

ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



Minutes of Meeting July 20, 2017

Secretary Buddy Emerson called the meeting to order at 2:13 PM.

Those persons present included:

TRUSTEES PRESENT

George (Buddy) Emerson
Jeffery Lee
Brian Blizzard
Anthony Hood

TRUSTEES ABSENT

Anthony (Tony) Napolitano

OTHERS PRESENT

Denise McNeill; Resource Centers
Bonni Jensen; Law Office of Klausner, Kaufman, Jensen & Levinson
Burgess Chambers; Burgess Chambers & Associates
Mary Byrom & Joe Hudepohl; Atlanta Capital
Kim berly Kutlenios; Fifth Third Bank
Kim Sabol and Karen Russell; Fire District
Several Members of the Plan

PUBLIC COMMENTS

It was noted the Chairman was not present due to emergency surgery. Secretary Buddy Emerson invited those present to address the Board. There were no public comments.

MINUTES

The Minutes from the May meeting had been presented to the Trustees in their meeting packets.

- Jeff Lee made a motion to approve the May 2017 minutes as presented. The motion received a second from Brian Blizzard and was approved by the Trustees 4-0.

DISBURSEMENTS

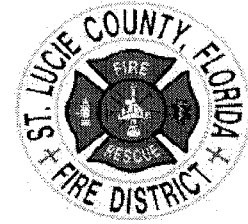
The disbursement listing and financial statements were presented to the Board in their meeting packets.

- Jeff Lee made a motion to approve the Disbursements for July 2017 as presented. The motion received a second from Tony Hood and was approved by the Trustees 4-0.

ATLANTA CAPITAL

Mary Byrom and Joe Hudepohl of Atlanta Capital appeared before the Board to present an update on the portfolio. Mrs. Byrom provided an update of the firm and the management team. Mr. Hudepohl reviewed their investment discipline explaining they are looking for companies with stability and consistent growth. He reviewed a graph of rolling five year returns for high quality, explaining high quality protects capital in declining markets and they do not need to make back money that was not lost; which compounds over time. He explained the past eight years of a bull market have been difficult for quality managers. Mr. Hudepohl presented a chart reflecting historical returns for high quality and he explained the unprecedented low rates have bolstered low quality consistently in the bull market. Discussion followed regarding indexing and Mr. Hudepohl cautioned that much of such portfolios are often low quality. Mr. Chambers reviewed Atlanta's performance since inception. He further reviewed the Plan's allocation to other managers noting one of the attractions for the Board to Atlanta was their type of quality stocks. Mr. Hudepohl explained they use a rule that they do not invest in companies they cannot get a five year history on and he reviewed history on specific holdings to show companies have not changed their stripes. He then reviewed specific examples of companies that were believed to be the next big thing over the past dozen years, only to be overvalued and the price dropped. Discussion followed regarding

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interest rates and Mr. Chambers explained as interest rates normalize (increase), they will begin to see stress and pressure on companies who do not meet the quality criteria. Mr. Hudepohl explained in the current environment, companies with no cash flow are thriving in the 0% interest rate environment; however such companies will be at a disadvantage when the market begins to transition with higher interest rates. Mr. Chambers explained, as the Board's advisor, he is comfortable with Atlanta Capital and their process. Mr. Hudepohl responded to questions from the trustees and the attorney. It was stated that giving Atlanta a waiver would be with the understanding that they are expected to outperform when the market transitions.

CUSTODIAN REPORT

Kimberly Kutlenios of Fifth Third Bank appeared before the Board to present an update of the custodian bank. She reviewed the process explaining the administrator mostly communicates with two specific groups at the bank. She reviewed examples of some of the procedures in place to protect against fraud. She explained the Trustees can be given online access to view accounts if they choose. Mrs. Kutlenios reported they now do weekly death audits (instead of quarterly); using the social security database. Mrs. Kutlenios explained the GASB 72 reporting was new last year and the issues related to that reporting have been resolved so they expect a smooth reporting process for the upcoming fiscal year end. Mrs. Jensen inquired into their insurance coverage regarding cyber liability. Mrs. Kutlenios will look into and report back to the attorney on the cyber coverage for data breach and theft.

INVESTMENT CONSULTANT REPORT

Burgess Chambers of Burgess Chambers & Associates addressed the recent information received from American Realty. Mrs. Jensen explained that American Realty has determined they are not a fiduciary to the Plan; however Mrs. Jensen disagrees. Lengthy discussion followed regarding the Department of Labor rules. Mrs. Jensen explained that she believes the notice from American Realty was done in response to something related to Federal law and not specifically related to the Plan. She deferred the matter to Burgess Chambers as it relates to the client. Mr. Chambers explained he feels American Realty is a suitable firm for the role they play for the Plan and does not believe their language regarding their fiduciary status to the Plan is negotiable. He further explained negligence is different and the Board could still sue in a matter if they deemed a situation negligent.

