CITY OF PORT ORANGE GENERAL EMPLOYEES RETIREMENT PLAN QUARTERLY MEETING MINUTES
September 28, 2015

ROLLCALL:

The quarterly meeting of the City of Port Orange General Employees Retirement Plan was called to order by Chairperson Donahue at 10:00 a.m. on September 28, 2015 in 2nd Floor Training Room, City Hall 1000 City Center Circle, Port Orange, FL.

TRUSTEES PRESENT:

Chairperson Kent Donahue, Vice Chairperson Sonya Laney, Council Member Scott Stiltner and Donnie Franklin, Tracey S. Riehm, and Linda Johnson

ABSENT AND EXCUSED:

Peter Ferreira

OTHERS PRESENT:

Pete Prior of Benefits USA, Inc., Grant McMurray of Highland Capital, Jeff Swanson of Southeastern Advisors, Dave Leonard, Actuary, and Retiree John Shelley

PARTICIPANT/PUBLIC PARTICIPATION:

There was no public participation at this meeting.

APPROVAL OF MINUTES

August 24, 2015 – Regular Meeting

Chairperson Donahue asked the Members if they have any issues with the minutes, corrections, additions, or deletions. Member Stiltner moved to approve the minutes of August 24, 2015 Regular Meeting as written. Member Johnson seconded the motion and the motion passed.

FINANCIALS:

August, 2015 – Dave Leonard

Mr. Leonard reviewed the financials with the Board. Mr. Leonard noted the market value of the Fund is $29,243,855.51, a decrease of $1,241,935.57. Receipts for the month totaled $728,136.11 versus total disbursements of $1,219,115.50. Payments to retirees and other participants totaled $147,858.70. The balance as of August 31, 2015 was $858,016.91 in the Cash account. Mr. Leonard reported that the yield for the month is -3.99%.

Mr. Leonard noted that the Plan is experiencing a negative cash flow as the expenditures are higher than the contributions at this time. This is due partially to the partial closure of the Plan. Member Laney moved to approve the financial report. Member Franklin 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, 2015, the City of Port Orange General Employees Retirement Pension Fund's Highland Capital Management balanced account was valued at $7,273,565.00. For the second quarter, the Highland Capital Management balanced portfolio returned -0.49% which was 0.62% lower than the Index of 0.13%; 7.41% for Fiscal Year to Date on a cumulative basis, and 14.95% for the past five years on an annualized basis. It was noted that the asset allocation is as follows: 96.8% in Value and 3.2% in Cash/Cash Equivalents. The top three holdings by sector are as follows: Financials, 24.10% of the portfolio returned 3.50%; Info. Tech., 19.6% of the portfolio returned -6.80%; and Health Care, 16.40% of the portfolio returned 5.20%.

Mr. Grant McMurray noted that the market is based on computer trading and selling, when the market hits a certain number, the computers will initiate a buy or sell signal to the trader. Mr. McMurray noted that the market has a PE ratio of 17% and is not concerned that the market makers are saying the market is overpriced. Chairperson Donahue asked how the transition is going. Mr. McMurray reported that he is pleased with the transition and that the buying platform used by Highland Capital is a higher version than they use, but their system follows theirs very closely and it is one of the reasons why they agreed to merge with Highland Capital.

Southeastern Advisory – Jeff Swanson

Mr. Swanson reviewed the investment performance report for the period ending June 30, 2015. He reported that the second quarter of 2015 provided a wild ride for global investors with U.S. stock markets hitting record highs in May, and then pulling back dramatically in June as the Eurozone grappled with Greece's default on its crippling debt and the possibility of Greece abandoning the Euro. The U.S. economy dealt with the hangover left from an unusually punishing winter, real GDP was down slightly during the first quarter of 2015, contracting -0.2%. Economic growth slowed for two quarters in a row after a two quarter surge in 2014. Although personal consumption growth was positive, exports contracted as did state and local government spending. Private business spending dropped although inventories accumulated which could dampen a second rebound. However, consumer spending which accounts for nearly 70% of overall GDP, showed signs of renewed activity during the second quarter.

Mr. Swanson reported that the Fund portfolio value as of June 30, 2015 was $30,076,924. The Total Fund returned 0.2% for the second quarter which was 0.5% higher than the target Index of -0.3% and ranked 38% of Total Public Fund Sponsors, 5.2% for one year, and 12.9% for the past three years on an annualized basis. The asset allocation is 56.1% Domestic Equity, 17.0% Fixed Income, 9.5% International Equity, 11.8% Real Estate and 5.6% Cash. Total Domestic Equities' return was 0.6% which was 0.3% higher than the S&P 500 Index of 0.3%. Total Fixed Income returned -1.9% which was 0.2% lower than the Barclays Aggregate Index of -1.7%. Total International Equities' return was 0.5% which was 0.1% lower than the MSCI EAFE Index of 0.6%. Total Real Estate's return was 3.3% which was 0.2% higher than the NCREIF Property Index of 3.1%.

Mr. Swanson reported that the Manager Allocation is 24.3% managed by Highland Capital, 8.1% managed by Atlanta Cap, 4.6% managed by EuroPacific Growth, 5.0% managed by Vanguard Global, 11.9% managed by Principal Real Estate, 25.7% managed by Boston Company and 20.5% managed by Integrity.

