MINUTES
GENERAL EMPLOYEES' PENSION BOARD
POLICE OFFICERS' PENSION BOARD
FIREFIGHTERS' PENSION BOARD
HELD AT CITY HALL

December 14, 2018	**8:30 a.m.**	**Commission Conference Room**

1. CALL TO ORDER

Chairperson Kelly McGuire called the meeting to order at 8:33 a.m. She noted some items needed to be added regarding selection of board Trustees, Chairs, and Secretaries.

General Employees' Pension Board members present were Chairperson Kelly McGuire, Michael Furman, John Olivari, Ken Russell, and Denise Roeper.

Police Officers' Pension Board Pension Board members present were Ray Llanes, Benita Hamilton, Chris Byle, and Amanda Hayes.

Firefighters' Pension Board members present were Chairman David Randall, Joe Dupree, Mike Scudiero, Barry du Moulin (appointed during this meeting), and Dominic Morgese.

Also present were Pedro Herrera of Sugarman & Susskind, Patrick Donlan of Foster & Foster, Charles Mulfinger and Andy Mcilvaine of Graystone Consulting, Assistant City Clerk Andrew Moss and City Clerk Lisa Dahme, Stephen Earnhardt and Don Ruiter with Lauterbach & Amen.

2. APPROVAL OF MINUTES OF August 10, 2018 (GE)

Mr. Olivari moved, seconded by Ms. Roeper, to approve the minutes of the August 2018, General Employees' Pension Board meeting. The motion passed unanimously.

3. APPROVAL OF MINUTES OF September 5, 2018 (FF & PO)

Mr. Morgese moved, seconded by Mr. Dupree, to approve the minutes of the September 2018, Firefighters' Pension Board meeting. The motion passed unanimously.

Ms. Hamilton moved, seconded by Mr. Llanes, to approve the minutes of the September 2018, Police Officers' Pension Board meeting. The motion passed unanimously.

4. CERTIFY ELECTIONS

Mr. Furman moved, seconded by Ms. Roeper, to certify the election of Ken Russell to the General Employees' Pension Board. The motion passed unanimously.

Mr. Morgese moved, seconded by Mr. Scudiero, to certify the election of Joe Dupree to the Fire Fighters' Pension Board. The motion passed unanimously.

Ms. Hamilton moved, seconded by Mr. Llanes, to certify the election of Chris Byle to the Police Officers' Pension Board. The motion passed unanimously.

5. SELECTIONS OF CHAIRMAN (PO)

Ms. Hamilton moved, seconded by Mr. Llanes to elect Chris Byle as the Chairman of the Police Officers' Pension Board. The motion passed unanimously.

Mr. Llanes moved, seconded by Mr. Byle to elect Benita Hamilton as the Secretary of the Police Officers' Pension Board. The motion passed unanimously.

Mr. Morgese moved, seconded by Mr. Randall to elect Joe Dupree as the Secretary of the Fire Fighters' Pension Board. The motion passed unanimously.

Mr. Randall moved, seconded by Mr. Dupree, to appoint Barry du Moulin as a trustee for the Ormond Beach Firefighters' Pension Board. The motion passed unanimously.

6. PUBLIC COMMENTS

Ms. Kelly McGuire Chairperson of the General Employees' Pension Board, asked everyone to identify themselves for the record. All members and presenters identified themselves.

There were no public comments.

7. APPROVAL OF 2019 MEETING DATES (FEBRUARY 15, MAY 10, AUGUST 16, AND DECEMBER 13, 2019)

Ms. McGuire stated that she believed all of the meeting dates proposed were Fridays.

Mr. Andrew Moss, Assistant City Clerk, confirmed.

Mr. Russell moved, seconded by Ms. Roeper, to approve the 2019 meeting dates for the General Employees' Pension Board. The motion passed unanimously.

Mr. Byle moved, seconded by Mr. Llanes, to approve the 2019 meeting dates for the Police Officers' Pension Board. The motion passed unanimously.

Mr. Randall moved, seconded by Mr. Dupree, to approve the 2019 meeting dates for the Firefighters' Pension Board. The motion passed unanimously.

8. APPROVAL OF ANNUAL ACCOUNTING

Mr. Moss presented the annual accounting figures, absent the figure for custodial services paid to Regions.

Mr. Randall moved, seconded by Mr. Dupree, to approve the FY 2017-18 actual annual accounting budget, absent the custodial services to Regions for the Firefighters' Board. The motion passed unanimously.

Ms. Hayes moved, seconded by Mr. Byle, to approve the FY 2017-18 actual annual accounting budget, absent the custodial services to Regions for the Police Officers' Board. The motion passed unanimously.

9. PRESENTATION OF ACTUARIAL VALUATION - Foster & Foster

Mr. Patrick Donlan, Foster & Foster, provided copies of the valuation reports. He explained there were some new trustees and that every year on October 1, Foster & Foster reviewed the assets in the pension plan and projected all of the future retirement benefits to determine an appropriate funding requirement. Mr. Donlan noted Foster & Foster made assumptions one year ahead regarding investment returns, salary increases, turnover, and the like. He explained the valuation report currently being presented would determine the following year's requirements so the city could properly budget for it.

Mr. Donlan noted he would be reviewing the Firefighters' actuarial valuation. He noted the city and state requirement for the current year was 59.3 percent of payroll and would be 60.7 percent of payroll for the next year, stating it was about the same dollar amount because the active number of firefighters went down from approximately 40 to 37. Mr. Donlan stated the Police Officers' plan went from 52.4 percent down to 49.1 percent, while the General Employees' plan went down from 27.1 percent to 25.4 percent. He noted that all three plans had favorable actuarial experience for the year.

Ms. McGuire asked why the Police Officers' plan went down so much and if payroll was lower.

Mr. Donlan responded their plan had a lot of turnover.

