

# ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



## Minutes of Meeting March 14, 2019

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

Those persons present included:

### TRUSTEES PRESENT

Tony Napolitano  
Nate Spera  
Tony Hood

### TRUSTEES ABSENT

Brian Blizzard  
Jeff Lee

### OTHERS PRESENT

Denise McNeill & AC Lovingood; Resource Centers  
Bonni Jensen; Klausner, Kaufman, Jensen & Levinson  
Burgess Chambers; Burgess Chambers & Assoc  
Doug Lozen; Foster & Foster  
Mike Lucci; Bloomfield Capital  
Ron McKinney; Arsenal  
Members of the Plan

### PUBLIC COMMENTS

There were no public comments.

### MINUTES

The minutes from the January 2019 meeting were presented for approval.

- Nate Spera made a motion to approve the January 2019 minutes as presented. The motion received a second from Tony Hood and was approved by the Trustees 3-0.

### DISBURSEMENTS

The disbursement listing was presented for approval.

- Tony Hood made a motion to approve the disbursements as presented. The motion received a second from Nate Spera and was approved by the Trustees 3-0.

The Interim Financial Statements through December were presented for informational purposes.

### INVESTMENT CONSULTANT REPORT

Burgess Chambers of Burgess Chambers & Associates appeared before the Board to address private equity. Lengthy discussion followed regarding the presentations from the prior meeting from the boutique private equity firms (Arsenal and Bloomfield).

### INVESTMENT MANAGER PRESENTATION – ARSENAL PRIVATE EQUITY

Ron McKinney of Arsenal appeared before the board to discuss their management services. Mr. Chambers advised a firm named Hamilton Lane are an investor in the product, have reviewed Arsenal's methodology and have concluded Arsenal is conservative. Mr. Chambers explained they will not have liquidity in private equity and there will be a ten (10) year lockup. Arsenal invests in

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conservative companies (not start-ups) and they do not participate in the upside until the Plan meets their minimum earnings. Capital is called over a five year period and then is returned when companies are sold and there is a strong chance they could have a 30% return over five years. The limited partnership, as a group, decides if they are reinvesting using a majority consensus. The first \$37.5M goes to investors and then all share in the full earnings.

### **INVESTMENT MANAGER PRESENTATION - BLOOMFIELD PRIVATE EQUITY**

Mike Lucci of Bloomfield appeared before the board to discuss their management services. He provided a summary of the previous presentation. Mrs. Jensen explained they had received a side letter from Bloomfield. She reviewed the risks in detail with the Trustees. After 21 months, the Board has three months to give notice if they wish to opt out. Bloomfield is not registered with any governmental entity for oversight. Assets are not readily marketable. They cannot revoke once invested into a particular investment. They will recognize the same fiduciary as with a mutual fund. They have offered a fee (slightly reduced from the original quote) of 150 basis points. Bloomfield will need to understand that while they want a confidentiality provision, the Plan is public record. Mr. Chambers explained he will be meeting with Bloomfield's auditor, custodian bank and staff face to face and he invited a trustee to attend with him. Mrs. Jensen believes the asset would be listed under investment Level 3 for the audit reporting. At the prior meeting the Board had made a motion to move forward with Bloomfield contingent upon the attorney's review of the documents.

- Nate Spera made a motion to move forward investing with Bloomfield and for the consultant to proceed with "due diligence" to review the company. The consultant is to report back to the board if they should hold off on the investment. The motion received a second from Tony Hood and was approved by the Trustees 3-0.

Arsenal and Bloomfield representatives departed the meeting.

Discussion followed Arsenal. Mr. Chambers explained that down the road, different Trustees may question why such an illiquid investment was chosen; however the Trustees need to be patient with long term investments and illiquid assets are not a big part of the Plan's overall investments. They are not expected to make any money in bonds for a long time as they expect interest rates to remain low for quite some time; therefore the Plan needs an alternative to bonds. He explained the bond experience is being reduced in portfolios everywhere. Discussion followed regarding the private equity process of each presenter. The ten year illiquidity is a slight issue and Arsenal having a majority rule on investment was also a concern. Mr. Chambers explained that he isn't certain a shorter evergreen period is negotiable. Mr. Chambers has invited TerraCap to attend the May meeting to present their portfolio. He explained TerraCap has a similar structure with limited liquidity. Mr. Chambers explained he has looked into other fixed income alternatives such as timber and shipping and feels private equity is the better fit for the Plan. Mr. Chambers will investigate Bloomfield in more detail as previously mentioned and will report back to the Board. Nate Spera requested holding off on making a decision related to Arsenal until they have a full Board of Trustees.

### **INVESTMENT CONSULTANT REPORT – Continued**

**INVESTMENT POICY STATEMENT:** Burgess Chambers presented a revised Investment Policy Statement, reviewing the changes inclusive of private equity in detail with the Trustees. He explained none of the other managers in the portfolio have illiquid investments. Any capital call

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from new private equity managers will take a few months to filter through so they have plenty of time for the 31-day policy effective date requirement.

- Nate Spera made a motion to approve the revised Investment Policy as presented. The motion received a second from Tony Hood and was approved by the Trustees 3-0.

