

# ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



## Minutes of Meeting March 17, 2016

Chairman Nate Spera called the meeting to order at 2:21 PM.

Those persons present included:

### TRUSTEES PRESENT

Ignatius (Nate) Spera  
George (Buddy) Emerson  
Paul Raymond  
Jeffery Lee  
Anthony (Tony) Napolitano

### TRUSTEES ABSENT

None

### OTHERS PRESENT

Denise McNeill & Kerry Dutton; Resource Centers  
Bonni Jensen; Law Office of Klausner, Jensen & Levinson  
Burgess Chambers; Burgess Chambers & Associates  
Mary Byrom & Joe Hudepohl; Atlanta Capital  
Several Members of the Plan

### PUBLIC COMMENTS

A member addressed the Board regarding the DROP Plan and why the actuarial valuation of assets was different from investment reports. Discussion followed regarding the process and how the actuarial "value" of the assets is different due to the assumptions and costs of the Plan used in the valuation process while the investments are monitored as a dollar in, dollar out basis. Mrs. Jensen noted specific questions regarding the assumptions would need to be answered by the Plan's actuary. The member then inquired into the costs expected for October 1, 2016 and Mr. Spera explained they Board is awaiting their 2015 valuation report which is expected to be presented at the May meeting. Discussion followed regarding the Plan's unfunded liability and Mrs. Jensen explained part of the money that comes into the Plan is used to pay down the unfunded liability, similar to a mortgage. She further explained that Plan assumptions and demographics have an impact on overall cost. Mr. Spera explained that one of the assumptions is that the Plan will continue to grow in membership; however no new employees for several years has an impact on the overall cost to the Plan due to less money being received than was "assumed". Mr. Spera recommended the member attend the pension meeting with the actuary's report presentation so they may ask questions directly of the actuary regarding the process. Mrs. Jensen explained the goal is to make sure the Pension Fund is sound and properly funded. She further explained the Florida law states the Plan sponsor must contribute the necessary funds to ensure such.

### MINUTES

Minutes were presented to the Trustees for the January and February 2016 meetings.

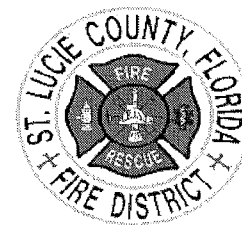
- Paul Raymond made a motion to approve the January and February 2016 minutes as presented. The motion received a second from Jeffrey Lee and was approved by the Trustees 5-0.

### DISBURSEMENTS

The disbursement listing and financial statements were presented to the Board in their meeting packets. Denise McNeill reviewed the disbursement report noting the DROP distributions are related to the semi-annual access for all DROP members who are separated from service.

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

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### INVESTMENT MANAGER – ATLANTA CAPITAL

Mary Byrom and Joe Hudepohl of Atlanta Capital appeared before the Board to present the updated investment performance report. Ms. Byrom began by introducing Joe Hudepohl and providing an overview of the firm. She explained it has been a tough environment and they wanted to be available to answer any questions the Trustees may have. Mr. Hudepohl explained they are focused on investing into high quality companies; which long term always outperforms. He explained the last six months of indicative of the pending transition back to quality. He reviewed the presentation explaining their investment philosophy and the five year rolling trend. He explained their goal is to outperform over time with high quality holding as well as holding well in the down market. He reviewed the market history of high quality consistently outperforming until 2010. Mr. Hudepohl explained part of the issue is the Fed funds rate dropping to zero allowed investors to reach for more risk to get return since rates were so low; which bolstered low quality stocks. He explained that they feel the market is transitioning to a period when high quality will outperform again and he feels good about the portfolio structure as it is. He went on to review the business cycle and discussion followed regarding the specific holdings in the portfolio.

