CITY OF PORT ORANGE GENERAL EMPLOYEES RETIREMENT PLAN QUARTERLY MEETING MINUTES
June 22, 2015

ROLLCALL:
The regular meeting of the City of Port Orange General Employees Retirement Plan was called to order by Vice Chairperson Sonya Laney at 10:00 a.m. on June 22, 2015 in 2nd Floor Training Room, City Hall 1000 City Center Circle, Port Orange, FL.

TRUSTEES PRESENT:
Vice Chairperson Sonya Laney, Council Member Scott Stiltner, Tracey S. Riehm, Linda Johnson and Kent Donahue.

Election of New Chairperson
Vice Chairperson Sonya Laney noticed the Board that Chairperson Donna Steinebach submitted her resignation from the Pension Board since she is retiring, her resignation was effective May 26, 2015. Vice Chairperson Sonya Laney made the motion to move the Election of new Chairperson under New Business to here, so the meeting could run by the new Chairperson. Member Stiltner seconded the motion and motion passed.

A motion by Member Donahue to nominate Vice Chairperson Sonya Laney as a new Chairperson was seconded by Member Johnson. Vice Chairperson Sonya Laney said she has a concern that she will hold-up the daily processing of Pension Fund working issue since she is not a City employee and working onsite.

Member Johnson made a motion to nominate Member Kent Donahue as a new Chairperson was seconded by Vice Chairperson Sonya Laney. After Members voted between two candidates, Member Kent Donahue became new Chairperson for the City of Port Orange General Employees Retirement Plan.

ABSENT AND EXCUSED:
Donnie Franklin and Peter Ferreira

OTHERS PRESENT:
Pete Prior of Benefits USA, Inc., Heather Carrizales and Karen Mead, HR Department, David Leonard, Actuary, Grant McMurray of Highland Capital, Jeff Swanson of Southeastern Advisory and Retired Member John Shelley

PARTICIPANT/PUBLIC PARTICIPATION:

There was no public participation at this meeting.

APPROVAL OF MINUTES

May 18, 2015 – Regular Meeting

Chairperson Donahue asked the Members if they have any issues with the minutes, corrections, additions, or deletions. Member Johnson moved to approve the minutes of May 18, 2015 regular meeting as written. Member Laney seconded the motion and the motion passed.

UNFINISHED BUSINESS

FINANCIALS:

May 2015 – Dave Leonard

Mr. Leonard reviewed the financials with the Board. Mr. Leonard noted the market value of the Fund is $30,395,235.24, an increase of $116,928.35. Receipts for the month totaled $2,984,902.97 versus total disbursements of $2,848,311.14. Payments to retirees and other participants totaled $222,259.53. The balance as of May 31, 2015 was $990,030.95 in the Cash account. Mr. Leonard reported that the yield for the month is -1.09%. Member Stiltner moved to approve the financial report. Chairperson Donahue seconded the motion and the motion passed.

Highland Capital – Grant McMurray

Mr. Grant McMurray noted ICC Capital Management was acquired by Highland Capital Management LLC on April 2, 2015 and he has a contract with the new Firm for at least two years or for as long as he would like to continue with the Firm.

As of March 31, 2015, the City of Port Orange General Employees Retirement Pension Fund's Highland Capital Management balanced account was valued at $7,522,207.00. For the first quarter, the ICC balanced portfolio returned 1.84% which was 0.89% higher than the Index of 0.95%; 11.4% for one year on a cumulative basis, and 16.10% for the past three years on an annualized basis. It was noted that the asset allocation is as follows: 95.2% in Value and 4.8% in Cash/Cash Equivalents. The top three holdings by sector are as follows: Info. Tech., 19.7% of the portfolio returned -6.90%; Financials, 19.5% of the portfolio returned -1.80%; and Health Care, 16.20% of the portfolio returned 15.0%.

Mr. Grant McMurray noted that the market is volatile and believes the market will continue to go sideways. The bond market continues to be in a state of flux. Member Laney asked about the "alleged correction" the market is supposed to have. Mr. McMurray noted that when that does happen, money will come into the market.

Southeastern Advisory – Jeff Swanson

Mr. Swanson reviewed the investment performance report for the period ending March 31, 2015. He reported that the Global public securities markets ended a volatile first quarter of 2015 with moderate to strong gains. European Central Banks initiated quantitative easing bond-purchase programs to shore up their fragile economic recoveries, giving investors reasons to rotate back into European stocks despite the ongoing drama surrounding Greece's economic crisis and conflict with the European Central Bank. Commodities markets, however, continued their global slide, with benchmark U.S. crude oil prices closing the quarter well below $50 per barrel and gold setting below $1,200 per troy ounce. Real GDP finished the year on an underwhelming but positive note, expanding at an annual rate of 2.2% during the fourth quarter. Economic growth for all of 2014 was 2.4% despite a contraction during the first quarter. After a steady rise in 2013, rates fell again into the first quarter on concerns about global economic growth. With the Federal Reserve set to raise the overnight rate, the big unknown at this point is whether longer term rates will move as well.

