

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 Nate Spera
Serge Greene
Ryan Sapp

OTHERS

Albert Lovingood, Administrator (Resource Centers)
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)
Burgess Chambers, Consultant (Burgess Chambers Assoc)
Doug Borths & Adam Savette, Attorneys (Wolf Popper)
Thomas Capobianco & David Weeks, Investment Manager (LCMG)

2. EXTRAORDINARY (EXIGENT) CIRCUMSTANCES FOR TRUSTEES JOINING ELECTRONICALLY

All Trustees in attendance were physically present.

3. WOLF POPPER (DOUG BORTHS & ADAM SAVETTE, WOLF POPPER)

Doug Borths and Adam Savette with Wolf Popper thanked the Board of Trustees for allowing them to come and give their presentation on their Firm's Securities Litigation and Portfolio Monitoring Services. Mr. Broths started his presentation by informing the Board that Wolf Popper specializes in helping institutional investors like Pension Plans monitor their portfolios and identify potential legal claims. Wolf Popper's services ensure that their clients stay informed about existing or potential class action litigations, corporate mismanagement, and fraud that could have a negative impact on the client's investments. Mr. Borths noted that fiduciaries play a crucial role in the management of the Plan's funds, noting that not only is it prudent for fiduciaries to initiate litigation, when necessary, but it can also be a breach of duty not to pursue valid claims. By acting as lead plaintiffs, institutional investors can significantly increase the average settlement amounts.

Mr. Broths and Mr. Savette noted that Wolf Popper also handles international securities litigation, helping institutional investors to navigate the complexities of foreign jurisdictions to recover damages. The Firm's strong track records of success was then reviewed in detail with the Board of Trustees along with a review of their comprehensive services and what the potential costs would be should the Board of Trustees wish to hire their firm, noting that there is not cost to the Plan to monitor the Plan's investments. The presentation was concluded with both Mr. Broths and Mr. Savette asking the Board of Trustees if they had any questions. Chairman Tony Napolitano noted that over the past several years, Wolf Popper had four or five cases that recovered over \$100,000.00 back to affected investors.

4. ROBERT PEDREIRA

Firefighter Robert Pedreira approached the Board of Trustees and provided a summary of his request to recalculate his Pension due to receiving incorrect information when he had originally

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submitted his retirement paperwork to enter the DROP. At the last Board Meeting, Mr. Pedreira noted that the Board noted that the Board had requested that his Pension be recalculated so that he would know what the difference would be and decide how he wished to move forward. Mr. Pedreira reiterated his request to allow him to have his partner listed as a joint annuitant due to the incorrect information he was provided by the former employee of the Fire District's Human Recourses Department.

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. The only way that would allow for Mr. Pedreira to change his Pension election would be with facts and evidence proving that the member had no other way of obtaining the needed information and why the member opted to believe the HR representative over contacting the Plan Administrator.

Mr. Pederia asked what type of proof he would need to present to the Board, Trustee Nate Spera stated that an affidavit from the former HR representative stating that they had told you that only a spouse can be listed as a Joint Annuitant. Trustee Ryan Sapp asked Plan Administrator, Albert Lovingood what the HR representative's role was regarding the Pension Plan. Mr. Lovingood informed the Board that the HR representative was the Fire District's point of contact for members to complete and submit retirement and DROP Exit Applications and run Pension Estimates. The Trustees and Mrs. Jensen discussed the matter in detail along with any existing options to settle this matter.

Ryan Sapp made a motion to table the matter until the July 19, 2024, Quarterly Board Meeting. The motion received a second from Nate Spera, approved by the Trustees 4-0.

5. MINUTES

The Trustees reviewed the Quarterly Board Meeting Minutes Dated March 28, 2024.

Nate Spera made a motion to approve the Minutes for the Meeting of March 28, 2024, as amended. The motion received a second from Ryan Sapp, approved by the Trustees 4-0.

6. BENEFIT APPROVALS

The Trustees reviewed the Benefit Approvals Dated May 16, 2024.

Nate Spera made a motion to approve the Benefit Approvals Dated May 16, 2024. The motion received a second from Ryan Sapp, approved by the Trustees 4-0.

7. PLAN FINANCIALS

Interim Financial Statements

The Board received the interim financial statement through March 31, 2024.

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Disbursements

The Board reviewed the Warrant Dated May 16, 2024.

