CITY OF PORT ORANGE GENERAL EMPLOYEES RETIREMENT PLAN
QUARTERLY MEETING MINUTES
December 14, 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 December 14, 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, and Retiree John Shelley

PARTICIPANT/PUBLIC PARTICIPATION:

There was no public participation at this meeting.

APPROVAL OF MINUTES

September 28, 2015 – Regular Meeting

Chairperson Donahue asked the Members if they have any issues with the minutes, corrections, additions, or deletions. Member Laney moved to approve the minutes of September 28, 2015 Regular Meeting as written. Member Johnson seconded the motion and the motion passed.

FINANCIALS:

September 2015 – Dave Leonard

Chairperson Donahue reviewed the September statements. Chairperson Donahue noted the market value for September is $28,808,017.49, a decrease of $460,613.60. Receipts for the month totaled $774,267.04 versus total disbursements of $712,412.84. Payments to retirees and other participants totaled $149,468.60. The balance as of September 30, 2015 was $919,871.11 in the Cash account. Chairperson Donahue reported that the yield for the month is -1.27%.

Chairperson Donahue also reviewed the October statements. Chairperson Donahue noted the market value for September is $30,030,998.12, an increase of $1,224,980.63. Receipts for the month totaled $1,138,766.99 versus total disbursements of $1,047,571.86. Payments to retirees and other participants totaled $152,604.01. The balance as of October 31, 2015 was $1,011,066.24 in the Cash account. Chairperson Donahue reported that the yield for the month is 4.43%.

Member Laney moved to accept the September and October statements 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 September 30, 2015, the City of Port Orange General Employees Retirement Pension Fund's Highland Capital Management balanced account was valued at $6,753,851.00. For the third quarter, the Highland Capital Management balanced portfolio returned -7.40% which was 1.0% higher than the Index of -8.4%; -0.9% for One Year, and 12.0% for the past five years on an annualized basis. It was noted that the asset allocation is as follows: 96.9% in Value and 3.1% in Cash/Cash Equivalents. The top three holdings by sector are as follows: Financials, 23.40% of the portfolio returned -9.5%; Health Care, 13.1% of the portfolio returned -10.6%; and Industrials, 12.2% of the portfolio returned -1.2%.

Mr. Grant McMurray reported on the historical overview of the Federal Reserve interest rates and the impact it has on the market. Mr. McMurray noted that in his opinion, the Fed rate hike is important but he thinks that the daily tape, which reflects the market sentiment, is far more important as it reflects, on a daily basis, how the general public and market feels. Mr. McMurray also noted that there are more layoffs this year from big box stores but that may be to more exposure to online shopping (E-Commerce), such as Amazon with next day delivery. If there is a recession, it probably will not be as severe as those in the past.

Southeastern Advisory – Jeff Swanson

Mr. Swanson reviewed the investment performance report for the period ending September 30, 2015 as concerns over an economic slowdown in China overwhelmed strong signals of a strengthening U.S. economy and fueled further losses in already-battered commodities markets. Overall U.S. consumer inflation continues to run at historically low levels, as falling prices in the volatile Food and Energy segments of the economy overwhelmed moderate inflation in core goods and services in the third quarter (C.P.I. -0.3%). Crude oil futures fell over 25% during the quarter, ending at $45.09 per barrel. Despite global economic turmoil, gold fell over 5% in the third quarter as well. Although much focus has been placed on China and global growth. The market consensus of very low inflation in the near term in the U.S. also weighed into the Federal Open Market Committee's (FOMC) decision at their September meeting to stand pat on interest rates.

Mr. Swanson reported that the Fund portfolio value as of September 30, 2015 was $28,805,995. The Total Fund returned -3.6% for the third quarter which was 1.0% higher than the target Index of -4.6% and ranked 20% of Total Public Fund Sponsors, 2.3% for one year, and 9.7% for the past three years on an annualized basis. The asset allocation is 55.2% Domestic Equity, 19.7% Fixed Income, 9.1% International Equity, 12.8% Real Estate and 3.2% Cash. Total Domestic Equities' return was -6.1% which was 0.3% higher than the S&P 500 Index of -6.4%. Total Fixed Income returned 1.7% which was 0.5% higher than the Barclays Aggregate Index of 1.2%. Total International Equities' return was -9.1% which was 1.1% higher than the MSCI EAFE Index of -10.2%. Total Real Estate's return was 3.9% which was 0.8% higher than the NCREIF Property Index of 3.1%.

Mr. Swanson reported that the Manager Allocation is 23.8% managed by Highland Capital, 8.0% managed by Atlanta Cap, 4.4% managed by EuroPacific Growth, 4.8% managed by Vanguard Global, 13.0% managed by Principal Real Estate, 25.9% managed by Boston Company and 20.2% managed by Integrity.

Mr. Swanson noted that the Plan has a net cash flow of at least 1million dollars per year and suggests that the Board may want to make some changes and be more conservative. Mr. Swanson reported that the Board has decreased Fixed Income exposure and place more cash in Real Estate which has done the Fund very well. Mr. Swanson said it appears that the asset allocation for the Plan has been good for returns.

Mr. Swanson provided the Board with a matrix of data, provided by JP Morgan, reflecting what they think what the capital markets may return in the upcoming decade. Mr. Swanson said the Board should consider making a change to deal with the increase in spending from the Fund for retirees and is suggesting that Board lower the equity position from 65% to 60%. Mr. Swanson also recommended the Board consider lowering the assume rate of return even lower than recommended by Mr. Leonard.

