

# ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



Minutes of Meeting May 21, 2015

Chairman Ronald Parrish called the meeting to order at 11:32 AM.

Those persons present included:

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

TRUSTEES ABSENT N/A

OTHERS PRESENT Denise McNeill & Kerry Dutton; Resource Centers  
Bonni Jensen; Law Office of Perry & Jensen  
Frank Wan; Burgess Chambers & Associates  
Doug Lozen; Foster & Foster  
Dana Beach, Plan Member  
Ron Rowars (Attorney for Dana Beach)  
Court Reporter (Requested by Dana Beach)  
Karen Russell; Clerk Treasurer  
Several Members of the Plan

## PUBLIC COMMENTS

There were no public comments at this time.

## MINUTES

Minutes were presented to the Trustees for the March 2015 meeting.

- Nate Spera made a motion to approve the March 2015 minutes as presented. The motion received a second from Paul Raymond and was approved by the Trustees 5-0.

## DISBURSEMENTS

The disbursement listing and interim financial statements were presented to the Board in their meeting packets. Denise McNeill reviewed the disbursements noting the additional DROP withdrawals processed for April 1, 2015.

- Tony Napolitano made a motion to approve the Disbursements for May 21, 2015 as presented. The motion received a second from Buddy Emerson and was approved by the Trustees 5-0.

## INVESTMENT CONSULTANT QUARTERLY REPORT

Frank Wan of Burgess Chambers & Associates appeared before the Board to present the quarterly investment performance report for the period ending March 31, 2015. He reported the US dollar has strengthened the past 1.5 years which results in the following: less export; lower cost on imports to consumers, businesses and manufacturers; oil, vehicles, clothing, electronics and durable goods cost less. He explained all of which encourages more spending and consumption; however overall, this cycle leads to a worldwide glut of US dollars that eventually leads to its weakening. Mr. Wan reported that in result of the stimulus in other markets around the world; international was up in the prior quarter; further reporting 65% of profits for Coca Cola were made overseas. He noted 66% of companies have had a good surprise; reporting better numbers than Wall Street had expected. Mr. Wan then reviewed the Total Funds Investment Summary, which reflected the Plan earned 2.1% net of fees for the quarter; 8.6% for

# ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



## Minutes of Meeting May 21, 2015

the three year view and 8.3% for the five year view. He reviewed the compliance report explaining during the three to five year span, the Plan has captured 97% of the up market growth with the passive managers doing very well. Mr. Wan then reviewed the asset allocation and each manager in detail reporting Atlanta Capital had an issue with stock selection. Discussion followed regarding the recent portfolio change with Atlanta and Mr. Wan explained that they are not as concerned with Atlanta's recent change; however they are keeping an eye on the firm and its progress. He explained in the recent period, healthcare, technology and consumer discretionary have been the top performers. He feels Atlanta has been good overall and the past three years is too soon to judge Atlanta Capital on the market cycle. Mr. Wan reported Westwood is improving quickly and as higher quality comes back into favor, Westwood should do well. He explained Adelante was at the bottom a couple of years ago and is currently one of the top performers. Mr. Wan noted the US energy renaissance is a long term story and still a good alternative for the Plan.

AMERICAN REALTY UPDATE: Discussion followed regarding the recent notice from American Realty regarding a management change. Mr. Wan was assured by the American Realty team that the staff change would not be an issue. He explained there is more concern with the recent change to LLP to entice more investors; however they continue to keep an eye on American Realty and there are no known items of concern at this time.

