

ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



Minutes: June 11, 2020

1. Chair Anthony Napolitano called an electronic meeting of the Board to order at 2:30 PM. Those persons present included:

TRUSTEES

Tony Napolitano, Chair
Brian Blizzard, Secretary
Tony Hood
Jeff Lee
Chief Nate Spera

OTHERS

Scott Baur, & Albert Lovingood,
Administrator (Resource Centers)
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)
Pete Strong, Actuary (Gabriel Roeder Smith)
Burgess Chambers, Investment Consultant (Burgess
Chambers & Associates)
Ken Mayer, Plan Member

2. REPORTS

October 1, 2019 Valuation Report (Pete Strong, Gabriel Roeder Smith)

Pete Strong presented a draft of the 2019 Valuation Report completed with the same assumptions and methods as the 2018 Valuation provided previously by Foster & Foster, including the assumptions for mortality, amortization of experience components, and salary increases. Based on the current plan assumptions, the Fire District required contributions increased about \$1 million for 2021 to \$15.1 million. Pete Strong expressed strong concerns about issuing a valuation report using an 8% net investment return assumption, and he advised that the state actuary would not likely approve such a report any longer even if his company agreed to issue the report. He stated that the 8% net investment return assumption was now an outlier for public plans. He therefore recommended lowering the assumption to 7.5% increasing the required contribution by an additional \$2 million. He also advised that a 7.6% net investment return assumption would still be acceptable for the current year, although the Board would then have to revisit the 7.6% assumed rate.

Mr. Strong reviewed various scenarios with recommendations to lower the 8% investment return assumption in a side letter composed by GRS. He provided a scenario implementing the mandated mortality changes 1-year early, reducing required contributions by \$701k; reducing projected payroll increases from 6.3% to 3%, reducing required contributions by an additional \$545k; amortizing experience gains and losses over 20 years instead of 10 years, noting that the 10-year amortization creates greater volatility on contribution requirements, reducing required contributions by \$210k; and lowering the investment return assumption. The combination of changes along with a 7.6% assumption rate increased required contributions for 2021 by an additional \$472,000, and \$950,000 for a 7.5% contribution rate. The actuary advised that the recommended assumption changes would bring the plan overall more to the mainstream, since those current assumptions were no longer typical for public sector plans.

The Board thoughtfully considered the recommendations. The actuary noted that future contributions would remain stable if the plan met those assumptions prospectively, although the dollar contribution requirements would continue to increase over time as the overall payroll volume increased. Chief Spera

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observed that the Fire District has a large number of members entering the DROP, and the DROP accounts receive the same earnings credit as the actuarial assumed rate. To minimize the immediate impact to members already participating in the DROP, the Trustees discussed making the change effective for the earnings credited to DROP Accounts as of July 1 for the quarter ending September 30, 2020.

Jeff Lee made a motion to change the investment return assumption to 7.6% net of investment expenses, with a plan to reduce the assumption rate by an additional 0.1% each year until the assumption rate reached 7.0%. The motion received a second from Chief Spera, approved by the Trustees 5-0.

The Board further considered the impact of the investment return assumption on the member DROP Accounts. Ms. Jensen advised that members entering the DROP on and after October 1, 2016 made an irrevocable election entering the DROP to receive a credit of earnings at the actuarial assumed rate, or the option to allow a spousal beneficiary to continue the account on death receiving a credit of earnings equal to 1% less than the actuarial assumed rate. Mr. Baur advised that the Plan had 112 DROP Accounts as of March 31, 2020. The change to the investment return assumption would apply equally to all members with DROP Accounts, since those members continue to receive the same benefit described in the Plan document both before and after the change to the assumed rate. The Trustees then discussed a letter to notify members with DROP Accounts of the change and the resulting impact on required contributions to the plan. The letter should include the background for the change by the Board, with an explanation of the calculation of the quarterly rate applied to DROP Accounts.

Jeff Lee made a motion to approve the revised October 1, 2019 Valuation Report with the assumption changes, including the 7.6% net investment return assumption, the new mandated mortality, the revised salary scale, and the 20-year amortization. The motion received a second from Chief Spera, approved by the Trustees 5-0.

Attorney Bonni Jensen had no additional report.

Administrator Report (Scott Baur, Resource Centers)

Mr. Baur provided an update on the DROP Statements, held on account of the investment return assumption passed by the Board. He also provided an update on the current time to process applications for entry to the DROP or retirement, with most data reporting issues from the new payroll system now resolved.

Investment Consultant (Burgess Chambers)

Burgess Chambers reported that the plan assets now gained about 6.4% for the current fiscal year to date as of May 31, 2020. He noted the convertible allocation in particular performed well through the recent COVID market downturn.

3. NEW BUSINESS

The Board had no other new business for consideration.

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4. OTHER BUSINESS

The Board had no other business for discussion.

5. PUBLIC COMMENTS

No members of the public had any further public comment, either during the public comment portion of the meeting or by email.

6. NEXT MEETING

The Board previously scheduled the next bi-monthly meeting for Thursday, July 16, 2020 at 2:30 PM. Trustee Jeff Lee advised that he would not be available for the scheduled meeting.

7. ADJOURNMENT

Tony Hood made a motion to adjourn the meeting at 3:23 PM. The motion received a second from Brian Blizzard, passed 5-0 by the Trustees.

Respectfully submitted,

Brian Blizzard, Secretary