

CITY OF PORT ORANGE
FIRE AND RESCUE PENSION BOARD OF TRUSTEES QUARTERLY MEETING
MINUTES
Monday, February 27, 2023, 4:15 PM

Members Present: Jim Reardon, Chairman
Joe Meeske, Secretary
William Crider
Reed Foley
Chris Taylor

Plan Administrator: Julie Enright

Plan Attorney: Pedro Herrera, Via Conference Call

Consultant: Frank Wan, Burgess Chambers & Associates (BCA)
Doug Lozen, Foster & Foster
Kenzie Wedge, Polen Capital Management

City Staff: John McKinney, Finance Director

Public: None Present

CALL TO ORDER/DETERMINATION OF A QUORUM

The meeting was called to order at 4:15 PM. There was a quorum with five members present.

APPROVAL OF MINUTES – Quarterly Meeting, November 21, 2022

Member Foley moved to approve the quarterly minutes of November 21, 2022; the motion was seconded by Secretary Meeske and passed unanimously.

REPORTS (ATTORNEY/CONSULTANTS)

Mr. Frank Wan, Burgess Chambers (BCA), Performance Monitor, quarterly report December 31, 2022

Mr. Wan presented the December 31, 2022 total fund investment performance report. The fund value as of 09/30/22 was \$34,733,550 and the fund value as of 12/31/22 was \$36,526,196. He reviewed the performance of the Plan noting that the fund was 5.1% quarter to date. Discussed active managers, reviewed Plan model, and advised Plan invested correctly.

Fund with underperformance for 1-year are:

1. Fiduciary Large Cap -13.8%
2. Polen Large Cap -37.0%
3. American Funds Euro Pacific -22.7%

Noted is that these funds have good 5-year rates, and Euro Pacific is currently up. The timing of the investment into Polen Capital Management was not the best, noting investments cannot be changed without Board approval. To meet benefit demands cash can be raised with Chair signature.

Real Estate is a reason for underperformance as compared to the General Employees plan. Could not take all funds because capital call was not available. We are in the queue to get funds from American Realty but were not able to. Due to market conditions the Plan may be the beneficiary of having less invested in Real Estate going forward.

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Burgess Chambers advised of a fee reduction for their services noting that fees are asset basis. Proposed fees reduced from 15 basis points to 9 basis points resulting in a 40% reduction in fees. Had previously reduced in 2017.

Polen Capital Management, Kenzie Wedge, Investment Update

Ms. Wedge reviewed the Polen investment philosophy – high quality companies, reviewed its performance – noting changes in economy in 2020 covid pandemic, 2021 economy opening, 2022 inflation. Their portfolio has 22 names invested and expect long-term – 7 years – earnings growth will be made.

Member Foley recommended the Board review the amount invested. Burgess will continue to review Polen's performance.

Pedro Herrera, Plan Attorney, Legislative Update

Noted Secure Act 2.0 increased the minimum distribution age to 73 and increasing gradually which will include a requirement to amend the Plan. Another change is to the health insurance tax exemption (up to \$3000) can be applied to any entity retiree paid premiums to. 25 years of service regardless of age is allowed exemption from the 10% penalty.

Also, noted service-connected disability at normal retirement would change for disability – even if plan converts to normal retirement a service-connected disability retiree can still get disability.

Florida HB 3 proposed would amend fiduciary definition regarding fund investment decisions

Julie Enright, Plan Administrator

- A. Retiree death audit – no deaths reported by custodian bank
- B. Submitted the annual report of investment activity for FY 2021/2022 to the City
- C. Submitted Fiscal Year 2021/2022 detailed accounting report to the City for posting and to the members via Department posting
- D. Distributed annual interest statements for members in the DROP
- E. Changed monthly notification to members of COLA amount to include their gross amount of pension
- F. Coordinated transfer 1.5 million from FMI to Fidelity 500 Index Fund and partial redemption request with American Realty in the amount of \$868,000
- G. Distributed the updated Summary Plan Description to the Department for each plan member and to the City to provide to all new hires
- H. Terms of office for Kyle Crider (elected member) was unopposed and Jonathan Foley Council reappointment
- I. Next meeting scheduled for May 15

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New Business

1. Consideration/approval of the Actuarial Valuation

Actuary Lozen presented the Actuarial Valuation to the Board noting that the City prepaid contributions and the fund is \$59,872.95 overpaid. The funded status last year was 70.4% and went down to 69.1%. Without using the smoothing it would be at 61% funded using GASB (review as of today). The required contribution from the combination of City and State sources for the year ending September 30, 2024, is 92.7% of the actual payroll realized in that year. As a budgeting tool, the City may contribute 79.2% of each Member's Salary and then make a one-time adjustment to account for the actual State Monies received. Plan experience was unfavorable overall on the basis of the plan's actuarial assumptions. Sources of actuarial loss included an investment return of 2.97% (using a 4 year average) (Actuarial Asset Basis) which fell short of the 7.25% assumption, and an average salary increase of 15.99% which exceeded the 4.47% assumption. In FY 2022 the City contributed about 2.8 million. The City is funding appropriately.

