

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

June 18, 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 June 18, 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
Joe Love,	Citizen Trustee
Sherry Jackson,	Trustee
Jason Maddox,	Trustee

A motion was made by Jody Cowart to call the meeting to order at 10:03 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 May 21, 2015. The motion was seconded by Jody Cowart. All present are in favor. No one opposed. Motion passed unanimously.

A motion was made by Jody Cowart to approve the third quarter benefits for July, August and September 2015. The motion was seconded by Gail English. All present are in favor. No one opposed. Motion passed unanimously.

Old Business:

Action item: Joe Love completed the Oath of Office to reaffirm his appointment as trustee on the Firemen's Pension board.

New business:

A motion was made by Jody Cowart to approve the deferred service retirement benefit application for Keri McCurley. Benefits will be deferred until February of 2019 at which time the applicant will have attained the required minimum age. The motion was seconded by Jason Maddox. All present are in favor. No one opposed. Motion passed unanimously.

Discussion & action item: Presentation by John Crider of the January 1, 2015 Valuation for period ending December 31, 2014. The purpose of the valuation is to determine the soundness of the Plan and whether the Plan satisfies the portions of Title 8 of the Texas Government Code relevant to the Fund. The actuarial valuation of the Fund is very close to the market value. Mr. Crider performed two special studies and made changes in the actuarial assumptions to help lower the amortization period. A special study on salary increases by service showed that the highest increases occurred within the first four years of a new fire fighters employment and then levels out. The rate at which active members' salary is assumed to increase each year was changed from 4.00 percent per year to a table based

on a member's years of service. The table was developed based on the fund's experience with respect to salary increases. The special study on retirement by age showed that on average most members retire as soon as they are eligible with the rest working an additional 5-8 years before retiring. Therefore the assumed retirement age for an active member was changed from age 57 to a retirement table developed based on the Fund's experience with respect to retirement. Other changes in the actuarial assumptions include lowering of the assumed rate of return on the actuarial value of assets from 8.00 percent to 7.75 percent. The mortality table used for the valuation was changed to the Employee and Healthy Annuitant Combined Rates from the RP-2000 Mortality Table, projected to 2024 using Scale AA, with separate rates for males and females. This was done in order to recognize mortality improvement through the valuation date and provide a margin for future mortality improvement. The disability rates were also changed from SOA Disability Study Table, Class 1 rates to the tabular rates. The valuation date was changed to the first day of the plan year. These changes brought the amortization period down from 82.3 years for the 2012 valuation to 58.2 years for the January 1, 2015 valuation. The amortization period is still outside the Pension Review Board guidelines of 15-20 years. John Crider strongly recommends that the contributions rates be increased for both the City and the Fire fighter members by at least 1%. This move will help to lower the amortization period below 40 years and strengthen the Plan. A contribution increase of 5.16 percent from the City would lower the amortization period to 25 years which would be within the Pension Review Board's guidelines. In summary, the Plan is in good shape but needs an increase in contributions to make it stronger. A motion was made by Jody Cowart to accept the January 1, 2015 actuarial valuation. John Crider noted that this will be his last valuation performed as he will be retiring. Mr. Crider will be Actuary of record until January 1, 2017. The motion was seconded Sherry Jackson. All present are in favor. No one opposed. Motion passed unanimously.

Discussion & Action item: Consideration of GASB statement #67 disclosures. John Crider does not have the statements ready yet. The Financial audit cannot be completed until the statements are ready. A motion was made by Jody Cowart to table this item until the statement #67 is completed. The motion was seconded by John Bilbo. All present are in favor. No one opposed. Motion passed unanimously.

Discussion & action item: Review and approve the updated PRB-1000 Investment Returns and Assumptions report for the year ending 12/31/2014. This report was previously approved on the January agenda. The Gross Returns for years 2005 through 2012 have been updated with more accurate returns attained from a more complete calculation worksheet provided by John Crider. A motion was made by Gail English to approve the updated PRB-1000. The motion was seconded by Jody Cowart. All present are in favor. No one opposed. Motion passed unanimously.

Discussion item: Discuss the views of looking at alternative investments to broaden the fixed income portion of the plans' portfolio. A move toward alternative investments to fixed income assets would help to stabilize the Fund if interest rates do rise. Joe Love stated that to look for alternative investments is too broad. The search needs to be more specific. Hedge funds will not be considered and mutual bonds are not a good fit for the Plan. Tim Ng stated that commercial market backed securities is a more stable real estate market. Tim Ng handed out research data on two mutual funds, Blackstone Real Estate Income Fund and BlackRock Strategic Income Opportunities Fund, which could possibly be considered. Jody Cowart asked Tim Ng to email any research material on other possible alternative investors to the board members so that they will have time to discuss and research any recommendations.

Announcements: Another fire fighter has terminated his employment with the Fire department and two more are expected to be leaving in July to pursue other employment.

Also, other opportunities have developed for the trustees to fulfill the minimum education training requirements set up by the Pension Review Board. The courses will be offered through TLFFRA in September and again in Dallas in November. More information will be provided at a later date.

A motion was made by Jody Cowart to adjourn the meeting. The motion was seconded by Jason Maddox. No one opposed. Motion passed unanimously.

Jody Cowart, Chairman