

ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



Minutes: August 20, 2020

1. Chair Anthony Napolitano called an electronic meeting of the Board to order at 3:30 PM. Mr. Baur called roll. Those persons present included:

TRUSTEES

Tony Napolitano, Chair
Tony Hood
Jeff Lee
Marti Newport
Chief Nate Spera (3:35 PM)

OTHERS

Scott Baur & Albert Lovingood,
Administrator (Resource Centers)
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)
Burgess Chambers & Frank Wan, Investment Consultant
(Burgess Chambers & Associates)
David Weeks & Tom Capobianco, LMCG
Additional Public

2. BOARD NOMINATIONS: SECRETARY

Marti Newport nominated Jeff Lee as Secretary for the Board. The nomination received a second from Tony Napolitano, approved by the Trustees 4-0.

3. MINUTES

The Trustees reviewed the Minutes for the meeting of July 16, 2020.

Chief Spera made a motion to approve the Minutes for the meeting of June 11, 2020. The motion received a second from Tony Hood, approved by the Board 4-0.

4. BENEFIT APPROVALS

The Board reviewed the benefits for approval.

Jeff Lee made a motion to approve the benefit for Stacie Evans. The motion received a second from Marti Newport, approved by the Trustees 4-0.

5. INTERIM FINANCIAL STATEMENTS & DISBURSEMENTS

The Board received and filed the interim financial statement through July 31, 2020.

The Trustees then reviewed the Warrant dated August 20, 2020, for approval of plan expenses.

Jeff Lee made a motion to approve the Warrant dated August 20, 2020 for payment of invoices. The motion received a second from Tony Hood, approved by the Trustees 4-0.

6. REPORTS

Manager Presentation: LMCG Serenitas Credit Gamma Fund

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Tom Capobianco provide an update regarding LMCG, founded in Boston in 2000. The firm now has \$6.7 billion of assets under management with a total of 62 employees and 25 investment professionals. David Weeks joined the firm in 2015 to manage alternative fixed income strategies.

Mr. Weeks introduced his team, which started managing equities together at Merrill Lynch. Bank of America subsequently asked the team to wind down operations due to regulatory oversight concerns. The team ultimately landed intact at LMCG. The strategy operates a low net risk approach to fixed income investments based on price inefficiencies in the market. The manager characterizes the approach as a value driven hedge. Mr. Weeks reviewed historical performance for the strategy, particularly during market drawdowns. The strategy created gains with low volatility and low correlation to other asset classes, producing a 9.56% net annualized return. The manager charges a fee of 1.5% plus 20% of gains, similar to fee structures charged by hedge funds or private equity. The strategy offers quarterly liquidity after a 90-day withdrawal notice and a maximum of 4 quarters to process withdrawals. LMCG offers both onshore and offshore feeders to investors.

Burgess Chambers said expectations for fixed income securities remain low with few alternatives. He characterized the portfolio as a fixed income trading strategy. David Weeks further explained the inefficiencies in fixed income securities. The manager relies on trading based on analytics and quantitative tools. The manger uses both options and credit indices. Chief Spera asked Burgess Chambers to make a recommendation on an allocation to the strategy, and Mr. Chambers recommended an initial commitment of 5% of plan assets. With expectations that rates will increase over the next 5 years, fixed income assets may generate returns of only 1-2%. The current asset allocation already underweights fixed income securities.

Investment Consultant: Quarterly Report (Burgess Chambers & Assoc.)

Burgess reviewed the expected deposit of Fire District employer contributions on January 1 and receipt of Chapter 175 premium taxes. The plan assets have now gained about 7.3% for the fiscal year to date as of the meeting. The Pension Fund had assets of \$271,324,652 on June 30, 2020, with a return of the quarter of 14.5% compared to 15.5% for the benchmark to rank in the top 16% of the peer manager universe. Mr. Chambers highlighted the performance of the convertible bond allocation, with returns stronger than the equities for the quarter.

Frank Wan reviewed the proposed integration of the LMCG Serenitas strategy in the overall portfolio with low correlation to the other asset classes. The LMCG Serenitas fund generates higher returns historically than the Barclay Aggregate Bond Index with lower risk, creating trading-based alpha. With the likelihood that interest rates will increase going forward, the strategy could add significantly to performance. The Pension Fund currently allocates only 15% of assets to bonds, so Mr. Chambers recommended taking assets from the short-term bond allocation. Given that the portfolio has already become more aggressive, the Board considered target allocation ranges for the Serenitas strategy. Mr. Weeks stated that the manager finds more pricing inefficiencies in volatile markets. The Board must update the Investment Policy target allocations for the new strategy.

Chief Spera made a motion to establish a target allocation of 3-11% in the LMCG Serenitas Credit Gamma Fund and direct counsel to review the subscription agreements. Jeff Lee seconded the motion, approved by the Trustees 5-0.

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The Board considered the need for a special meeting to approve the agreements before the next regular meeting scheduled for Thursday, November 19, 2020.

Ms. Jensen addressed questions regarding the reduction for a vested deferred member commencing benefits early. The Administrator is reviewing benefits for any known precedents where vested deferred members took an early retirement benefit. Ms. Jensen explained "imputed" time where the reduction would be measured from the date that the member would otherwise attain 25 years of service, if earlier than the age 55 normal retirement date. The Board considered some members retiring early.

Ms. Jensen reviewed the proposed Plan Restatement. The Restatement excludes accumulated sick and vacation hours from the final average salary calculation for vested terminated members with less than 10 years of service; however, members retiring from service or entering the DROP with less than 10 years of service should have accumulated leave time included in the final average salary calculation. The Trustees recommended some additional wording changes.

Ms. Jensen advised that the Board will likely meet again with a physical quorum at some point, but the current Executive Order suspending the requirement for the Board to meet with a physical quorum extends through October 1. She also noted that Florida is now short on education and training allowances contributed to local cities and fire districts, decreasing the likelihood that the Pension Fund will receive a supplemental distribution of Chapter 175 premium tax receipts.

Administrator Report (Scott Baur, Resource Centers)

Mr. Baur provided a two-page handout highlighting the current status of the plan as a communication piece. He plans to incorporate the graphics into the upcoming educational workshops for plan members. He also briefly reviewed a template for the workshops, expected to last about 75 minutes.

The Board discussed members asking to make a trust the beneficiary of a pension benefit. At a minimum, the member must establish the trust prior to making the designation and all remaining benefits due to the member must be distributed to the trust immediately upon the death of the member. A member cannot designate a trust as the joint annuitant for a pension benefit payment.

7. NEW BUSINESS

The Board set a special meeting for Thursday, September 24, 2020 at 2:30 PM to address the LMCG Serenitas Credit Gamma Fund subscription agreements.

8. OTHER BUSINESS

The Board had no other business for discussion.

9. PUBLIC COMMENTS

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Retired member Roland Bergeron addressed the Board to request increases in benefits for older retirees of the Fire District, some who now live in poverty. Ms. Jensen stated that a super majority of the members must approve new benefits to members of the plan no longer employed.

10. NEXT MEETING

The Board previously scheduled the next Quarterly Meeting for Thursday, November 19, 2020 at 2:30 PM, with the Special Meeting set for September 24.

11. ADJOURNMENT

There being no further business, Chief Spera made a motion to adjourn the meeting at 5:07 PM. The motion received a second from Jeff Lee, passed 5-0 by the Trustees.

Respectfully submitted,

Jeff Lee, Secretary