Mr. Joe Dupree, Secretary of the Firefighters' Pension Board, asked if there was a dollar figure associated with it.

Mr. Donlan responded if the figures for the city requirement were multiplied by the payroll, then last year would be 1.231 million and this year would be 1.221 million, noting there was a slight reduction in the dollar amount. Mr. Donlan continued, stating they looked at the assets in the plan first and referred everyone to page 25.

Ms. McGuire interjected, asking if the figures quoted for payroll took general salary adjustments into account.

Mr. Donlan responded it was using the current payroll, without adjustments, and referred everyone to page 25 for Fire and Police and 22 for General Employees. He explained because the plans were invested heavily in stocks, there would be a lot of volatility in those assets. He noted that Foster & Foster used a smoothing technique to avoid the city's cost from having large fluctuations each year, which was accomplished by using a rolling four year average return rather than a one year return. He noted General Employees' one year return was 10.91 percent, which beat the assumption by more than four percent, however the four year average was 7.36 percent. Mr. Donlan further stated that the lowest year in the average would be removed next year, which would help.

Mr. Dominic Morgese, Firefighters' Pension Board, asked why there was a difference between actuarial asset or valuation and market value.

Mr. Donlan responded the market value was the actual value on the bank statement, while actuarial asset value took into account the four year average rate of return.

Further discussion ensued by board members regarding the value.

Ms. McGuire asked what the swing would be in the city's required contribution if the Firefighters' Plan dropped their assumption to 6.75 percent.

Mr. Donlan responded the rough rule of thumb is approximately a 2.5 percent of payroll increase, noting a tenth of a percent for each one. He further stated if it was dropped a quarter it would go up about 2.5 percent as a rough guess, depending on number of retirees and other factors.

Mr. Dupree asked if the General Employees and Police raised from 6.5 to 7 percent if their assumption would go down a couple points.

Mr. Donlan noted that was correct, it would do the opposite.

Further discussion ensued by board members regarding the assumptions.

Mr. Donlan moved on to projected benefits, which would address turnover. He referred to page 31 for the Police Officers' plan, page 32 for the Firefighters' plan, and page 28 for the General Employees' plan. He explained that if all plan members worked eight years, terminated, and took a refund of their contributions then there would never be any retirement benefits paid and thus no need to put in any contributions, noting turnover makes a difference. He mentioned all three plans had gains from greater turnover than expected. Mr. Donlan referred the boards to look at the number of retirees, noting the relationship of mortality to retirement benefits.

Mr. Donlan referred the boards to the last page of their reports to view the net pension liability, noting all three plans demonstrated improvement. He explained the increases were related to accounting using the market value rather than the four year smoothing, noting the reason market value was used in this instance was for better accounting comparisons across the country.

Mr. Morgese asked what would be considered fully funded.

Mr. Donlan replied most plans try to be between 80 and 100 percent funded, noting fully funded would be 100 percent, but 80 percent was considered healthy.

Mr. Dupree asked when the city would have to pay the $8.5 million net pension liability.

Ms. McGuire asked Mr. Donlan to talk about what the net pension liability represented.

Mr. Donlan responded the easy way to look at it would be to consider the plans' fiduciary net position, noting that position was equal to the market value of assets as of that date. He further explained Foster & Foster developed a normal cost, based on the age someone was hired and the assumptions made about when they would retire, investment returns, and more. Mr. Donlan noted the actuarial accrued liability was the same as the total pension liability and that the $8.5 million and 78.5 percent stems from when you compare the accrued liability value to the assets.

Further discussion ensued by board members regarding the net position.

Mr. Morgese asked what the net pension liability would be if the plan was 100 percent funded.

Mr. Donlan replied zero.

Mr. Mike Scudiero, Firefighters' Pension Board, asked what contributed to the good returns over the last few years.

Mr. Donlan referred the boards to page 17 for the Firefighters' and Police Officers' plans and page 15 for General Employees. He explained the term "unfunded actuarial accrued liability" on the funding side was the same concept as the term "net pension liability". Mr. Donlan went on to explain that Foster & Foster's expectations were different than the actual figures with relation to the unfunded actuarial accrued liability, which led to gains on all three pension plans.

Mr. Dupree asked if the income numbers listed were actual salaries or if they included benefits paid by the city.

Mr. Donlan explained the income figure was the pensionable salary and that one specific pensioner's refund of approximately $40,000.00 made the overall gain from turnover appear larger.

Ms. McGuire asked if the state contribution to the Police Officers' plan was the annual money received after the end of the fiscal year.

Mr. Donlan confirmed, stating he believed the money came in on October 5, 2018.

Ms. McGuire asked if the state contribution receivable on the Firefighters' plan was a secondary check.

Mr. Pedro Herrera, Sugarman and Susskind, responded that it was a supplemental check.

Mr. Donlan stated it usually came in right around September 30, noting some years it was earlier and some years it was later. He further explained that amounts over six percent would go directly to state education. Mr. Donlan explained that when the fund was overfunded the plan received a higher percentage, and he would not count on the amounts going back up.

Mr. Ray Llanes, Police Officers' Pension Board, asked about the large difference between the salary increases of different plans.

Mr. Donlan explained the average increase for the Firefighters' plan last year was 1.8 percent with an expectation of 5.5 percent, while the average increase for the Police Officers' plan was 6.72 percent with the same expectation of 5.5 percent. Therefore, the Police Officers' plan received less of a gain than the Firefighters' plan because the Firefighters' plan's salary increases were less.

Mr. Donlan addressed an earlier question and stated if the plan was terminated the amount that would have to be paid to all pensioners on the Firefighters' plan would be $37.7 million, of which 83 percent is funded; the Police Officers' plan would be $42 million at 83.5 percent funded; and the General Employees' plan would be $52 million at 98.7 percent funded.