Nate Spera made a motion to approve the Warrant Dated May 16, 2024. The motion received a second from Ryan Sapp, approved by the Trustees 4-0

8. REPORTS

Investment Manager (Thomas Capobianco & David Weeks, Serenitas)

Thomas Capobianco and David Weeks of Serenitas thanked the Board of Trustees for allowing them to come and give an update on the Serenitas Credit Gamma Fund. The presentation started with Mr. Weeks providing the Board with a review of LMCG, stating that the Firm currently has \$5.2 Billion in Assets Under Management. LMCG has a total of 42 employees across two office locations in Boston and New York City. For 2023, The Serenita Credit Gamma Fund's positive returns were primarily driven by the fund's mortgage credit holdings. Mr. Weeks reported that over the past year, LMCG has strategically taken profits from the fund's mortgage credit holdings due to their strong appreciation and reallocated these profits into more senior bonds. The fund's corporate credit strategies also performed well, driven by the rally in corporate bond markets and low defaults in corporate credit indices. Additionally, the fund's low sensitivity to interest rates proved advantageous amid the rate fluctuations experienced in 2023. The net return for the Credit Gama Fund for the Quarter Ending March 31, 2024, was a net 0.78%, with 2023 closing out with a total net return of 12.05%. Mr. Weeks then reviewed the performance of the Fund since inception in detail with the Trustees.

Mr. Capobianco presented the Board of Trustees to the Serenitas Dynamic Alpha Fund. The investment strategy overview of this fund was reviewed in detail, noting that the Fund seeks to provide investors with attractive absolute returns over a market cycle with volatility similar to US High Yield Indices. The Fund will target low-to-mid teens net annualized returns, with the portfolio including investments in credit sectors, such as mortgage, corporate, asset backed securities, and related instruments, and the LMCG Team will employ its extensive skills in risk mitigation as market conditions vary. The corporate credit attractive buying opportunities were reviewed in detail with the notation that when perceived risk pushes default insurance premiums higher, the investment team believes it pays to buy corporate credit or sell default insurance with a cushion against defaults. The fee structure was discussed in detail with Mr. Chambers noting that the Plan would not need to make any adjustments to the Investment Policy Statement, should the Board wish to invest in this new Fund. A detailed discussion ensued regarding the Fund, risks, and fees.

Nate Spera made a motion to invest \$17.7 Million in the Serenitas Dynamic Alpha Fund. The motion received a second from Serge Greene, approved by the Trustees 4-0.

Nate Spera made a motion to take \$10 Million from the Serenitas Credit Gamma Fund and \$7.7 Million from Equities to Fund the Serenitas Dynamic Alpha Fund. The motion received a second from Serge Greene, approved by the Trustees 4-0.

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Both Thomas Capobianco and David Weeks of Serenitas thanked the Board of Trustees for moving forward in investing in the new Dynamic Alpha Fund and will work with the Plan's Service Providers to expedite the opening and funding of the new investment.

Investment Monitor (Burgess Chambers, Burgess Chambers & Associates)

Mr. Chambers started his presentation by reviewing the summary of the Plan's Performance and reported the following: For the Quarter ending March 31, 2024, the Plan earned a net 4.8%, closely matching the target allocation rate of 5.1% and ranking in the top 36th percentile. The top performers included Fidelity Large-Cap Growth at 11.4%, Fidelity 500 Index at 10.6%, SPDR Portfolio S&P 400 Mid-Cap at 9.8%, and Westwood Large-Cap Value at 7.7%. For Fiscal-Year-to-Date, the Plan earned a net 11.1%, trailing the target allocation of 13.4%. This lag was primarily due to Terra-Cap real estate, Atlanta Capital Large-Cap Growth, and Ceredex Small-Cap Value. The Plan's One-Year Returns were a net 11.1%, behind the target allocation of 13.7% with the best performers being the Fidelity 500 Index at 29.9%, Aristotle Large-Cap Value Equity at 24.7%, Atlanta Capital Large-Cap Growth at 21.3%, and the Fidelity Small-Cap Value at 18.8%. The Five-Year Returns were a net 8.1% net, closely matching the target allocation of 8.8% and ranking in the top 25th percentile.

