

ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



Minutes of Meeting May 19, 2016

Chairman Nate Spera called the meeting to order at 2:14 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; Resource Centers
Bonni Jensen; Law Office of Klausner, Jensen & Levinson
Burgess Chambers; Burgess Chambers & Associates
Doug Lozen; Foster & Foster
Several Members of the Plan

PUBLIC COMMENTS

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

MINUTES

Minutes were presented to the Trustees for the March 2016 meeting.

- Tony Napolitano made a motion to approve the March 2016 minutes as presented. The motion received a second from Jeff 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 there had been an overpayment to the Resource Centers and therefore the Disbursement report reflected a credit against the next May invoice. She further noted the Fund had received a refund from the FPPTA for Mr. Spera for the NYSE trip as he had been unable to attend due to a death in the family.

- Paul Raymond made a motion to approve the Disbursements for May 2016 as presented. The motion received a second from Jeff Lee 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 March 30, 2016. Mr. Chambers presented a revised Investment Policy Statement reviewing each of the updates in detail with the Trustees as discussed in the prior meeting.

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

Mr. Chambers went on to review the quarterly report beginning with an overview of the market. He reviewed each manager in detail requesting Intercontinental be invited to an upcoming meeting to address the Hedge Fund and real estate. Mr. Chambers addressed the portfolio changes that had been

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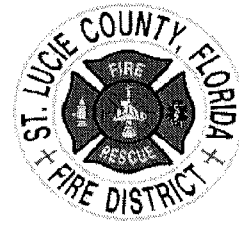
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initiated in the past few years. He noted in hindsight they were a bit early on the MLP investment considering the market turn in energy; however the MLP is up 12% in the current quarter due to the rising oil price. He then reviewed the Total Funds Investment Summary noting the Plan was up 1.2% versus the model of 0.9% for the quarter and up 3% for the fiscal year; equities were up 1.4%, domestic equities were up 3.4%, MLP's were down -3.6%, convertibles were down -1.4%, international equities were up 0.2%, REITs were up 3.8%, private real estate was up 1.9%, fixed income was up 2.3% and the hedge fund was down -9.1%. Discussion followed regarding the assumed rate of return (ARR). Mr. Chambers explained the long term returns reflect 8.3% with the Plan's current allocation. He noted policy makers feel it is practical and prudent to reduce the ARR; however he feels since the poor market issues have already occurred, there is much likelihood the market will improve so the odds are in their favor. He then reviewed the historical market activity noting that he believes the Fed needs to unplug and allow the country to grow.

ACTUARY REPORT

Doug Lozen of Foster & Foster appeared before the Board to present the 2015 Actuarial Valuation Report. He explained the Fire District passed a Resolution that taps into the State money in lieu of increasing member contributions. He noted experience since the last valuation had been less favorable than expected relative to the Plan's assumptions; with a 6.61% net investment rate, compensation that exceeded the assumption by more than 3%, greater than expected normal retirements and no employee turnover. He further noted the Plan will need to have mutual consent for the use of the State money due to the new State rules. Bonni Jensen explained the Plan was in existence as of December 1, 2010 and is deemed to continue to use their State funds as they have agreed. Mr. Lozen noted a shortfall in the Fire District funding from the prior year of \$22,000. Lengthy discussion followed regarding the assumptions being used that had been transitioned from the old Fort Pierce plan. Mr. Lozen explained that back in 2014 he had recommended changing the assumptions; however only one of the changes had been made. He continued to review the report in detail. He apologized for the timing of the report noting that they are working with the Fire District to acquire the data sooner and plan to have the valuation report completed in February and report to the Board in March. Mr. Lozen explained the State actuary had approved the Plan through 2014. He then advised the Statute allows for a 30 year amortization; however the State wants to see a shorter period than 30 years; this plan currently has 23 years remaining. He explained the next time the State reviews the actuarial details, there is a chance they could make the Plan change. Discussion followed regarding the plan assumptions being used versus the Plan's actual results. It was noted the funded ratio had declined from 71.5% down to 70.2% and Mr. Lozen explained he doesn't put much emphasis on the funded ratio. Buddy Emerson addressed a chart provided by GRS in the Plan's 2010 report requesting such detail be added to the Firefighter Pension report going forward. Mr. Lozen confirmed he will add the detail to the current and all future reports. Chief Emerson requested additional clarity in the valuation report to ensure the details are specific, clear and easy to explain. Mr. Lozen confirmed the Plan fell short of their assumptions which caused the cost increase to the Plan. He explained if the assumptions are not changed, costs will continue to increase. Lengthy discussion followed regarding the State Chapter 175 funds and Ms. Jensen confirmed the funds are being used for the Supplemental benefit, buybacks and the four year final average salary. Discussion followed regarding member contributions and Mr. Napolitano confirmed the members are currently contributing $\frac{1}{4}$ of many departments around the State. It was noted the Union and Fire District must agree on how the funds will be used. Chief Emerson explained he and Karen Russell had met with Foster & Foster to address how the data detail can be transferred more quickly going forward. He also explained that he feels it is prudent for the Fire District to determine cost projections and requested to meet with the actuary separately as the employer to address cost. Doug Lozen confirmed additional information will be provided based on the prior year payroll with and without DROP payroll and will use the prior year payroll with the assumed increases provided as a supplementary report each year.