Ms. McGuire asked if there were any further questions for Foster & Foster and thanked them for their hard work getting everything ready, noting they only have about six weeks after getting the city's figures to complete the report.

Mr. Herrera reminded the board they would need to make motions on approval of the actuarial valuation to set forth the required contribution from the city's standpoint for the fiscal year ending 2020.

Ms. Roeper moved, seconded by Mr. Russell, to approve the General Employees' Pension Fund actuarial valuation. The motion passed unanimously.

Mr. Byle moved, seconded by Ms. Hamilton, to approve the Police Officers' Pension Fund actuarial valuation. The motion passed unanimously.

Mr. Randall moved, seconded by Mr. Dupree, to approve the Firefighters' Pension Fund actuarial valuation. The motion passed unanimously.

10. INVESTMENT MONITOR REPORT – Graystone Consulting

Mr. Charles Mulfinger, Graystone Consulting, began his presentation agreeing with the actuary, stating the results were good for the quarter and for the year as a whole, noting that since the quarter ended the market has been volatile. He gave a brief introduction regarding Graystone's role as the consultant to the pension boards, explaining their responsibility was to monitor the investment managers, keep them accountable, and explain their results. Mr. Mulfinger introduced Andy Mcilvane to present the report.

Mr. Andy Mcilvane, Graystone Consulting, reiterated that the recent results were good. He explained that Graystone tracked market volatility by looking at the one percent market moves, which was basically anytime the market rose or fell more than one percent in a given trading day. He explained in the third quarter there were zero of those days and in the fourth quarter there had been 24 or 25 so far. Mr. Mcilvane reminded the boards that volatility is expected and can be okay, noting no market volatility is more of an anomaly. He explained that the third quarter revised gross domestic product (GDP) number was 3.5 percent, and while that was down from the second quarter rate of 4.2 percent, those were the strongest two consecutive GDP quarters in more than five years. Mr. Mcilvane mentioned unemployment was still at historic lows. He reminded the boards that with the growth, people needed to be mindful of inflation as well as the Federal Reserve (Fed) raising interest rates. He noted that the Purchasing Managers Index (PMI) and Non-Manufacturing Index (NMI) were both above 50 percent, noting anytime those figures came in above 50 percent it signified growth and this was the 111th month in a row above 50 percent.

Mr. Mcilvane explained the volatility the market was currently experiencing was largely from geo-political concerns, noting it would most likely stick around for a while. He mentioned the underlying economic fundamentals like low unemployment, higher wages, and robust GDP figures were important metrics to pay attention to.

Mr. Mcilvane continued his presentation, stating growth had outperformed value in the following sectors: US equities, S&P, and the Russell 2000 index, but stated value should start making a comeback according to many analysts. He reintroduced Mr. Mulfinger to continue the presentation.

Mr. Mulfinger discussed the individual managers' performances. He noted the plans performed well, however, he noted that the Police Officers' plan performed better because the Police Officers' Pension Board did not meet last year to rebalance and were above the 70 percent equity mark; thereby heavier than they should be in equity. Mr. Mulfinger stated the boards could vote for a rebalance to get back around the 70 percent mark. He explained they were ahead now, but would be down more in the new quarter with the downturn of the market.

Ms. Amanda Hayes, Police Officers' Pension Board, asked if the rebalancing would be based on the quarterly figures being presented at the meeting.

Mr. Mulfinger responded that they would be rebalancing based on the current numbers rather than the previous quarter's figures and that the Police Officers' board did need to rebalance to get back to the 70 percent mark based on current market values. He highlighted the General Employees' plan, noting it was above the $50 million mark for the first time, further noting the General Employees' plan made over $2 million for the quarter.

Mr. Mulfinger stated the most important decision to be made would be asset allocation. He explained the Pension Boards were constrained by the current ordinance as well as the investment policy, noting the investing policy had to comply with the ordinance. He explained the current policy allowed for up to 70 percent equity, noting that was heavy and the policy target was 65 percent. He believed all plans were too heavy into equity, and thought stocks would do better than bonds going forward; therefore, being over 65 percent may be okay, but not outside the max range of 70 percent. He further stated there will need to be a motion made directing Graystone Consulting to bring the equity back to range based on current value.

Ms. McGuire asked if there needed to be a motion since the General Employees' plan was in range.

Mr. Mulfinger responded it was, clarified that they needed to check, but explained they would not need to actually make a change.

Further discussion ensued regarding the rebalancing, highlighting that if the market were to make a change the motion would be helpful.

Ms. McGuire asked if the General Employees' plan was the only one who needed to make a motion.

Mr. Mulfinger stated all the boards should make the motion.

Mr. Olivari moved, seconded by Ms. Roeper, to approve the General Employees' Pension Fund rebalancing of equity to the range as needed. The motion passed unanimously.

Mr. Byle moved, seconded by Ms. Hamilton, to approve the Police Officers' Pension Fund rebalancing of equity to the range as needed. The motion passed unanimously.

Mr. Dupree moved, seconded by Mr. Morgese, to approve the Firefighters' Pension Fund rebalancing of equity to the range as needed. The motion passed unanimously.

Mr. Dupree mentioned he thought the equity would automatically rebalance.

Mr. Mulfinger explained the individual fund managers were not able to see what the other managers were doing and could not do the rebalancing. He explained that only Graystone could direct the managers with regards to rebalancing.

Mr. Dupree asked if pension boards ever took the out of range value and allocated it to a different alternative.

Mr. Mulfinger responded that pension boards did allocate funds to different things, noting after the 70 percent is allocated to equity, the remaining 30 percent has to go somewhere, and in the city's case the remainder goes towards bonds. He further explained the inverse relationship of rates and bonds, noting when one went up the other went down. Mr. Mulfinger stated if the policy allows for the board to invest elsewhere, they may invest in something like real estate.

Ms. Hayes asked how long it would take to rebalance.

