

# ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



## Minutes of Meeting Held September 15, 2011

The meeting was called to order at 2:15 P.M. by Chairman, Chris Bushman. It was noted the beginning of the meeting was being held in joint along with the General Employee Pension Plan.

Those persons present were:

### TRUSTEES PRESENT

Chris Bushman  
Ron Parrish  
Paul Raymond  
Buddy (George) Emerson  
Tony Napolitano

### TRUSTEES ABSENT

None

### OTHERS PRESENT

Scott Baur, Denise McNeill & Rachel Valdez; Resource Center  
Bonni Jensen; Law Office of Perry & Jensen  
Jay McBee; DiBartolomeo, McBee, Hartley & Barnes  
Burgess Chambers; Burgess Chambers & Associates  
Doug Lozen; Foster & Foster  
Susy Pita  
Members of the Plan

Chris Bushman took a moment to thank the prior administrator, Susy Pita, for her years of service to both pension boards. Mrs. Pita was presented with a plaque on behalf of the Trustees.

### ACTUARY DISCUSSION

Scott Baur explained the GE and Fire pension meetings were intentionally scheduled to overlap to cover discussion with the actuary as the matters relate to both pension plans. Doug Lozen of Foster & Foster appeared before the Board to address actuarial matters with the Trustees. Mr. Baur explained an issue was recently identified with a pending DROP application processed for Sig Bo. The calculation factors provided by Foster were significantly different than the factors used by the Resource Center in their system (which were initially provided by the prior actuary). It was noted the Board had previously directed GRS to use GAM71 factors. He explained using an older mortality table, the member's life expectancy is shorter and therefore a bigger benefit reduction is taken. When assuming a member is going to live longer, there is less of a likelihood of paying the benefit for a long period to a survivor and the benefit costs less. Mr. Baur explained that Foster used current mortality tables to determine the benefit factors. Mr. Lozen explained if the Board adopts an improved (more recent) mortality table; the beneficiary 'penalty' (adjustment) becomes less. He provided an example that the cost to cover a spouse under the older mortality table may have been \$0.80 versus a \$1.00 of benefit and the cost with a more recent mortality table may be \$0.85 vs. a \$1.00 of benefit. He explained there is no impact to the normal benefit calculation for the member's life; the effect is on the beneficiary's life only. It was noted the GAM83 is being used for the annual valuations. Mr. Lozen requested the valuation factors also be updated.

- Paul Raymond made a motion to use the same table for the benefit calculations as used with the valuation factors. The motion received a second from Buddy Emerson and was approved by the Trustees 5-0.

Scott Baur explained the Resource Center will need the updated tables from Foster in order to update the program. Doug Lozen then recommended using the RP2000 mortality table for the assumptions. The explained the State is expecting 2011 reports be filed using more up to date mortality tables. Lengthy discussion followed regarding the matter. It was noted that a change to the tables could increase the Fire District's cost. Bonni Jensen noted that the State may be pushing Boards to make the change, however they have not mandated the change at this time. Mr. Lozen explained there has been a directive from the State advising that special risk plans are to introduce the changes by 2011 valuation reports. Mr. Lozen

explained the assumptions have no long term cost impact on the plan. Mr. Lozen explained it is possible that upon receipt of the 2011 annual valuation report, the State may not accept and instead mandate the Plan initiate the change. Discussion followed regarding the cost. Mr. Lozen noted on a typical fire plan, it could cost the employer 1-2% of payroll and on a general plan, it may cost 0-.5%. The Trustees discussed their concern of making changes that will increase the Fire District's cost if the State has not yet mandated the change. The Trustees instructed the attorney to send a letter to the State explaining the Board has carefully considered the mortality assumptions and will continue to use the GAM83 mortality table. Mr. Lozen explained it will cost \$750 per pension plan for Foster & Foster to provide the updated tables to the Resource Center's program.

Discussion turned to the letter received from Foster & Foster regarding a fee increase. Mrs. Jensen explained SB1128 included a mandate that requires an additional report be added to the annual valuation. It was noted the State mandates were put into place after Foster was hired by the Board. Mr. Lozen explained that had the State's legislative changes been place at the time Foster contracted with the Plan, the fees would have been adjusted to reflect the additional work accordingly. He explained Foster is only requesting reimbursement for the additional work now required by the State. The fee being requested is 10% of the valuation fee which equates to \$1,200 on the Fire Pension Plan.

