$ 5,272.00
Integrity Fix Income Management (2nd Qtr'21; INV #187316)	$ 3,931.02
Highland Capital Management (3rd Qtr'21 Mgmt. Fees; INV 28140)	$ 8,484.04
First State Trust (2nd Qtr'21 Custodial Services)	$ 4,500.00
David G. Leonard A.S.A. (Actuarial Services: INV #21-052)	$ 2,850.00
Cynthia Betts (Reimb. For FPPTA Conference Travel Expense)	$ 767.14

Hearing and seeing no changes, Member Johansson moved to approval Warrant #170. Member Neils seconded the motion and the motion passed.

REPORT:

Comments from Attorney:

Attorney Chudachek welcomed the new Trustee Melissa Hicks. Attorney Chudachek gave Ms. Hicks a brief overview and explanation regarding the Florida Sunshine Law. He reminded Ms. Hicks that Trustees should never talk to other Trustees on the Board outside of our noticed public meetings pertaining to any matters, which may come before the Board. Attorney Chudachek reminded the Board that Trustees should not send emails directly to other Trustees if the communication would relate to any matters that may come before the Board. Trustees can certainly email the Plan Administrator or other service providers directly if they have questions, but don't include other Trustees on those emails.,

Committee Members

Chairman Peter Ferreira said that he found there is some language in the Ordinance that is very confusing to him. Member Carrizales explained this was caused when the City set up the new DB Pension Plan on 2003 and the Ordinance did not clear the langrage from the old ordinance. After further discussion, Fund Attorney Chudachek suggested that this issue should go to the City Attorney first for consideration. If there are any issues that need to be added, amended or removed by the City Attorney, City Attorney can make the changes, send to him for review and then the Board can approve all the changes together in order to save on fees for the Board.

Administrator
Actuary Dave Leonard said that his contract was expired on 2020. Chairman Peter Ferreira asked Actuary Dave Leonard to send his updated new Contract to Administrator to list on September Meeting Agenda. Mr. Prior also reminded Actuary Dave Leonard to complete his company's E-Verify registration.

ADJOURNMENT:
The meeting adjourned at 1:32 p.m.

Chairperson

9/28/21
Date