Mr. Mulfinger responded it happened quickly, within a week.

Further discussion ensued regarding investment allocation and alternatives.

Mr. Mulfinger explained there were some things to consider with regards to allocation mix, specifically the risk and return as well as the target. He noted if the target was 6.75 or seven percent there could not be a lot of investment in bonds because bonds were only paying three percent, therefore, risk assets must be included to achieve the target. Mr. Mulfinger explained the board previously considered this and came to the conclusion to have a 65 / 35 split for targets and 70 percent max in equity.

Ms. Hayes mentioned moving the additional five percent into something more conservative and away from equities.

Mr. Mulfinger responded that if it could have been done previously, in hindsight a date such as September 30, 2018, for example, would have been great. He noted that currently the market was down ten percent and he felt with that level of correction, it was presently a good time to get back in. He explained he did not think the current situation required a more defensive position.

Mr. Mulfinger continued his presentation; noting almost all the managers beat their indexes for the quarter. He stated HGK Asset Management ("HGK") was doing well and had been outperforming and catching up from the fall in the energy market. He stated Graystone wanted to keep them and continue to watch their performance.

Mr. Mulfinger moved to Sawgrass Asset Management ("Sawgrass"), noting they were a more defensive manager and normally would not go up as much when the market rose but also would not drop as much when the market fell. He stated they did well over the last quarter and had done well since they were hired, noting they added value with lower risk.

Mr. Mulfinger stated Polen Capital ("Polen") was very concentrated and only owned 20 stocks, explaining they could take risks because they were so concentrated. He stated their view was to own America's greatest companies and they were long term buyers who did not trade often. He mentioned Polen had earned 31 percent in one year and 16.87 percent over the long term, noting they beat the benchmarks in all time periods with less volatility and added value. Mr. Mulfinger also stated Polen captured 96 percent of the market's upswing and only captured 83 percent of the market's downswing.

Ms. Hayes asked if Polen owned Apple stock.

Mr. Mulfinger responded that Polen had 45 percent of their portfolio in technology and Apple was one of the stocks they owned.

Mr. Mulfinger stated Cambiar Investors ("Cambiar") was a newer manager since June of 2016, noting they had a good quarter and were up over the last year and since they were hired. He mentioned they captured 102 percent of the market's upswing and only 50 percent of the market's downswing, stating that was unheard of and most likely would not last.

Mr. Mulfinger stated they spoke about watching Fiera Capital ("Fiera") closely last quarter, noting it wasn't necessarily to replace them, rather it was because they had purchased Apex Management. He explained the concern was that Fiera's personnel may change, noting they had not changed yet and long term contracts were in place as well as restrictive stock. He stated they were below for the quarter and down a little since 2015. He mentioned their returns were not terrible but a good reason to watch them closely.

Mr. Dupree asked if Graystone visited the managers in person.

Mr. Mulfinger stated he did not personally, but his firm did.

Mr. Mulfinger addressed international managers and started with Delaware Funds by Macquarie Investment Management ("Delaware"), noting they were more defensive. He stated the quarterly returns were good, explaining they were a little below target on the one and three year figures, and good on the five year and since inception figures. He noted their returns had been accomplished with less risk, capturing 89 percent of the markets upswing and 85 percent of the downswing.

Mr. Mulfinger mention Renaissance Investment Management ("Renaissance") was more growth focused. He stated their quarterly returns were also good, explaining they were a little below target on the one and three year figures, and good on the five year and since inception figures. He mentioned they had higher return with less risk and added value, noting they captured 98 percent of the upswing and 87 percent on the downswing.

Mr. Mulfinger stated Garcia Hamilton & Associates ("Garcia Hamilton") had outstanding performance with the exception of the last quarter, explaining they were close to target last quarter and had consistently beat their index which was great for bonds, noting they had done very well predicting the direction of rates and which sectors to invest in. He stated they had captured 111 percent of the upswing and only 68 percent of the downswing, noting they had higher return with mixed risk and added a lot of value.

Mr. Mulfinger concluded every manager added value except Fiera. He stated that altogether the quarter was outstanding.

Mr. Dupree asked if the people in the Deferred Option Retirement Plan (DROP) would receive the four percent the plan made for the quarter.

Mr. Mulfinger responded they would get the net number.

Mr. Mulfinger continued the presentation, explaining the plans were in the "northwest quadrant" of his visual aide, noting they had higher returns and less risk. He noted there was a checklist for compliance and that on that checklist everything was good except the pension plan with equity allocation over 70 percent, noting the motion made earlier regarding rebalancing would address that issue.

Mr. Mulfinger explained Graystone's view of the future and tactical reasoning behind it, noting they preferred stocks over bonds. He further stated that within stocks, they were currently equal weight to the U.S. market because the U.S. market was more expensive relative to the international markets. He explained there were other investment alternatives, like real estate, which Graystone felt was great a few years prior but was now expensive. He did, however, feel real estate was better than bonds as a diversifier. He summarized that 70 percent stocks and 30 percent fixed income was a little aggressive, but he thought it was okay in the current environment, noting the plans had a great year and were beating the benchmarks with less risk.

Mr. David Randall, Chairman of the Firefighters' Pension Board, mentioned offering loans at a fixed rate to the city to capture the fixed income allocation rather than bonds and asked if Graystone had any experience with that or recommended it.

Ms. Hayes questioned whether offering loans was allowed.

Mr. Mulfinger responded they would be hesitant to enter that territory. He explained Graystone and the Pension Boards were both fiduciaries whose roles were to do what was best for the plans' participants with all decisions at all times. He stated the risk was supporting a decision that did not consider the benefits for the participants, but rather the entity being loaned the money. He iterated he was not saying the plans could not do it, but Graystone would not be the fiduciary for that asset class and the plans would have to hire a separate entity as the fiduciary regarding that decision.

