

**CITY OF PORT ORANGE GENERAL EMPLOYEES RETIREMENT PLAN
QUARTERLY MEETING MINUTES
September 24, 2018**

ROLL CALL:

The meeting of the City of Port Orange General Employees Retirement Plan was called to order by Vice Chair Peter Ferreira at 2:00 p.m. on September 24, 2018 in the 2nd Floor Training Room, City Hall 1000 City Center Circle, Port Orange, FL.

TRUSTEES PRESENT:

Vice Chairman Peter Ferreira, Lynn Hadley, Kynah Cockcroft, Scott Stiltner and Tracy Riehm

ABSENT AND EXCUSED:

Jake Johansson

OTHERS PRESENT:

Pete Prior of Benefits USA, Inc.; Jeff Swanson of Southeastern Advisory, Grant McMurray and Todd Wishnia of Highland Capital, Elizabeth H. McManus of Boston Company

APPROVAL OF MINUTES

August 27, 2018 – Regular Meeting

Vice Chairman Peter Ferreira asked the Members if there were any issues with the minutes of August 27, 2018; any corrections, additions, or deletions.

Hearing and seeing none Member Hadley moved to approve the minutes as presented. Member Riehm seconded the motion and the motion passed.

PARTICIPANT/PUBLIC PARTICIPATION:

There were no public participants present at this time.

Vice Chairman Peter Ferreira suggested to move the Financial Reports ahead giving the Investment Managers and Consultant to go first so they don't need to stay for the entire meeting. Member Riehm moved to have the Investment Managers and Consultant present their report out of order. Motion seconded by Member Hadley and the motion passed.

FINANCIALS:

August 2018 – Dave Leonard

Vice Chairman Peter Ferreira reviewed the financials with the Board. It was noted that the market value of the Fund is \$35,432,910.02, an increase of \$699,638.33. Receipts for the month totaled \$577,917.81 versus total disbursements of \$433,849.00. Payments to retirees and other participants totaled \$259,571.87. The balance as of August 31, 2018, was \$798,998.76 in the Cash account. Vice Chairman Ferreira reported that the yield for the month is 2.54%.

Highland Capital – Grant McMurray

Mr. Todd Wishnia distributed an additional handout about the performance of the Fund. As of June 30, 2018, the City of Port Orange General Employees Retirement Pension Fund's Highland Capital Management balanced account was valued at \$6,745,825.00. For the second quarter, the Highland Capital Management balanced portfolio returned 1.46% which was 0.29% higher than the Index of 1.17%. Member Riehm asked if this return rate is Net of Fees and Mr. Wishnia replied they are Gross of Fees. Fiscal Year to Date the Plan earned 4.87% and 11.13% for the past five years on an annualized basis. It was noted that the asset allocation is as follows: 95.9% in Value and 4.1% in Cash/Cash Equivalents. The top three holdings by sector are as follows: Financials, 27.7% of the portfolio returned -3.5%; Health Care, 15.0% of the portfolio returned 3.4%; and Info. Tech, 12.3% of the portfolio returned 0.0%.

Mr. Wishnia provided a brief report on the economy. Mr. Wishnia reported that the second quarter of 2018 did not lack for significant news events, spanning the range from nuclear talks with North Korea, G-7 summits, immigration policy, a potentially more hawkish Fed, to tariffs and trade wars. This economic cycle is now over 9 years in length and we realize we are approaching the later innings of the growth phase; therefore, we must be vigilant.

The Boston Company

Ms. Elizabeth H. McManus of Boston Company introduced herself and provided a brief history of her company to the Board. She was pleased to announce that The Boston Company has merged with Mellon Capital and Standish, and BNY Mellon is our parent company. The Boston Company will be renamed Mellon Corporation and will use the brand "Mellon," effective January 2, 2019. With its long heritage in the investment community and strong associations with wealth and prosperity, Mellon is a natural name for our business. Mellon was also a common thread through all of the legacy brands and has a strong global reputation with investors.

As of June 30, 2018, the City of Port Orange General Employees Retirement Pension Fund's the Boston Company Asset Management balanced account was valued at \$7,382,516.00. For the second quarter, the Boston Company Asset Management balanced portfolio returned 8.59% which was 2.83% higher than the Index of 5.76%. Fiscal Year to Date the Plan earned 10.19% and 13.08% for the past three years.

