

CITY OF ORANGE
FIREMEN'S RELIEF AND RETIREMENT FUND
BOARD OF TRUSTEE'S MEETING

April 16, 2015

The Board of Trustees and Officers of the City of Orange Firemen's Relief and Retirement Fund convened for its monthly board meeting on April 17, 2015, at the City of Neighborhood Building Facility, Orange, Texas with the following members present:

Jody Cowart,	Chairman
John Bilbo,	Vice-Chairman
Gail English,	Secretary/Treasurer
Walter Riedel,	Citizen Trustee
Sherry Jackson,	Trustee
David Frenzel,	Member
Aaron Long,	Member
Tim Ng,	Morgan Stanley

A motion was made by Jody Cowart to call the meeting to order at 10:05 am. The motion was seconded by Sherry Jackson. All present are in favor. No one opposed. Motion passed unanimously.

Standing items:

A motion was made by Sherry Jackson to approve the minutes of the meeting held on March 19, 2015. The motion was seconded by Gail English. All present are in favor. No one opposed. Motion passed unanimously.

New business:

A motion was made by Gail English to accept the letter of resignation from the board as trustee by Travis Seals. The letter was read to the board by Jody Cowart. The motion was seconded by Jody Cowart. All present are in favor. No one opposed. Motion passed unanimously.

Discussion and action item: According to the TLFFRA act section 18(h), a vacant fire fighter trustee position "...shall be filled for the remainder of the unexpired term in the manner that the office was previously filled." The members will need to follow the election procedures to fill the vacant position. Jody Cowart stated he will get the election process started immediately. A motion was made by Gail English to table filling the vacant fire fighter board position until the election results are in. The motion was seconded by Jody Cowart. All present are in favor. No one opposed. Motion passed unanimously.

A motion was made by Gail English to table having Joe Love take the oath of office since he was unable to attend this board meeting due to illness. The motion was seconded John Bilbo. All present are in favor. No one opposed. Motion passed unanimously. This item will be on the next agenda.

Discussion & action item: Appointment of a new vice-chairman on the Board of Trustees. Historically, the vice-chairman has been the fire fighter

trustee member with second most seniority on the board of trustees. In this case, that would be John Bilbo. Walter Riedel agreed that the fire fighter members should hold the positions of office. A motion to appoint John Bilbo as vice-chairman on the Firemen's Board of Trustees was made by Jody Cowart. The motion was seconded by Walter Riedel. All present are in favor. No one opposed. The motion passed unanimously.

Discussion & Action: Review of 1st quarter investment portfolio and rebalancing and cash flow worksheet for period ending March 31, 2015. Tim Ng was present to give the review. Tim Sharpe was out of office. A quick review by Tim Ng of the TEXPERS Asset Allocation report for the period ending September 30, 2014 shows the Fund is average of TEXPERS returns. Other funds in this report that are seeing higher returns have been investing in alternative investments which get higher returns. Morgan Stanley is trying to bring alternative strategies to the Fund so it can experience higher returns also. Tim Ng stated that March saw a lot of activity in the market. The Fund saw 2.54% in returns which was slightly under the benchmark. The equity managers outperformed their benchmarks. MFS and Glovista were down for the quarter and Federated, the bond manager, underperformed slightly. Penn Capital recovered this quarter but is still trailing by more than 5 basis points long-term. Tim Ng stated that it is time to consider replacing Penn Capital. Gail English questioned Glovista's performance. Tim Ng says Glovista is a good manager and their performance has been good since inception in 2011 through 2013. The market has been hard on them throughout 2014 but Morgan Stanley has not placed Glovista on the replacement list yet.

For the cash flow and rebalancing worksheet, Tim Ng recommends pulling excess funds from Congress, Columbia and Penn Capital to rebalance Federated who is below their target balance. A motion was made by Gail English to approve the rebalancing recommendations. The motion was seconded by Walter Riedel. All present are in favor. No one opposed. The motion passed unanimously.

Discussion and action item: Replacement for Penn Capital. Tim Ng noted that it is time to terminate the contract with Penn Capital. A manager search has come up with three alternative small mid cap managers for the board to consider. They are Great Lakes SMID Cap Core Equity, Pinnacle Associates Small to Mid Cap Equity and Gannet Welsh & Kotler Small/Mid Cap Core. Tim Ng says all three are good but he recommends going with Great Lakes. After a thorough discussion, Great Lakes comes out on top. Great Lakes use algorithms to select stocks which means they will react to a downturn more quickly. Great Lakes is more diversified and is on the Focus list which is the highest rating given by Morgan Stanley. Great Lakes also have a higher information ratio which means higher returns at a lower risk. Manager fees for Great Lakes will be 55 basis points. Currently 9% of investments are allocated to Penn Capital. A motion was made by Walter Riedel to select Great Lakes to replace Penn Capital. The motion was

seconded by Jody Cowart. All present are in favor. No one opposed. The motion passed unanimously. Tim Ng will start the process immediately. It will take a month to change managers.

A motion was made by Gail English to approve the application for refund of contributions by Travis Blount. The motion was seconded by Sherry Jackson. All present are in favor. No one opposed. The motion passed unanimously.

Discussion and possible action item: The solicitation of requests for proposals for the management of the Fund's assets. Joe Love was not present for discussion on this item so a motion was made by Gail English to table this item until another time. The motion was seconded by Walter Riedel. All present are in favor. No one opposed. The motion passed unanimously.

Announcements: The presentation of the Financial Audit has been delayed. The audit is essentially complete except for a couple numbers which come from the actuary. This data will not be available for a couple more months. Cheryl Ray, who performed the audit, will be leaving Edgar Kiker Cross before it is completed. The presentation of the audit will be handed off to another representative of Edgar Kiker Cross.

A motion was made by Walter Riedel to adjourn the meeting. The motion was seconded by Gail English. No one opposed. Motion passed unanimously.

Jody Cowart, Chairman