Mr. Herrera explained there was nothing prohibiting the plans from carrying out the transaction, noting the decision would need to be more thoroughly vetted and both the ordinance and investment policy statement would potentially have to be amended. He stated the pension boards' fiduciary responsibilities were fact specific and the boards needed to act reasonably and prudently under the specific scenario, noting some clients were looking into some of these things.

Ms. McGuire asked what specific "things" Mr. Herrera was speaking about.

Mr. Herrera stated some clients were essentially considering portfolio expansion by providing financing or pseudo public-private-partnerships between the Pension Fund and the city for things like affordable housing, parking garages, and municipal buildings to be purchased then leased back to the city. He explained some plans were viewing this as a win-win, noting the city is presumably a good candidate to repay loans and the Pension Fund made money on the return.

Ms. McGuire stated as the city's Finance Director she would be hesitant, but could see a scenario where if the city had to borrow money for a capital project, whoever the city borrowed from would receive the interest. She mentioned the city was currently looking at borrowing money.

Mr. Dupree asked if that would create a conflict of interest.

Mr. Herrera stated it would not and they had looked into it previously. He explained it had to be a market rate and couldn't be a "sweetheart" deal. He mentioned they did not have the prohibitive transaction qualifications that Employee Retirement Income Security Act of 1974 (ERISA) plans have, noting there was a little more flexibility.

Mr. Michael Furman, General Employees' Pension Board, asked how the plan would market to market, noting if the city had no probability to default and had a 100 percent credit rating, he was also concerned about the loan needing to be priced annually. He further questioned what would happen in a scenario like 2008, where cities would have had a higher probability to default.

Mr. Donlan noted that state statute stated that if you could not determine the value of something you did not count it in the actuarial studies.

Mr. Furman interjected that if a loan is obtained in 2007, then the market drops in 2008, the city's probability to default would increase and the loan would need to be repriced like all bonds are repriced.

Mr. Herrera explained this would be a loan, not a bond, and would not need to be repriced.

Further discussion ensued regarding the use of loans.

Mr. Dupree mentioned offering loans to members at low rates as a benefit. He explained members were currently able to take a loan out for two years and asked what the rate was for that loan.

Ms. McGuire responded the two year loan was at zero percent, but was only for two years.

Mr. Dupree thought it might be a good benefit for some members to be able to take a longer loan like ten years at a market rate, noting some members were young and had a hard time obtaining financing.

Mr. Donlan stated it had to comply with the ordinance.

11. DISCUSSION OF CONFIRMATION OF BENEFITS

Ms. McGuire stated the City Clerk's Office sends out a letter to all retirees annually to confirm the retiree is still alive to receive benefits. She stated occasionally some letters did not get returned, at which point the Clerk's Office tries to follow up with the retiree to ensure benefits should still be paid. She mentioned there were several who had not returned the confirmation of benefits form yet.

Mr. Moss stated they were six pensioners who had not returned the form yet. He mentioned there were two employees from the Firefighters' pension plan: John Cavanaugh and Holly Hambrick for Frank Hambrick, two from the Police Officers' pension plan: Scott Gaston and David Isenberg, and two from the General Employees' pension plan: Phyllis Davey and Carolyn Stuckey for Kenneth Stuckey.

Ms. McGuire stated that after several attempts to contact the retiree and have them complete the form, she thought it was time to stop their benefits and wanted to ensure the boards were in agreement to stop the benefits in January.

12. DISCUSSION OF CHANGE IN FEES BY FOSTER & FOSTER

Mr. Mulfinger asked if this item was from a while ago.

Ms. McGuire stated she was unsure.

Mr. Mulfinger stated if it was regarding the online submission of the evaluation reports, those costs were $750.00 last year and $300.00 per year moving forward.

Mr. Dupree stated he remember fees changing in the recent past.

Ms. McGuire responded the former board secretary wanted to talk about it and was no longer part of the board and moved to the next item.

13. DISCUSSION OF REVISED PROPOSED ORDINANCE AMENDMENTS - REITS (PRESENTATION TO COMMISSION)

Ms. McGuire explained she was looking at previous meeting minutes to better understand where the boards were regarding the issue at hand. She believed the last discussion was regarding a more general language for the ordinance, noting she had not seen any new ordinances relating to this item.

Mr. Randall believed they had discussed preparing a presentation for the City Commission regarding moving toward real estate investment trusts (REITS), then proposing an ordinance.

Mr. Dupree stated he thought Mr. Mulfinger was going to do a workshop with the City Commission at one point.

Ms. McGuire explained the city would need the ordinances and they would need to be approved by each board. She noted then Mr. Mulfinger would put together a written presentation for the Commission with the ordinances. She explained that at that future meeting, Mr. Mulfinger would be present to answer questions if needed.

Mr. Dupree asked if they should also include alternative investments or emerging markets.

Ms. McGuire stated that was discussed at a previous meeting as well, but there had never been a revised ordinance created. She stated the boards needed to figure out what they wanted the language to say so that Mr. Herrera could begin drafting the ordinances. Ms. McGuire stated the boards should forget about what was discussed previously and simply move forward with deciding how they wanted the ordinance to read.

Mr. Randall asked if language which allowed the boards flexibility to invest in what they wanted would work or if they needed to be more specific.

Ms. Hayes thought they were just amending the ordinance to allow for future potential investment.

Mr. Mulfinger stated there was previous discussion with the previous attorney regarding the amendment language being too broad and it was decided that would not work.

Ms. McGuire stated she would take whatever the boards decided to the Commission but believed if the language was too broad, the ordinance may be rejected.

Mr. Scudiero asked if the boards could piggyback on other cities whose ordinances offered more flexibility in what they were allowed to invest in and noted he believed it may be worth looking at how other municipalities worded their ordinances.

