CITY OF PORT ORANGE GENERAL EMPLOYEES RETIREMENT PLAN
QUARTERLY MEETING MINUTES
December 12, 2016

ROLLCALL:

The meeting of the City of Port Orange General Employees Retirement Plan was called to order by Chairperson Johnson at 2:00 p.m. on December 12, 2016 in 2nd Floor Training Room, City Hall 1000 City Center Circle, Port Orange, FL.

TRUSTEES PRESENT:

Linda Johnson, Peter Ferreira, Scott Stiltner, Michael H. (Jake) Johansson, Tracey S. Riehm, Lori Young

ABSENT AND EXCUSED:

Lynn Hadley

OTHERS PRESENT:

Pete Prior of Benefits USA, Inc., Jeff Swanson of Southeastern Advisory, Grant McMurray of Highland Capital, and John Shelley, Retiree.

PARTICIPANT/PUBLIC PARTICIPATION:

None at this time

APPROVAL OF MINUTES

October 24, 2016 – Regular Meeting

Chairperson Linda Johnson asked the Members if they have any issues with the minutes, corrections, additions, or deletions. Member Stiltner moved to approve the minutes of October 24, 2016 meeting as written. Member Johansson seconded the motion and the motion passed.

UNFINISHED BUSINESS

Audit Concerns:

Chairperson Linda Johnson said this item was tabled from the last meeting, she asked Administrator Pete Prior about the General Policy Manual. Mr. Prior answered that the Board asked him to contact the Auditor, Mr. Zach Chalifour of James Moore and request a sample of what they are looking for in the October Meeting. Mr. Prior said Mr. Zach Chalifour replied that they did not have a sample of the policy to review. Member Riehm said that Police Pension also has the same request from their Auditor. After further discussion, the Board asked Mr. Prior try to put something together for the next meeting. Mr. Prior said he would do so.

Member Johansson asked Member Riehm the status of the quote from some qualified CPA firms to do the financial reports for the City's three Pension Funds. Member Riehm said that she did communicate with Mr. Zach Chalifour about this issue, and Mr. Chalifour recommends that the City Finance Department prepare these reports, as he does not want to raise Plan expenses. Member Johansson said that he prefers an outside, third party CPA firm to do these reports. Member Riehm said she will do so and bring the quotes to the following meeting.

Member Riehm asked Administrator Pete Prior about the status of the old Members' files, Mr. Prior reported that HR provided a list of all resigned or retired Members which is included in today's Meeting Packets. These are old files that are retained in the City's warehouse. During the last audit, it was noted by the Auditor that files requested by them, held by Benefits USA, were in order and did not have any issues with those files. The only files they Auditor had issues with were held by the city. Member Johansson said he will contact Heather Carrizales of Human Resources to find out how to move on.

FINANCIALS:

October 2016 – Dave Leonard

Chairperson Johnson reviewed the financials with the Board. It was noted that the market value of the Fund is $30,052,904.99, a decrease of $578,203.96. Receipts for the month totaled $827,315.26 versus total disbursements of $1,095,460.90. Payments to retirees and other participants totaled $176,506.87. The balance as of October 31, 2016, was $234,012.43 in the Cash account. Chairperson Linda Johnson reported that the yield for the month is -1.60%.

Chairperson Johnson moved to accept the September report as provided. Member Young 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, 2016, the City of Port Orange General Employees Retirement Pension Fund's Highland Capital Management balanced account was valued at $6,504,665.00. For the third quarter, the Highland Capital Management balanced portfolio returned 2.98% which was 0.5% lower than the Index of 3.48%; 13.98% for one year, and 10.51% 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 7.0%; Info Tech, 11.3% of the portfolio returned 12.0%; and Health Care, 11.0% of the portfolio returned 0.1%. Mr. Grant McMurray updated the fourth quarter to December 8, 2016, that the Fund returned 8.36% which was 1.13% above the R1000V Index of 7.23%.

Mr. Grant McMurray provided a brief report on the economy and the surge in the stock market since the election. Mr. McMurray noted that the Fund did go defensive at the time of the election in November, not knowing in which direction the market would turn regarding whoever wins the election.

Southeastern Advisory – Jeff Swanson
Mr. Swanson reviewed the investment performance report for the period ending September 30, 2016. The uncertainty of the Brexit vote has passed but the Federal Reserve continues to send mixed messages about a rate increase. This contributed to real GDP growth weaker than last year yet positive for the second quarter expanding at 1.4% annualized. The two main drivers of economic activity were personal consumption and private investment. Solid jobs growth and a slow but upward trend in hourly earnings provided a boost as consumer spending contributed 2% to overall real growth. Investments are down from a year ago, for a total decline of -1.5%. Jobs growth has slowed during 2016 versus last year although total nonfarm employment increased an average of 192,000 jobs per month during the three months ending September 2016. However, the unemployment rate ticked higher to 5.0%.

Mr. Swanson reported that the Fund portfolio value as of September 30, 2016, was $30,460,868. The Total Fund returned 2.6% for the third quarter which was 0.7% lower than the target Index of 3.3% and ranked 85% of Total Public Fund Sponsors, 10.5% for one year, and 7.5% for the past three years on an annualized basis. The asset allocation is 52.3% Domestic Equity, 23.4% Fixed Income, 9.5% International Equity, 13.2% Real Estate and 1.6% Cash. Total Domestic Equities' return was 2.8% which was 1.1% below to the S&P 500 Index of 3.9%. Total Fixed Income returned 1.1% which was 0.5% higher than the Barclays Aggregate Index of 2.2%. Total International Equities' return was 0.1% which was 0.6% higher than the MSCI EAFE Index of 0.5%. Total Real Estate's return was 2.0% which was 0.2% higher than the NCREIF Property Index of 1.8%.