- Paul Raymond made a motion to approve the additional cost of 10% to Foster & Foster. The motion received a second from Tony Napolitano and was approved by the Trustees 5-0.

Doug Lozen departed the meeting at 3:05 PM.

Susy Pita addressed the Board and explained that as of September 15, 2011 she will delete all information related to the Pension Plan from her system and will send a letter to the Board confirming all records have been properly transitioned to the Fire District and the new administrator accordingly.

The General Pension Board meeting concluded and the Fire Pension Board meeting continued.

#### **MINUTES**

The minutes from the prior meeting were presented to the Board.

- Paul Raymond made a motion to approve the minutes as presented. The motion received a second from Ron Parrish and was approved by the Trustees 5-0.

#### **DISBURSEMENTS**

The disbursement listing was included in the Trustee packets for review.

- Paul Raymond made a motion to approve the disbursements as presented. The motion received a second from Ron Parrish and was approved by the Trustees 5-0.

#### **PUBLIC COMMENTARY**

Chairman, Chris Bushman invited those present to address the Board with public comments. There were no comments at this time.

#### **ACCOUNTANT'S REPORT**

Jay McBee appeared before the Board to present the August financial report which resulted in total assets as of August 30, 2011 in the amount of \$138,425,433.37. Discussion followed regarding the State Annual Report. The State has not approved the report and had a few pending questions that Mr. McBee will respond to.

#### **INVESTMENT CONSULTANT REPORT**

Burgess Chambers appeared before the Board to present the quarterly investment performance report for the period ending June 30, 2011. Mr. Chambers provided an update of the current economy noting in the secular area there is a credit contraction underway with people reducing their borrowing and paying off debt. He then reviewed the current asset allocation. Mr. Chambers reported the total fund gross of fees earned 1% for the quarter (similar to the bench) and total fund was up 11% fiscal year to date. He then reviewed the Plan's compliance tracking noting that he had introduced a new peer group report compiled by Melon of public funds. He noted the Plan ranked in the top 21% in the three year view and

the top 31% in the five year view. Mr. Chambers addressed the current asset allocation expressing concern with Aletheia. He explained the company went through an SEC investigation and some sanctions were imposed, which is common and of itself, not a great concern. What does concern him however, is that a key person at Aletheia is being investigated along with his prior firm. This person has taken a leave of absence. He noted while it is not uncommon to have an SEC investigation, it is uncommon and cause for concern to have another investigation so soon. Mr. Chambers explained he did a manager search preemptively and recommends the Board replace Aletheia. He presented information on managers for consideration. He referred to Atlanta Capital and ING, explaining he has had much experience with both companies in the past seven years. Mr. Chambers reviewed the manager styles and fees. He explained he does recommend liquidating the Aletheia portfolio but instead would transfer management to Atlanta Capital, allowing Atlanta to sort the stocks they want to keep, and then have remaining stocks liquidated. He explained he would handle the transfer and help keep costs down. The Trustees could invite the managers in for an interview. Lengthy discussion followed regarding the matter.

- Paul Raymond made a motion to accept the consultant's recommendation and hire both Atlanta Capital and ING to replace Aletheia. The motion received a second from Ron Parrish and was approved by the Trustees 5-0.

Mr. Chambers will work with the attorney on the contracts.

Mr. Chambers informed the Board that SunTrust's small cap product handled by Ceredex is separating from Suntrust. He recommended the Board be proactive and negotiate a separate arrangement with Ceredex. He reported that Ceredex is willing to honor the current fee the Pension Fund has with Suntrust which is helpful since their standard fee is much higher.

- Paul Raymond made a motion to contract a separate agreement with Ceredex. The motion received a second from Tony Napolitano and was approved by the Trustees 5-0.

Burgess Chambers and Jay McBee departed the meeting at 4 PM.

#### **ATTORNEY REPORT**

**IRS UPDATE:** Bonni Jensen informed the Trustees that the IRS mileage reimbursement rate had increased to \$0.555 per mile effective July 1, 2011.

