

ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



Minutes of Meeting Held March 21, 2013

The meeting was called to order at 2:23 P.M. by Chairman, Ronald Parrish.

Those persons present were:

TRUSTEES PRESENT Paul Raymond
Ronald Parrish
Buddy (George) Emerson
Anthony (Tony) Napolitano
Ignatius (Nate) Spera

TRUSTEES ABSENT None

OTHERS PRESENT Scott Baur, Denise McNeill & Rachel Valdez; Resource Center
Bonni Jensen; Law Office of Perry & Jensen
Burgess Chambers; Burgess Chambers & Assoc.
Doug Lozen; Foster & Foster
Members of the Plan

PUBLIC COMMENTARY

There were no public comments at this time.

MINUTES

The minutes from the January 17, 2013 meeting were presented to the Board.

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

DISBURSEMENTS

The disbursement listing was presented to the Board in their meeting packets.

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

ACTUARIAL VALUATION

Doug Lozen appeared before the Board to present the October 1, 2012 Actuarial Valuation Report. Mr. Lozen presented the board with a summary sheet to help provide the highlights for the Trustees. He reported the following: The removal of the asset limitation realized with the 2011 valuation report; an actuarial gain from salary reductions; the frozen State contribution increased from \$1.6M to \$1.9M per Resolution 554-12; there were solid increases in the Plan's funded ratio and the Plan experienced a dramatic decrease in District funding obligation due to net favorable experience and decrease in overall payroll. Mr. Baur explained the prior year payroll was inflated due to final payouts and the savings for those transitions were not recognized until the 2012 valuation report. Mr. Lozen then reviewed specific comparisons to the 2011 valuation report. He noted the market value increase of 15.9% versus the prior year of -1.5% had a strong impact. He reminded the Trustees that the recognized actuarial net increase of the market value is different from the actual value earned. Mr. Lozen reported the Plan recognized a \$24M gain which was a great number and

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the Plan is doing very well. He explained that both the GASB and FASB funded ratios improved considerably. He reviewed the process of how the funded ratio is calculated. He noted the Plan's funded ratio is at 78% which is very close to the desired number of 80%. Mr. Lozen explained additional savings came from the actual salary increase of -0.1% when the assumption was 6.7%. He reported the prepaid Fire District contribution of \$555,041 was based on the required 2012 funding versus what was paid by the District which resulted in an overage paid to the Plan for the period. Discussion followed regarding the prepaid funds. Mr. Lozen explained the District may decide if they wish to use the prepaid funds against the current year. The Trustees explained that the Fire District has already pre-funded the rest of the year which will result in an additional pre-payment at year end with the current process. Mr. Lozen explained if the Board wishes to lower the contribution by pre-funding, then a different calculation will be required. Mr. Baur explained the Board may need to revisit and revise the valuation report to account for the pre-funding savings. Lengthy discussion followed regarding the expected payroll and employee contribution amounts. Chief Parrish inquired into the pending legislative changes and potential impact to the plan. Bonni Jensen explained the Bill makes several new definitions. She reviewed the detail of the pending Bill in detail with the Trustees. Discussion followed regarding the supplemental benefit and potential impact of the changes. Mr. Lozen explained if the changes pass, he expects an impact from the changes in the 2014/2015 plan year. It was noted the Plan currently has \$1.3M accumulated in 175 funds. Mrs. Jensen explained if the Bill becomes law, the Plan will be required to set up share accounts and the Bill will mandate how the 175 funds are to be utilized. Discussion followed regarding allowing for a special meeting to be arranged to address the accumulated 175 funds. Mr. Emerson inquired into the Fire District's pre-payment and the potential impact to the employer contribution rate. Mr. Lozen explained he does not expect it to be a significant impact. Discussion followed regarding the current \$1.9M frozen amount from the 175 funds. Mr. Lozen advised if the law changes, he would need to calculate to confirm if there is enough state money to cover the supplemental benefit. Mrs. Jensen inquired as to why a separate calculation would be necessary. She explained the supplemental benefit should be accounted for separately in the valuation report; as it had been in the past with the prior actuary; therefore the cost should be known. Mr. Lozen advised that a separate calculation would be required to cost the supplemental benefit. Mrs. Jensen summarized the situation that the Board is inquiring into creating a share account plan in anticipation of future changes and they would need a calculation done by the actuary to determine if they can use any of the existing \$1.6M accumulated.

