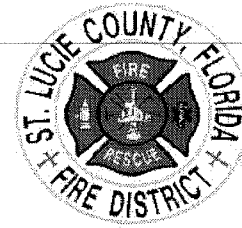


ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



Minutes of Meeting November 17, 2016

Chairman Nate Spera called the meeting to order at 2:10 PM.

Those persons present included:

TRUSTEES PRESENT

Ignatius (Nate) Spera
George (Buddy) Emerson
Jeffery Lee
Brian Blizzard
Anthony (Tony) Napolitano

TRUSTEES ABSENT

None

OTHERS PRESENT

Denise McNeill; Resource Centers
Bonni Jensen; Law Office of Klausner, Kaufman, Jensen & Levinson
Burgess Chambers; Burgess Chambers & Associates
Several Fire District Employees

PUBLIC COMMENTS

Chairman Nate Spera invited those present to address the Board. There were no public comments made.

MINUTES

The Minutes from the September meeting were not available.

DISBURSEMENTS

The disbursement listing and financial statements were presented to the Board in their meeting packets. Denise McNeill reviewed the disbursement report in detail noting one payment related to a special programming change needed to allow HR access to the pension records and the DROP distributions related to members exiting the DROP.

- Tony Napolitano made a motion to approve the Disbursements for November 2016 as presented. The motion received a second from Buddy Emerson and was approved by the Trustees 5-0.

INVESTMENT CONSULTANT QUARTERLY REPORT

Burgess Chambers of Burgess Chambers & Associates appeared before the Board to present the quarterly investment performance report for the period ending September 30, 2016. Mr. Chambers reported the election created a stir in the bond market as the outcome was a surprise. He explained the market is telegraphing a rise in interest rates which will be the first in eight years. He explained if the incoming administration and Congress agree to lower taxes, it is expected to cause a huge push to stimulate the economy. Mr. Chambers advised the Fed reported earlier in the day they should be increasing interest rates very soon and bonds have already fallen 3% from the prior week. He explained the CAP rate process explaining there will be pressure on the private real estate in the Plan. Mr. Chambers explained the assets are not market to market and the impact of the CAP rate will cause a gradual degrading of the valuation. Intercontinental and American RE equal 7.4% of the portfolio and he feels the yield will begin to go down due to the rising interest rates. The issue then, is what to do to protect the Plan and therefore Mr. Chambers recommended a modest scale back of both real estate investments, moving the funds back to equities. He then reviewed the Total Funds Investment Summary noting the following fiscal year end details: Plan was up 9.0% versus the model of 9.7%; equities were up 12.8%, domestic equities were up 15.9%, MLP's were up 11.0%, convertibles were up 8.3%, international equities were up 9.6%, REITs were up 13.0%, private real estate was up 11.2%, fixed income was up

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4.0% and the hedge fund was down -6.7%. He noted the plan ranked in the bottom 69th percentile of public funds for the fiscal year. Mr. Chambers went on to review each manager in detail. Lengthy discussion followed regarding the Plan's asset allocation. He explained the hedge fund program has been in place for about seven years and he is somewhat disappointed in their overall result averaging 2.7% net of fees. Mr. Chambers addressed the Hedge Fund reporting in the past year, explaining of the eight managers in the Fund of Funds; several are self-liquidating and he feels the Board needs to decide what to do about that asset class. He recommended they scale back on the hedge fund altogether; which they may have to do incrementally and it could take up to six months. He recommended moving the full asset into equities, in line with the policy. He will make further recommendations once the funds are available.

- Buddy Emerson made a motion to liquidate the hedge fund and reallocate the assets to equities accordingly. The motion received a second from Tony Napolitano and was approved by the Trustees 5-0.

Mr. Chambers will inform the manager and the administrator will prepare the formal notice.

Mr. Chambers went on to address the real estate allocation recommending the Board reduce both of the private real estate investments by 50%. He explained as this plays out, when the prices come down, they can re-allocate assets back to real estate. He explained they can only move the funds one time per quarter and he wants the Plan to be at the head of the line. Mr. Chambers explained that he feels the new Trump economy will draw money into the US market. He explained he needs more time to decide what to recommend in place of the hedge funds; however the real estate money should be moved into equities. He explained he is nervous about real estate. Since the last meeting the political event has caused a completely different environment and he feels they must make strategic changes early. Lengthy discussion followed regarding the asset allocation and the current policy. He recommended moving half of the private real estate into domestic equities and moving funds out of the hedge fund entirely, then wait to see what happens in the next quarter to determine where the hedge fund assets should be invested. It was noted the recommended changes are within the parameters of the current policy.

- Jeff Lee made a motion to liquidate 50% of the private real estate and reallocate the funds to equities accordingly. The motion received a second from Tony Napolitano and was approved by the Trustees 5-0.

Bonni Jensen wanted to make note that the Plan beat the assumed rate of return for the fiscal year.

ATTORNEY REPORT

SECURITIES LITIGATION UPDATE: Mrs. Jensen reported the Steris settlement has concluded. The manager can be informed it is okay to sell the asset. The Cobalt litigation continues and Mr. Spera's deposition has been scheduled.

LEGAL UPDATES: Mrs. Jensen reported the Resolution has passed.

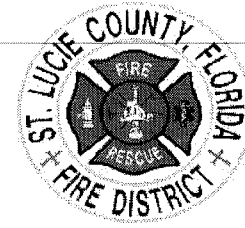
It was noted a question was recently posed if DROP members need to continue to contribute the 2% and the issue is pending with Pam Bondi.

Mrs. Jensen advised all managers have reported on the Pay to Play on political actions and none have made contributions more than the de minimus.

Mrs. Jensen addressed a fee increase submitted to the Board changing her hourly rate from the current \$225 to \$265. She confirmed the last increase was done in 2013.