Mr. Herrera responded there were cities with more flexible language, but it depended on what the boards wanted to encompass. He further explained that some plans like the City of Daytona Beach's Police and Fire plans were allowed to invest in basically anything they wanted. He explained the language could be for more specific mandates, collective trusts, real estate, alternatives, hedge funds, private equity, venture capital, or many others. Mr. Herrera explained he could draft the ordinance based on what the boards wanted in a general manner.

Ms. Hayes explained it still had to be approved and should be written in a manner for easy approval.

Ms. McGuire asked if Mr. Mulfinger sent language relating to the re-drafting of the ordinance to the previous attorney and what that language was.

Mr. Mulfinger replied he did and mentioned the language was specifically for allowing real estate because previously the boards did not think it would pass if it was more generalized, noting he preferred a more broad language.

Mr. Herrera stated he was at a recent meeting in Orange Park and they had language which essentially allowed them to invest in anything the board wanted, noting the commission approved the ordinance but without that specific language.

Mr. Mulfinger stated he was seeing more cities approve the broader language.

Ms. Hayes stated the presentation to the Commission could include a section showing them what was lost and the missed opportunities due to the restrictions of the current ordinance.

Ms. McGuire asked the boards which way they wanted to head regarding the language of the ordinance.

Mr. John Olivari, General Employees' Pension Board, believed the boards should stick with REITS.

Ms. McGuire asked if that would be any help.

Mr. Mulfinger stated it would not be much of a rush.

Ms. McGuire asked for a more middle position, a better step forward allowing the boards to have authority to do what they deemed appropriate.

Mr. Mulfinger stated the City of Holly Hill approved real estate investments.

Mr. Herrera thought an allowance for real estate and investment in collective trusts or other collective investment vehicles would be a good option that was fairly common and broad enough to allow for more flexibility. He noted if the boards' goals were to get into alternative spaces like venture capital and private equity then the language would need to be different.

Ms. McGuire asked Mr. Mulfinger if that was the goal.

Mr. Mulfinger stated as a consultant he believed the more flexibility the better, but he wanted the board to choose goals they were comfortable with and goals they thought the Commission would approve.

Ms. McGuire thought the boards should have Mr. Mulfinger and Mr. Herrera work together to bring back an intermediate position for the ordinance amendment to discuss at the next board meeting.

Mr. Randall moved, seconded by Mr. Dupree, directing Mr. Herrera and Mr. Mulfinger to draft alternative investment language for the ordinance amendment to be discussed at the next Firefighters' Pension Board meeting. The motion passed unanimously.

Mr. Furman moved, seconded by Mr. Olivari, directing Mr. Herrera and Mr. Mulfinger to draft alternative investment language for the ordinance amendment to be discussed at the next General Employees' Pension Board meeting. The motion passed unanimously.

Mr. Byle moved, seconded by Mr. Llanes, directing Mr. Herrera and Mr. Mulfinger to draft alternative investment language for the ordinance amendment to be discussed at the next Police Officers' Pension Board meeting. The motion passed unanimously.

Ms. McGuire mentioned the boards could potentially approve all three ordinance amendments at the February 15, 2019 Pension Boards meeting, and if so, she will work with Mr. Mulfinger on a presentation for the Commission.

14. DISCUSSION OF PROPOSED ORDINANCE FOR INVESTMENT OPTIONS (GE)

All three boards made and approved their respective motions directing Mr. Herrera and Mr. Mulfinger to draft alternative investment language for the ordinance amendment to be discussed at the next pension board meeting under Item 13.

15. DISCUSSION OF PROPOSED ORDINANCE AMENDMENTS – DISABILITY (FF)

Mr. Randall asked to return to this item at the end of the meeting.

16. DISCUSSION OF RETIREE CONTRIBUTION REFUNDS

Mr. Herrera stated there was an issue where a pensioner retired and passed away the next day.

Ms. McGuire explained the passing was sudden and happened before his final retirement calculation was completed, noting the retiree never had an opportunity to make his retirement elections.

Mr. Herrera explained the plans did not address what should happen in this specific circumstance. He stated under a strict reading of the ordinance it could be interpreted to mean that the pensioner was only entitled to the first month's pension check, noting the pension standard was a life annuity. This meant the pensioner would only receive it for their life. Mr. Herrera explained he did not think that was the best way to interpret the ordinance. He stated the private sector as well as the Police Officers' and Firefighters' plans had a requirement that a member or a beneficiary were entitled to at least a refund of the employee's portion of the contributions. He noted that he was not sure why, but the General Employees' plan did not have the same language requiring the refund, noting he believed it may have been an oversight.

Mr. Herrera thought the board could interpret the ordinance to allow the beneficiary to receive the refund. He mentioned that tragically the pensioner's daughter, who was the beneficiary, also passed away shortly after. Mr. Herrera offered a brief explanation of the ordinance's provisions and definitions of retirement, noting benefits were paid out in arrears at the end of the month. His recommendation was for the board to interpret the ordinance to allow for a refund of contributions to the estate of the beneficiary.

Ms. McGuire moved, seconded by Ms. Roeper, to interpret the ordinance to allow a refund of contributions in this case, and in all future cases that a retiree or their beneficiary always receive a minimum of their contributions with no interest, and to amend the ordinance accordingly. The motion passed unanimously.

Mr. Herrera stated he would get the estate information to Ms. McGuire to cut the check.

Mr. Herrera mentioned it was the gift giving season and wanted to give the board members a reminder that they were public officials and subject to state ethics laws, noting anything given to them regardless of value should be returned if the receiver feels it was used to influence their decisions pertaining to the board. She explained any gift valued at $25.00 or less could be accepted without reporting, anything valued between $25.00 and $100.00 could be accepted as long as the gift giver files the proper form with the state ethics commission, and anything valued over $100.00 should not be accepted. He also wanted to ensure the board was aware of the recent constitutional amendments, noting two of the amendments affected the boards. Mr. Herrera offered a brief explanation of the two amendments.