Board noted that the language in the report does not match the Summary Plan Description benefits. The Report needs to state the correct language regarding the 25 years of service, etc. Actuary Lozen noted they will correct language to the actuarial valuation but the report is using the correct funding according to City provisions.

Secretary Meeske moved to approve the actuarial valuation as presented contingent upon the final revision discussed by the Actuary and the Board; the motion was seconded by Member Taylor and passed unanimously.

2. Declare expected rate of return for this year, the next several years and the long term for submittal to the State and the City

Secretary Meeske moved to declare the expected rate of return at 7.25%; motion seconded by Member Taylor and passed unanimously.

3. Approval for Attorney to prepare an Ordinance for submittal to the City to add changes approved in the Union Contract. The changes to include past employee classified as "Reserve" shall have hire date adjusted to reflect that date and if funded ratio reaches 80%, average final compensation will be the best 3 of the last 5 years

Consensus of the Board is to have Attorney prepare an Ordinance to add changes approved in the Union Contract. The changes to include past employee classified as "Reserve" shall have hire date adjusted to reflect that date and if funded ratio reaches 80%, average final compensation will be the best 3 of the last 5 years and the cancer presumption. An impact statement is also to be prepared by the Actuary with review by the Attorney.

Old Business

1. Confirm with Actuary definition of average final compensation used by Foster & Foster

Actuary advised the definition of average final compensation is all years of service. Discussion of incentive pay ensued; Administrator will email Payroll and the Board to confirm correct salary data used.

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2. Continue discussion regarding comparative performance of investments
Discussion of comparative performance of investments ensued. Consensus of the Board is to table discussion.

Ratification: Disbursements/Return of Contributions and Deposit

1. Sugarman & Susskind, Professional Services dated 1/17/23 **\$884.00**
2. First State fees for custody bank for quarter end 12/31/22, total fees: **\$4,556.27**
3. Fiduciary Management Inc. 12/31/22 quarterly fee in the amount of **\$7,394**
4. Burgess Chambers, Performance Monitor, 12/31/22 quarterly fee **\$13,697.32**
5. SSI, quarterly end 12/31/22 quarterly fee - **\$7164.**
6. American Realty Advisors – 12/31/22 quarterly fee -**\$6,786.00**
7. Integrity Fixed Income Management – 9/30/22 remainder of quarterly fee in the amount of **\$601.54 and 12/31/22 quarterly fee in the amount of \$4,749.42**
8. Julie Enright, Professional Services - **\$7,867.62** (quarterly administration fees paid for November, December, January); mileage and copy charges in the amount of \$141.66
9. Polen Capital Management quarter end 12/31/22 in the amount of **\$4,426.51**
10. Foster & Foster invoice dated 2/16/23 in the amount of **\$17,079.99**
11. Distribution of annual COLA'S for December, January, February to: Amos, Burgman, Shelton, Whalen, Ballinger, Calache, Campbell, Dickerson, Ferda, Jania, Kinnamon, Miller, Price, Robertson, Sedacca, Staley, William Vola, Weir, Whitaker, Wilds, Carrasquillo, Fast, Hodgins, Hooker, Jennetten, Traster and Crouch (one time per year payment)

Secretary Meeske moved to approve disbursements, return of contributions and deposit as listed above; motion seconded by Member Taylor and passed unanimously.

Retirements/Contributions Refunds – None

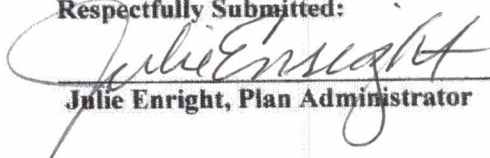
STAFF REPORTS, DISCUSSION, AND ACTION - None

TRUSTEES' REPORTS, DISCUSSION, AND ACTION - None

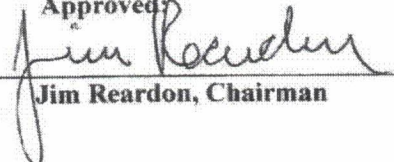
REQUESTS FROM THE PUBLIC/EMPLOYEES PRESENT - None

ADJOURNMENT – There was no further business; meeting adjourned at 6:34 PM.

Respectfully Submitted:


Julie Enright, Plan Administrator

Approved:


Jim Reardon, Chairman