CITY OF PORT ORANGE GENERAL EMPLOYEES RETIREMENT PLAN REGULAR MEETING MINUTES
December 18, 2017

ROLLCALL:
The meeting of the City of Port Orange General Employees Retirement Plan was called to order by Vice Chairperson Ferreira at 2:00 p.m. on December 18, 2017 in the 2nd Floor Training Room, City Hall 1000 City Center Circle, Port Orange, FL.

TRUSTEES PRESENT:
Chairperson Linda Johnson, Vice Chairman Peter Ferreira, Scott Stiltner, Tracy Riehm, Lynn Hadley and Kynah Cockcroft

ABSENT AND EXCUSED:
Jake Johansson

OTHERS PRESENT:
Pete Prior of Benefits USA, Inc., Grant McMurray of Highland Capital, Dave Leonard and Dusty Buck, Plan Actuary, Mary Parker, Employee, Paul Stover of Principal Global Advisors, Jeff Swanson of Southeastern Advisory and Heather Carrizales of HR

PARTICIPANT/PUBLIC PARTICIPATION:
Member Mary Parker

APPROVAL OF MINUTES
October 23, 2017 – Regular Meeting
Chairperson Linda Johnson asked the Members if they have any issues with the minutes, corrections, additions, or deletions. Member Riehm said that she was confused on the third page under Comments from Committee Members, stating there appears to be comments from members of the Board that were not in attendance. Mr. Prior stated that Ms. Fang was commenting on the previous minutes and it was indicated by the quotes. Member Riehm stated she thought it was confusing and would like to have it rewritten and would not vote to approve them. Chairperson Johnson asked if there were any other comments regarding the minutes. There was also a question regarding the 2018 Meeting Schedules and it was decided to research what was said regarding quarterly meetings or to stay on the current schedule. After much discussion, Member Stiltner moved to table the minutes of October 23, 2017 meeting. Member Ferreira seconded the motion and the motion passed.

Member Stiltner moved to go out of order and address the item #6 now. Member Ferreira seconded the motion and the motion passed.

NEW BUSINESS:

Members Retiring

Chapman Glor – Early Retire Payment for Approval

Chairperson Johnson reviewed the documents reflecting the retirement payment for Mr. Chapman Glor. Member Stiltner moved to approve the retirement payment for Mr. Chapman Glor. Member Riehm seconded the motion and the motion passed.

Debbie Grabowski – Early Retire Payment for Approval

Chairperson Johnson reviewed the documents reflecting the retirement payment for Ms. Debbie Grabowski. Member Stiltner moved to approve the retirement payment for Ms. Debbie Grabowski. Member Cockcroft seconded the motion and the motion passed.

Carmen Miller – Early Retire Payment for Approval

Chairperson Johnson reviewed the documents reflecting the retirement payment for Mr. Carmen Miller. Member Stiltner moved to approve the retirement payment for Mr. Carmen Miller. Member Ferreira seconded the motion and the motion passed.

Robert Lavender – Early Retire Payment for Approval

Chairperson Johnson reviewed the documents reflecting the retirement payment for Mr. Robert Lavender. Member Stiltner moved to approve the retirement payment for Mr. Robert Lavender. Member Ferreira seconded the motion and the motion passed.

Bruce Beckman – Normal Retire Payment for Approval

Chairperson Johnson reviewed the documents reflecting the retirement payment for Mr. Bruce Beckman. Member Stiltner moved to approve the retirement payment for Mr. Bruce Beckman. Member Hadley seconded the motion and the motion passed.

Mary Parker – Early Retire Payment for Approval

Chairperson Johnson reviewed the documents reflecting the retirement payment for Ms. Mary Parker. Member Stiltner moved to approve the retirement payment for Ms. Mary Parker. Member Riehm seconded the motion and the motion passed.

UNFINISHED BUSINESS

Matrix for the Vendors' Performance Review

It was noted that the Board would table the Matrix for the Vendors' Performance Review. Member Hadley moved to table the item. Member Cockcroft seconded the motion. The motion passed.

FINANCIALS:

November 2017 – Dusty L. Buck and Dave Leonard, Actuary

Actuary Dave Leonard reviewed the financials with the Board. It was noted that the market value of the Fund is $34,057,070.00, an increase of $582,712.81. Receipts for the month totaled $925,205.52 versus total disbursements of $600,829.66. Payments to retirees and other participants totaled $176,852.98. The balance as of November 30, 2017, was $1,314,795.96 in the Cash account. Actuary Leonard reported that the yield for the month is 1.91%. Actuary Leonard explained the issue of overpayment from First State.

Member Stiltner moved to accept the November report as provided. Member Ferreira 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, 2017, the City of Port Orange General Employees Retirement Pension Fund's Highland Capital Management balanced account was valued at $7,285,802.00. For the third quarter, the Highland Capital Management balanced portfolio returned 4.30% which was 1.19% higher than the Index of 3.11%. For Fiscal Year to Date the Plan earned 16.90% and 14.46% for the past five 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: Financials, 28.1% of the portfolio returned 5.6%; Health Care, 12.6% of the portfolio returned -1.1%; and Info. Tech, 12.4% of the portfolio returned 9.6%.

