ST. LUCIE COUNTY FIRE DISTRICT
FIREFIGHTERS' RETIREMENT FUND

Minutes of Meeting Held November 15, 2012

The meeting was called to order at 1:30 P.M. by Chairman, Chris Bushman.

Those persons present were:

TRUSTEES PRESENT	Paul Raymond Ron Parrish Buddy (George) Emerson Tony Napolitano Chris Bushman
TRUSTEES ABSENT	None
OTHERS PRESENT	Scott Baur, Denise McNeill & Rachel Valdez; Resource Center Bonni Jensen; Law Office of Perry & Jensen Frank Wan; Burgess Chambers & Assoc. Doug Lozen; Foster & Foster Several Members of the Plan

PUBLIC COMMENTARY

Anthony Liento appeared before the Board to express his concern with the contribution increase of .09% being applied to all members, including those in the DROP. It was noted the matter would be addressed by the actuary.

CONTRIBUTION FUNDING AND ACTUARY UPDATE

Buddy Emerson explained he had received several questions as to why the 0.09% increase to member contributions was being applied to all actively employed members, including those currently in the DROP. Mr. Emerson explained that he requested the actuary be present for this meeting to address and clarify the contribution matter. Mr. Emerson further explained that he also questioned the contribution amounts contained in the valuation relative to the payroll.

Mr. Lozen reviewed the information presented to Foster since the September meeting. He reviewed the methodology and explained that he did not come up with the 0.09%; the plan administrator provided him with the 0.09% contribution amount. He reviewed the change to the mortality table and noted that the transition from contributions expressed as a dollar amount back into contributions expressed as a percent of payroll left the difference of 0.09%. Since the Fire District's contribution had reached the maximum limit for employer contributions stipulated in the plan, the members must pay the required contributions above 28% of payroll. In the case of the additional contributions required by the change to the mortality assumption, the members voted to use additional Chapter 175 premium tax receipts to reduce the active employee contribution rate back to 0.5% of payroll. The members did not take a similar vote, however, to reduce the member contribution rate from 0.59% of payroll down to 0.5% of payroll as well. Mr. Lozen described the process used to back into the calculation of contributions as a percent of payroll from the dollar contribution requirement determined by the actuary. Buddy Emerson noted that the decision to increase contributions from 0.5% of payroll to 0.59% of payroll for all actively employed members of the plan, including those members still employed in the DROP, did not come from the Board of Trustees.

Lengthy discussion followed regarding the matter. Mr. Lozen explained that most plans do not require members in the DROP to continue making contributions to the plan. Mr. Emerson contended that the Fire District funded the plan based on active member payroll as opposed to total payroll including the DROP members. Mr. Baur explained in detail the change that the Board adopted to the funding method at the August meeting, which occurred in the middle of the valuation process. He noted that members must contribute 0.5% of payroll through their entire career to pay for part of the cost of the supplemental benefit, with the remainder of the supplemental benefit funded by 175 premium tax receipts. He further noted that members continue to accrue the supplemental benefit until ultimate separation from service, even while the members participate in the DROP. He explained that since all members make this contribution while actively employed, the fiscal year end payroll initially reported to the actuary for 2011 included total payroll for all members actively employed. His office then provided the actuary with revised payroll and contribution reports separating actively employed DROP members from other active members, but the difference caused the actuary to initially determine that the Fire District still owed a substantial employer contribution for 2011 based on the total payroll volume. The Board then decided in August to determine the employer contribution requirement as a dollar amount, rather than as a percent of payroll that the Fire District used previously. Once the actuary determined the dollar contribution requirement for the Fire District, that dollar amount had to be converted back into a percent of payroll to determine if the total employer contribution requirement exceeded the 28% limit stipulated in the plan. The plan, meanwhile, lacked a clear definition of payroll. Since the pension plan receives the contributions, the definition of payroll used to determine the employer and employee portions remained more as a bargaining question between the Union and the Fire District, not an interpretation of the plan document by the Board.

To this end, Mr. Baur explained that he met with the Fire District and representatives of the Union to consider the definition of payroll. Mr. Perdew provided the total payroll budgeted by the Fire District for the 2012-13 fiscal year for this purpose. The dollar contribution requirement determined by the actuary came to 28.09% of the total budgeted payroll for the fiscal year, leaving an additional 0.09% of payroll that the members must contribute. The Collective Bargaining Agreement does not distinguish between active members of the plan and actively employed members in the DROP, so the entire payroll volume was therefore used to convert the dollar contribution requirement back to a percent of payroll. This differed from prior years, when the actuary determined contributions as a percent of active member payroll exclusive of the DROP members. The change to the funding method adopted by the Board in August, of course, left the definition of payroll open since that definition came from bargaining. At the meeting between the Fire District and representatives of the Union, the Fire District also inquired to the savings if the Fire District chose to pre-fund the employer contributions during the fiscal year. Since that information must come from the actuary engaged by the Board, and since the next fiscal year was already about to begin at the time of the meeting between the Fire District and representatives of the Union, Mr. Baur asked the actuary to provide the additional information on the funding alternatives on behalf of the Board. In doing so, Mr. Baur stated that he did consult with the Board Chair.