Mr. Swanson suggested moving the Real Estate target to 10% from the 5% we have now. This will enhance the portfolio as it reflects against the Fixed Income. Mr. Swanson noted that Highland Capital has turned the corner on the short and near term but still digging out of a hole from the third quarter of 2011 which was negative. Mr. Leonard asked Mr. Swanson if he thought that the 7.5% is a continued objective and Mr. Swanson replied he believes it is but it is an aggressive rate due to the market. Member Laney noted that the Plan is negative due to contributions and suggests that plan lower the assumed rate of return sooner rather than later to allow for the City to budget for the increase.

UNFINISHED BUSINESS

Vendors' Performance Review – Jeff Swanson

Mr. Swanson introduced himself and the provided a brief history of the company to the Board. They were incorporate in 1986 as an independent consultant with over $5 billion assets and approximately 50 clients. Mr. Swanson reported that what makes them stand apart from their peers is that they are part of the Wilshire Cooperative, a much larger entity comprised of 350 employees and research that is available to them. Wilshire is also the consultant to CalPers, the largest public fund in the nation. Mr. Swanson noted that he is passionate about this business and wants to see his clients succeed. Mr. Swanson said their firm was hired by City of Port Orange General Employees Retirement Plan at end of 2010 through RFP process. There was only one Investment Manager, ICC Capital that managed all the Pension Fund money going back to the inception of the Plan. The Pension Fund hired seven Investment Managers, diversified the portfolio to 55% Domestic Equity, 10% investment in International Equity, 5% in Real Estate and 30% investment in Fixed Income.

Mr. Swanson said that he has been in the business for 25 years and his firm does only institutional business. They do not have any other lines of business nor do they do individual consulting. It was the consensus of the Board that they are pleased by Mr. Swanson's professional service.

Chairperson Kent Donahue asked which vendor will be the next one being reviewed. Mr. Prior said he will bring a list for discussion at October meeting.

Outstanding Mandatory and Voluntary Accounts for Retirees and Terminations
Mr. Prior reported that all the correspondences between Attorney, Administrator, and chairperson were included in today's Meeting Packets. Members said they did read all before the meeting.

Actuary Mr. Leonard provided a list for all Outstanding Mandatory and Voluntary Accounts for Retirees and Terminations. There are two parts: the first part is for non-vested Members with remaining balances for their contributions, we called Mandatory Plan; and the second part is for retirees who have a remaining balance in their Voluntary Accounts. Mr. Leonard explained that there is no fee for the Mandatory Plan and he thought $40 each year for Voluntary Accounts would suffice. Member Johnson suggested asking retirees with Voluntary Accounts with remaining balances if they want to pay the $40 fee to Pension Fund. Mr. Prior said that Pension Fund can directly deduct from their Balance.

Member Laney suggested that Pension Fund needs some legal document to those Members. After further discussion, Member Laney moved to give authority to Benefits USA to contact all Terminations who still have a remaining balance in Mandatory Plan and pay off their balance. Member Johnson seconded the motion and the motion passed. Mr. Leonard noted that they must get their correct addresses first. Mr. Prior said his office will continue to attempt to contact the participants to close out their account.

Member Laney left the meeting at 11:08 with a personal conflict.

Member Stiltner made a motion to table Voluntary Accounts issue to next meeting since Member Laney left the meeting, Member Riehm seconded the motion. The motion passed.

NEW BUSINESS:

Pension Annual Certification for 2016
Mr. Prior reported that Benefits USA will start to send out the pension verification letters for Fiscal Year 2016. It was noted that the letter contains a self addressed stamped envelope for the retiree to send back.

Paul Riley – Early Retire Payment for Approval

The Board reviewed the documents reflecting the retirement payment for Mr. Paul Riley. Member Johnson questioned that she couldn't find whether Mr. Riley's wife signed the Election to waive joint and survivor annuity or not, since Mr. Riley did choose Life Annuity. Mr. Prior reported that he should have already completed all the forms, just not posted. And this issue also not necessary for approval Mr. Riley's Pension payment. Actuary Mr. Leonard did agree with Mr. Prior. Seeing no further discussion, Member Johnson moved to approve the retirement payment for Mr. Paul Riley. Member Franklin seconded the motion and the motion passed.

CONSENT AGENDA:

For Approval:

Warrant#107

Benefits USA, Inc. (Admin Fees 09/2015; INV #POG080)	$ 2,500.00
David G. Leonard, ASA (Actuarial Services: INV #4786)	$ 1,760.00
James Loper (STMT #35 dated 8/31/15)	$ 2,829.00
FPPTA (Regis. Fee for FPPTA Trustee School for Laney)	$ 450.00

Member Johnson moved to approve Warrant #107. Member Franklin seconded the motion and the motion passed.

DISTRIBUTIONS:

Mandatory Plan

For Approval

Randy Forbes	Total Withdrawal	$ 577.26

Member Stiltner moved to approve the distribution for Mr. Forbes. Member Johnson seconded the motion and the motion passed.

Michael Leissler	Total Withdrawal	$ 2,558.15

Member Riehm moved to approve the distribution for Mr. Leissler. Member Stiltner seconded the motion and the motion passed.

REPORTS:

Administrator

Mr. Prior reported that FPPTA Trustee School is scheduled for October 4 – 7, 2015 at the Naples Grande Beach Resort, Florida: members that wish to attend please advise Benefits USA as soon as possible to register with the FPPTA.

NEXT MEETING DATE:
October 26, 2015 @ 10:00 a.m. – Regular Meeting

ADJOURNMENT:
The meeting adjourned at 12:15 p.m.

Kent Donahue — 12/14/15

Chairperson — Date