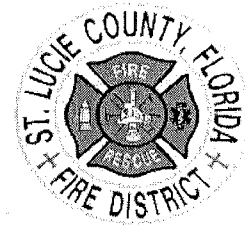


# ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



## Minutes of Meeting May 17, 2018

Chairman Anthony Napolitano called the meeting to order at 2:30 P.M.

Those persons present included:

### TRUSTEES PRESENT

Chief Spera  
Anthony (Tony) Napolitano  
Anthony Hood  
Jeffery Lee  
Brian Blizzard

### TRUSTEES ABSENT

N/A

### OTHERS PRESENT

Denise McNeill & Scott Baur; Resource Centers  
Bonni Jensen; Klausner, Kaufman, Jensen & Levinson  
Burgess Chambers & Richard Snyder; Burgess Chambers & Assoc  
Doug Lozen; Foster & Foster  
Sean Delaney & Steve Keeler; Lazard  
Kim Sabol; Fire District Attorney  
Karen Russell; Finance Department  
Fire District Employees & Members of the Plan

### PUBLIC COMMENTS

There were no public comments.

### MINUTES

The April Minutes were not available.

### DISBURSEMENTS

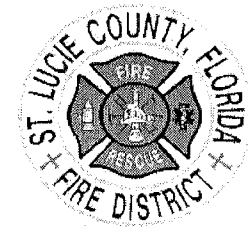
The disbursement listing was presented to the Board in their meeting packets. Mrs. McNeill reviewed the disbursements noting special payments made for medical records and the Independent Medical Exam (IME) for the pending disability application.

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

### INVESTMENT MANAGER PRESENTATION

Sean Delaney and Steven Keeler of Lazard appeared before the Board to present investment management with Lazard Asset Management. Mr. Delaney introduced them and provided information regarding their firm. He reported they are a bottoms-up investor with fifteen public funds in Florida. Mr. Keeler reviewed their strategy and performance objectives explaining they purchase publicly traded infrastructure stocks. He explained the portfolio typically holds 25-50 stocks. He explained their objective is inflation + 5% and they hedge back to home currency. Mr. Keeler noted they prefer monopoly-like assets with regulated return and explicit/implicit inflation pass through; holding assets such as toll roads, airports, broadcast towers; all of OECD countries (Organization for Economic Cooperation and Development). Mr. Keeler reviewed the country and sector allocations. He explained they hedge the currency risk passively back to the dollar which equates to 10 basis points and the process is automatically embedded into the portfolio which sometimes helps and sometimes hinders. Mr. Keeler advised there are no MLP stocks in this portfolio due to commodity prices.

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### INVESTMENT CONSULTANT REPORT

Burgess Chambers and Richard Snyder of Burgess Chambers & Associates appeared before the Board to present the quarterly investment performance report for the period ending March 31, 2018. Mr. Chambers introduced Richard Snyder from his firm and provided tumblers as gifts for the trustees reflecting BCA's 30<sup>th</sup> anniversary. Mr. Chambers explained the infrastructure should start the following week as they had to wait 31 days from the submission of the revised Investment Policy. He reviewed the Total Funds Investment Summary noting the following details for the quarter: Plan was down -0.9% matching the model; equities were down -1.1%, domestic equities were down -1.3%, MLP's were down -9.9%, convertibles were up 2.3%, international equities were up 0.9%, REITs were down -6.7%, private real estate was up 2.3%, fixed income was down -1.0% and the cash earned 0.3%. He reviewed each asset class in detail noting the top 10% of each class tends to change constantly. He explained there is a significant allocation to passive; however managers are beginning to improve. Mr. Chambers reported capital expenditures are up and companies are spending the money buying their stocks back resulting in a number of publicly traded stocks being cut in half. Mr. Baur inquired if there were any way for the Plan to get closer to the S&P return of 13.3% versus the 8.4% the Plan earned and Mr. Chambers recommended leaving equities alone for the time being. Discussion followed regarding the asset allocation and moving some bond money to equities.

- Jeff Lee made a motion to bring core fixed income down to 18%; moving 3% to international and 1.5% to domestic equities. The motion received a second from Brian Blizzard and was approved by the Trustees 5-0.

Discussion followed regarding domestic equities.

- Jeff Lee made a motion to move the 3% for international to all four managers pro-rata. The motion received a second from Chief Spera and was approved by the Trustees 5-0.

### 2017 ACTUARIAL VALUATION REPORT

Doug Lozen appeared before the Board to present the 2017 Actuarial Valuation Report. Mr. Lozen reported the total required contribution increased from 38.56% to 41.93% of covered payroll for the fiscal year ending September 30, 2019. He explained funding at the beginning of the year has a savings impact on the interest. Since they are not able to fund the entire amount at the beginning of the year, interest has been reintroduced and the calculation must be done with at least a half year load at 8% resulting in an additional cost of \$600K for not pre-funding the full amount. He explained he would need to see a specific three to four year pattern on the funding and then could reduce the interest under 4%. Discussion followed regarding the State money. It was noted a Resolution was done the prior year to allow the District to use \$600K of the State money. Mrs. Jensen explained the Plan has a provision to use the 175 money to fund the Supplemental benefit. Mrs. Jensen reviewed the language in the Plan in detail explaining the 175 money is already allocated. Chief Spera explained the Fire District will want to have some benefits valued with the actuary as he believes they purchased benefits that are expensive and not being utilized the way they had expected. He noted possible changes could be removing the early DROP, service purchases to be changed to the actuarial value of the purchase and limiting service purchases to military only. He explained that he would like to maintain no COLA, ways to maximize the final high four years and the supplemental benefit. Discussion followed regarding Pension Obligation Bonds. Mrs. Jensen explained the Plan could not issue one and they can only invest Plan funds. It was noted the 2010 State cap on the maximum sick and vacation hours does not have to apply to this Plan as the Fire District is a special taxing unit and therefore exempt from the rule. Mr. Lozen explained a few ways to reduce cost could be to adjust the retirement age, the supplemental benefit and reduce the multiplier. He advised the financial impact of such changes would not be immediate or dramatic. Lengthy discussion followed regarding potential changes. Mr. Lozen explained the \$1.5M cost increase was predominantly due to the \$600K interest, the Plan not meeting the 8% ARR, low inactive mortality, and low turnover (fewer terminations and retirements). Mr. Lozen explained the Plan has a good number of retired members in their 80's and 90's with higher than average benefits. Chief Spera explained a Fire

