

# ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



## Minutes of Meeting November 16, 2017

Chairman Anthony Napolitano called the meeting to order at 2:45 PM.

Those persons present included:

TRUSTEES PRESENT                      Anthony (Tony) Napolitano  
George (Buddy) Emerson  
Jeffery Lee  
Brian Blizzard  
Anthony Hood

TRUSTEES ABSENT                      N/A

OTHERS PRESENT                      Denise McNeill; Resource Centers  
Bonni Jensen; Klausner, Kaufman, Jensen & Levinson  
Burgess Chambers; Burgess Chambers & Associates  
April Maya and Dawn Sanford; Fire District

### PUBLIC COMMENTS

Jimmy Rudd appeared before the Board to inquire into the retirement process, expressing concern of the timing of calculations. Lengthy discussion followed regarding the process. The Trustees considered allowing for estimated benefit payments to be issued and the administrator recommended having a policy with specific guidelines if estimated payments are to be allowed.

- Jeff Lee made a motion to have a policy drafted to allow estimated benefits paid at 50% of the accrued benefit listed from the latest annual benefit statement. The motion received a second from Buddy Emerson and was approved by the Trustees 5-0.

The Board instructed the administrator to allow for estimated benefit processing in the event of any such applications prior to the policy being completed. It was confirmed that the estimated payment process will only apply to those doing a straight retirement and going into pay status.

### MINUTES

The Minutes from the September meeting had been presented to the Trustees in their meeting packets. It was noted the minutes had the wrong date for the next meeting as it should be listed as November.

- Jeff Lee made a motion to approve the September 2017 minutes as amended. The motion received a second from Tony Hood and was approved by the Trustees 5-0.

### DISBURSEMENTS

The disbursement listing was presented to the Board in their meeting packets.

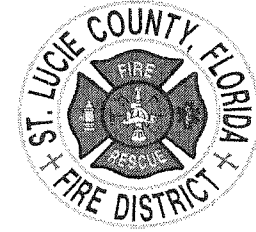
- Jeff Lee made a motion to approve the disbursements as presented. The motion received a second from Tony Hood and was approved by the Trustees 5-0.

Mrs. McNeill explained the draft fiscal year-end financial statements are pending review and once final will be provided to the Trustees accordingly.

### 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, 2017. He presented a Workshop Presentation Overview to be used for the workshop with the Fire Board and he reviewed part of the presentation in detail. Discussion followed of lowering the assumed rate of return (ARR) and the

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cost impact such a change can have on the Plan; however there is pressure from the State for Plans to be more conservative and lower the ARR even if it increases cost. Mr. Chambers noted FRS has reduced their ARR from 7.65% down to 7.6% and three quarters of the Pension Plans in the State have begun reducing their ARR below 8% with the average being 7.75%. Discussion followed regarding the matter and Mr. Chambers explained he feels 8% is achievable long term; however the State is pressing for Plans to reduce below 8%. Mr. Chambers went on to review the quarterly report. He reviewed the historical market view for equities and bonds; noting the recent period has been the third biggest bond market decline since 1980. He reported on the Total Funds Investment Summary noting the following details for the fiscal year: Plan was up 10.2% below the model of 10.4%; equities were up 14.9%, domestic equities were up 16.1%, MLP's were down 0.0%, convertibles were up 13.0%, international equities were up 20.4%, REITs were up 2.2%, private real estate was up 9.5%, fixed income was up 0.8% and the hedge fund was up 6.5%. He noted the hedge fund is pending final liquidation. Mr. Chambers reported overall, international and emerging markets were the top asset classes; which had previously been a drag on the portfolio. He went on to review each manager in detail. He reported the five year return was 7.7%. He explained they can dial up the return by increasing equities; however such a change would come with more volatility. Discussion followed regarding the bond market and bond assets in the local market. He explained cities have not seen pension funds as a resource for a long time; however he will be discussing the process of local bond investment with another city in South Florida. Mrs. Jensen expressed concern with such local investments. Discussion followed regarding Ceredex. Mr. Chambers explained Ceredex invested more into financials too soon which hurt the portfolio; while most of their performance has been well above the index. He recommended keeping Ceredex at this time. Mr. Chambers reviewed the large cap growth noting Atlanta Capital and Voya are quite different and while he had previously recommended the Board keep both companies, he feels the economy is now picking up speed and he believes owning a more conservative company like Atlanta will not be beneficial. He recommended taking 2/3 of the funds from Atlanta Capital and moving it to Voya; leaving Atlanta with approximately \$4M and Voya with \$8M. Discussion followed regarding the convertibles and Mr. Chambers recommended the Board add CWB (index) to the allocation. He recommended having \$8M in each Advent, SSI and the CWB index which should result in less cost and better return.

- Buddy Emerson made a motion to move approximately \$2M from Atlanta to Voya (reducing Atlanta down to 1/3 and increasing Voya to 2/3). The motion received a second from Jeff Lee and was approved by the Trustees 5-0.
- Jeff Lee made a motion to move approximately \$4M from Advent and SSI and investing \$8M with CWB (each to have one third). The motion received a second from Buddy Emerson and was approved by the Trustees 5-0.