- Tony Napolitano made a motion to approve the attorney fee increase to \$265 per hour. The motion received a second from Jeff Lee and was approved by the Trustees 5-0.

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ADMINISTRATORS REPORT

BENEFIT APPROVALS: Benefit approvals had been presented in the Trustee packets for consideration. It was noted that prior Fire District time does not apply to the military and prior service limit. Bonni Jensen reviewed the language in the Plan noting it is verbatim from the State Statute.

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

RECORDS STORAGE: Mrs. McNeill presented options for outsourced records storage. The costs began at \$89 per month, then had additional fees for each time the records are accessed, depending upon the number of boxes to be accessed. Mrs. McNeill explained the Resource Centers is currently in the process of addressing their firm's needs for additional space. She explained the Resource Centers could take the records for an additional monthly storage fee of \$80 total (for both Fire and GE) and there would be no additional cost to access the records as needed.

- Tony Napolitano made a motion to have the records stored by the administrator for the additional monthly storage fee of \$80. The motion received a second from Brian Blizzard for discussion. The motion was amended to clarify Fire will pay \$64 monthly and GE should pay \$16. The Motion was approved by the Trustees 5-0.

TRUSTEE SEATS: Denise McNeill noted that the Fifth Seat (appointed by the other four Trustees), currently held by Tony Napolitano, is expiring.

- Buddy Emerson made a motion to reappoint Anthony Napolitano to the Fifth Seat for another two year term (1/17-12/18). The motion received a second from Jeff Lee and was approved by the Trustees 5-0.

2017 MEETING DATES: The 2017 meeting schedule was presented for consideration. Mrs. McNeill explained the dates follow the same schedule as the current year and the meeting time is scheduled to begin at 2:00 PM. The Trustees agreed with the meeting schedule as presented.

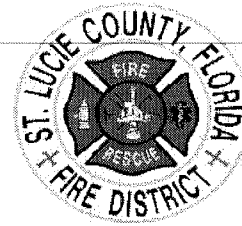
OLD BUSINESS

ACTUARIAL EXPERIENCE STUDY: Discussion followed regarding the Actuarial Experience Study presented by the actuary at the previous meeting. Mrs. Jensen reported the General Employees Board had voted to adopt all changes. It was noted that they must change the mortality table due to the State mandate. Mrs. Jensen reported she had just received notice that FRS has slightly reduced their mortality rate; however she is not sure if it is effective June 2016 or June 2017. Lengthy discussion followed regarding the study and the expected costs.

- Jeff Lee made a motion to accept all assumption changes, leaving the assumed rate of return at 8%. The motion received a second from Tony Napolitano for discussion. Discussion followed regarding the actuary's recommendations as it related to the salary scale. Mr. Chambers had felt quite confident that since equities are the driving force, he feels the 8% ARR was valid; however they are not certain how the State will feel about the matter. Mrs. Jensen explained FRS had a 7.75% ARR and they just initiated another slight reduction. Mr. Emerson recommended leaving out the withdrawal rate. The Motion was called to vote and was approved by the Trustees 4-1.

Mrs. McNeill reported the payroll data reports are still in progress and they have not received the final reports needed; however there has been some progress and communication related to the file detail.

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NEW BUSINESS

Mrs. McNeill addressed the recent issue related to the annual report which occurred after the last Board meeting. She explained that they had identified \$56,500 was accidentally paid to the Pension Fund by the Fire District as supplemental funds from the State; however the funds were actually for the District's supplemental compensation education pay and belonged to the Fire District, not the Pension Plan. She explained that once it was identified, the Pension Plan issued a payment back to the Fire District for the overpayment. Unfortunately the State advised that they would not approve the 2015 Annual Report until the money had been collected back from the Fire District and the State insisted on receiving confirmation of the funds being received back. The State had explained that no matter what the reason for the accidental overpayment, the Plan cannot issue a payment back to the employer. Mrs. McNeill explained Karen Russell was very helpful in having the funds immediately repaid back to the plan. Mr. Baur and Mrs. Jensen had disagreed with the State's stand explaining there is an allowance in the IRS rules that the funds can be repaid within six months of the error being identified; which is exactly what they had done; however the State would not budge on their decision and they were running out of time to have the annual report approved. In the end, the annual report was approved in time for the asset to be considered part of 2016 revenue.

Mrs. McNeill explained they are working on the system access to allow the Fire District access to the calculation system and the matter currently resides with the Fire District's IT Department.

Mrs. McNeill reported the fiduciary liability policy was renewed for \$26.22 more than the prior year for a new total of \$6,128.16 (cost to be split relatively between Fire Pension, GE Pension and the RHIT).

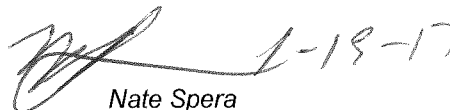
Mrs. McNeill then confirmed the FPPTA recertification fees will be paid for all Trustees with the next batch of Accounts Payable.

Mrs. Jensen addressed the Chapter 175 and 185 revenues around the State reporting Firefighter plans were down while Police received a slight increase. She addressed the State's audit of the insurance companies advising they pulled only five policies to review. Mrs. Jensen explained the IPT contact is typically someone at the County who updates the database through either Building and Zoning or Finance; however they currently still have Ron Parish listed for the Fire District. Lengthy discussion followed regarding the reporting and the importance of keeping the database up to date. Nate Spera will follow up with the County in regards to the database.

There being no further business to discuss and with the date for the next regular meeting having been scheduled for January 19, 2017;

- Jeff Lee made a motion to adjourn the meeting at 4:00 PM. The Motion received a second from Tony Napolitano and was approved by the Trustees 5-0.

Respectfully submitted,

 1-18-17
Nate Spera