CITY OF PORT ORANGE GENERAL EMPLOYEES RETIREMENT PLAN
QUARTERLY MEETING MINUTES
September 19, 2016

ROLLCALL:

The quarterly meeting of the City of Port Orange General Employees Retirement Plan was called to order by Member Linda Johnson at 2:00 p.m. on September 19, 2016 in the 2nd Floor Training Room, City Hall 1000 City Center Circle, Port Orange, FL.

TRUSTEES PRESENT:

City Manager Michael H. (Jake) Johansson, Linda Johnson, Lynn Hadley, Lori Young, Council Member Scott Stiltner, Peter Ferreira and Tracey S. Riehm

ABSENT AND EXCUSED:

OTHERS PRESENT:

Pete Prior of Benefits USA, Inc., Jeff Swanson of Southeastern Advisory via phone, Grant McMurray of Highland Capital, and David Leonard, Board Actuary

PARTICIPANT/PUBLIC PARTICIPATION:

John Shelley, Retiree

APPROVAL OF MINUTES

August 22, 2016 – Quarterly Meeting

Member Linda Johnson asked the Members if they have any issues with the minutes, corrections, additions, or deletions. Member Young moved to approve the minutes of August 22, 2016 Meeting as written. Member Ferreira seconded the motion and the motion passed.

UNFINISHED BUSINESS

Audit Concerns:

Member Riehm noted that the Auditor has a few issues with the 2015 Pension Fund Audit. She referenced a copy of the Audit Report citing the three main issues all of which are repeat comments and listed as follows: 1) Preparation of Financial Statements; 2) Document retention of Personnel Files; 3) Creation and maintenance of a Policy Manual. Member Riehm asked what the pleasure of the Board regarding the issues is. We can wait for the Audit and see if it will continue to be an issue in the upcoming audit report.

Administrator Pete Prior said Benefits USA has a General Policy Manual for all their Clients and offered to use it as a template going forward. Member Riehm thanked Mr. Prior and asked if he would share with the Board at the next meeting. Mr. Prior said he will see what he can do for the next meeting.

Members Lynn Hadley and Lori Young asked if they could get a copy of the 2015 Pension Fund Audit. Mr. Prior said that he will ask Ms. Fang to email the 2015 Audit Report to them as soon as possible.

FINANCIALS:

August 2016 – Dave Leonard

Mr. Leonard reviewed the financials with the Board. Mr. Leonard noted the market value of the Fund is $30,682,280.59, a decrease of $88,513.43. Receipts for the month totaled $1,816,807.25 versus total disbursements of $2,139,732.59. Payments to retirees and other participants totaled $341,964.41. The balance as of August 31, 2016 was $698,028.20 in the Cash account. Mr. Leonard reported that the yield for the month is 0.31%.

Mr. Leonard suggested reducing the interest rate directly to 7% over a three-year period, instead of reducing from 7.5% to 7.35%, then 7.25%, finally going to 7.0%. After further discussion about the interest rate, the Board stated they would like more information and costs from Actuary and Investment Advisor.

Member Hadley moved to accept the August report as provided. Member Stiltner 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 a more defensive positioning. The performance result was as one might expect, a return lower than the upward advance of the Russell Value Benchmark. The Model suggested to overweight: 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.

Mr. McMurray reminded the Board that the month of September is usually volatile. Mr. McMurray noted that Highland Capital is up 12% for the year. It was noted that bonds earned 7% for one year according to the consultant report. Mr. McMurray compared the Plan's return against FRS and for the last three years; this Plan outperformed FRS for the three years reporting.

Southeastern Advisory – Jeff Swanson

Mr. Swanson reviewed the investment performance report for the period ending June 30, 2016 via phone. The second quarter of 2016 was uncertainty, primarily due to nervousness regarding the so-called Brexit referendum held in the UK on June 23, 2016. The final result, which found Brits narrowly deciding to leave the EU, sent global equities into a two-day sharp sell-off, with investors running for the safety of U.S. Treasuries and local-market sovereigns. As a result, yields plummeted for these safe-haven bonds; the yield on Germany's bellwether 10-year Bund, already trading at rock-bottom levels thanks to European Central Bank intervention, dipped below 0% in mid-June and more goods and services despite the strong dollar, which added to growth. In June, the Federal Open Market Committee specifically pointed to weaker global economic growth indicators, lackluster U.S. payroll growth and declining productivity as signals against raising interest rates. Despite solid performance in in the retail sales and housing sectors, the FOMC cut their forecast for U.S. economic growth and maintained current Fed Funds rate targets. The Consumer Price Index was up 1.2%. Commodities in general experienced striking gains for the quarter, with crude oil extending its win streak with a 16.9% price increase, ending the quarter at $48.33 per barrel. Natural gas prices leapt 32.2% over the second quarter.