Mr. Chambers reviewed the Investment Report for the period ending December 31, 2018. He reported it was a very tough quarter due to the Fed's report that they would be raising interest rates; then later reporting otherwise in the wake of the market downturn. The Plan was down -9.0% for the quarter versus the model of -8.9%; equities were down -13.0%, domestic equities were down -14.6%; Infrastructure was down -4.2%, convertibles were down -9.7%, international equities were down -13.6%, private real estate was up 1.6%, fixed income was static at 0.1% and the cash earned 0.5%. He then reviewed each manager in detail noting the following: Atlanta Capital captured on the downside ranking in the top 5% for the quarter and top 9% for one year. Convertibles were down much less than equities. In the current quarter to date, most asset classes have recovered the loss from the prior quarter. Moving funds from SSI and Advent to the Index was positive as the index outperformed in the quarter. He explained the process being used to transition the funds Fidelity due to the market volatility.

TerraCap will be added to the May agenda for discussion. Mr. Chambers departed the meeting.

## ATTORNEY REPORT

FORBES FORMAL DISABILITY HEARING: Mrs. Jensen recommended the Board use Richelle Levy of Rice Pugatch to represent the Board in the formal hearing for Renee Forbes. Ms. Levy has represented other Boards in such cases for Mrs. Jensen's firm. She reviewed the fees for Ms. Levy's services. Discussion followed regarding the formal disability hearing process. The Board will need to hire an attorney who will do the full discovery process and since Mrs. Jensen represents the Board, she cannot be their advocate in the disability process. The positions represented in the formal denial order are the positions the attorney will defend.

- Nate Spera made a motion to engage with attorney Richelle Levy as the legal representative for the Board in the Forbes disability case. The motion received a second from Tony Hood and was approved by the Trustees 3-0.

HOUSE BILL 265 (Proposed): Mrs. Jensen reported of House Bill 265 which has several new administrative rules which will be additional work for the administrator. Some of the rules already apply in Broward County. She reviewed specifics of the pending Bill with the Trustees noting the following: New requirements on posting an entire meeting packet with all materials online. Clarifies emergency meetings can be held with 24 hour notice. Two additional meeting packets must be available at each meeting for members of the public in attendance. There will be a fine and fees for violations of open meeting rules. Public participation guidelines must be adhered to. If a question is asked that they do not have the answer to, they will be obligated to respond in writing within ten days and the written response becomes part of the minutes. They will be required to use a public participation form and it standardizes the speaking allowance.

LEGAL UPDATES: Mrs. Jensen reported municipalities are receiving law suits due to ADA non-compliance. She explained service provider reports would need to be redesigned to be compliant. Discussion followed regarding the need for the document to be converted to OCR optical reader. Mrs. Jensen explained most municipalities are not able to do the transition at this time so she is hoping the Bill will not pass. Some municipalities are pulling documents offline due to the issue.

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There is a significant concern over the privacy of medical records (especially related to disability reviews) and how the law would impact the member's private detail. They may be able to only post a statement instead of having a full copy of the member's records available for public review. Mrs. Jensen has an appointment with a legislative rep to discuss her concerns over the proposed Bill.

Mrs. Jensen reported the Firefighters cancer presumption is getting a lot of attention and she will keep the Board posted on that item as well.

### ADMINISTRATORS REPORT

PAYROLL DATA UPDATE: As reported in January, the payroll data reports for the 2018 fiscal year were received, processed and submitted to the actuary and auditor accordingly; however there were many questions from the actuary which identified more discrepancies in the data. The Fire District is working on attempting to provide updated reports.

Nate Spera reported a new Clerk Treasurer has been hired.

BENEFIT APPROVALS: Benefit Approvals were presented for consideration.

- Nate Spera made a motion to approve the Benefits as presented. The motion received a second from Tony Hood and was approved by the Trustees 3-0.

CYBER LIABILITY POLICY: A cyber policy for the Fire Pension Plan (only) was presented for consideration. Discussion followed regarding the potential issues related to a cyber event and how such a policy would cover the Plan.

- Nate Spera made a motion to accept \$500,000 of coverage. The motion received a second from Tony Hood and was approved by the Trustees 3-0.

### NEW BUSINESS

TRUSTEE APPOINTMENT: Anthony Napolitano's seat is up for reappointment; however the reappointment of the Fifth Seat was tabled to the next meeting due to the need for additional trustees.

### OLD BUSINESS

ACTUARY REQUEST FOR PROPOSAL: Doug Lozen explained he was surprised the Board had gone out for an RFP of actuarial services as he was unaware the Board was not happy with Foster & Foster. Discussion followed regarding the RFP. Mr. Lozen explained they did reply to the RFP and would like to keep the Board as a client. He assured the Board they would have a valuation report within 30 days of receiving the final revised payroll data. Mr. Lozen made a request for records for copies of all actuary responses to the pending RFP.

There being no further business to discuss and with the date for the next regular meeting having previously been scheduled for May 16, 2019;

- Nate Spera made a motion to adjourn the meeting at 5:01 PM. The Motion received a second from Tony Hood and was approved by the Trustees 3-0.

Respectfully submitted,  
Brian Blizzard, Secretary