A new IPS was provided to the Board highlighting the policy target for the Board to consider. Mr. Swanson said his recommendation today is to change the target index as presented. Member Riehm moved to approve the target index as presented leaving the assumed rate at 7.5% until the actuary can provide further guidance. Member Laney seconded the motion and the motion passed.

Mr. Swanson reported that Salem and First State agreed to have a transfer of assets to January 11, 2016 due to other assets also being moved. Mr. Swanson noted that Salem still has standing orders for the R&D account and would like to give First State the same standing orders. Mr. Swanson said he would like to give First State a letter stating so and will send it to Benefits USA for preparation.

UNFINISHED BUSINESS

Vendors' Performance Review

Mr. Prior reported that Administrator did include a Vendor List in this meeting packet by Board's request. Mr. Prior noted that the Board mentioned before that you want to review from the oldest contract, so the next one should be Fund Attorney. Chairperson Donahue commented that it is the intent of the Board to discuss this issue. Member Laney commented that from her experience dealings with Mr. James Loper were very good. Mr. Loper is very honest, professional and efficient. He always answered all questions in one time, never purposely delay or talk longer to charge more hours. Chairperson Donahue asked Mr. Loper's legal fee rate. Mr. Prior reported it is $205 per hour which is the lowest rate he knew. Normally the other Attorney charge from $250 to $350. After further discussion, the Board asked the Administration office to contact Fund Attorney James Loper to set up a meeting via phone if he would like to continue provides his legal service with the City of Port Orange General Employees Retirement Plan. Mr. Prior said Administration office will forward the 2016 Meeting Schedules to Attorney James Loper to pick up a meeting date to set up a telephone conference during future Board meeting.

Outstanding Voluntary Accounts for Retirees
Mr. Prior reported that the Draft letter which Fund Attorney prepared was included in the Meeting Packet for Board Trustees to review and approval. After further discussion, Member Stiltner moved to set the administration fee at 1% for all retirees who have remaining balance in Voluntary Account. Member Laney seconded the motion and the motion passed. Member Stiltner moved to adopt the rules presented by the Board Attorney. Member Laney seconded the motion and the motion passed. Mr. Prior said that after Board approval the final letter, Administration office will send a letter all the members of the Voluntary Account advising them of the 1% administration fee will start effective at 10-1-2016.

NEW BUSINESS:

2015Audit Concern
Mr. Prior commented on the fact the auditor is continuing to have issues with the City records of employees. Member Riehm said that the City has a new administrative services director, the Board would like to see her get established to determine what needs to be done. Member Stiltner noted that he believes the City is working on correcting this problem. Member Laney moved to have the chair send a letter to the new admin director regarding this issue. Member Riehm seconded the motion and the motion passed.

Christopher Kucera – Normal Retire Payment for Approval
Chairperson Donahue reviewed the documents reflecting the retirement payment for Mr. Christopher Kucera. Member Laney moved to approve the retirement and the supplement for Mr. Kucera as presented. Member Johnson seconded the motion and the motion passed.

CONSENT AGENDA:

Warrant#108

Benefits USA, Inc. (Admin Fees 10-12/2015&Postage; INV #POG081)	$ 7,592.12
Southeastern Advisory (Investment Consulting Services: INV #1503)	$ 4,752.00
Highland Capital Management (4th Qtr '15 Mgmt Fees; INV #10145)	$ 8,434.93
Integrity Fix Income Management (3rd Qtr '15 Mgmt Fees; INV #1962)	$ 3,722.75
The Boston Company (3rd Qtr '15 Mgmt Fees; INV #64541)	$ 9,179.89
David G. Leonard, ASA (Actuarial Services: INV #15-054)	$ 3,000.00
James Moore (2015 Audit INV #540515)	$ 5,000.00
Member Laney (Reimb for FPPTA Trustee School Travel Expense)	$ 620.73

Member Stiltner moved to approve Warrant #108. Member Franklin seconded the motion and the motion passed.

DISTRIBUTIONS:

Mandatory Plan

For Approval

Carla Wright	Total Withdrawal	$ 207.57
Ronald Ferrer	Total Withdrawal	$ 166.14
Eleanor Coyne	Total Withdrawal	$ 778.37
Stephen Edwards	Total Withdrawal	$ 20.45
Charles Garay	Total Withdrawal	$ 997.44
Amado Cotto	Total Withdrawal	$ 517.42

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

REPORTS:

Administrator

Mr. Prior reported that Administration office still couldn't contact with twelve people from that outstanding list. Their contact information is not current. The phone service was disconnected and post mail was returned and could not be forwarded.

Mr. Prior reported that FPPTA Trustee School is scheduled for January 31 – February 3, 2016 at the Orlando, Florida: members that wish to attend please advice Benefits USA as soon as possible to register with the FPPTA.

NEXT MEETING DATE:

January 25, 2016 – Regular Meeting

Updated 2016 Meeting Schedules

Member Stiltner moved to have all Monthly Board Meetings at 2 pm. Member Laney seconded the motion and the motion passed.

ADJOURNMENT:

The meeting adjourned at 11:57 p.m.

Kent Donahue

Chairperson

Jan. 25, 2016

Date