Mr. Swanson reported that the Fund portfolio value as of June 30, 2016 was $29,975,986. The Total Fund returned 2.3% for the second quarter which was 0.2% higher than the target Index of 2.1% and ranked 28% of Total Public Fund Sponsors, 3.8% for one year, and 8.6% for the past three years on an annualized basis. The asset allocation is 56.0% Domestic Equity, 19.6% Fixed Income, 9.0% International Equity, 13.2% Real Estate and 2.2% Cash. Total Domestic Equities' return was 2.8% which was 0.3% above to the S&P 500 Index of 2.5%. Total Fixed Income returned 2.7% which was 0.5% higher than the Barclays Aggregate Index of 2.2%. Total International Equities' return was 0.1% which was 1.6% higher than the MSCI EAFE Index of -1.5%. Total Real Estate's return was 2.3% which was 0.3% higher than the NCREIF Property Index of 2.0%.

Mr. Swanson reported that the Manager Allocation is 23.5% managed by Highland Capital, 8.8% managed by Atlanta Cap, 4.2% managed by EuroPacific Growth, 4.8% managed by Vanguard Global, 13.3% managed by Principal Real Estate, 25.0% managed by Boston Company and 20.4% managed by Integrity.

Mr. Swanson noted that the Plan is changing the allocation of the Fund to meet the demands of the outflows of the Plan. Mr. Swanson said the Plan did reallocate $1million in July and there is no further need to rebalance at this time. Mr. Swanson said all seven advisors are beating the Plan's expectations. Mr. Dave Leonard asked if there is discussion regarding the lowering of the rate of return. Mr. Swanson said that he is in favor of that and it was discussed at the last meeting in depth.

NEW BUSINESS:

Election of New Chair and Vice Chair

Member Linda Johnson noticed the Board that Chairperson Kent Donahue submitted his resignation from the Pension Board since he was not employed by City. His Position is the City Manager or designee. Member Stiltner made the motion to accept City Manager Michael H. (Jake) Johansson as Trustee of City of Port Orange General Employees Retirement Board. Member Riehm seconded the motion and motion passed.

A motion by Member Stiltner to nominate Member Linda Johnson as the new Chairperson was seconded by Member Ferreira. Since only one nomination was received, Member Linda Johnson won the election by acclamation.

A motion by Member Stiltner to nominate Member Peter Ferreira as a new Vice Chairperson was seconded by Chairperson Linda Johnson. Since only one nomination was received, Member Peter Ferreira won the election by acclamation.

Member Linda Johnson is the new Chairperson for the City of Port Orange General Employees Retirement Plan and Member Peter Ferreira is the new Vice Chairperson for the City of Port Orange General Employees Retirement Plan.

Billy Barnes Early Retirement for Approval

Chairperson Linda Johnson reviewed the documents reflecting the retirement payment for Mr. Billy Barnes. Member Riehm commented that there is no beneficiary listed. After much discussion the Board directed Benefits USA to contact him to advise him that he should have a beneficiary form or beneficiary.

Member Riehm moved to approve the retirement and the supplement for Mr. Barnes. Member Stiltner seconded the motion and the motion passed.

CONSENT AGENDA:

For Approval:

Warrant#117

Benefits USA, Inc. (Admin Fees 09/2016; INV #POG089)	$ 2,500.00

Member Stiltner moved to approve Warrant #117. Member Hadley seconded the motion and the motion passed.

DISTRIBUTIONS:

Mandatory Plan

Robbi Barnett	Total Withdrawal	$ 3,397.11

Member Ferreira moved to approve the distribution for the above. Member Riehm seconded the motion and the motion passed.

REPORTS:

Administrator

Mr. Prior reported that the Fund Attorney did send a letter to Janice Taylor for Deceased Retiree Recardo Wilker's remaining balance of $22,791.66. Currently there is no further up-date for this meeting.

Mr. Prior reminded the upcoming FPPTA Trustee School is scheduled for September 25 – 28, 2016 at Hyatt Coconut Point, Bonita Springs, Florida.

NEXT MEETING DATE:

October 24, 2016 – Regular Meeting

ADJOURNMENT:

The meeting adjourned at 3:05p.m.

Linda Johnson
Chairperson

Oct 24, 2016
Date