Mr. Swanson reported that the Fund portfolio value as of March 31, 2015 was $30,269,872. The Total Fund returned 2.6% for the first quarter which was 0.2% higher than the target Index of 2.4% and ranked 28% of Total Public Fund Sponsors, 8.9% for one year, and 11.3% for the past three years on an annualized basis. The asset allocation is 55.8% Domestic Equity, 27.1% Fixed Income, 9.4% International Equity, 4.8% Real Estate and 2.9% Cash. Total Domestic Equities' return was 2.9% which was 1.9% higher than he S&P 500 Index of 1.0%. Total Fixed Income returned 1.6% which was equal to the Barclays Aggregate Index of 1.6%. Total International Equities' return was 4.8% which was 0.1% lower than the MSCI EAFE Index of 4.9%. Total Real Estate's return was 2.9% which was 0.7% lower than the NCREIF Property Index of 3.6%.

Mr. Swanson reported that the Manager Allocation is 25.0% managed by Highland Capital, 7.8% managed by Atlanta Cap, 4.5% managed by EuroPacific Growth, 5.0% managed by Vanguard Global, 12.9% managed by CS McKee Fixed Income, 4.9% managed by Principal Real Estate, 25.4% managed by Boston Company and 14.5% managed by Integrity.

Mr. Swanson of Southeastern Advisory began with a discussion on the Fixed Income segment and the potential to consolidate managers. The Fixed Income segment has been reduced due to the Real Estate allocation over the past two years. The Fund's Fixed Income holdings have gone from 35% to 25% over the past two years. Due to the reduction in assets, it may not make a sense to have two Bond managers any longer. The CS McKee portfolio is only $1.8MM in size and it is held in commingled vehicle. The Integrity portfolio is held in separate account and is currently $4MM. Because the Integrity portfolio is in separate account, their performance could be affected by liquidity issues if the portfolio becomes too small. The fees charged by CS McKee are 40 basis points. Integrity's fee is 25 basis points. Integrity has had better performance. CS McKee's performance has been acceptable at benchmark. A motion was made by Member Johnson to delete the CS McKee portfolio was second by Member Riehm. Action approved.

Mr. Swanson reported for the year ending March 31, 2015 the Fund is up 9.0%, ranking in the top 10% of the Wilshire Public Fund Universe. The Plan has benefited from asset allocation by favoring risk assets including real estate and domestic equity. The Fund has also benefited from favorable manager performances. The Fund is very close to its target weightings and there are no rebalancing actions required.

NEW BUSINESS:

Vendors' Performance Review – Jeff Swanson

Member Laney moved to table this item to the next quarterly meeting, Member Johnson seconded and motion passed.

Additional Disclosures by Chapter 60T-1.0035, Florida Administrative

Mr. Leonard reviewed the Additional Disclosures by Chapter 60T-1.0035, Florida Administrative Code with the Board. Full Annual Financial Statement according to GASB Statement 88, plus disclosures in PDF format per Item 3(a) and 3(b). a summary of the results of the calculations of the number of months or years for which the current market value of assets will sustain the payment of expected retirement benefits, based on the results of the Plan's latest actuarial valuation, as well as under 112.664(1) (a) and (1)(b). Also included as part of Item 4 are tables under all three assumed scenarios showing the monthly calculations to the point of Plan insolvency. Disclosures of recommended contributions to the Plan, stated as an annual dollar value and as a percentage of valuation payroll, based on the three sets of actuarial assumptions mentioned above.

Mr. Leonard reported the additional work will be an additional fee. Member Laney asked Mr. Leonard to review his contract, and add this item to his contract and bring back for next meeting, so the Board will have something in writing to discuss. Member Johnson moved to approval Additional Disclosures by Chapter 60T-1.0035, Florida Administrative Code, Member Laney second motion and motion passed.

CONSENT AGENDA:

For Approval:

Warrant#104

Benefits USA, Inc. (Admin Fees 06/2015; INV #POG077)	$ 2,500.00
The Boston Company (4th Qtr '14 Mgmt Fees; INV #58713)	$ 6,350.05
FPPTA (Regis. Fee for FPPTA Trustee School for Laney)	$ 500.00

Member Laney moved to approve Warrant #104. Member Johnson seconded the motion and the motion passed.

REPORTS:

Comments from Committee Members

Member Johnson said she heard some rumors that the City will close the current Pension Fund and move to FRS. Member Laney said by the best of her knowledge that will cost the Pension fund huge legal expense, the Pension Fund need change Ordinance first. If we did not see anything in writing, the Pension Board doesn't need take any actions for now.

Administrator

Mr. Prior reported that the First State Trust Company Agreement Letter was forward to Fund attorney for review, and attorney Loper did provide his suggestion for First State Trust Company to revise their Agreement letter.

NEXT MEETING DATE:

July 27, 2015 @ 10:00 a.m. – Regular Meeting

ADJOURNMENT:

The meeting adjourned at 11:18 a.m.

Kent Donahue
Chairperson

Aug. 17, 2015
Date