Ms. McManus addressed their US Large Cap team of seasoned investment professionals with an average of over 15 years industry experience, their disciplined investment process that they believe delivers consistent results. The selected stock is performance focused and their decisions are made by those closest to the information. Broad research platform provides a diversified stream of investments, while portfolio construction rules allow us to manage unintended risk.

Southeastern Advisory

Mr. Swanson reviewed the investment performance report for the period ending June 30, 2018. Strong U.S. economic data and robust earnings growth outweighed investor concerns about geopolitical risks in Europe and global trade tensions to yield positive U.S. equity performance. Volatility returned in the first quarter of 2018 and continued into the second quarter and is approximately in line with long-term historical figures. Although there have been more up days than down during 2018, the daily losses have been more substantial. The average daily loss has been approximately 34% greater than the average daily gain, a spread not seen in more than a decade. Trade and tariffs continued to help drive markets this spring, as did increased anti-euro sentiment in Italy. Strong gains in personal income and consumer spending during the second quarter have left room for optimism. Real GDP growth slowed during the first quarter of 2018 to 2.0% annualized. Most of the major components of economic growth contributed with only an increase in the trade deficit detracting from gains. Growth in consumer spending was weaker than in the previous five years while business spending was up for the fourth straight quarter, contributing 1.3% to real GDP growth. Government spending was up, as well, contributing 0.2% to growth.

Mr. Swanson reported that the value of the Fund's portfolio as of June 30, 2018, was \$33,983,753. The Total Fund returned 2.7% for the second quarter which was 0.6% higher than the target Index of 2.1% and ranked in the fourth percentile of Total Public Fund Sponsors, 11.0% for the one year, and 8.8% for the past three years on an annualized basis. Total Domestic Equities' return was 5.0% which was 1.6% above the S&P 500 Index of 3.4%. Total Fixed Income returned -0.2% which was equal to the Barclays Aggregate Index of -0.2%. Total International Equities' return was -1.1% which was 0.1% above the MSCI EAFE Index of -1.2%. Total Real Estate return was 2.2% which was 0.4% above the to the NCREIF Property Index of 1.8%. The asset allocation is 50.7% Domestic Equity, 18.7% Fixed Income, 10.7% International Equity, 16.0% Real Estate and 3.9% Cash.

Mr. Swanson reported that the Manager Allocation is 20.0% managed by Highland Capital, 10.7% managed by Atlanta Cap, 4.9% managed by Euro-Pacific Growth, 5.8% managed by Vanguard Global, 16.0% managed by Principal Real Estate, 21.9% managed by Boston Company and 20.7% managed by Integrity.

Mr. Swanson noted that he is not making any recommendations to rebalance at this time.

UNFINISHED BUSINESS:

Matrix for the Vendors' Performance Review

Service Provider Evaluation for First State Trust Company

Vice Chairman Peter Ferreira opened the discussion with the Board, and asked did Administration office receive any completed scoring sheets. Mr. Prior said his office did not at this time. The Board went over some issues that happened in the past and how long they need to fix their errors. After further discussion, the Board asked Mr. Prior to contact James Robinson of First State Trust Company to provide an updated contract. Mr. Prior said that he will do so.

Discussion of Code Section 54-150 (e) Ad-hoc Cost-of-Living Increase

Mr. Prior said that he did contact the Pension Fund Actuary at the Board's request for a COLA cost Study, Mr. Prior asked Mr. Dave Leonard to prepare a cost for each level, that is, from 1% to 3%, if it is affordable on market value or actuarial value taking into consideration the smoothing the Plan has adopted. Mr. Dave Leonard promised that he will prepare the study in conjunction with the 10/1/18 annual valuation report.

Mr. Prior said that he did contact Ms. Karan Rounsavall, Administrator of the Police Pension Plan about their COLA, Ms. Rounsavall provided a portion of the SPD for the Port Orange Police Pension Plan addressing COLA. As stated, any new hire since January 2011 is not eligible for a COLA. Those hired prior to 2011 must have 25 years of service in order to receive a three percent (3%) annual COLA after reaching age 59. Very few current participants will reach that level. There has never been a 13th check for the police plan.

