

ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



Minutes: March 28, 2024

1. Chairman Tony Napolitano called the March 28, 2024, Quarterly Board Meeting to order at 2:45 PM.

TRUSTEES

Tony Napolitano, Chair
Chief Jeff Lee, Secretary
Chief Nate Spera
Serge Greene
Ryan Sapp

OTHERS

Albert Lovingood and Scott Baur, Administrators (Resource Centers)
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)
Burgess Chambers, Consultant (Burgess Chambers Assoc)
Pete Strong, Actuary (GRS Consulting)
Stephen Hagenbuckle, Investment Manager (TerraCap)

2. EXTRAORDINARY (EXIGENT) CIRCUMSTANCES FOR TRUSTEES JOINING ELECTRONICALLY

All Trustees in attendance were physically present.

3. MINUTES

The Trustees reviewed the Quarterly Board Meeting Minutes Dated January 19, 2024.

Serge Greene made a motion to approve the Minutes for the Meeting of January 19, 2024, as amended. The motion received a second from Ryan Sapp, approved by the Trustees 5-0.

4. BENEFIT APPROVALS

The Trustees reviewed the Benefit Approvals Dated March 28, 2024.

Chief Spera made a motion to approve the Benefit Approvals Dated March 28, 2024. The motion received a second from Ryan Sapp, approved by the Trustees 5-0.

5. PLAN FINANCIALS

Interim Financial Statements

The Board received the interim financial statement through December 31, 2023.

Disbursements

The Board reviewed the Warrant Dated March 28, 2024.

Chief Spera made a motion to approve the Warrant Dated January 16, 2024. The motion received a second from Ryan Sapp, approved by the Trustees 5-0

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6. REPORTS

TerraCap Presentation (Stephen Hagenbuckle)

Investment Monitor, Burgess Chambers introduced to the Board of Trustees, Stephen Hagenbuckle. Mr. Hagenbuckle is with TerraCap and Mr. Chambers asked him to come give the Board an update on how the Plan's Investment with TerraCap is performing.

Mr. Hagenbuckle thanked the Board for allowing him to come and provide the Board with an update on how the portfolio is doing. Mr. Hagenbuckle started his presentation by reviewing the Plan's investment in TerraCap Fund IV, noting that this fund is predominantly invested in the Office Park sector. So far Fund IV has distributed 58% of investments to investors with approximately 40% of the Fund currently invested in Commercial Real Estate. Mr. Hagenbuckle reviewed the historical performance of the Fund along with how the COVID Pandemic and the rapid interest rate increases have had a negative impact on the Fund. The rising interest rates have been chipping away at the net profit for each of the 12 properties left in the fund and all the properties returns are at or near being flat. Mr. Hagenbuckle then reviewed the impact of the flat returns on lending, noting that some financial institutions have become less flexible when it comes to refinancing and a few have even called loans on some properties. A detailed conversation ensued about the performance of the Fund, the risks, and concerns that the Board has. Mr. Hagenbuckle concluded his presentation with reviewing the Claw Back Provision where the Fund will look at investors returns when the Fund is closed, and where investors have not received the 8% return, the Partners profits would be returned to the fund to make that deficit whole and even though the Partners are not required to please these profits in an escrow account, all of them do in the event that the Claw Back Provision is activated. Mr. Hagenbuckle concluded his presentation by reviewing the opportunities for Fund VI.

Actuarial Valuation Report (Pete Strong, GRS Consulting)

Pete Strong presented the Board with the 2023 Annual Valuation results with the Board and reported the following: The required employer contribution for Fiscal-Year End 2025 is \$18,601,917, which was \$1,895,336 higher than the previous year and reminded the Board that the Fire District has a prepaid contribution of \$1,953,139 available to offset the employer contribution requirement. Mr. Strong then reviewed the Plan's Assumed Rate of Return, which was lowered from 7.30% down to 7.20% and is expected to decrease annually by 0.10% per year until the Assumed Rate of Return reaches 7.00%. The Plan's funded ratio is 75.30%, compared to 75.80% last year. Mr. Strong informed the Board that he believes that an Expected Rate of Return set at 7.00% is reasonable with looking at historical investment returns. Mr. Strong then reviewed the asset reconciliation along with the smoothing of investment gains and losses in detail with the Board. The Plan's Actuarial Value of Benefits and Assets was reviewed with the Board of Trustees. Mr. Strong concluded his presentation by reviewing the Reconciliation of Plan Assets, Actuarial Value of Assets, along with the Reconciliation of DROP Accounts and historical Investment Rate of Return with the Trustees. There was a discussion regarding the growth of the Fire District with Chief Lee noting that there are three new Fire Stations currently being built with three more stations to be built over the next several years. Chief Lee also noted that he does not expect growth to slow down after these six stations are completed. Mr. Strong reviewed the impact of the additional Firefighters on the Plan with the Board of Trustees.

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Serge Greene made a motion to approve the 2023 Actuarial Valuation Report as presented. The motion received a second from Ryan Sapp, approved by the Trustees 5-0.

The Board of Trustees, Actuary, Investment Monitor, and Plan Attorney discussed the Plan's Expected Rate of Return in detail.

Serge Greene made a motion based on the advice of the Investment Monitor and Plan Actuary that the Board expects to achieve a 7.20% Expected Rate of Return for the next year, next several years, and the long-term thereafter. The motion received a second from Ryan Sapp, approved by the Trustees 5-0.