- Paul Raymond made a motion for the attorney to review and for the actuary to do a study addressing the impact of the legal changes to the supplemental benefit portion of the Plan. The motion received a second from Buddy Emerson for discussion. After lengthy discussion, the motion was approved by the Trustees 5-0.

It was agreed that a special meeting will be called upon receipt of the information from the actuary. Mr. Lozen confirmed he is to update the valuation on the supplemental benefit for the current group, future money related to the current group, the long term cost and qualify the current cost for the current group. It was noted that Mr. Lozen has the last ten years of historical reports and all data from GRS to complete the study.

Lengthy discussion followed regarding how to set up a share account for the Plan and the impact of the District's pre-funding and the retroactive date currently listed in the pending Bill. Mr. Baur recommended the valuation be revised to account for the prefunded contribution; however Mr. Lozen did not believe a revision was necessary. Nate Spera reported the current CBA ends in 2014 and he inquired into how the Plan will memorialize the sick and vacation time. Mrs. Jensen explained that a

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"snapshot" of accumulated time will be taken on that date and that detail will become the baseline for the benefit qualification.

- Buddy Emerson made a motion to approve the 2012 Actuarial Valuation Report as presented. The motion received a second from Nate Spera and was approved by the Trustees 5-0.

Doug Lozen departed the meeting at 3:40 P.M.

INVESTMENT CONSULTANT REPORT

Burgess Chambers appeared before the Board to present the quarterly investment performance report for the period ending December 31, 2012. Denise McNeill reported that the district is now funding the contributions at the beginning of each fiscal year and the cash funding should be addressed to be sure there are sufficient funds to cover accounts payable and benefit payment expenses. Burgess Chambers suggested a standing order where the account is rebalanced around the 10th day after each quarter ends to ensure the cash is available and any cash need between those periods should be taken from the Richmond Capital bond account.

- Tony Napolitano made a motion to approve the rebalance for funding as presented. The motion received a second from Nate Spera and was approved by the Trustees 5-0.

Mr. Chambers went on to review the quarterly report noting the Plan was up 2.2% for the quarter and expects 7.5% return fiscal year to date if all remains static. Mr. Chambers reviewed the market prospective presented in the reports. He further explained all clients are being introduced to infrastructure. He explained oil production in the US has reached levels not seen since 1979. He explained there is a need for midstream infrastructure that moves the products through the pipeline system. Mr. Chambers noted the investment is simple and understandable. He explained it generates employment as well as more state, local and federal taxes. He reported the Department of Energy hired an independent company to evaluate and the company recommended the DOE approve. Mr. Chambers noted Japan is moving toward 100% natural gas. Mr. Chambers explained if drillers are restricted too much, the cost would increase making the process too expensive and not worth processing. He reported the AMLP symbol reflects a 6% return. He will bring some information on Master Limited Partnerships (MLP's) to the next meeting.

Mr. Chambers went on to review the report in detail noting international managers were top performers for the Plan. He explained he is trying to remove volatility from the Plan by further diversifying assets. Mr. Chambers then reported that his firm had a recent site visit with Westwood. He reported that their firm has shown a strong improvement in the past twelve months and they currently look good. He explained that they are watching SSI closely. Mr. Chambers then reviewed the current asset allocation. He reported that Intercontinental had been added to the portfolio to help reduce risk and they have done well.

Ronald Parrish departed the meeting at 4:15 P.M.

