CITY OF PORT ORANGE GENERAL EMPLOYEES RETIREMENT PLAN
QUARTERLY MEETING MINUTES
JULY 25, 2016

ROLLCALL:
The quarterly meeting of the City of Port Orange General Employees Retirement Plan was called to order by Chairperson Donahue at 2:00 p.m. on July 25, 2016 in 2nd Floor Training Room, City Hall 1000 City Center Circle, Port Orange, FL.

TRUSTEES PRESENT:
Chairperson Kent Donahue, Linda Johnson, Lynn Hadley, and Lori Young

ABSENT AND EXCUSED:
Council Member Scott Stiltner, Peter Ferreira, and Tracey S. Riehm

OTHERS PRESENT:
Pete Prior of Benefits USA, Inc., Jeff Swanson of Southeastern Advisory, Grant McMurray of Highland Capital, and David Leonard, Board Actuary, Debbie Culpepper, employee, John Shelley, retiree and Chris Barnes, employee.

PARTICIPANT/PUBLIC PARTICIPATION:
None at this time

APPROVAL OF MINUTES
March 28, 2016 – Quarterly Meeting
April 25, 2016 – Regular Meeting
May 23, 2016 – Regular Meeting

Chairperson Donahue asked the Members if they have any issues with the three minutes, corrections, additions, or deletions. Member Johnson moved to approve the minutes of March 28, April 25 and May 23, 2016 Meeting as written. Chairman Donahue seconded the motion and the motion passed.

UNFINISHED BUSINESS

Legal Suggestions for Voluntary Employee Contribution Fund

Chairperson Donahue reviewed all the correspondence between Fund Attorney James Loper and Administrator Pete Prior. Mr. Prior indicated that he did forward all the correspondence to the entire Board few weeks before for study. Member Johnson said the Attorney gave a very clear opinion that the Pension Board did not have the right to apply the fee or ask Retirees and resigned members to rollover their money. Member Johnson moved to have Benefits USA draft a letter to the members that the board rescinded the fee and distribution requirements, with a draft of the letter to go to the chairman for review. Member Hadley seconded the motion and the motion passed.

FINANCIALS:

June 2016 – Dave Leonard

Mr. Leonard reviewed the financials with the Board. Mr. Leonard noted the market value of the Fund is $30,135,486.98, an increase of $29,480.93. Receipts for the month totaled $1,018,856.12 versus total disbursements of $1,294,848.80. Payments to retirees and other participants totaled $161,265.75. The balance as of June 30, 2016 was $651,534.36 in the Cash account. Mr. Leonard reported that the yield for the month is 0.24%.

Member Johnson moved to accept the June reports as provided. Member Young seconded the motion and the motion passed.

Highland Capital – Grant McMurray

Mr. Grant McMurray distributed an additional handout about the performance of the Fund. As of June 30, 2016, the City of Port Orange General Employees Retirement Pension Fund's Highland Capital Management balanced account was valued at $6,998,660.00. For the second quarter, the Highland Capital Management balanced portfolio returned 3.16% which was 1.42% lower than the Index of 4.58%; 10.68% for one year, and10.53% for the past five years on an annualized basis. It was noted that the asset allocation is as follows: 97.5% in Value and 2.5% in Cash/Cash Equivalents. The top three holdings by sector are as follows: Financials, 25.3% of the portfolio returned 2.9%; Info Tech, 11.9% of the portfolio returned 0.6%; and Consumer Staples, 11.3% of the portfolio returned 5.0%.

Mr. McMurray reported despite all the drama of the quarter, our quantitative model was mostly quiet, continuing its preference for more defensive positioning. The performance result was as one might expect, a return lower than the upward advance of the Russell Value Benchmark. Model suggested overweight's are currently: Capital Goods, Telecommunications, Consumer Cyclical and Utilities. Conversely, the underweight remain in Energy and Financials due to the comparatively less favorable valuation and profit outlook picture.

Southeastern Advisory – Jeff Swanson

Mr. Swanson reviewed the investment performance report for the period ending March 31, 2016. The first quarter of 2016 began with market extending the bear market begun in early December, as China's economic slowdown and slumping oil prices renewed fears of global recession. In fact, U.S. stocks briefly entered correction territory by falling -13.6% from a near-term high close on December 1, 2015 to its recent low close on February 11 (-11.0% year-to-date). Happily, U.S. stocks then staged a strong rally, surging 13.7% through the end of the quarter, economic data came in stronger than expected, crude oil prices managed to reverse course, and the Bank of Japan joined the European Central Bank in adopting a negative overnight interest rate policy. Real GDP growth continued to slow during the fourth quarter of 2015, expanding 1.4% annualized. The Consumer Price Index, All Urban Consumers rose 0.7% in the first quarter. The Federal Reserve adopted a more cautious stance at their March meeting. The Fed Funds Rate went unchanged while their median projection for year-end 2016 dropped to below 1%, which would translate to two rate increases at the current pace.

Mr. Swanson reported that the Fund portfolio value as of March 31, 2016 was $29,738,518. The Total Fund returned 0.8% for the first quarter which was 0.5% lower than the target Index of 1.3% and ranked 73% of Total Public Fund Sponsors, 1.6% for one year, and 8.0% for the past three years on an annualized basis. The asset allocation is 55.5% Domestic Equity, 19.3% Fixed Income, 9.0% International Equity, 13.0% Real Estate and 3.2% Cash. Total Domestic Equities' return was 0.2% which was 1.1% below to the S&P 500 Index of 1.3%. Total Fixed Income returned 3.7% which was 0.7% higher than the Barclays Aggregate Index of 3.0%. Total International Equities' return was -1.2% which was 1.8% higher than the MSCI EAFE Index of -3.0%. Total Real Estate's return was 1.8% which was 0.4% lower than the NCREIF Property Index of 2.2%.

