CITY OF PORT ORANGE GENERAL EMPLOYEES RETIREMENT PLAN REGULAR MEETING MINUTES
February 24, 2015

ROLLCALL:
The regular meeting of the City of Port Orange General Employees Retirement Plan was called to order by Chairperson Donna Steinebach at 10:00 a.m. on February 24, 2015 in 2nd Floor Training Room, City Hall 1000 City Center Circle, Port Orange, FL.

TRUSTEES PRESENT:
Chairperson Donna Steinebach, Vice-Chair Sonya Laney, Scott Stiltner, Linda Johnson, Donnie Franklin, Tracy S. Riehm, and Kent Donahue

ABSENT AND EXCUSED:

OTHERS PRESENT:
Pete Prior of Benefits USA, Inc.; David Leonard, Actuary; James Halleran and Zach Chalifour of James Moore, Auditor

PARTICIPANT/PUBLIC PARTICIPATION:
There was no public participation at this meeting.

APPROVAL OF MINUTES
January 26, 2015 – Regular Meeting
Chairperson Steinebach noted the minutes are in the Member's packet and would entertain a motion to approve the minutes. Hearing and seeing no discussion Member Johnson moved to approve the minutes of January 26, 2015 Regular Meeting. Member Laney seconded the motion and the motion passed.

FINANCIALS:
October 1, 2014 Draft Valuation Report - Dave Leonard
Mr. Leonard addressed the Board and provided a draft copy of the October 1, 2014 Valuation Report which is being reviewed by his peers and should be completed by next week. Mr. Leonard mentioned this year's valuation has been prepared based on an interim projection table, called Scale BB versus the State's mandated reporting

requiring the Board to use a slightly older mortality table, known as Scale AA. While we feel that Scale BB is more appropriate as we move forward for funding calculation, for GAS-67 purposes we have used the Scale AA results – both for the auditors financial statement and the required reports to the State of Florida. Mr. Leonard suggested increasing the City contribution rate from 12.7% to 15.7% as soon as possible.

Mr. Leonard reported that there are 128 active employees, 74 retirees, disabilities, and beneficiaries receiving payments and 23 vested terminated Members not yet receiving benefits. Mr. Leonard reported that the aggregate funding method is being used for this Plan. The present value of benefits for active Members is $9,395,660, for the retirees are $16,579,486 and $771,521 for the vested terminated Members. The recommended contribution level this year is 15.7% of expected compensation. This represents a 3% increase over last year's 12.7% recommended contribution. About half of one percent (0.5%) of the increase is from actuarial experience factors during the year and the other 2.5% is from a change in the Plan's post retirement mortality assumptions. Finally, Mr. Leonard reported that the rate of return for the Plan is 7.5%. Mr. Leonard noted this year's valuation has been prepared based on an interim projection table, called Scale BB that attempts to mimic the results of RP-2014. We anticipate running the October 1, 2015 valuation on the RP-2014 tables. Chairperson Donna Steinebach asked what the Funding ratio is for the Plan. Mr. Leonard reported that the Fund is 86.65% funded on an obligation basis. Chairperson Steinebach noted that the valuation still contains the assumption of 4% increase in salaries although the employees during 2013-14, the average salary increase were 3%. Mr. Leonard said using raises less than the assumed rate will help lower the recommended contribution percentage. Mr. Leonard revised three small typographical errors with the Board. Member Laney moved to approve the valuation with the three corrections. Member Donahue seconded the motion and the motion passed.

Chairperson Steinebach asked about the Member Benefit Statements. Mr. Leonard said the peer review is being conducted and the statements will be available shortly.

January 2015 Financials – Dave Leonard Financials
Mr. Leonard reviewed the financials with the Board. Mr. Leonard noted the market value of the Fund is $29,418,412.47, a decrease of $404,190.67. Receipts for the month totaled $1,283,595.96 versus total disbursements of $1,273,944.22. Payments to retirees and other participants totaled $136,060.30. The balance as of January 31, 2015 was $1,036,592.25 in the Cash account. Mr. Leonard reported that the yield for the month is -1.20%. Member Stiltner moved to approve the financial report. Member Donahue seconded the motion and the motion passed.