Ms. McGuire asked if the board could talk about Form 1. She mentioned Mr. Byle was new to the board and she was aware his was filled out. She asked Mr. Ken Russel if he had filled his form out.

Mr. Ken Russell, General Employees' Pension Board, stated he did fill it out.

Mr. Herrera responded that the new trustees had to file Form 1, noting it was an annual requirement and trustees who left must file Form 1F. He explained that it must be filed in the Supervisor of Elections' Office in the county where the member resided and that there were time constraints, noting members only had 30 days to file after joining the board and 60 days to file after leaving a board. He further explained there was a daily penalty the state will impose, which is almost impossible to waive and cannot be paid by the pension fund or insurance of the employer. Mr. Herrera recommended members who mail the form in to ensure they send it certified mail with return receipt.

Ms. Lisa Dahme, City Clerk, stated she spoke with Lisa Lewis, the Volusia County Supervisor of Elections, and was informed if the form was filed on-line they would receive an e-mailed receipt that the form was submitted.

Mr. Herrera stated some counties allowed the form to be filled out on-line.

Ms. McGuire asked if someone would ensure Mr. Barry du Moulin received the form.

Ms. Dahme responded she would ensure he received it.

Ms. McGuire asked Mr. du Moulin to follow up with the City Clerk.

Mr. Herrera noted he believed the Form 1 still has 2017 on it and the 1F has 2018.

Ms. Dahme stated the most recent form was available online.

The General Employees' Pension Board meeting adjourned at 11:15 a.m.

Mr. Randall asked who would authorize the creation of a cover page for each pension, a very basic summary of the plan.

Ms. McGuire asked if Mr. Randall had a copy of one that he could send to her, noting the information was in several different places and offered to help with the numbers if Mr. Randall sent a copy to her.

17. DISCUSSION OF MR. STARKE DISABILITY APPLICATION – (PO)

Ms. McGuire mentioned there was a disability application received from Mr. Starke, noting he was going through the workers' compensation process and the information was sent to Sugarman & Susskind.

Mr. Herrera stated they had begun processing the application and were currently gathering the medical records. Once the records were received, state statute requires Mr. Starke be sent for an independent medical examination. He explained after they received the initial report from the physician, the process would be to hold an informal hearing first then a formal hearing. He noted the informal hearing was not less meaningful or impactful, but cost less than a formal hearing because the board would need to hire special counsel due to the conflicts of a formal hearing.

Ms. Hayes asked if the boards were taking a vote on this issue.

Mr. Herrera responded he was just bringing it to the board's attention and no action needed to be taken.

Ms. Hayes thought Mr. Ken Artin should be present when the time came to take action.

Mr. Herrera replied the member had a right to a full board, but could waive that right if he wished.

Ms. McGuire asked how long it would take.

Mr. Herrera stated it depended on several different things, but typically tells members it is a 4 to 6 month process.

Ms. Hayes asked if the member was still out of work and what had happened.

Ms. McGuire explained the member was out, then returned to work, but was sent back home.

Mr. Llanes stated the leg injury was bad and they considered amputation, but got the limb back on and it was not doing well.

Ms. Hamilton stated it was the kind of injury that needed to heal from the inside out and when he tried to walk the injury opened back up.

Ms. Hayes asked if there was insurance that covered the disability side of it.

Ms. McGuire stated he was on workers compensation and receiving payments through them. She stated the city also had a long term disability policy.

Ms. Hayes asked what the issue was.

Ms. McGuire explained the issue was the member wanted to apply for retirement, and though he had only been working for the City of Ormond Beach for three years, the ordinance allows the member to apply for duty disability if they were disabled on the job.

Mr. Herrera explained that members were eligible for service connected disability on day one, noting the minimum percentage amount was 42 percent and the income was tax free payable until death.

Ms. McGuire asked if Mr. Herrera would be requesting records from the city.

Mr. Herrera stated they would be.

Ms. McGuire wanted to introduce Mr. Herrera to the Risk Manager Ms. Maguire after the meeting to help with getting those records.

Further discussion ensued by board members regarding the disability application.

Ms. McGuire asked if Mr. Herrera was working on any other disability applications.

Mr. Herrera responded he was not, noting he followed up with the previous board attorney.

Ms. Dahme responded they were working on one currently and thought they were still waiting on the IME.

The Police Officers' Pension Board meeting adjourned at 11:33 a.m.

18. DISCUSSION OF REBALANCING LETTER (PO)

All three boards made and approved their respective motions to rebalance as needed under Item 10.

19. DISCUSSION OF SERVICES PROVIDED BY LAUTERBACK AND AMEN (REQUEST OF FF)

Mr. Don Ruiter, Lauterback and Amen, briefly mentioned the services offered by Lauterback and Amen, highlighting their custodial, actuarial, and administrative services. He introduced Stephen Earnhardt.

Mr. Stephen Earnhardt, Lauterback and Amen, presented a proposal to the board regarding the services their firm offered, noting they dealt exclusively with municipal pension funds and municipalities themselves. He stated they were a public accounting firm and had licensed certified public accountants (CPAs). Mr. Earnhardt offered an overview, highlighting that they would review all current benefit payments, administer payments from the pension fund, prepare contribution refunds, assist with the calculation of credible service, review contributions made by pensioners, track contributions, process deductions, prepare IRS reporting for Form-1099R, provide monthly reports, prepare benefit and DROP calculations, offer monthly accounting and reconciliation services, provide allocation information, prepare audit packages, provide pension administration services including agendas and minutes, administer elections, track affidavits of eligibility, provide training, and maintain records. He mentioned the proposal included examples and samples of the reports and offered a brief overview of costs.

Mr. Ruiter explained they had gone paperless a few years prior, stating Lauterback & Amen would provide iPads to each member at the meeting for the boards to follow along rather than all the paper printouts.