### 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 December 31, 2015. Mr. Chambers explained they have converted their software and the Trustees will see the new report structure as one of the results of the transition. Mr. Chambers explained he has worked with Atlanta Capital with similar clients for ten years and has seen a painful period of underperformance relative to the market. He explained he feels they should give Atlanta Capital more time and believes the company is well positioned for the market transition. Mr. Chambers addressed the international environment and oil countries with that one main source of revenue. He explained Saudi Arabia is pushing to keep oil prices repressed to help remove competition. Mr. Chambers noted the timing of the move into MLP's was off as the drop in oil prices had an impact on the local companies causing many to close. He reported the MLP's have had much volatility; however he feels the asset class will stabilize. Mr. Chambers reported the October pre-funding from the Fire District was diversified across the Plan assets. He reported the further diversification has not done as well as the 60% equities, 40% fixed income split model in the past few years; however the ten year numbers are in line with the 60/40 asset mix. He explained with the further diversification, with so many asset classes, there will always be an area that is not doing well. He then reviewed the Total Funds Investment Summary noting the Plan was up 1.8% versus the model of 2.2% for the quarter and -1.9% for the fiscal year; equities were up 3.0%, domestic equities were up 3.9%, MLP's were down -1.2%, convertibles were up 2.0%, international equities were up 2.5%, REITs were up 5.8%, private real estate was up 4.5%, fixed income was down -0.3% and the hedge fund was down -2.3%. Mr. Chambers went on to review the asset allocation in detail. He recommended moving \$2M from emerging markets into William Blair and Europacific in order to reduce the risk. He then reviewed each of the managers in detail and changes made to the portfolio in recent years. Discussion followed regarding adding to the real estate asset class and they may need to amend the policy; it amended at the May meeting, it can go into effect 30 days later (due to notice requirements for the District and the State). Mr. Chambers recommended raising real estate to 7%; taking 2% from bonds to fund the additional real estate allocation; reducing bonds from 28% down to 26%; reducing emerging markets and bringing international down to 12%. He further recommended updating the investment policy guidelines.

- Buddy Emerson made a motion to approve the recommended changes to the investment policy; adjusting real estate to 10%, reducing fixed income to 5% with a maximum of 7% and reducing bonds by 2%. The motion received a second from Tony Napolitano and was approved by the Trustees 5-0.

Mr. Chambers will provide a revised investment policy for consideration at the May meeting.

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Mr. Chambers then recommended taking \$2M from emerging markets and increasing \$1M to each private real estate account for July rebalancing.

- Buddy Emerson made a motion to approve moving \$2M from emerging markets to fund an additional \$1M into each private real estate investment after the investment policy change has taken affect. The motion received a second from Paul Raymond and was approved by the Trustees 5-0.

Mr. Chambers confirmed the \$2M should not be moved from emerging markets until the new policy is signed in May.

### ATTORNEY REPORT

NORMAL RETIREMENT AGE: Bonni Jensen reported final regulations have been released from the IRS regarding normal retirement age and rehire after retirement. She explained that there are no issues with the Fire District; however she is running into the issues regarding the matter in other Plans. She explained it does not apply to the Plan since they do not allow in service distributions. She explained the rules turned out much more reasonable than had been expected.

STERIS LITIGATION UPDATE: Mrs. Jensen explained on March 2<sup>nd</sup>, they had presented a preliminary approval of a settlement; however she has received no further updates on the matter. She will continue to keep the Board posted as information is received.

The agenda was amended to address the Disability Review.

### DISABILITY REVIEW

JOSEPH BISHOP: Mrs. Jensen reviewed the disability review process in detail with the Board. Discussion followed regarding the Independent Medical Review report received from Dr. Waeltz who had performed the IME on behalf of the Pension Board. It was noted that he did not answer question #11 on the form and it is a requirement in order for the Board to make a decision. Mrs. Jensen further explained the Board has a duty to trace the specific disability back to a duty related event or injury if a duty related disability is to be approved. Mrs. Jensen explained there are two issues that need to be answered 1) the level of the performance and 2) the extent of the job issues related to the disability. Lengthy discussion followed regarding the matter and the need for the complete report from Dr. Waeltz. Chief Emerson confirmed there are no permanent light duty accommodations for firefighters. Mrs. Jensen explained this particular case is different from past cases she has presented to the Board with clarity as this case reflects various issues. Mrs. Jensen noted there was so much information in this case that it was difficult to pull together the specific details in a clear and cohesive way. She explained that she cannot clearly determine job relatedness and while the disability may be related to all of the reasons presented, she feels it is important to be certain that the disability is not due to something non-job related. Mrs. Jensen presented the options: A) grant based on the information presented; B) deny; C) grant on condition can get a specific answer to question #11 from Dr. Waeltz; D) hold matter and request additional information. Lengthy discussion followed regarding the matter and the information presented and if specific duty related incidents predominantly ties to the causation.