Mr. Lozen explained that prospectively, the dollar contribution requirement for the employer would not be explicitly tied to payroll dollar amounts. Previously, the actuary derived the total payroll volume used the member contributions to determine the dollar employer contribution requirement expressed as a percent of payroll. Now that the Board made the decision to allow the Fire District to fund the plan based on a total dollar requirement, the actuary would no longer need to calculate the employer contributions based on payroll determined by the employee contributions. The actuary would simply compare the actual dollar deposits to the required contributions previously determined. Mr. Lozen noted there is one final year, the fiscal year ending 09/30/12, where the Fire District funded the plan based on a contribution requirement expressed as a percent of payroll. Mr. Lozen then confirmed that members would fund the additional 0.09% of payroll for current fiscal year. After that time, a new member contribution requirement would be determined for the actively employed members in the case where the total contribution requirement exceed 28% of payroll, not including the mortality assumption change that the members agreed to fund from the Chapter 175 premium tax receipts. Mr. Baur reminded the Board that the Plan is still recognizing investment losses from prior years, and therefore, the total contribution requirement would likely continue to increase with the next valuation report. Mr. Baur inquired if Mr. Lozen has any idea what additional contribution increase might be expected for the next fiscal year. Mr. Lozen indicated that the plan must still recognize additional investment losses through the smoothing method, but he could not yet forecast how much that amount could be. He did note that the Fire District, the Board, and the members of the plan should expect the increase to be substantial. Mr. Lozen explained that on a collective basis, the Fire District and the Union must agree on the definition of payroll. The Trustees invited Nate Spera to address the Board. Mr. Spera introduced himself as a representative of Local 1377. He explained the Fire District is in the process to hire 21 people, so total payroll will increase during the current fiscal year. He explained the contract language in the current bargaining agreement was written in 2007, which preceded the creation of the DROP. As a result, the Local will continued to work with the Fire District to help clarify the definition of payroll for purposes of determining contribution requirements to the plan. Mr. Spera noted that two years remain in the existing contract. Mr. Baur stated that the budgeted payroll for the current fiscal year used to convert the dollar contribution requirement back to a percent of payroll included the 21 new employees. Mr. Spera confirmed that the Union and the Fire District anticipated adopting language to clarify the definition of payroll in order to alleviate concerns related to the conversion in the future. Mrs. Jensen said that some pending benefit changes from recent changes in State law might have some additional impact to the cost of the Plan. Mr. Lozen confirmed the sick and vacation leave caps, along with caps on overtime hours included for pension payroll, will create some immediate and long term savings to the Plan to partially offset anticipated cost increases.

ATTORNEY REPORT

Bonnie Jensen advised that the Fifth Third agreement had been finalized, signed and the transition was underway. Brief discussion followed regarding the custody transition from First Union to Fifth Third Bank.

INVESTMENT CONSULTANT REPORT

Frank Wan appeared before the Board to present the investment report for the quarter ending September 30, 2012. He reported the Plan's fiscal year ended with 16.2% return. He noted the rebalancing in October reduced 5% from equities and should work well for the Plan's benefit. Mr. Wan reported the Plan is well diversified and has done very well with less exposure than most other Plans in Florida who had on average a 15% higher risk exposure. He noted that REITS had been reduced and have dropped since October 31st. He explained the State money is being used to pay benefits and for bonds. Mr. Wan explained in the October rebalancing, two managers did not trade timely and have agreed to reimburse the Fund for the loss difference as of October 2nd and October 3rd. He reported that Westwood is making a strong comeback. He noted they are still keeping a watch on Westwood's performance; however there has been much improvement. Mr. Wan acknowledged the environment has been tough for large cap managers. He reported that even though they trailed the bench, they were at 28% last year and in the top 40th percentile of managers. Mr. Wan then reviewed the asset allocation in detail addressing the recent rebalancing. He noted Advent and SSI have both done well for the Plan and private real estate has added value. He reviewed the three year number noting the total fund was up 8.9% for the three year, up 2.8% for the five year and 7.2% for the ten year which he feels is very good. Bonni Jensen noted "kudos" to Burgess Chambers for his recommendation to move from Aletheia. It was in the news over the weekend that the company declared Chapter 11 bankruptcy so the timing worked out well for the Plan. Mr. Wan noted the Plan was in the top 47th percentile of the public funds universe for the fiscal year.

