

ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



Minutes of Meeting Held September 18, 2014

Chairman Ronald Parrish called the meeting to order at 2:07 PM.

Those persons present included:

TRUSTEES PRESENT

Ronald Parrish
George (Buddy) Emerson
Anthony (Tony) Napolitano
Ignatius (Nate) Spera

TRUSTEES ABSENT

Paul Raymond

OTHERS PRESENT

Scott Baur & Denise McNeill; Resource Centers
Bonni Jensen; Law Office Bonni Jensen
Burgess Chambers; Burgess Chambers & Assoc
Karen Russell; Director of Finance
Several Members of the Plan

PUBLIC COMMENTARY

There were no public comments at this time.

MINUTES

Minutes were presented to the Trustees for the July 17, 2014 meeting.

- **Buddy Emerson made a motion to approve the July 17, 2014 minutes as presented. The motion received a second from Tony Napolitano and was approved by the Trustees 4-0.**

DISBURSEMENTS

The Board received and filed the interim financial statement. The Trustees reviewed the Disbursement Report for July 17, 2014. Mrs. McNeill reviewed the DROP withdrawals presented.

- **Nate Spera made a motion to approve the Disbursements for September 18, 2014 as presented. The motion received a second from Buddy Emerson and was approved by the Trustees 4-0.**

INVESTMENT REPORTS: BCA (BURGESS CHAMBERS)

Burgess Chambers appeared before the Board to present the quarterly investment performance report for the period ending June 30, 2014. He explained seven years ago, the Plan had assets of \$100MM and they are currently at \$200MM; noting the Plan has done very well. He reported of the market process over the last few decades noting from 1982 to 2000, the market averaged 18.8%; by 1987, real estate had entered into an abyss which remained in place for 15 years; Savings and Loans were deregulated by 1980 and most were out of business by 1989. In summary, history reflects that whatever has done well in the past decade will probably not do as well in the next decade; therefore they should be cautious of chasing ideas that are doing well. He reminded the Board diversification is the key and they have made changes to the portfolio over the past few years to further diversify and help reduce risk. Mr. Chambers reviewed a graph describing how rising interest rates affect asset classes. He explained the Board should not be concerned about rising interest rates as the immediate impact will not be negative to the Plan. He went on to review the report in detail; for the quarter, the plan earned 4.2% net of investment expenses, similar to the 4.0

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return for the benchmark. For the fiscal year to date, the plan earned 10.9% net of expenses compared to a return of 12.5% for the benchmark. Mr. Chambers reviewed the performance for the individual managers. He advised he had visited Westwood in June with the primary mission to reduce fees for the MLP down to 75 bps and they agreed to honor the lower fee. He further noted Westwood has not done well in the recent period. He then reported on the real estate, there are many deals in progress and many pension plans are moving funds from fixed income into real estate. Mr. Chambers explained when the Fed begins to raise rates he will expect to see money begin to flow back into bonds; however he does not believe that will happen for a couple of years. He reported Westwood's MLP has done very well and Lee Munder has been in line with the index. Mr. Chambers reported Intercontinental is doing well, noting their 50% leverage has worked well for that Fund. Discussion followed regarding real estate. Mrs. Jensen addressed a recent report of CALPERS selling off a significant amount of a hedge fund and she inquired if Mr. Chambers anticipates any issues related to the Plan as a result. Mr. Chambers reported that he does not believe there will be an adverse impact to the Plan regarding the transaction considering the hedge fund industry is so large. Mr. Chambers recommended the Board allow Westwood more time to improve and that the Board continue with their current asset allocation.

COMMISSION RECAPTURE: Mr. Chambers explained the Board currently has one commission recapture agreement (ConvergEx) and he recommended having two more, KCG and Capis. Mrs. Jensen explained KCG refuses to be a fiduciary therefore she recommended the Plan not utilize their services. Mr. Chambers explained if the Plan allows for the additional agreement, the managers will be informed of the additional option and they will be instructed to trade best execution.

- Nate Spera made a motion to execute an agreement with Capis for commission recapture services. The motion received a second from Buddy Emerson and was approved by the Trustees 4-0.

ATTORNEY REPORT (BONNI JENSEN)

Bonni Jensen presented the Restated Plan reflecting recently approved changes passed by the Fire Board. She explained members may elect to allow their spouse beneficiary the option to continue the DROP account in the Plan in the event of the member's death if the member elects to take 1% less than the current fixed rate. Existing members will have 60 days to make an election on the DROP earnings change. Mrs. Jensen will provide election forms for the existing members as well as new earnings election forms for all future DROP members. The change is prospective as of January 1, 2015. Nate Spera inquired into the recently widowed member who must roll the DROP funds out of the Plan. Mrs. Jensen advised the Plan change is not effective until October 1, 2014 therefore nothing can be done for the new widow and those funds must be rolled out of the Pension Fund.

OLD BUSINESS

Scott Baur reported the Annual Report remains under review with the State.

NEW BUSINESS

Buddy Emerson inquired into the actuarial impact statement and the concern of the cost for the early DROP allowance and the potential future cost impact. Bonni Jensen explained she had discussed that with Mr. Lozen and he had assumed 10% of the members will enter early and the accumulated reserve funds can cover the entire cost of the change. Discussion followed regarding potential cost

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five years from now. Mr. Spera explained he does not believe there will be a significant influx of members electing the early DROP.

ADMINISTRATOR REPORT

BENEFIT APPROVAL: A benefit approval was presented for Wanda Sapp, widow of Glenn Sapp.

- Nate Spera made a motion to approve the pension benefit for beneficiary Wanda Sapp. The motion received a second from Buddy Emerson and was approved by the Trustees 4-0.
- Nate Spera made a motion to approve the supplemental benefit for beneficiary Wanda Sapp. The motion received a second from Buddy Emerson and was approved by the Trustees 4-0.

The administrator had no additional items to report at this time.

There being no further business to discuss and the next regular meeting having previously been scheduled for November 20, 2014 at 2 PM,

- Buddy Emerson made a motion to adjourn at 4:42 PM. The motion received a second from Nate Spera and was approved by the Trustees 4-0.

Respectfully submitted,

Ronald Parrish, Chairman