NEW BUSINESS:

Presentation of 2014 Draft Audit Report-James Moore
Mr. James Halleran and Mr. Zach Chalifour presented the fiscal year 2014 audit, reporting that they had given a clean, unqualified opinion. The net investment

income for the year was $2,834,181 which was $877,288 lower than the 2013 income; Total Employer Contributions was $702,741 which was $233,637 lower than the 2013 Employer Contributions; Total Employee Contributions was $454,573 which was $64,033 lower than the 2013 Employee Contributions. Operating expenses for the 2014 were $82,367. Total benefits paid were $1,786,099 which was $285,407 greater than 2013. All those leaving a balance of $29,983,214 as of September 30, 2014 which was $3,123,029 greater than 2013 total plan net assets. Mr. Halleran reported that he had found no compliance or internal control issues to be reported to the Trustees. Mr. Zach Chalifour noticed that they did have some difficulty finding certain files for those retirees retired before Benefits USA was the administrator. It was noted that the auditor did ask the Actuary and City for the files as well. Chairperson Steinebach said City should have the older files; she will work with Benefits USA to solve this problem. After further discussion, Trustee Laney move accept the 2014 Financial Statements. The motion was seconded by Trustee Johnson and motion passed 7-0.

Salem Trust SSAE 16 and February 17, 2015 Letter

Mr. Prior reported on the Salem Trust February 17, 2015 SSAE 16 Auditor letter. The Salem Trust Company's 2013-2014 transition to a new operating system caused many problems for the firm during the transition, mostly in the statement reporting. Although it led to unforeseen complications, Salem Trust noted that all trades were completed as they should have, retirees received their checks timely, and there were no lost checks. The auditor commented in their notes a deficiency with Salem with their internal controls; that is that no one reviewed certain transactions, as they should have. The Salem Trust letter also notes that Salem recognized the issues noted in the auditor's report and subsequently corrected those errors going forward and now the new system is serving clients well. The distribution of the SSAE 16 report for the period was immediately following the conversion of July 1, 2013 to June 30, 2014. During the transition, many statements were late and some trade may have been delayed, but ultimately never with unresolved consequences to client.

Chairperson Steinebach commented that she has lost confidence in Salem and would like to hear from the Board their comments. Trustee Johnson said that she has been on the Pension Board for two years and all she heard was Salem Trust's apologies. After much discussion it was the consensus of the Board to go out to bid for custodian. Trustee Laney moved to go out seeking proposals from custodians experienced with local law Municipal Pension Plans who can provide custody services to the Pension Fund. Trustee Johnson seconded the motion and the motion passed

<u>CONSENT AGENDA:</u>

For Approval:

Warrant#100

James Loper (STMT #33 dated 1/1/15)	$ 4,184.55
Benefits USA, Inc. (Admin Fees 02/2015 plus Postage; INV #POG073)	$ 2,512.65
David G. Leonard, ASA (Actuarial Services: INV #15-003)	$12,875.00
James Moore (2014 Audit INV #530064)	$ 8,000.00
Donna Steinebach (Reimb. For FPPTA Trustee School Travel Expense)	$ 588.64

Member Laney moved to approve Warrant #100. Member Donahue seconded the motion and the motion passed.

DISTRIBUTIONS:

Mandatory Plan

For Approval:

Andrew Heil	Total Withdrawal	$ 44,766.08

Member Laney moved to approve the distribution for Andrew Heil. Member Donahue seconded the motion and the motion passed.

REPORTS:

Administrator

Mr. Prior reported Benefits USA completed the election for the Board to fill two (2) Trustee positions on the General Employees Retirement Committee. The New Trustee Election Result was emailed to all active Members working in the City, and also posted in all Departments.

Mr. Prior reported that Benefit USA has not received a response from Retiree Thomas Walsh; his pension was stopped on 1-1-2015 reminding him to contact our office or HR. Benefits USA did an online search with Social Security Death Index and did not find any death report for him.

Committee Report

Trustee Stiltner asked if the State has any requirements as it pertains to funding levels of the Plan and increasing benefit levels. Chairperson Steinebach said that the State does not but if the Plan was increasing benefits with a low funding level then they may make an issue of it.

Trustee Kent Donahue noted this will be his last meeting and thanked the Board for their efforts and increasing the level of the Fund. Chairperson Steinebach thanked Trustee Donahue for his time and contribution to the Pension Board in the past several years.

Chairperson Steinebach commented that she will work closely with Benefits USA regarding the old retirees' record.

Chairperson Steinebach also noticed that Trustee Sonya Laney's term will expire soon, and City Council need to reappoint her continue serve City of Port Orange General Employees Retirement Plan as a Board Trustee.

NEXT MEETING DATE:
March 23, 2015 @10:00a.m. – Quarterly Meeting

ADJOURNMENT:
The meeting adjourned at 11:35 a.m.

Chairperson Steinebach

March 23, 2015
Date