

ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



Minutes of Meeting November 15, 2018

Chairman Anthony Napolitano called the meeting to order at 2:42 P.M.

Those persons present included:

TRUSTEES PRESENT

Tony Napolitano
Nate Spera
Brian Blizzard
Tony Hood
Jeff Lee

TRUSTEES ABSENT

N/A

OTHERS PRESENT

Denise McNeill; Resource Centers
Bonni Jensen; Klausner, Kaufman, Jensen & Levinson
Burgess Chambers; Burgess Chambers & Assoc
Renee Forbes; Member of the Plan
Additional Fire District Employees & Members of the Plan

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Minutes from the September 2018 meeting were presented for approval.

- Nate Spera made a motion to approve the September 2018 minutes as presented. The motion received a second from Jeff Lee and was approved by the Trustees 5-0.

DISBURSEMENTS

The disbursement listing was presented for approval.

- Brian Blizzard made a motion to approve the disbursements as presented. The motion received a second from Nate Spera and was approved by the Trustees 5-0.

Mrs. McNeill reported the Interim September Financial Statements were pending final review before they would be sent to the auditor for the fiscal yearend review.

INVESTMENT CONSULTANT REPORT

Burgess Chambers of Burgess Chambers & Associates appeared before the Board to present the quarterly investment performance report for the period ending September 30, 2018. Mr. Chambers reviewed the analysis provided at the July meeting. The current fiscal year has been rough since October 1, 2018 and currently the Plan is down. Atlanta Capital had been having issues related to the bench and the recent market transition reflects their protection on the downside. Mr. Chambers explained they hold higher quality assets and higher quality has not done well the past five years; as the market begins to transition to favor quality, he expects Atlanta Capital to show more protection on the downside. International is down -2% since October 1st. Mr. Chambers continued reviewing the analysis report; addressing all of the allocation changes in the past several months. Mr. Chambers addressed documentation the Board had received from a company called Comparative

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Analytics. Neither Mr. Chambers nor the Board members had heard of the company prior to receiving the packet of information. The documentation showed the Plan compared to a small universe of only 43 police and fire plans while the universe used by the consultant is quite broad, using over 700. The Plan is approximately 10% underweight their peers in equities as they have a more risk averse program than their peers. They have recently dialed in more risk with some of the recent changes to the portfolio. The Plan earned 7% for the fiscal year versus the model of 7.2%; equities were up 10.4%, domestic equities were up 16.2%; Infrastructure was up 0.8% for the quarter (no annual numbers were available since it was a new asset class), convertibles were up 10.6%, international equities were up 1.4%, private real estate was up 8.9%, fixed income was down -0.4% and the cash earned 1.5%. Mr. Chambers reviewed each manager. He noted that \$2.8M was pending to be called from Intercontinental US Real Estate. US growth stocks had been the top performer in the recent period. This time last year, emerging markets were at the top and they are currently at the bottom. Mr. Chambers recommended taking \$2.5M from the intermediate bond account at Richmond and moving the funds to real estate; \$1.25M to each American and Intercontinental US Real Estate equally.

- Nate Spera made a motion to move \$2.5M into private real estate split equally to American and Intercontinental US Real Estate; taking the funds from Richmond intermediate bonds. The motion received a second from Jeff Lee and was approved by the Trustees 5-0.

Discussion followed regarding other asset classes. Mr. Chambers addressed emerging markets noting he feels it is very risky and not the philosophy of the Plan. Mr. Chambers addressed local infrastructure explaining he has another client who loaned money locally and he would consider studying the subject. He explained they have a 50% probability of meeting the 8% rate of return and the actuarial firm Millimen recommended FRS move to 6.9% (FRS is currently at 7.5%). He noted there is much pressure from actuaries to reduce the assumed rate of return across pension plans. Discussion followed regarding the actuary recommendations. Mr. Chambers reviewed the industry history and how insurance companies used to handle the pension market. Nate Spera explained there is much pressure on the Florida pension plans with the pressure from the State, using the mandatory FRS mortality table as an example. While most actuaries do not agree with the tables, all pension funds are mandated to use the same table as FRS.

ATTORNEY REPORT

RECORDS MANAGEMENT LIAISON OFFICER: Mrs. Jensen presented a draft Resolution and RMLO form regarding the management of the Plan's records. She explained they needed to have a formal RMLO designated for the Plan and recommended that records custodian be the pension administrator. Discussion followed regarding records retention. Mrs. McNeill explained that although records can be destroyed depending upon the timing for certain documentation, the plan administrator has operated under the internal rule that no records are destroyed and all are kept accordingly. They have experienced on a few occasions, the need to search back into historical records spanning decades and the need for the physical records was critical to each situation.