Mr. Grant McMurray provided a brief report on the economy. Mr. McMurray reported that there was a myriad of negative events that surfaced in the third quarter of 2017, spanning the range from natural disasters, civil unrest (Charlottesville and multiple statue protests), to threats of nuclear annihilation. While each of those were worrisome and disturbing in their own way, it nevertheless was not enough to stem the tide of a rising bull market that continued its relentless move higher in 2017, and has now risen for eight consecutive quarters.

Principal Global Investors

Mr. Paul Stover addressed the Board thanking them for their business. Mr. Paul Stover noted that Principal Global Investor was incepted on January 1982, they are one of the top 10 managers of Real Estate, with over 350 institutional clients. The Gross Asset as of September 2017 was $9.49 billion, and Net Asset value was $7.12 billion. Total Investments is 141, Leverage ratio is 21.4%, the Portfolio Occupancy was 92.5%, and one-year net absorption is 2,267,858 SF.

Mr. Stover reported that as of September 30, 2017, the City of Port Orange General Employees Retirement Fund's Principal Real Estate Portfolio was valued at $4,380,078.67, For the third quarter, the Fund returned 2.04% which ranked in the 26th percentile, 8.64% for one year, and 10.91% for three years. Mr. Swanson noted that this Plan has a negative cash flow and could the returns from Principal be returned to the portfolio instead of being reinvested. Mr. Stover replied that could be arranged.

Southeastern Advisory – Jeff Swanson

Mr. Swanson reviewed the investment performance report for the period ending September 30, 2017. The equity bull market marched on as the S&P 500 posted positive returns for eighteen of the last nineteen months as of September. Equity investors were in part responding to strong earnings reports. Economic releases during the past three months have been solid, with growth in both the economy and labor markets. The impact of Hurricanes Irma and Harvey was less devastating than feared. Real GDP growth accelerated during the second quarter of 2017, at 3.1% annualized. This marked the strongest quarter since the first quarter of 2015. Both consumer and business spending contributed to growth. While personal consumption comprises a larger portion of GDP, business investments were particularly strong at rates not seen since 2014. A shrinking trade deficit contributed to growth, as well, with a contraction in government spending being the only detractor, economic growth for the first half of 2017 was 2.1% ANNUALIZED, THE Consumer Price Index was up 0.5% for the three months ending August and 1.9% for the one-year period, the 10-year breakeven inflation rate closed the third quarter at 1.8% up from 1.7% at the end of June. All of the increase, however occurred in September.

Mr. Swanson reported that the Fund portfolio value as of September 30, 2017, was $32,851,023. The Total Fund returned 3.2% for the fourth quarter which was 0.1% lower than the target Index of 3.3% and ranked 51% of Total Public Fund Sponsors, 12.60% for one year, and 8.4% for the past three years on an annualized basis. The asset allocation is 53.5% Domestic Equity, 19.6% Fixed Income, 10.6% International Equity, 13.3% Real Estate and 3.0% Cash. Total Domestic Equities' return was 4.2% which was 0.3% below to the S&P 500 Index of 4.5%. Total Fixed Income returned 2.5% which was 1.7% higher than the Barclays Aggregate Index of 0.8%. Total International Equities' return was 6.1% which was 0.7% higher than the MSCI EAFE Index of 5.4%. Total Real Estate's return was 2.0% which was 0.3% higher than the NCREIF Property Index of 1.7%.

Mr. Swanson reported that the Manager Allocation is 22.4% managed by Highland Capital, 9.6% managed by Atlanta Cap, 5.0% managed by EuroPacific Growth, 5.7% managed by Vanguard Global, 13.4% managed by Principal Real Estate, 23.8% managed by Boston Company and 20.1% managed by Integrity.

Mr. Swanson recommends moving some of the Bond money into Real Estate as they have outperformed returns 11% to 2% and suggests moving $750,000 into the Principle account.

Member Stiltner moved to approve moving $750,000 from Fixed Income to Real Estate. Member Hadley seconded the motion and the motion passed.

CONSENT AGENDA:

For Approval:

Warrant#130

Benefits USA, Inc. (Admin Fees 11-12/2017; INV #POG101)	$ 5,081.88
The Boston Company (3rd Qtr'2017 Mgmt. Fees; INV #88214)	$ 9,707.38
FPPTA (2018 Yearly Active Membership)	$ 600.00

Hearing and seeing no changes, Member Stiltner moved to approve Warrant #130. Member Hadley seconded the motion and the motion passed.

DISTRIBUTIONS:

Voluntary Plan

Chapman Glor	
Total Withdrawal	$103,223.15
Post -Tax	$ 52,927.05
Pre-Tax	$ 50,296.10

Hearing and seeing no changes, Member Stiltner moved to approve the Mandatory distribution for Chapman Glor. Member Hadley seconded the motion and the motion passed.

REPORTS:

Administrator:

Comments from Committee Members

Member Riehm provided a list from the auditor on December 1, 2017 to the administrator to follow up with. Mr. Prior said that he will check with Ms. Mei Fang to determine where she is with providing the auditor with the information.

NEXT MEETING DATE:

January 22, 2018

ADJOURNMENT:

The meeting adjourned at 3:33 p.m.

Linda Johnson
Chairperson

1/22/2018
Date