RFP for POG Legal Services

Vice Chairman Peter Ferreira said that he didn't know what happened at the last meeting regarding this issue since he was absent. Mr. Prior explained that at the last meeting the Board decided to move this item to today's meeting for the Board to review/select a short list of attorneys since the Board Members need more time to review the RFP packets. Mr. Prior reported that the Administration office was directed to include Paul Daragjati P.L.C. in the RFP. Mr. Prior said that Benefits USA collected all information and prepared a comparison of responses from bidders for the Board to select a short list for presentation. The list includes five (5) Law Firms: Mierzwa & Floyd P.A.; Klausner, Kaufman, Jensen & Levinson; Rice Pugatch Robinson Storfer & Cohen, PLLC; Sugarman & Susskind P.A. and Paul Daragjati, P.L.C. Member Stiltner stated that Sugarman & Susskind P.A. is the City of Port Orange Police Pension Fund's Attorney. The Board Members shared all their information that they knew about these five firms. After further discussion, Member Riehm suggested that all the Board Members pick one firm to call their client, but not pick from their References' list, randomly pick from their Clients' list.

It was suggested that the Board select a short list. The Board discussed the merits of the Legal Firms and the Board eliminated Paul Daragjati, P.L.C. due to the fact it is a new law firm. The Board will continue discussing this item in the next meeting after all the Members talk to these four firms' clients.

NEW BUSINESS:

Resignation from Chairperson Linda Johnson

Mr. Prior reported that Administration office received Chairperson Linda Johnson's resignation on 9-16-2018. Administration office did remind Ms. Johnson to complete the Form F1, and Ms. Johnson promised that she will get the form from the City Clerk and complete as soon as possible. Mr. Prior advised that there will be an election held to fill one (1) Trustee position on the General Employees Retirement Committee. Once complete the whole Board can vote on a New Chairperson. Mr. Prior mentioned regarding the Ordinance Sec 54-52, item B, the Board ultimately made the decision at the last year Pension Board meeting that the City would administer and establish the nominating and election procedures. Mr. Prior said that Benefits USA is more than willing to assist in the upcoming election if needed.

CONSENT AGENDA:

For Approval:

Warrant #138

Benefits USA, Inc. (Admin Fees 8&9/2018; INV #POG108a)	\$ 5,000.00
The Boston Company (4 ^{Qtr.} 17 and 1&2Qtr. 2018 Mgmt. Fees; INV #95618)	\$29,049.68
James Loper (STMT #44 dated 08/31/18)	\$ 825.00
FPPTA (Regis. Fee for Lynn Hadley)	\$ 600.00

Hearing and seeing no changes, Member Stiltner moved to approve Warrant #138. Member Hadley seconded the motion and the motion passed.

REPORTS:

Comments from Committee Member:

Member Stiltner said that he is interested in attending the trustee school to get more education, but he also concerned in saving the expense for the General Fund. Member Stiltner said that he will ask whether the City Council can pay his Trustee education expense. Mr. Prior asked did he want go to the next FPPTA conference will be at the end of September in Bonita Springs. Member Stiltner said that is next week and he will plan for the next Trustee School.

Administrator:

Mr. Prior advised the Board that he did contact First State and found out they still didn't receive Margaret Kelly's overpaid check from her Estate. We will continue to follow-up. Mr. Prior also contacted Police Pension Administrator Ms. Karan Rounsavall and was informed that only eight Retirees were set up with the Northern Trust Web access. The Boston Company always is several weeks later than others. After contacting their Billing Department, it looks like they are outsourcing their Billing to the Bank of New York Mellon. They only send the invoice by email, but for some reason, the past two quarters' billing email didn't go through, but their system did not offer any follow up for outstanding balance. After our phone conference with Bank of New York Mellon they changed their process to email and mail the invoice at the same time to avoid same this from happening again.

NEXT MEETING DATE:


October 22, 2018@2:00 p.m. – Quarterly Meeting

ADJOURNMENT:

The meeting adjourned at 3:55 p.m



Chairperson



Date