Mr. Wan then presented an Alternative Investment Report as a follow up to Burgess Chamber's prior explanation of exploring other options to enhance the yield in the Plan.
Buddy Emerson departed the meeting at 2:30 PM.

Mr. Wan continued to review the presentation for MLP Investments and high yield bonds. He explained the following about MLP: 1) It is a broad term used for limited partnerships whose units are publicly traded on US stock exchanges, 2) Energy companies make up about 95% of the MLP universe divided evenly between natural gas and petroleum focused assets and 3) Energy MLP's are mainly midstream energy infrastructure assets that transport, process and store natural gas, crude oil and refined petroleum products such as jet fuel, gasoline or fuel oil. Mr. Wan explained they like owning pipelines since they accumulate fees for distribution around the country and there is little competition (typically only one pipeline). He explained they are forced to pay 90% of the profits to shareholders. Mr. Wan explained Congress now allows mutual funds to own MLP's with a maximum of 25% of the portfolio. He explained in the past twelve months, there are two new mutual funds marketing institutional investments. Mr. Wan reported there is big money pouring back into infrastructure. He explained in Europe natural gas is available at regular gas stations and many cars run on natural gas. Mr. Wan explained that horizontal drilling has helped to identify much more gas than they were able to determine in the past. Mr. Wan then reviewed the high yield bonds noting they are bonds lower than BBB rating and the main attractions of high yield are 1) the high rate of current income, 2) the potential for capital appreciation if the debt is upgraded and 3) precedence of legal right over common and preferred stock in the event of liquidation. He explained that they found four potential convertible bond options and six potential MLP options. Mr. Wan reviewed the safety of bonds. He explained that Richmond Capital had placed 70% of the portfolio in bonds and he would not recommend the Plan increase or purchase more, but they may want to allow Richmond to reduce the bond rating allowance since the Investment Policy was previously amended to allow the top four classes. Mrs. Jensen explained that will need to be researched further to be certain it meets the allowances for the Plan. She explained some clients have amended their investment guidelines to adopt language that eliminates the set minimums and instead allows the Plan to act with due diligence.

MINUTES

The minutes from the September 20th and September 27, 2012 meetings were presented to the Board.

- Ron Parrish made a motion to approve the minutes as presented. The motion received a second from Tony Napolitano and was approved by the Trustees 4-0.

DISBURSEMENTS

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

- Tony Napolitano made a motion to approve the disbursements as presented. The motion received a second from Ron Parrish and was approved by the Trustees 4-0.

ADMINISTRATIVE REPORT

Denise McNeill reviewed the financial statements presented it the Trustee packets. She then presented the September 30, 2011 Benefit Statements received from Foster & Foster. Chris Bushman will have the statements distributed throughout the department. Mrs. McNeill then presented the 2013 meeting schedule. It was noted the GE board will need to address their 2013 schedule at their next meeting since they did not have a quorum for a meeting.

BENEFIT APPROVALS: Benefit approvals were presented in the Board's packet for review. It was noted the benefit for Donald Moore's beneficiary was a bit of a challenge to confirm and the administrator had to request a copy of an Ordinance from the City of Fort Pierce via Public Records Request in order to clarify that Option A was 100% J&S at the time of his retirement.

- Paul Raymond made a motion to approve the benefit approvals as presented. The motion received a second from Ron Parrish and was approved by the Trustees 4-0.

TRUSTEE TERMS: The Trustees discussed the seats held and their expiring terms. Discussion followed regarding how to adjust and stagger the terms. Mrs. Jensen will work with Mr. Crooks on a resolution change to address the terms. In the meantime, the administrator will request that HR run an election for the term expiring for Chris Bushman and that they request re-appointment of the Fire Board appointees. Bonni Jensen explained that the terms will "hold over" in the interim while the matter is being addressed and the end of a term will not arbitrarily vacate a seat. The term dates will be researched accordingly. The Trustees noted that they will hold off on addressing the Fifth Trustee seat until the other seats have been resolved accordingly.

NEW BUSINESS

RESOURCE CENTERS SSAE-16 AUDIT REPORT: Mrs. McNeill reminded the Trustees that the Resource Centers had completed the update for their SSAE-16 internal controls audit and the summary reports had been sent via email to all Trustees. She confirmed a copy of the report had been provided to the Plan's auditor.

There being no further business to discuss,

- Tony Napolitano made a motion to adjourn at 3:05 PM. The motion received a second from Ron Parrish and was approved by the Trustees 4-0.

Respectfully submitted,

Ronald Parrish, Secretary