## ACTUARIAL VALUATION REPORT 2014

Doug Lozen of Foster & Foster appeared before the Board to address the assumptions being used in the Plan as per the discussion from the April meeting. He explained as credits expire in the coming years, the current assumptions will increase the overall cost to the Plan. Mr. Lozen reviewed the following items regarding a more conservative funding approach for paying down the unfunded actuarial liability (UAAL):

- A. Combining all existing UAAL Bases (currently 57 pieces) for the purpose of avoiding funding increases as prior experience gains retire in the next five to ten years which could be done in such a way as to maintain the current \$5.1 million annual amortization payment.
- B. Combining all UAAL bases, but creating a shorter amortization period, thereby increasing the annual amortization payment to some desired amount. (It was noted this item was recommended by a trustee.)
- C. For future additions to the UAAL, consider the following amortization periods: Gains and losses – 10 years; Methods and assumptions – 20 years; Benefit changes – 30 years. (Mr. Lozen explained reviewing actuaries at the Division of Retirement recommended the methodology to increase the likelihood of State Acceptance. He explained most of Foster's clients have adopted this approach in conjunction with the 10/1/2008 valuation.)
- D. Consider removing a payroll growth assumption for amortization of the UAAL. (The actuary can create a payroll period, similar to a fresh start for payroll growth.)

Mr. Lozen reviewed each of the options in detail and lengthy discussion followed regarding each. Mrs. Jensen explained the payroll assumption is an item of issue that has affected many of the pension plans. Mr. Lozen explained the 10/20/30 process listed in item C is a more long term effect; however paying off the liability in ten years versus 30 years saves on interest. He further noted with the current 30 year amortization schedule, gains remain at the same contribution rate for many years, even with great market returns. Mr. Lozen recommended combining all existing bases as described in Item A. Mrs. Jensen reminded the Trustees the current 30 year assumption creates much fluctuation from one year to the next. Buddy Emerson addressed item B explaining the idea is that it may add stability to the funding requirement with fixed percentages for the employer and employee contributions if the Union and Fire District could agree on a set percentage. Mr. Lozen suggested the Board recommend to the Fire District to fund consistently at a higher amount.

# ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



## Minutes of Meeting May 21, 2015

- *Paul Raymond made a motion to initiate the recommendations from the actuary to (A) combine all existing UAAL bases; (C) use the 10/20/30 process for the amortization period and (D) remove the payroll growth assumption. The motion received a second from Nate Spera and was approved by the Trustees 5-0.*

*Mr. Lozen confirmed he will make the changes effective with the next actuarial valuation for the plan year ending September 30, 2015.*

### **OLD BUSINESS**

***BEACH 175 BUYBACK PURCHASE:** The Trustees chose to address the appeal from Mr. Beach at this time while the actuary is present. Bonni Jensen reviewed the pending matter explaining Mr. Beach has appealed the Board's prior decision to grant three of the four years purchased toward his 175 supplemental benefits and he is requesting the last year of his military service purchase be included toward his 175 supplemental benefit accumulation. She explained after further historical research; the following was identified: Mr. Beach (as previously reported) had purchased three years of military time under the Plan's prior rule and had received credit for the three years toward his 175 supplemental benefit; a motion was made in October 2007 to send a memo to members advising no change would be made to the interpretation in the prior provisions allowing members one year to purchase service under the prior provisions; Mr. Beach submitted a second buyback request in September 2008 to purchase one year of military time and that request would have fallen under the one year offer made to Plan members in 2007. In light of the additional information uncovered in the research, Mrs. Jensen feels the Board should grant to Mr. Beach to include the additional year of buyback in his 175 supplemental time. She further recommended the Board should have all other service purchases, completed during that same period in question, reviewed to ensure how they were credited as well. Mrs. Jensen further explained this has been a lesson learned and the information had not been clearly documented in the Plan records. Mrs. Jensen inquired if Mr. Rowars had any additional items to add to the discussion and Mr. Rowars advised no further description was necessary.*

- *Nate Spera made a motion to accept counsel's recommendation to allow the additional time purchased in the accumulation toward the 175 supplemental benefits. The Motion received a second from Paul Raymond and was approved by the Trustees 4-0. (Buddy Emerson abstained from the vote as he also had a similar buyback around the same period and his service time may also be affected by the same matter.)*

*Mr. Beach, Mr. Rowars and the court reporter departed the meeting at 12:27 PM.*

*Mrs. Jensen addressed the situation with Mr. Lozen explaining the cost should have been included in the cost of the supplemental plan previously. She further explained the issue only relates to the supplemental benefit and military service purchased 2007 through 2008. Mr. Lozen explained the frozen state money would need to be increased and there are 175 reserve funds to cover the cost accordingly. Mrs. McNeill will forward the updated info to Mr. Lozen for the revised calculation accordingly.*