Mr. Dupree stated currently when a pensioner wanted anything, they had to go through City Hall, starting with Human Resources, then Finance, then the City Clerk's Office, then Foster & Foster, and then Regions. He believed the service presented would provide more efficiency and cut down on mistakes.

Mr. Herrera interjected that Lauterback & Amen would still be getting their information from the city.

Mr. Dupree responded that he felt this would simplify the process by having a single point of contact.

Ms. McGuire explained it would not be one point of contact.

Mr. Dupree interjected it would be one point of contact for the pensioner.

Ms. McGuire responded errors by the city were most likely exaggerated, and that if errors are made, this new process would not solve that issue. She explained this would add more to the process.

Mr. Dupree believed there had been three mistakes over the previous two years.

Ms. McGuire explained the Chairperson and trustees of each board should do more than just sign paperwork.

Further discussion ensued by board members regarding the proposal.

Mr. Scudiero asked if the members wanted this process.

Mr. Randall responded the members just wanted to know the process was being done correctly and efficiently. He noted he did not think they were concerned about who handled the process, noting ultimately the board would have to make that decision.

Mr. Scudiero asked Mr. Herrera what the next steps would be if the board did decide to look further into the proposal.

Mr. Herrera stated a lot of plans had third party administrators, noting many plans did not have the benefit of the city providing pension administration for free. He explained that Lauterbach & Amen would still get their data from the city, stating there could be benefits and if the board was interested they should consider it further. Mr. Herrera stated there was no legal requirement for the board to go through a formal request for proposal (RFP) process, but they could if they chose.

Mr. Randall thought maybe the Firefighters' Board should hold a special meeting regarding this issue.

Mr. Scudiero asked if Ms. McGuire thought this proposal would lessen the burden on the city.

Ms. McGuire responded the decision made by the Firefighters' Board was theirs, noting it would not change anyone's job at the city and the city employees involved would still be doing what they currently do, but now they would also be dealing with another third party, noting it would add extra steps and extra money without addressing any issues.

Mr. Morgese asked if there was anything in the charter naming the city as the pension board administrator.

Ms. McGuire responded there was not.

Mr. Morgese asked if it was solely the decision of the board.

Mr. Herrera responded it was and the city was essentially providing the service to the boards for free.

Mr. Scudiero asked what percentage of municipalities use the city versus a third party.

Mr. Herrera thought there was a greater percentage who utilized a third party, but couldn't offer insight as to exact percentages, noting he did not think there was a drastic difference.

Mr. Earnhardt explained Lauterback & Amen provided value by offering a watchful eye, noting they had the ability to review the pension information. He further explained they were not a custodian, rather provided one of the services the city's current custodian does, regarding payment processing. He stated they would essentially take a piece of the custodian's job away.

Mr. Dupree stated he had an email form Foster & Foster stating the amount paid to Regions was $9600.00 and he was curious what that covered.

Mr. Herrera stated the bulk of the amount was usually based on a percentage of the assets, while other services offered may be flat fees, stating that information should be in the contract.

Mr. Randall asked who they would contact to schedule a special meeting.

Ms. McGuire responded they would need to contact the City Clerk's office because a recording secretary had to be present and the meeting needed to be noticed. She wanted the boards to be aware that if they choose to accept the proposal they would essentially be changing the contract with Regions and was unsure if they wanted to eliminate their contract with Foster & Foster.

Mr. Dupree responded there were options depending on the services the board selected.

Ms. McGuire responded she was unsure how it would work with one firm doing the calculations for benefit estimates and another doing the actuarial work. She thought the board may also want to include their current firms to answer any questions.

Mr. Randall stated he would contact the City Clerk's office to schedule a date for the special meeting if needed.

Further discussion ensued regarding the dates available, but no decision was made.

The Firefighters' Board decided to discuss Item 15 at this point (See Item 15).

15. DISCUSSION OF PROPOSED ORDINANCE AMENDMENTS DISABILITY (FF)

Mr. Herrera returned to Item 15 after the conclusion of Item 19. He stated the board had a copy of the current ordinance and asked for their direction regarding possible amendments.

Mr. Dupree stated there was a study done and the ordinance was only supposed to state whomever the listed beneficiary was, rather than spouse or non-spouse. He thought non-spouse could be removed.

Mr. Herrera stated that was the existing ordinance, noting language was added to state "or beneficiary."

Mr. Donlan responded the Internal Revenue Service (IRS) did not want to delay taxes, noting spouses and non-spouses are treated differently.

Mr. Dupree stated their retirement was payable the first month after death.

Mr. Herrera stated he was happy to remove what the board wanted.

Mr. Dupree explained the options for a spouse and a non-spouse were different and thought the beneficiary should have the same benefits and options whether they were a spouse or non-spouse.

Mr. Randall stated the board also wanted the ordinance to read that the spouse make the request, noting currently it read as though the board makes the request of benefit selection.

Mr. Herrera explained it could be clarified, but wanted to be sure how the board wanted it.

Mr. Dupree felt the term "all payments" insinuated there was a set number of payments, rather than a lifetime.

Further discussion ensued regarding the language of the ordinance.

Mr. Randall asked if the board was satisfied with the changes.

Mr. Dupree responded he would like to see the changes typed out prior to making a decision and discuss at the next meeting.

The Firefighters' Pension Board adjourned at 12:38 p.m.

20. ATTORNEY COMMENTS

None

21. OTHER BUSINESS

None

22. ADJOURNMENT

The Firefighters' Pension Board adjourned at 12:38 p.m.

Respectfully submitted,

____
Andrew Moss, Recording Secretary

Attest:

____
Kelly A. McGuire, Chairman
General Employees' Pension Plan

____
Chris Byle, Chairman
Police Officers' Pension Trust Fund

____
David Randall, Chairman
Firefighters' Pension Trust Fund