Robert Pedreira: Firefighter Robert Pedreira approached the Board of Trustees to request for the opportunity to have his Pension Recalculated due to receiving incorrect information when he had turned in his DROP Entry Paperwork. Mr. Pedreira reviewed the timeline of events that led up to him being told that he could only list a spouse as a Joint Annuitant on his Pension. Due to this incorrect information, he did not list his girlfriend on his application. With learning that he could have listed her as a joint annuitant, Mr. Pedreira requested that the Board of Trustees give him the opportunity to have his Pension to be recalculated with the option to list add his girlfriend as his Joint Annuitant.

Attorney Bonni Jensen reviewed the rules of the Pension Plan, noting that once the Final Calculation is completed and a Firefighter makes his or her selection, that selection is irrevocable and cannot be changed. There was a detailed conversation regarding what would be needed for Mr. Pedreira to prove that he was provided with incorrect information along with the potential implications of allowing the member to change his Pension election. Chief Lee recommended that the first step would be to have a recalculation done so that Mr. Pedreira will know what the difference is and decide what the next step should be.

Chief Jeff Lee made a motion to have the Actuary perform a recalculation of Firefighter's Robert Pedreira's Pension. The motion received a second from Ryan Sapp, approved by the Trustees 5-0.

Investment Monitor (Burgess Chambers, Burgess Chambers & Associates)

Mr. Chambers started his presentation by reviewing the broad reach of Artificial Intelligence and its impact on education, business, manufacturing and healthcare. Mr. Chambers then reported the following: For the Quarter Ending December 31, 2023, The Plan earned a net 6.0%, compared to the benchmark rate of 7.8%. the best five performing products were the Fidelity Small Cap Value Fund at 15.30%, Aristotle Value Equity at 14.30%, Fidelity Large Cap Growth at 14.20%, William Blair Internation Growth at 14.0%, and Atlanta Capital High Quality Growth Fund at 13.20%. For the One-Year Period the Plan earned a net 9.30% compared to the benchmark rate of 11.90%, and the Five-Year results were a net 9.5%, compared to the benchmark rate of 8.90%.

Mr. Chambers presented the Board with an updated Investment Policy Statement that adds the allocation for the addition of PennantPark to the Plan's Portfolio. Mr. Chambers reviewed the

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changes that were made in the Investment Policy Statement with Chief Jeff Lee inquiring about the management fees along with how the Plan's fees compare with other Pension Plans. Attorney, Bonni Jensen reminded both Mr. Chambers and the Board of Trustees that once the new Investment Policy Statement is accepted and filed with Fire District, the Plan will need to wait 31 days before it can invest in PennantPark. Mrs. Jensen also provided the Board with an update on the PennantPark Agreement, informing the Board that the agreement has been completed with a the Side Letter and that she has the agreement to be signed by the Chairman of the Board.

Chief Jeff Lee made a motion to to accept the Investment Policy Statement as presented. The motion received a second from Ryan Sapp, approved by the Trustees 5-0.

Attorney Report (Bonni Jensen, Klausner Kaufman Jensen & Levinson)

Legislative Updates: Attorney Bonni Jensen reviewed the 1.75% Insurance Premium Tax reduction that was signed into law to offer homeowners relief on the high homeowners insurance premiums. Mrs. Jensen stated that it was her understanding that this would decrease the pool of Premium Tax Dollars by 1.75%; however, after calling around to get more details on this reduction, it was indicated that the State would offset the 1.75% decrease from the General Fund. Mrs. Jensen stated that this change will not affect the 175 Premium Tax Dollars until 2025.

Mrs. Jensen informed the Board that the Plan has two disability applications in process. One should be ready for their IME soon and the second disability is still pending parts of the initial application. Trustee Serge Greene noted that the Plan had a guest speaker on PTSD and asked if the Board should act or should have acted based on the information that was provided. Mrs. Jensen reviewed some of the issues with how some are diagnosed with PTSD and that some other illnesses have symptoms that overlap with PTSD, which could result in a misdiagnosis.

Administrator Report (Albert Lovingood, Resource Centers)

Truist Credit Card Update: Mr. Lovingood informed the Board that after gaining access with Truist, new cards were ordered for those Trustees who currently do not have one. Once the new cards arrive, Mr. Lovingood stated that he would bring them to the next Board Meeting for Distribution.

Resource Centers SOC 1 Type 2 Audit: Mr. Lovingood presented the Board with a memo regarding the Resource Centers SOC1 Type 2 Audit. Mr. Lovingood explained to the Board in detail what the purpose of the SOC1 Type 2 Audit is, noting that this is the Resource Centers 16th year of having the SOC1 Type 2 Audit done and for 16 years in a row, his firm has had no findings.

7. NEW BUSINESS

There was no new business to discuss.

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8. OTHER BUSINESS

Buyback Calculations: Pete Strong reviewed how the Buyback Calculations are calculated for the Plan along with the Actuarial Impact Study that was done when the Plan added the ability to Buyback prior Firefighter Service and Military Service. Mr. Strong noted that the way this Plan calculates the buybacks is arbitrary; however, when the Plan gets closer to being fully funded the cost to buyback time will cost less, resulting in the Plan supplementing the increase liability for that buyback.

9. ADDITIONAL REPORTS

The following reports were provided to the Board of Trustees electronically for acceptance and filing. Ceredex 2023 Proxy Voting Report, Ceredex 12-31-2023 Account Compliance Certification, and the SSI 11-30-2023 Monthly Statement.

10. PUBLIC COMMENTS

No members of the public had any comment.

11. NEXT MEETING

The next Quarterly Board Meeting is scheduled for Thursday May 16, 2024, at 2:30PM.

12. ADJOURNMENT

There being no further business, Chief Spera made a motion to adjourn the meeting at 3:49 PM. The motion received a second from Serge Greene, passed 5-0 by the Trustees.

Respectfully submitted,

Chief Jeff Lee, Secretary