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ATTORNEY REPORT

DROP APPLICANT REQUEST: Buddy Emerson requested to address the board regarding verbiage he had written on his DROP application. He read a letter written to the chairman, then noted prior legislation (Scott vs. Williams) as well as two bills that altered the Florida Retirement System regarding changes to the DROP provisions where benefits were reduced after entry into the

DROP. Mrs. Jensen explained the application cannot be accepted as altered. Mrs. Jensen explained it has been state law for 60 years that retirement benefits cannot be changed once a person reaches normal retirement age. Buddy Emerson reviewed other pending legislature regarding DROP and requested that his concerns be noted in the minutes. After further discussion, he explained that he wanted the confirmation on record and he then presented the administrator with unaltered documents to enter the DROP.

Nate Spera inquired into the valuation report and asked if the DROP information can be listed in summary. Mrs. Jensen recommended having the actuary list the DROP information in aggregate format in the report, and then provide a separate listing of detail.

Bonni Jensen reviewed the DROP Policy revision that was included in the trustee packets and corresponding Summary Plan Description update. The changes addressed the issue of members not electing a form of benefit within 3 months would receive a default benefit.

- Nate Spera made a motion to adopt the language revising the Summary Plan Description and DROP Policy as presented. The motion received a second from Paul Raymond and was approved by the Trustees 4-0.

Mrs. Jensen explained she found the DROP policy had a contradiction of partial lump sum withdrawals and that matter has also been corrected for consistency.

- Nate Spera made a motion to accept the DROP policy revision with the correction to the lump sum withdrawal. The motion received a second from Paul Raymond and was approved by the Trustees 4-0.

Mrs. Jensen reported she had received a disability application in her office and the file would be forwarded to the Resource Center for processing.

EARLY RETIREMENT – DROP: Nate Spera and Paul Raymond noted that members inquired into the ability to enter into the DROP under early retirement. Lengthy discussion followed regarding the matter. Mrs. Jensen explained that the early retirement reduction of 3% per year does not cover the full cost to the Plan; however they cannot reduce the reduction more than 3% for early retirement due to State requirements. Mr. Baur reviewed the early retirement calculation process explaining the real cost is closer to 7% per year. The board discussed having the actuary provide a cost for such a change to the plan.

- Paul Raymond made a motion to have the actuary cost an early retirement DROP and for the attorney to send the request to the actuary to process the study. The motion received a second from Nate Spera and was approved by the Trustees 4-0.

PORTFOLIO MONITORS: Bonni Jensen reported she has been approached by two more portfolio monitors. She confirmed the Plan currently has two. Discussion followed regarding the process. She explained that she has another client with six such monitors and they generally bring different cases to the client. Mr. Emerson explained there would be no issue with having them address the Board and attend a meeting. He requested they be invited to address the Board at the May meeting.

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ADMINISTRATIVE REPORT

BENEFIT APPROVALS: Benefit approvals were presented in the Board's packet for review.

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

FINANCIAL STATEMENTS: Denise McNeill reviewed the financial statements presented in the Trustee packets.

SCOTT & SCOTT SECURITIES LITIGATION REPORT: Denise McNeill presented the report in the Trustee packets.

WHV NOTICE: Denise McNeill stated a notice was received and included in the trustee packet for review regarding an employee that is leaving WHV.

MCBEE AUDIT ENGAGEMENT: Denise McNeill then presented an audit engagement for the September 30, 2012 audit from Jay McBee. She confirmed the rate was consistent with the prior year. Mrs. Jensen explained she had reviewed the legal aspects and it is standard audit language.

- Nate Spera made a motion to approve the agreement. The motion received a second from Paul Raymond and was approved by the Trustees 4-0.

RICHMOND PAY TO PLAY NOTICE: Denise McNeill presented the notice from Richmond Capital in from the Trustee packets.

There being no further business to discuss, and with the next meeting previously set for May 16, 2013:

- Nate Spera made a motion to adjourn at 5:01 PM. The motion received a second from Tony Napolitano and was approved by the Trustees 4-0.

Respectfully submitted,

Ronald Parrish, Chairman