Mr. Chambers then reviewed the Plans Rebalancing Activities, noting that in February, the Plan rebalanced by raising \$1.8 million from Westwood Large Cap Value, \$2.1 million from Aristotle Value Equity, \$1.6 million from Fidelity 500, and \$1.5 million from SPDR Mid Cap. Proceeds were allocated to Ceredex Small-Cap Value (\$800K), Cohen & Steers (\$1.1 million), Advent Convertibles (\$1.0 million), and SSI Convertibles (\$1.0 million), with the remaining \$3.1 million being kept in cash for expenses and benefit payments. In April, further rebalancing raised \$9.43 million from Advent and SSI convertibles, along with SPDR Convertibles ETF to cover upcoming expenses, benefit payments, and future capital calls from PennantPark. Mr. Chambers then reviewed the performance of the Plan's Investments in detail, noting that Large-Cap Value and Aristotle Large-Cap Value products had mixed results, with some underperformances in the short term but stronger long-term performance. Mr. Chambers then reviewed the short-term and long-term performance of Atlanta Capital in detail with the Board of Trustees. Mr. Chambers expressed his dissatisfaction with the performance of Atlanta Capital and recommended that the Plan terminate the relationship and divest in three tranches.

Nate Spera made a motion to terminate Atlanta Capital Investments and move the assets into the Fidelity Large Cap Growth Index Fund. The motion received a second from Serge Greene, approved by the Trustees 4-0.

Mr. Chambers concluded his presentation with reviewing the Plan's Real Estate Investments, noting that all three investment managers, TA Reality, American Realty Advisors, and Intercontinental are all in negative territory, and TerraCap IV as two properties that are in foreclosure.

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

Jensen Memo - Form 1099-R Reporting of Disability Annuity Payments to First Responders and Other Disabled Taxpayers: Attorney Bonni Jensen provided the Board of Trustees with a Memo regarding the IRS Notice of changes to the 2023 Instructions for Forms 1099-R and 5498 to help clarify how to report disability annuity payments to first responders or other taxpayers on the Form 1099-R. Mrs. Jensen reviewed Internal Revenue Ruling 85-105, 1985-2 C.B. 53 in detail with the Trustees noting the new paragraph that clarifies what disability payments are taxable and non-taxable. Mrs. Jensen then reviewed how the changes will affect the Pension Plan and those members who are out on a disability and future disability Pensions.

Administrator Report (Albert Lovingood, Resource Centers)

2024-2025 Annual Budget: Mr. Lovingood presented the Board with the proposed 2024-2025 Annual Budget. Mr. Lovingood reviewed the annual requirement by the State for the Plan to report an annual budget and noted that the Plan does not need to spend all the money that the budget allocates for each administrative expense. Mr. Lovingood reviewed the proposed budget in detail with the Board of Trustees, noting that each line item has a built-in cushion to mitigate any need to revisit this item should an unexpected expense arise.

Ryan Sapp made a motion to approve the 2024-2025 Annual Budget as presented. The motion received a second from Serge Greene, approved by the Trustees 4-0.

Credit Card Authorization: Mr. Lovingood informed the Board that to update the authorized individuals on the Trustee Credit Cards, the authorization needs to be included in the minutes and those minutes need to be provided to Truist Bank.

Ryan Sapp made a motion to list Plan Administrators, Albert C. Lovingood and J. Scott Baur, and Trustee Serge Greene as Authorized Signers to the Trustee Credit Card Account with Truist Bank. The motion received a second from Serge Greene, approved by the Trustees 4-0.

9. NEW BUSINESS

There was no new business to discuss.

10. OTHER BUSINESS

Trustee Term Change: Attorney Bonni Jensen informed the Board of Trustees that the General Employees' Pension Plan is requesting that the Fire District change the Trustee Terms from two years to four years, noting that the reasoning behind the change is due to the costs of sending new Trustees to educational opportunities and Trustee Certification Programs. Mrs. Jensen asked the Board of Trustees if they would like her to also submit a request on behalf of the Firefighters' Pension Plan to extend the Trustee Terms to four years as well.

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Serge Greene made a motion to have Attorney Bonni Jensen write a resolution changing Trustee Terms from Two years to Four Years. The motion received a second from Ryan Sapp, approved by the Trustees 4-0.

11. ADDITIONAL REPORTS

There were no additional reports.

12. PUBLIC COMMENTS

No members of the public had any comment.

13. NEXT MEETING

The next Quarterly Board Meeting is scheduled for Friday, July 19, 2024, at 2:30PM.

14. ADJOURNMENT

There being no further business, Serge Greene made a motion to adjourn the meeting at 3:43 PM. The motion received a second from Ryan Sapp, passed 4-0 by the Trustees.

Respectfully submitted,

Chief Jeff Lee, Secretary

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