**DROP POLICY:** Mrs. Jensen presented a draft DROP Distribution Policy for review as per the discussion at the prior meeting. Mrs. Jensen reviewed the policy in detail with the Trustees, noting that some of the items are not negotiable. She noted that on monthly payments, some actuaries will not calculate the allowable monthly withdrawal amounts. She will follow up with Foster regarding the matter. She explained that in the current Plan, beneficiaries are required to remove their funds from the Plan however Federal Law allows the spouse to stand in the shoes of the member. She further explained that the Plan Document would need to be revised in order to enact the change. Mrs. Jensen will add the item to a pending ordinance list of future changes. Denise McNeill inquired regarding a member currently receiving a monthly DROP withdrawal and has requested to stop the monthly withdrawals from his account. Mrs. Jensen requested further details from the member's file and will need to research the matter further to determine if such a change can be made.

- Buddy Emerson made a motion to accept the DROP Policy as presented. The motion received a second from Tony Napolitano and was approved by the Trustees 5-0.

Bonni Jensen then presented the Administrative Agreement for signature. The document was executed accordingly.

**CLASS ACTION LITIGATION:** Mrs. Jensen informed the Board of a report received from Scott & Scott with a litigation alert. The notice advised the Plan lost \$261,000 in Motorola and recommended filing for lead plaintiff. Discussion followed regarding the two other current cases pending.

- Tony Napolitano made a motion to join litigation against Motorola however not as lead plaintiff. The motion received a second from Buddy Emerson and was approved by the Trustees 5-0.

**QDRO'S:** Mrs. Jensen then reported she has been spending much time on QDRO's and the Board has not provided specific direction. She noted that individual members are causing a cost in the Plan. Chris Bushman recommended Mrs. Jensen provide a form letter for HR and the Resource Center to use when member inquire regarding divorce matters.

## NEW BUSINESS

Buddy Emerson advised that a member had inquired about their DROP account. It was noted that all such inquiries should be directed to the Resource Center.

## ADMINISTRATIVE REPORT

BENEFIT APPROVALS: Benefit approvals were presented in the Trustee meeting packets for two beneficiaries; Anderson and Meyer.

- Ron Parrish made a motion to accept and approve the benefits as presented. The motion received a second from Buddy Emerson and was approved by the Trustees 5-0.

RESOURCE CENTER'S TRAVEL & EXPENCE POLICY: Denise McNeill had received a request to clarify the travel and expense procedures. A copy of the Resource Centers policy was provided to the Trustees for informational purposes.

FIDUCIARY LIABILITY – WAIVER OF RECOURSE: Denise McNeill noted the policy was renewed accordingly as per the Board's prior authorization. Mrs. McNeill noted the waiver of recourse had been included in the regular invoice payment and the waiver is typically paid by an entity different from the Plan (either plan sponsor or Union). She will follow up on the next renewal and make sure it is handled accordingly. Mrs. Jensen advised it should not be an issue for the Plan.

ACCOUNTS PAYABLE PROCESS: Discussion followed regarding the invoice payment process. The Trustees confirmed that the administrator may authorize all normal invoices for payment as long as the pricing meets the contracted agreements. Any invoices out of the ordinary will be presented to the Chairman or Secretary for approval between meetings. It was confirmed that all disbursements will be formally ratified at their following meetings accordingly.

- Tony Napolitano made a motion authorizing the Chairman and Secretary to approve disbursements between meetings as needed. The motion received a second from Buddy Emerson and was approved by the Trustees 5-0.

PRELIMINARY BENEFIT PAYMENT PROCESS: Mrs. McNeill explained a question had arisen regarding authorization to process standard interim benefit payments to non-DROP members when they are separating service. It was noted the issue only relates to those who are not in the DROP at the time of their separation. Discussion followed regarding the process.

- Ron Parrish made a motion authorizing the administrator to pay estimated benefits to members upon separation of service contingent upon the completion of their final calculation. The motion received a second from Buddy Emerson and was approved by the Trustees 5-0.

Mrs. McNeill explained the investment consultant had inquired into the current meeting schedule asking if the board would return to the prior quarterly schedule for 2012. It was noted the current schedule of meeting every other month will continue.

There being no further business to discuss:

- Paul Raymond made a motion to adjourn at 4:40 PM. The motion received a second from Tony Napolitano and was approved by the Trustees 5-0.

Respectfully submitted,



Chris Bushman, Chairman