- Jeff Lee made a motion to grant the duty disability to Joseph Bishop based upon an affirmative response from Dr. Waeltz to question number 11. The motion received a second from Paul Raymond and was approved by the Trustees 5-0.

Nate Spera explained the situation to the member noting if Dr. Waeltz responds with an affirmative to question #11, then the disability is approved; however if the responds "no", then the Board will need to call a special meeting to address the response.

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GERALD WILLIAMS: Discussion followed regarding the application and records related to Mr. Williams' disability request. Discussion followed regarding the presumptions which determine the job relatedness. It was noted the member had passed the pre-hire physical. It was further noted how the story connection for injury/incident to the end disability is clear in this case and all necessary questions were answered by the physician completing the IME on behalf of the Board.

- Buddy Emerson made a motion to grant the duty disability to Gerald Williams. The motion received a second from Paul Raymond and was approved by the Trustees 5-0.

### ADMINISTRATOR REPORT

FIFTH THIRD PROCESS CHANGE: Denise McNeill reported Fifth Third had recently sent notice that the Plan is set up with two signatures required therefore going forward, the bank will require two signatures on all actions, including changes to member accounts. Mrs. McNeill explained there are several changes for the Fire District plans monthly and she requested the Board allow only one authorized signature to make member changes such as addresses, checking accounts, tax withholding, etc. Mrs. McNeill read a letter of instruction for Fifth Third with the requested allowance.

- Tony Napolitano made a motion to instruct Fifth Third Bank to allow one signature for any such member action and changes. The motion received a second from Jeff Lee and was approved by the Trustees 5-0.

FIFTH THIRD DEATH SEARCH: Mrs. McNeill reported she had received a notice from Fifth Third that they had initiated an enhanced death search process which is being run weekly on all Plans and the

### OLD BUSINESS

There were no old business items presented for discussion.

### NEW BUSINESS

Mrs. McNeill advised the portfolio monitoring report from BLBG was included in the meeting packets for review.

RESOURCE CENTERS SSAE-16: Mrs. McNeill advised a copy of the Resource Centers' SSAE-16 audit was presented in the Trustee packets for review. She explained it is an internal controls and procedures audit that the administrator undergoes annually. Mrs. McNeill explained the Resource Centers is the only such third party pension administrator of their kind undergoing the annual internal review and while the process is costly and time consuming, it helps to ensure that the administrator takes their role seriously to properly follow the internal protocol they have established on behalf of their clients.

Discussion followed regarding a member who inquired about separating service (full retirement without first entering the DROP) and the member was told by Human Resources the process would take five months for the member to receive a payment. Lengthy discussion followed regarding the process and Mrs. McNeill described what could be done to acquire final payroll even though the pension reports are not yet being generated from the new software at the Fire District. She will reach out to the member to address his request directly.

Buddy Emerson addressed the actuary's timing and process. Denise McNeill confirmed the final data reports were sent over on March 1<sup>st</sup> and Foster needs sixty days to do their reports from the receipt of the final data. Discussion followed regarding the issues with the payroll files from the prior year.

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*There being no further business to discuss, the date for the next regular meeting having previously been scheduled for May 19, 2016;*

- *Tony Napolitano made a motion to adjourn the meeting at 4:12 PM. The Motion received a second from Paul Raymond and was approved by the Trustees 5-0.*

*Respectfully submitted,*



*Nate Spera*