

ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



Minutes of Meeting May 18, 2017

Chairman Tony Napolitano called the meeting to order at 2:13 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 & Scott Baur; Resource Centers
Bonni Jensen; Law Office of Klausner, Kaufman, Jensen & Levinson
Burgess Chambers; Burgess Chambers & Associates
Jay McBee; DiBartolomeo McBee Hartley & Barnes
Kim Sabol; Fire District Attorney
Several Members of the Plan

PUBLIC COMMENTS

Chairman Tony Napolitano invited those present to address the Board. It was noted that Shane Kozac will address the Board under New Business.

MINUTES

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

- Jeff Lee made a motion to approve the March 2017 minutes as presented. The motion received a second from Buddy Emerson and was approved by the Trustees 5-0.

DISBURSEMENTS

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

- Buddy Emerson made a motion to approve the Disbursements for May 2017 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 31, 2017. Mr. Chambers updated the Trustees on the status of the hedge fund liquidation noting it will take a few more months to complete. He then described convertible bonds noting they have done well for the Plan. He then provided a status update of the real estate reduction explaining he expects the move from the hedge fund and real estate to work well. Mr. Chambers explained both Atlanta Capital and William Blair's international have been a drag on the portfolio. He explained the MLP profitability is based on volume metrics and they are expecting to increase the current US production; therefore all bodes well for pipelines. He advised the overall management fees for the plan will reduce prospectively with the removal of the hedge fund. Mr. Chambers reviewed the recent asset reallocation in the portfolio. Mr. Chambers then reviewed the Total Funds Investment Summary noting the following details for the quarter: Plan was up 3.6% versus the model of 3.8%; equities were up 5.3%, domestic equities were up 4.4%, MLP's were up 4.3%, convertibles were up 5.3%, international equities were up 8.8%, REITs were up 0.5%, private real estate was up 1.9%, fixed income was up 0.8% and the hedge fund was up 1.6%. He went on to review each

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manager in detail. He noted Voya is doing very well while Atlanta Capital is not keeping up with the index. Mr. Chambers noted their style tends to be more conservative which is not good in a bull market; however they tend to do better when the market turns "south". He noted MLP's did not do well for the portfolio when they first invested; however they have been doing very well this past year. He noted the emerging markets seem to be experiencing the Trump Effect of more spending, more stimulus. Mr. Chambers advised that he had recommended the reduction to real estate as he believes the capital appreciation will begin to diminish; affecting the returns of the Plan. Lengthy discussion followed regarding Atlanta Capital. Mr. Chambers explained in a down market, Atlanta's conservative status would benefit. He noted their absolute returns are right on; however currently the speculative part of the market had been doing better. He explained Atlanta is the parent company of Eaton Vance and Eaton Vance has done much better. He further noted that there is some merit to Atlanta's style and feels it is suitable to this type of Plan so the Board may want to consider keeping Atlanta, but moving half of the asset elsewhere. The Board instructed the administrator to invite Atlanta Capital to the July meeting. Mr. Chambers confirmed he will attend July's meeting as well.

INVESTMENT POLICY STATEMENT REVISION: Mr. Chambers presented a revised Investment Policy noting he had removed all reference to the hedge funds. He reviewed the revised allocation without the hedge funds.

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

2016 AUDITED FINANCIAL STATEMENT REPORT

Jay McBee of DiBartolomeo, McBee, Hartley & Barnes appeared before the Board to present the audited financial statement for the plan year ending September 30, 2016. He reported the financial statements are fairly represented and he is offering a clean, unqualified opinion. Mr. McBee reviewed the balance sheet reporting total assets of \$209,634,869 with a net position held in the Plan of \$209,383,383. Mr. McBee reported a net increase of over \$17M for the 2016 fiscal year. He reviewed the new GASB report changes. Mr. McBee reviewed the Plan's administrative expenses noting it is a very small percentage and well within reasonable costs. He then addressed the actuary's note of a funding shortfall explaining they listed the \$377K amount in the audit report as a receivable.

- Anthony Hood made a motion to accept the 2016 Audited Financial Statement as presented. The motion received a second from Brian Blizzard and was approved by the Trustees 5-0.

ATTORNEY REPORT

SUMMARY PLAN DESCRIPTION: Bonni Jensen reviewed the updates for the Summary Plan Description explaining the changes include the Collective Bargaining Agreement (Resolution 622-16) changes; Trustee updates and pensionable wages. She reviewed each of the updates in detail.

- Jeff Lee made a motion to approve the revised Summary Plan Description as presented. The motion received a second from Anthony Hood and was approved by the Trustees 5-0.

INTERIM ELECTION FORM: Mrs. Jensen explained the administrator had found an election form in the historical records that will be used for the Plan.

INTERNAL CONTROLS AND PROCEDURES: Mrs. Jensen had sent a memo regarding recommended review of the Plan's internal controls and procedures as an effort to avoid fraud. She explained Scott Baur had assisted with recommending the items to be reviewed. She further explained the memo can be used when discussing the process with service providers such as the custodian. Mrs. Jensen requested the administrator send the memo to the custodian with a request that they plan to respond to those items when they present to the Board in July.

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LEGISLATIVE UPDATE: Mrs. Jensen explained a legislative memo will be forthcoming from her office on the recent session. She noted it was a good session and there was no impact to Florida Public Pension Plans. She explained they did change FRS; all new general employees will be in the DC plan. She also noted changes to the Public Records law.

ADMINISTRATORS REPORT

PENSION GUIDE FOR PUBLIC OFFICIALS: The administrator had sent an informational report to the Board. The pension guide had been written specifically for public officials and appeared to be well written with no specific bias. The administrator had provided the information to the Board as they felt it was worthy of review and it may be something the trustees would like to use with local public officials.

FORM 1 FILING: Mrs. McNeill reminded the Trustees their Form 1 filing was due by July 1st and should be filed timely.

PORTFOLIO MONITOR REPORTS: Portfolio monitoring reports from KTMC and BLBG were included in the trustee packets for review.

NEW BUSINESS

Shane Kozac appeared before the Board to address recent department discussion of changes to the DROP Plan. He explained the Union has questions regarding the impact to the Plan relative to the changes. He requested the Board help clarify and provide details related to the pending item. Dave Noble inquired if the Board is aware of the matter. Buddy Emerson explained the issue is a Fire Board matter and no change has been submitted at this time.

FOSTER & FOSTER LETTER OF ADDITIONAL REQUIRED CONTRIBUTIONS: Jay McBee was asked to address the shortfall letter received from the actuary. He explained for audit purposes, the amount was referred to as a receivable as of September 30, 2016. It was noted the actuary determines a hard dollar amount while the Fire District uses a percentage of payroll. Mr. McBee explained in 2014 the actuary projected forward the expected funding, then the Fire District began to prefund both employer and employee contributions. As the contributions were then withheld from the employee's bi-weekly pay, the amount was repaid to the Fire District under the prefunding arrangement. He explained the calculations look at the projected payroll; then the following year the actuary reviews and determines if any shortfall from the prior year. He explained the timing allows for the shortfall to be paid out of the first October prefunding contribution of the next year so no interest was necessary. He explained the Fire District did fund what they had been instructed to fund. It was noted the 2016 shortfall was \$501,436 for the Fire Plan and \$126K for the GE Plan and the issue is that the amount was not expected and therefore not budgeted.

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 July 20, 2017;

- Jeff Lee made a motion to adjourn the meeting at 3:18 PM. The Motion received a second from Anthony Hood and was approved by the Trustees 5-0.

Respectfully submitted,

George "Buddy" Emerson