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Chief who retired in 1992 is receiving a supplemental benefit that is higher than his retirement benefit. Mr. Lozen reviewed the process used to do a study. Mrs. Jensen referred to the language for the Supplemental benefit explaining the 175 is to be reviewed each year and if there is not enough State money, then the benefit is to be re-determined each year. It was noted the pension board previously gave Chief Spera authorization to communicate with the actuary and the Fire District will pay the cost to do a cost study on the benefits. It was noted the 4% employee contribution continues for the DROP members and Mr. Lozen explained their contribution helps to pay down the unfunded liability; however they cannot measure the exact impact.

- Chief Spera made a motion to accept the 2017 actuarial valuation as presented. The motion received a second from Jeff Lee and was approved by the Trustees 5-0.

Based on the advice from the investment consultant, the Board expects to receive an 8% return for short-term, mid-term and long term thereafter.

- Chief Spera made a motion to continue the assumed rate of return of 8% return for the short-term, mid-term and long term thereafter. The motion received a second from Jeff Lee and was approved by the Trustees 5-0.

Mr. Lozen departed the meeting at 4:39 PM.

### ATTORNEY REPORT

SUNSHINE LAW: Mrs. Jensen reviewed a recent Sunshine Law violation committed by a different board; the Trustees were polled, short notice was given of the meeting, the matter was approved without completely discussing publicly and they did not allow for public comments. She reminded trustees that they cannot communicate via spoken word, email or any other sort of online exchange (Facebook, Twitter, etc.) to share their views with other trustees outside of meetings. She reminded the Trustees to treat the online world like the real world.

FORM 1 FILING DUE: Mrs. Jensen reminded the Trustees the Form 1 Filing is due by July 1st and in St. Lucie County, Trustees can email the completed form and they will receive a confirmation reply they should keep on file for their records.

PTSD BILL: Mrs. Jensen reported the Governor did sign the Bill and it passed.

MEMBER CONTRIBUTIONS: Mrs. Jensen explained that leading up to the meeting, there had been communication between the Fire District and the actuary regarding member contributions. There had been a couple of glitches on the percentage of pay for some members and two employees were not paying any contribution amount. She explained that regardless of any special circumstances a member may have with the Fire District, all members must contribute equally; therefore any special arrangement must be adjusted accordingly to ensure the member is contributing.

### ADMINISTRATORS REPORT

PAYROLL DATA UPDATE: Mrs. McNeill reported the current year payroll data was in progress; however not currently up to date at this time.

BENEFIT APPROVALS: Benefit approvals were presented for consideration for April and May.

- 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.

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FORBES DISABILITY UPDATE: Mrs. McNeill reported the Independent Medical Exam (IME) was pending for the end of the month. The Trustees had previously agreed that a special meeting can be called to address the case depending upon the timing of receipt of the IME report from Dr. Waeltz.

### OTHER REPORTS

It was noted additional securities monitoring reports were included in the packet for review.

### NEW BUSINESS

Mrs. McNeill received confirmation from the auditor that he could present the 2017 audited financial report to the board if they wanted to have a special meeting in June. Discussion followed regarding the process. The Trustees chose to have the audit presented at their July meeting and to allow for the auditor to release the draft report to the Fire District as soon as it becomes available (early June) to ensure the Fire District has the needed information for their reporting.

- Jeff Lee made a motion to authorize the auditor to release the draft audit report to the Fire District upon completion. The motion received a second from Tony Hood and was approved by the Trustees 5-0.

Mrs. Jensen explained that another portfolio monitoring firm would like to do a presentation to the Board. The Trustees agreed to invite Levi and Korsinsky to the July meeting for presentation.

Mrs. McNeill reviewed the new FPPTA Election process explaining they are requesting each board appoint a trustee to vote on behalf of their board at the FPPTA.

- Chief Spera made a motion to appoint Tony Napolitano to vote on behalf of the Board. The motion received a second from Jeff Lee and was approved by the Trustees 5-0.

Chief Spera explained he would like to order pension board polo shirts for the Trustees.

- Chief Spera made a motion to order pension board polo shirts for all trustees. The motion received a second from Brian Blizzard and was approved by the Trustees 5-0.

### OLD BUSINESS

There being no further business to discuss and with the date for the next regular meeting having been scheduled for July 19, 2018;

- Jeff Lee made a motion to adjourn the meeting at 4:57 PM. The Motion received a second from Tony Hood and was approved by the Trustees 5-0.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "B. Blizzard".

Brian Blizzard, Secretary