

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

June 23, 2016

The Board of Trustees and Officers of the City of Orange Firemen's Relief and Retirement Fund convened for its monthly board meeting on July 21, 2016, at the City of Neighborhood Building Facility, Orange, Texas with the following members present:

Jody Cowart,	Chairman
Sherry Jackson,	Trustee
Jason Maddox,	Trustee
Joe Love,	Citizen Trustee
Cheryl Zeto,	Secretary/Treasurer

Guests: Charles Reed
Tim Sharpe
John Crider

The meeting was called to order at 9:05 am.

A motion was made by Sherry Jackson to approve the minutes of the meetings held on June 23, 2016. The motion was seconded by Joe Love. All present are in favor. No one opposed. Motion passed unanimously.

Discussion & action item: Presentation of 2015 audit by Charles Reed. The Fund received a "clean opinion" for the 2015 audit. The fair value of investments remained steady for 2015. The funding amortization period is still over 40 years but is improving. A motion was made by Sherry Jackson to accept the audit as presented by Charles Reed. The motion was seconded by Cheryl Zeto. All present are in favor. No one opposed. Motion was passed unanimously.

Discussion & action item: A motion was made by Joe Love to consider a motion authorizing the Chairman, Vice-chairman and Secretary/Treasurer of the Orange Firemens' Relief & Retirement Fund to endorse and sign, on behalf of the Fund, for collection or issuance, checks, and other financial or investment documents as authorized by the Fund. The motion was seconded by Cheryl Zeto. All present are in favor. No one opposed. Motion was passed unanimously.

Discussion & action item: Quarterly review of the Funds' account balances at wells Fargo. A motion was made by Sherry Jackson to leave the monthly transfers from Morgan Stanley as is. The motion was seconded by Jason Maddox. All present are in favor. No one opposed. Motion was passed unanimously.

Discussion & action item: Second quarter investment performance review and rebalancing presented by Tim Sharpe. The Funds investment performance is up slightly for the trailing year and quarter but is still short of meeting the actuarial assumption rate of 7.75%. Tim Sharpe recommends replacing two investment managers, Congress and MFS, and adding a municipal bond manager.

Tim Sharpe recommended the Fund rebalance by taking \$70,000 from Congress, \$80,000 from Columbia and \$670,000 from Federated to fund BlackRock, the municipal bond manager. A motion was made by Sherry Jackson to accept the rebalancing recommendations by Tim Sharpe moving funds from Congress, Columbia and Federated to allocate 10% to BlackRock. The motion was seconded by Cheryl Zeto. All present are in favor. No one opposed. The motion passed unanimously.

Discussion & action item: Review of current manager performance and possible changes to the list of managers.

After doing a thorough manager search, Tim Sharpe brought to the board three choices for a replacement for Congress, a large cap growth manager. The three choices included Wedgewood, Polen Capital and J P Morgan. Of the three Polen Capital offered the highest batting average with consistent returns. Tim Sharpe recommended going with Wedgewood because they were consistent, easy to work with and reasonable on the fees. The board agreed that it does not want another manager that looks like Congress. A motion was made by Jody Cowart to replace Congress with Polen Capital pending successful contract negotiations. The motion was seconded by Jason Maddox. All present are in favor. No one opposed. The motion passed unanimously.

Tim Sharpe recommended replacing MFS Intl with WCM Investment. This manager has a 100% batting average and a good working relationship. WCM has also lowered the minimum investment required and is offering fee concessions. A motion was made by Jody Cowart to replace MFS Intl with WCM Investment pending successful contract. The motion was seconded by Jason Maddox. All present are in favor. No one opposed. The motion passed unanimously.

Per Walter Riedel's suggestions, Tim Sharpe did a manager search and discovered a municipal bond manager, Blackrock Strategic Muni Opps, which he recommends adding to the fixed income portfolio for more diversification. A motion was made by Jody Cowart to add BlackRock Strategic Muni Opps to the fixed income portfolio. The motion was seconded by Jason Maddox. All present are in favor. No one opposed. The motion passed unanimously. The funds for this manager will come from the fixed income allocation which is currently at 35% of the investment portfolio. Mr. Sharpe recommends allocating anywhere from 10% to 50% of the bond portfolio to Blackrock municipal bond manager. A motion was made by Jason Maddox to allocate 10% of the bond portfolio to Blackrock, the new municipal bond manager. The motion was seconded by Jody Cowart. All present are in favor. No one opposed. Motion passed unanimously.

Discussion & action item: Review of Plan funding as presented by John Crider. The Plan funding ratio is 49.83 and the amortization period is currently 52.1 years which includes the .5% rate increase by the members on October 1, 2015. Section 802.2015 of the Texas Government Code requires an amortization period of 40 years or less. Anything over 40 years requires the Fund to file a Funding Soundness Restoration Plan with the Pension

Review Board. In order for the Plan to increase the funding, Mr. Crider recommends the members vote to increase their employee contributions by a half percent effective October 1, 2016 and another half percent effective October 1, 2017. He also recommends the City contributions be increased by one and a half percent when contract negotiations come up again. The City contributions should not be bound by union contract or TMRS. These recommended increases will bring the Funds amortization period down to 40 years or less within a ten-year period. John Crider will perform the disclosures for 9/30/2016 and 12/31/2016 while the new actuary will do the disclosure for 09/30/2017. *A motion was made by Sherry Jackson to accept the Plan funding review and recommendations received from John Crider. The motion was seconded by Jason Maddox. All present are in favor. No one opposed. Motion passed unanimously.*

Discussion & action item: Review of the Funding Soundness and Restoration Plan for the Orange Firemens' Relief & Retirement Plan. *A motion was made by Sherry Jackson to table this item until the September board meeting. The motion was seconded by Jody Cowart. All present are in favor. No one opposed. Motion passed unanimously.*

Announcements: It was noted that Mr. Donald Blanchette, a fire fighter retiree passed away June 30, 2016.

A motion was made by Jody Cowart to adjourn the meeting. The motion was seconded by Sherry Jackson. All present are in favor. No one opposed. Motion passed unanimously.