ATTORNEY REPORT

REHIRE AFTER RETIREMENT: Mrs. Jensen explained the Fire District proposed a change to the Plan for rehired employees after retirement. She reviewed the highlights of the language explaining it is evolving. She explained the language was provided to the State and the State offered to send through their legal department. Mrs. Jensen explained in some other Plans, language has been added to allow for in service distributions; however the language proposed in this amendment is different. Discussion followed regarding a potential cost impact to the Plan. Buddy Emerson explained the normal process for a proposal is to be reviewed by the Plan's attorney, then it is submitted to the State and then to the Plan's actuary for an actuarial impact statement. Discussion followed regarding the language of cross-vesting in the GE Plan. Mrs. Jensen explained there is a standard requirement that any firefighter who works at the Fire District must be included in the Pension Plan. Mrs. Jensen further explained initially members were not allowed to collect and work for the same employer; however with the 2006 Pension Protection Act, the IRS has amended the Internal Revenue Code (IRC) to allow for in service distributions. Lengthy discussion followed regarding the language presented. Jeff Lee questioned if the secondary benefit can exceed 100% of a final average salary when combined with the initial benefit and he expressed concern that caps were put into place for a reason. Mrs. Jensen explained what the State had initially recommended would have a cost impact; adding a new benefit in addition to the already accounted for benefit. Discussion followed if the Resolution passes and membership does not agree. Mrs. Jensen explained it is the responsibility of the Board to make sure the Plan continues to receive 175 money and

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act in good judgement on behalf of the Plan and the Plan members. Discussion followed regarding the rehire after retirement that was happening in different Cities throughout the State and Mrs. Jensen explained the State has a different interpretation and requires a clear separation of service. Buddy Emerson clarified for the record that he would be a beneficiary of the Plan change and he reminded the Board that each time the Plan changes, it typically benefits all members inclusive of the active member trustees. Brian Blizzard inquired if there are any time limits in other Plans related to such an allowance and Mrs. Jensen explained she is not aware of any with a time limit; however it is possible they exist. Jeff Lee requested the attorney look into 100% AFC, final average salary if less than four years and the buyback allowance.

LEGISLATIVE UPDATE: Mrs. Jensen reviewed a memo from her firm summarizing the changes in the recent session. She reported the legislature left public pension plans alone. In FRS, all new general employees will not default into the DB plan and will instead default into the DC; however public safety will default into DB. Changes were made to the Public Records lawsuits which will require a notice be posted in a public space (for example in the building where public records can be requested and on the website). She will provide a draft notice for posting. She explained certain public safety retirees' information is now also exempt from public records. Mrs. Jensen then reported there will now be an allowance for property tax exemption which does not affect the Plan; however it may impact some members. She explained to be exempt from the property tax; it will require the member is 100% disabled from any gainful employment. Mrs. Jensen explained the documents require the employer certify the disability as the administrator cannot certify on behalf of the employer. She further explained the requirements are much more stringent than what needed to be provided to the Board for inability to perform the duties of a firefighter.

PREMIUM TAX MONEY: Mrs. Jensen reported that the 175 money this year was less than last year's amount. Discussion followed regarding the database used for the premium tax reporting. She explained insurance carriers are required to file the information; however there is no liability if the information is wrong. Mrs. Jensen explained when she looked into it previously; it appeared to be the County's responsibility to track the properties listed in the communications database. She explained the last time she inquired into how the information was verified for the insurance company filing, she was told they "check" by pulling only five policies from each insurance carrier to see how they are coded.

- Jeff Lee made a motion to instruct the attorney to contact the County regarding updating the database accordingly. The motion received a second from Tony Hood and was approved by the Trustees 4-0.

ADMINISTRATORS REPORT

2017-2018 PLAN BUDGET DRAFT: A draft budget was included in the Trustee packets for consideration. The matter was tabled to the September meeting.

BENEFIT APPROVALS: Benefit approvals for two 175 Supplemental benefits were presented for consideration.

- Jeff Lee made a motion to approve the 175 Supplemental benefits as presented. The motion received a second from Brian Blizzard and was approved by the Trustees 4-0.

NEW BUSINESS

BASE HOURLY RATE OF PAY: Mrs. McNeill explained that a question arose related to the base rate of pay being reported. Mrs. Jensen explained the initial language of base salary was from the old Fort Pierce Plan and the definition was later adjusted. It was noted that it may have always been reported in the same manner; however the 10/01/14 Plan amendments changed the description of base pay. The administrator will try to track what was being used historically. It was noted they had traditionally

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interpreted the language to include incentives and Jeff Lee explained there was no intent to change the interpretation with the 10/01/14 changes. Mrs. Jensen suggested seeing if the Fire District can confirm what has always been the base rate reported AND/OR when did the base salary, as reported by the Fire District, change.

BUYBACK CALCULATION RATE: *Mrs. McNeill explained that they had reached out to the actuary to confirm the percentage rate being used in the service purchase calculations and the actuary had reported that the new percentages in the recent valuation should be used for the remainder of the year. Discussion followed regarding the timing of the reported information. Mrs. McNeill explained that historically, it appears the rate changed annually on October first in coordination with the new plan year cost so a few members are disputing the change in the middle of the plan year. Discussion on the rate was tabled until the next meeting.*

Jeff Lee expressed concern regarding the actuary explaining that he feels information being requested is not always being provided and he is concerned with an inconsistency in how the information has been presented to the Board in the past few years. He would like to have an RFP processed for actuarial services. Discussion followed regarding how long the Board has had all of their service providers. The Board tabled discussion of the matter to the September meeting. Buddy Emerson explained he has not experienced any issues receiving information from the actuary. Chief Emerson suggested that there be a review of all of the service providers.

OLD BUSINESS

There were no further Old Business items for discussion.

There being no further business to discuss and with the date for the next regular meeting having been scheduled for September 21, 2017;

- Jeff Lee made a motion to adjourn the meeting at 4:39 PM. The Motion received a second from Anthony Hood and was approved by the Trustees 4-0.*

Respectfully submitted,


George "Buddy" Emerson