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Discussion followed regarding the assumed rate of return (ARR). Chief Emerson noted in the prior study, it was very costly to reduce from 8% down to 7.5%. He further explained at the recent FPPTA Wallstreet program, the FPPTA is now advocating for Plans to meet with unions and negotiate to lower the ARR which is a surprising sentiment. Doug Lozen confirmed the average ARR around the state is now 7.6%. It was noted in the prior cost study, the cost to reduce the ARR from 8% down to 7.75% was 2.83% of payroll. Burgess Chambers noted the current low interest rate environment is temporary and he does not feel Plans should be forced to react and micromanage to a short period of time. Lengthy discussion followed regarding the matter and whether a change to the ARR is warranted. Doug Lozen explained typically they only recommend reducing the ARR when a Plan closes and he feels the Board should review all assumptions. Discussion followed regarding an experience study and Mr. Lozen confirmed the cost to do one would not exceed \$12,000. Chief Emerson inquired if the cost could be split with the Fire District. Mrs. Jensen explained the Board must approve for the actuary to do the work for the Fire District.

- Paul Raymond made a motion to allow the Fire District to communicate with the actuary for cost information. The motion received a second from Jeff Lee and was approved by the Trustees 5-0.

Denise McNeill explained the auditor will be able to finish the 2015 Audited Financial Statement now that they have the valuation details, Mr. McBee offered to attend a special meeting in June to present the audit report. The Trustees confirmed for a special meeting to be held June 16th at 11:30 AM for the audit presentation.

ATTORNEY REPORT

COBALT LITIGATION UPDATE: Mrs. Jensen reported they had entered into an agreement on the Cobalt matter. The Resource Centers had run a scan of their system for any/all communication related to the matter. She noted the same request is pending with the Fire District.

LEGAL UPDATES: Mrs. Jensen reviewed a memo in the Trustees packet of upcoming issues. She explained the Board will need to adopt the 2016 Budget. Denise McNeill explained the Draft budget will be presented at the July meeting as they will need the final audit report to complete. Mrs. Jensen then explained the matter regarding mutual consent does not apply to this Plan. She then reminded all Trustees that all requests for public records or information must be sent to the Resource Centers immediately upon receipt so they may address responding. She explained there are strict liabilities for failing to respond.

Mrs. Jensen then presented orders for Williams and Bishops disabilities approved at the prior meeting. The orders were signed accordingly.

STERIS LITIGATION: Mrs. Jensen explained the Steris litigation has gone to court and has been settled pending approval from the judge.

ADMINISTRATORS REPORT

FORM 1 FILING: The Trustees were reminded to file the Form 1 by the July 1st deadline.

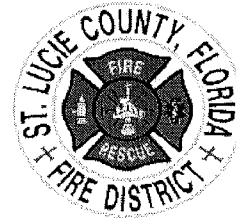
BENEFIT APPROVALS: Benefit approvals had been presented in the Trustee packets for consideration.

- 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 5-0.

OLD BUSINESS

There were no old business items presented for discussion.

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NEW BUSINESS

Mrs. McNeill addressed a divorce distribution for Michael Gabelmann's DROP account pending final signed order from the court.

- Paul Raymond made a motion to approve the distribution as needed upon receipt of the signed order. The motion received a second from Jeff Lee and was approved by the Trustees 5-0.

There being no further business to discuss and with the date for the next special meeting having been scheduled for June 16, 2016;

- Tony Napolitano made a motion to adjourn the meeting at 4:30 PM. The Motion received a second from Paul Raymond and was approved by the Trustees 5-0.

Respectfully submitted,

Nate Spera