### **ATTORNEY REPORT**

***FORM 1 FILING:** Mrs. Jensen advised the Form 1 filing is due by July 1<sup>st</sup>. She requested the trustees keep proof of their filing or send it to her office and they will file it for the trustee. She reviewed the rules regarding the filing and comparative threshold, reminding the trustees to report any DROP, 457 and Florida prepaid account information. She explained the form is intended to determine if the trustee has any interest (potential conflict) in relation to potential providers. Mrs. Jensen noted many trustees just include a copy of their 457 statement with their personal information redacted.*

***LEGAL UPDATE:** Mrs. Jensen addressed the FS 1624 reporting requirements explaining the actuary is handling the reporting which is due by June 29<sup>th</sup>.*

# ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



## Minutes of Meeting May 21, 2015

She explained the new rule requires the Plan sponsor and the Plan provide information in their budget and on their website. She further explained the Plan must post the actuarial report and audited financial report on the website as well. Mrs. Jensen explained she has a cover memo (for the report being posted by the actuary) to help explain what the report is for in an effort to help the general public understand more clearly. She explained the investment consultant will also need to provide a chart of earnings for 2013 and 2014 in comparison to the assumed rate of return. Mrs. Jensen then reported a Bill passed requiring the Plan use the FRS mortality table effective January 1, 2016 and at the moment it is not expected to be vetoed. She explained there will be a cost for the change and it is an unfunded mandate. She reported the Fire District is a Supplemental District and they are grand-fathered into the use of the 175 funds. She explained the Board will have to create a budget for administrative expenses and provide the budget to the Fire District as well as make it available to the members. Mrs. Jensen explained they will use expenses from the prior year's audited financial statement and increase by a reasonable amount. Mrs. Jensen noted the Plan's actuary recommended Plans double their expenses. She noted much of the new reporting requirements fall on the actuary. The administrator will bring a proposed budget to the July meeting for review.

### **ADMINISTRATOR REPORT**

**PAYROLL USED FOR BENEFIT CALCULATIONS:** Denise McNeill explained an issue that arose recently for two members who were entering the DROP. It was noticed that their holiday pay issued in their final mustering out pay was not captured in the final payroll processed which would have resulted in a slightly reduced final average salary. The administrator will address the matter with payroll to see if there have been any changes to the process and determine if any other members may have been affected. They will make sure the proper final salary is captured to process the DROP calculations.

**BENEFIT APPROVALS:** Denise McNeill presented two DROP entries from 2014 for William Smith and Donald Botterbusch noting both calculations had been delayed for multiple reasons.

- Tony Napolitano made a motion to approve the DROP benefits for William Smith and Donald Botterbusch as presented. The Motion received a second from Nate Spera and was approved by the Trustees 5-0.

### **NEW BUSINESS**

Denise McNeill addressed a pending line of duty disability application received from a member. She explained there are seventeen physicians listed and the initial few responses reflect very high costs for the records so she wanted to bring this to the Board's attention in advance. Discussion followed regarding the process and Mrs. McNeill explained that records typically are not accepted from a member and instead, they are acquired directly from the provider to ensure the integrity of the documents. Mrs. Jensen explained the Board could address passing the cost of acquiring the medical records on to the member by changing the process of having the member request the records from the physicians and have the physicians send the records directly to the administrator.

Mr. Spera requested the Trustees consider changing their meeting time permanently to 11:30 AM for future meetings. Mrs. Jensen explained it may be a conflict with another client so she will need to address the timing and see what can be done.

There being no further business to discuss, the date for the next regular meeting having previously been scheduled for July 16, 2015;

- Nate Spera made a motion to adjourn the meeting at 1:01 PM. The Motion received a second from Tony Napolitano and was approved by the Trustees 5-0.

Respectfully submitted,  
Ronald Parrish