Mr. Swanson reported that the Manager Allocation is 21.6% managed by Highland Capital, 8.8% managed by Atlanta Cap, 4.5% managed by EuroPacific Growth, 5.1% managed by Vanguard Global, 13.4% managed by Principal Real Estate, 23.1% managed by Boston Company and 23.7% managed by Integrity.

Mr. Swanson said he has some suggestions for the Board to consider regarding the IPS. Mr. Swanson said first suggestion is he spoke to Integrity suggesting an update to the IPS from the aggregate to the intermediate bond index providing a more conservative outcome and they were agreeable to that change. Mr. Swanson noted that before that can happen the Board would have to have a motion approving the change in the IPS. Member Ferreira moved to accept the consultant's recommendation. Member Johansson seconded the motion and the motion passed.

The second recommendation is to amend the allocation to reflect the change. Member Stiltner moved to approved the second recommendation changing the allocation. Member Johansson seconded the motion and the motion passed.

NEW BUSINESS:

New Trustee Election
Chairperson Linda Johnson reported that there will be an election held to fill two (2) Trustee positions on the General Employees Retirement Committee. The term is two (2) years,

beginning April 1, 2017 and running through March 31, 2019. The open positions are for the seats currently held by Linda Johnson and Peter Ferreira, whose terms expire on March 31, 2017. Only active participants of the Plan (currently employed by the City and contributing into the Plan) are eligible to be elected as a Trustee.

Robert Solana- Early Retirement Payment for Approval
Chairperson Linda Johnson reviewed the documents reflecting the retirement payment for Mr. Robert Solana. Member Johansson moved to approve the retirement payment for Mr. Solana. Member Young seconded the motion and the motion passed.

CONSENT AGENDA:

For Approval:

Warrant#119

Benefits USA, Inc. (Admin Fees 11-12/2016; INV #POG091)	$ 5,015.04
The Boston Company (3rd Qtr'16 Mgmt. Fees; INV #76824)	$ 8,697.34
James Loper (STMT #38,39 dated 10/31/16)	$ 6,375.00
David G. Leonard, A.S.A. (Actuarial Services: INV #16-042)	$ 2,875.00

Hearing and seeing no changes, Member Stiltner moved to approve Warrant #119. Member Johansson seconded the motion and the motion passed.

DISTRIBUTIONS:

Mandatory Plan

Michael Smiddy	Total Withdrawal	$ 10,774.45
Keenan Bennett	Total Withdrawal	$ 387.27

After reviewing the distribution paperwork provided Member Stiltner moved to approve the distribution for the above. Member Ferreira seconded the motion and the motion passed.

REPORTS:

Comments from Committee Members
Chairperson Johnson said that she and the Administrator both contacted Attorney James Loper to find out the fee for him to attend the meetings in person or via phone and also to review the meeting Minutes. Mr. Loper said his fee is based on the hours that he uses and his price is $250.00 per hour. Mr. Loper said he didn't think it was necessary to charge the Pension Fund review the minutes unless he was in attendance or attend the Board meetings during Fund Managers reports. The Fund Attorney responsibilities are providing legal advice to the Board dealing with litigations, disability hearings, and assuring the Board does not do anything improper or illegal, to name a few things. Chairperson Johnson said that she personally felt uncomfortable incurring unnecessary expenses. Chairperson Johnson pointed out there is a current Attorney Invoice included in this Meeting Packet under Warrant#119 in the amount of $6,375.00 which was only for questions about the Voluntary account. This is the reason she stopped Administrator Fang from forwarding

the minutes to Fund Attorney to review. Chairperson Johnson said she wants the Board to discuss issue more in the future.
Member Stiltner stated that Police Pension Fund requests that their Fund Attorney attend all meetings. But he said that the Police Pension Fund only has quarterly meetings and he also agreed that there were more disability cases for Police Pension Fund, their situations were more complicated compared to the General Pension Fund.

Previous Chair Person Retiree John Shelley said he worked with Attorney James Loper since the Board hired their firm. Retiree John Shelley said that Mr. Loper is a very professional Pension Attorney and he did a wonderful job for the City of Port Orange General Employees Retirement Plan. He only charged the Plan when the Pension Fund needed his services. Most of the time, the General Pension Fund runs smoothly by the Board and Administrator.

Mr. Prior mentioned that the Pension Board just renewed the contract with James Loper on 3-28-2016, and Mr. Loper noticed Board that he is planning to retire in 2018. Mr. Prior said that Mr. Loper always provided his services quickly via phone or email. Following discussion, Member Johansson suggested that they keep the same service mode for now, waiting until the Board is ready to do RFP for a new fund Attorney adding those requests of attending meetings, review minutes with new the Attorney Firm.

NEXT MEETING DATE:
January 23, 2017 – Regular Meeting

ADJOURNMENT:
The meeting adjourned at 3:22p.m.

Linda Johnson
Chairperson

Jan 23, 2017
Date