Discussion followed regarding the MLP asset, with Westwood generating a 7% yield. Mr. Chambers explained Westwood is doing better than the index and Westwood feels the companies they are holding are sustainable; however headline news has spooked the market. Mr. Chambers explained the IEA in Paris reported the US is expected to have the largest production in ten years and even if the US produces only half of that amount, there is still much money to be made in the pipelines. He feels the market does not understand MLP's. He reported the US currently exports two million barrels per day.

Mr. Chambers will send instruction to the administrator to process the money movement approved by the Board.

## ATTORNEY REPORT

LEGAL UPDATES: Mrs. Jensen reported on a proposal in the Tax Cuts and Job Act explaining the Plan has not previously been subject to Unrelated Business Income Tax (UBIT); however that could change. She explained such a change could impact the Plan on the Real Estate, MLP and possibly hedge fund of funds. She explained private sector pension plans pay UBIT. She further explained MLP's do not pay

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taxes; however K1 tax reports are issued and sent to the Plan. She explained if the change passes, the Plan will need to have an accountant file annual taxes.

PREMIUM TAX DATABASE UPDATE: Mrs. Jensen reported that she had received information from the State on the 175 taxes noting one company recorded a decrease in premium tax payments in a few cities; however she is unable to tell details by looking at the reports. She recommended the State audit St. Lucie County as it is a good place to audit since all carriers must use code 73 in the county. She explained there is disagreement at the State as to which office is responsible to enforce the process. Chief Emerson confirmed he had the database updated with approximately 2,000 addresses

FIRST RESPONDER BENEFITS: Mrs. Jensen presented a memo on Federal, State and local death benefits. She explained in Florida alone, two firefighters and nine officers have been killed to date in 2017. She explained the benefits are a long process and can be difficult to get the Federal and State benefits; reporting of a public safety officer killed in February whose family just heard nine months later that they were "eligible" to receive benefits. She reviewed the public safety benefits in detail with the Board.

FRONTIER CLASS ACTION: Mrs. Jensen reported she was contacted by BLBG between meetings regarding a class action case against Frontier; they had reported their market integration would cost approximately \$450M and the actual cost was closer to \$1B. The stock dropped 45% upon release of the information. She had reached out to the chairman for signature on the documents to meet the filing deadline.

- Buddy Emerson made a motion to approve the Chairman's filing of the Frontier class action case. The motion received a second from Jeff Lee and was approved by the Trustees 5-0.

## ADMINISTRATORS REPORT

BENEFIT APPROVALS: Benefit approvals were presented for consideration; Rudd retirement and 175 supplemental benefits for Rudd, Bowden and Carraway.

- Jeff Lee made a motion to approve the benefits as presented. The motion received a second from Brian Blizzard and was approved by the Trustees 5-0.

FIRE BOARD WORKSHOP REQUEST: The Trustees were aware that the workshop could not be arranged for the November meeting. The administrator was instructed to attempt to coordinate for January, either on the Fire Board meeting date of January 17<sup>th</sup> or the Pension Board meeting date of January 18<sup>th</sup>.

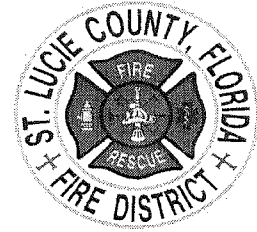
2018 MEETING SCHEDULE: The 2018 Meeting schedule was presented for review. The schedule was confirmed as acceptable.

## NEW BUSINESS

ACTUARY FEE NOTICE OF ELECTRONIC REPORTING: The Trustees discussed the notice received from the actuary regarding the new State requirements for their annual valuation report filing. It was noted the State will require all reports to be submitted online into their standard required format. The actuary explained there would be a fee of \$750 for the initial filing and then \$300 annually thereafter. The attorney and administrator confirmed they are seeing fee requests from most actuaries regarding the new process.

- Jeff Lee made a motion to approve the actuarial fee as presented. The motion received a second from Tony Hood and was approved by the Trustees 5-0.

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ACTUARY REPORT RANKING: The Trustees confirmed receipt of the 2016 report rankings received from the actuary. It was noted there was no required action necessary as it was only informational.

ACTUARY IMPACT FRS MORTALITY ASSUMPTIONS: The actuary had provided an Impact Statement related to the adoption of the FRS Mortality Assumption. The letter dated September 19, 2017 had been referenced by Chief Emerson at the September meeting; however the letter had not been provided to the Board. A copy of the letter was included in the Trustee packets for review.

### OLD BUSINESS

BERMAN TABACCO AGREEMENT: Mrs. Jensen presented a revised agreement from Berman Tabacco related to their firm name change.

- Jeff Lee made a motion to accept and endorse the agreement as presented. The motion received a second from Brian Blizzard and was approved by the Trustees 5-0.

PAYROLL DATA: Mrs. McNeill explained she had just received notice prior to the meeting that the pension data report format is available for Finance and the reports are being run so it appears the data reporting issues may be mostly resolved.

There being no further business to discuss and with the date for the next regular meeting having been scheduled for January 18, 2018;

- Jeff Lee made a motion to adjourn the meeting at 4:40 PM. The Motion received a second from Tony Hood and was approved by the Trustees 5-0.

Respectfully submitted,

*Tony Hood*