- Jeff Lee made a motion to designate the Resource Centers as the Records Management Liaison Officer and to adopt the Records Resolution accordingly. The Motion received a second from Nate Spera and was approved by the Trustees 5-0.

SPECIAL TAX NOTICE: Mrs. Jensen presented an updated Special Tax Notice for members taking lump sum distributions from the Plan (such as DROP payments and refunds of contributions). She explained it is a helpful and informative document for the members regarding rollover options, the 10% penalty, health insurance premium discounts, etc. Mrs. McNeill explained the document is on

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the website and given to all requesting lump sum distributions to ensure they are aware of the tax consequences.

ADMINISTRATORS REPORT

PAYROLL DATA UPDATE: Mrs. McNeill reported the payroll data reports for the 2018 fiscal year are still pending. Mike Grace confirmed at the prior meeting they are still working on the issue.

BENEFIT APPROVALS: Benefit approvals were presented for consideration. Mrs. McNeill reviewed the benefit requests.

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

FIDUCIARY LIABILITY POLICY RENEWED: Mrs. McNeill reported the fiduciary liability policy had been renewed and a copy of the policy summary was included in the packets for the Board. She explained the GE Pension board will be requesting a separate policy quote next year as their coverage limit need is different from the Fire Pension Plan.

CYBER LIABILITY POLICY: Mrs. McNeill explained they had received a quote for cyber liability coverage. Discussion followed regarding the current environment and reasons why the Plan should consider having a separate policy. Mrs. Jensen explained should there be a data breach; they would have the notification process covered, the coverage provides some level of restoration process and it provides a level of threats on extortion coverage. The \$250K would be worthwhile coverage for the Plan. It was noted of another Board that did not have devices; however someone's system had been hi-jacked. Mrs. Jensen explained she feels the coverage is worthwhile. Mrs. McNeill explained at a recent conference she attended one of the sessions related to cyber security and the statement is no longer "if" there is a breach but "when" there is a breach. Discussion followed regarding the options.

- Nate Spera made a motion to purchase cyber liability coverage Option #2 with a \$500K coverage limit; however for a separate quote to be provided for the Firefighters Pension Plan only. The motion received a second from Jeff Lee and was approved by the Trustees 5-0.

2019 MEETING SCHEDULE: It was noted the schedule had a typo for November referencing 2018 instead of 2019. The Board discussed the March meeting date and all agreed to change their date to March 14th since the following week was Spring Break week for the school system and not all trustees would be in town.

NCPERS UNINTENDED CONSEQUENCES: Mrs. McNeill had provided an article from NCPERS for informational purposes regarding the unintended consequences of scaling back on public pension plans.

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

FORBES DISABILITY REVIEW

Mrs. Jensen provided a summary update of the disability case. The functional capacity exam report (FCE) posed questions that the Board requested be answered by the provider. Additionally, the Board had just received a new cardiology report submitted from Dr. Shareef. The FCE had been

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stopped due to the member not taking his medication and the tests could not be continued. This resulted in questions about conclusions made by the physician. Mr. Forbes explained his cardio medications were to be taken "as needed"; however documentation received from Dr. Shareef this week stated the member had not been taking the prescribed medication routinely. The FCE offered the Board no additional assistance on the matter since the test was stopped and not completed which impacted the results. Lengthy discussion followed regarding the disability process, the options and the concern of not having enough information to be able to grant the disability request.

- Jeff Lee made a motion to deny the disability claim. The motion received a second from Brian Blizzard and was approved by the Trustees 5-0.

Mrs. Jensen explained the member can appeal the denial for a full-fledged evidentiary hearing. The member will receive an order from the Board of Trustees with details of the appeal process.

NEW BUSINESS

FIRE DISTRICT FUNDING: The actuary had provided information of the discounted amount for the employer contribution if the funds were contributed by December 31, 2018. Mrs. Jensen explained she had inquired why there was a difference on the member contributions since those should be bi-weekly and Mr. Lozen explained that had been due to State requirements on such a discount. At the prior meeting, Carl Trabulsy had confirmed receipt of the information and noted the funds are expected to be paid in December accordingly.

ACTUARY RECRUITMENT LETTER: The actuary had sent a recruitment letter offering to do the Plan's annual report. Discussion followed regarding the current process handled by the administrator and the Board felt there was no reason to make a change.

The Trustees discussed the actuarial services received from Foster & Foster. They discussed considering alternatives to the current actuarial firm.

- Nate Spera made a motion to have the administrator do an RFP for actuarial services and for Foster & Foster to continue with the September 30, 2018 valuation report. The motion received a second from Jeff Lee and was approved by the Trustees 5-0.

OLD BUSINESS

There were no 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 January 17, 2019;

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

Respectfully submitted,

Brian Blizzard, Secretary