Mr. Swanson reported that the Manager Allocation is 23.7% managed by Highland Capital, 8.5% managed by Atlanta Cap, 4.2% managed by EuroPacific Growth, 4.9% managed by Vanguard Global, 13.1% managed by Principal Real Estate, 25.4% managed by Boston Company and 20.1% managed by Integrity.

Investment Advisor Mr. Swanson suggested rebalancing the portfolio: Highland Capital and The Boston Company needs to raise $500,000.00 in each and transfer the total $1,000,000 to Integrity Fixed Income. Motion by Member Johnson to accept the recommendation of the consultant rebalancing the portfolio. Member Hadley seconded the motion and the motion passed.

NEW BUSINESS:

State Letter for Fund Actuary Valuation

Mr. Leonard reported that he received an email regarding the Plan Valuation from State Division of Retirement, a suggestion made by the state is to lower the discount rate used by the Plan. The investment return assumption used in the October1, 2013 and October1, 2014 valuations was 7.50%. based on the Plan's target asset allocation specified in item #4 in the notes to the financial disclosures per GASB 67, the assumptions for long-term expected real rates of return specified in item #8 in the GASB 67 notes, and the inflation assumption of 2.25%, state consider an interest rate in the range of 6.5% to 7.00% to be a more reasonable expectation of the future long-term geometric average annual return. The State also noted that the Plan Valuation was approved as submitted. After further discussion about the interest rate, Mr. Leonard said he need more study for Pension Fund, then give a clear suggestion later.

Allison Antenberg – Beneficiary of Deceased Retiree Margaret Sneddon Payment for Approval
Chairperson Donahue reviewed the documents reflecting the Death Benefits payment for Ms. Allison Antenberg. Member Johnson moved to approve the Beneficiary Allison Antenberg's payment. Member Young seconded the motion and the motion passed.

DROP Application and Payment for Thomas Troutman
Chairperson Donahue reviewed the documents reflecting the DROP payment for Thomas Troutman. Member Johnson moved to approve the DROP payment for Thomas Troutman. Member Young seconded the motion and the motion passed.

Probate Procedures
Chairperson Donahue reviewed the Probate Procedures' information provided by Fund Attorney James Loper which on behalf of deceased retiree Mr. Recardo Wilker who retired in April 2015 and deceased in August 2015. Mr. Prior reported that Administrator Mei Fang followed up with Mr. Wilker's cousin, and there is no any movement for this case. After further discussion, Member Johnson moved to have Fund Attorney James Loper take care the Probate Procedures for deceased retiree Recardo Wilker. Member Young seconded the motion and the motion passed.

CONSENT AGENDA:
For Approval:
Warrant#115

Benefits USA, Inc. (Admin Fees 6-7/2016; INV #POG087)	$ 5,000.00
Integrity Fix Income Management (2nd Qtr '16 Mgmt Fees; INV #2024)	$ 3,801.57
Southeastern Advisory (Investment Consulting Services: INV #1602)	$ 4,784.00
Highland Capital Management (3rd Qtr '16 Mgmt Fees; INV #12815)	$ 8,736.27
David G. Leonard, A.S.A. (Actuarial Services: INV #16-027)	$ 4,650.00
James Loper (STMT #37 dated 04/01/16)	$ 799.50

Member Hadley moved to approve Warrant #115. Member Johnson seconded the motion and the motion passed.

DISTRIBUTIONS:
Mandatory Plan

Chase Routte	Total Withdrawal	$ 4,161.80

Member Johnson moved to approve the distribution for the above. Member Young seconded the motion and the motion passed.

REPORTS:

Comments from Committee Members

Member Johnson said that she had a concern about whether the pension Board could include Retirees. The reason is Trustee education expenses. Member Johnson explained that some well educated Board Member retired and must leave Pension Fund by current policy, that was wasted the Trustees Education Expenses which Pension Fund already paid. Administrator Pete Prior said the Board needs to change ordinance to included retirees in Pension Board.

Administrator

Administrator Pete Prior welcomed two new Trustees joined the Pension Fund; he verified that they received the New Trustees Packet from administration office. Member Lynn Hadley and Lori Young said yes.

Mr. Prior addressed the Board on the Sunshine Law. It was noted that Members cannot speak with one another on pension matters that may come before the Board. They should not send emails to each other asking questions, or phone calls. It is permissible to contact the administrator, the vendors, or attorney. Mr. Prior noted that if convicted it is up to 60 days in jail. Mr. Prior noted that if there is a question, the Members can ask the City Clerk or him for clarification.

Mr. Prior also introduced the FPPTA trustee education programs. Mr. Prior reported the upcoming FPPTA Trustee School is scheduled for September 25 – 28, 2016 at the Bonita Springs, Florida. Those that wish to attend please advise Benefits USA as soon as possible to register with the FPPTA. Member Lynn Hadley said that she wants to go and be included in CPPT program, Member Johnson move to allowed Member Lynn Hadley attend FPPTA fall Trustee School and enroll in CPPT program, Chairperson Donahue second the motion and the motion passed.

NEXT MEETING DATE:

August 22, 2016 – Regular Meeting

ADJOURNMENT:

The meeting adjourned at 3:50 p.m.

Kent Donahue
Chairperson

Aug. 22, 2016
Date