

# ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



## Minutes of Meeting May 16, 2019

Chairman Anthony Napolitano called the meeting to order at 2:43 P.M.

Those persons present included:

### TRUSTEES PRESENT

Tony Napolitano  
Nate Spera  
Tony Hood  
Brian Blizzard  
Jeff Lee

### TRUSTEES ABSENT

N/A

### OTHERS PRESENT

Denise McNeill; Resource Centers  
Bonni Jensen; Klausner, Kaufman, Jensen & Levinson  
Burgess Chambers; Burgess Chambers & Assoc  
Steve Hagenbuckle; TerraCap  
Doug Lozen; Foster & Foster  
Members of the Plan

### PUBLIC COMMENTS

There were no public comments.

### MINUTES

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

- Jeff Lee made a motion to approve the March 2019 minutes as presented. The motion received a second from Tony Hood and was approved by the Trustees 5-0.

### DISBURSEMENTS

The disbursement listing was presented for approval.

- Nate 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.

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

### INVESTMENT MANAGER PRESENTATION - TERRACAP

Steve Hagenbuckle of Terracap appeared before the board to present their management services. They provided information on their firm and explained the following: They have 345 total investors, 77 of which are institutional. They are a value add commercial real estate fund. They hold office, multi-family, flex industrial and hotels. Terracap originally invested with Bloomfield and Mr. Hagenbuckle later became a board member. Their investment committee requires unanimous vote on selections. They are defensive investors and only buy if they can purchase below replacement cost. They sometimes purchase from sunset funds that are closing, tenants in common and inheritance situations. They have income yield from rents and capital appreciation. They avoid investing in primary gateway locations due to the properties typically being overpriced and there being less chance of return. Their average returns net 13-16%. They look for demand markets and do property improvements for the first twelve months treating tenants well and taking good care of

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the building; then they typically sell in 3-5 years. They do not invest in new construction as they feel the cost of labor is too high. They look for the best building, built in a good area that is vacant or low leased. They reviewed their geographical locations and the growth of the job markets in each as employers and employees are looking to save money and move to less expensive areas. They are targeting 25-30 transactions and currently have 18 completed. They are conservative on debt, all loans are non-recourse and they have no personal guarantees. Their Fund IV projected performance is 15.5%. They provided a brief update on Funds II and III, noting they are winding down Fund II. They reviewed specific holdings in Fund IV. One of their partners owns a property management company and if other property managers are not successful, they will have to build a case and go to their Board to request authorization to change to the partner's management company. They have an office or staff member within 45 minutes of each property. They would be a fiduciary to the Plan. They have third party appraisals done at least annually and can do them quarterly if they feel there has been a significant change in the value and they use a different appraisal group every couple of years. They have an eight year fund that had two, one year extensions. The Plan would pay a notional investment 'true-up' fee at 8% per year pro-rata and while the buy in fee may be 8%, the actual value could be 17-18%. The Plan comes in at the same cost basis as the first investor and they began raising capital almost two years ago. In December the Fund owned 16 properties, ten of which were over a year old so they were appraised resulting in 13.96% increased value. Their minimum requirement has been adjusted for clients of Burgess Chambers and Associates. While they reflect the NCREIF as their index comparison, Terracap is very different. They expect to begin Fund V in 2020. They currently have \$285M committed and \$40M pending. Mr. Chambers feels the Pension Plan should invest \$9M in private equity and while illiquid, the deals are active and could still distribute if necessary. Discussion followed regarding the fees. Mrs. Jensen explained the Plan would need to pay to invest back to the beginning of the Fund and the money does not go toward the capital. Mr. Hagenbuckle explained that investing late in the Fund is an advantage due to the ability to purchase into a known investment and the cost basis is recognized as the initial cost plus fees. The life of the Fund is eight years and they are allowed to do two, one-year extensions so they are not forced to sell when the market is soft. They are currently ahead of schedule in distributions for Funds II and III. Fund IV is scheduled to close July 2019.

Mr. Chambers explained the capital calls will be gradual and the market conditions will dictate where the funds will be taken from. He then recommended investing \$8M.

- Jeff Lee made a motion to invest \$8M with TerraCap. The motion received a second from Nate Spera for discussion. Discussion followed regarding cost and Mr. Hagenbuckle explained the total cost for investment could be close to \$8.52M. The motion was called to vote and was approved by the Trustees 5-0.

It was noted the documents must be signed by July 6, 2019 to meet the Fund closing deadline.

- Jeff Lee made a motion to execute the TerraCap documents upon approval of the Fund's attorney. The motion received a second from Brian Blizzard and was approved by the Trustees 5-0.

## INVESTMENT CONSULTANT REPORT

Tony Napolitano reported he had attended the visit to Bloomfield with Burgess Chambers. Both he and Mr. Chambers reported they were impressed and felt comfortable with the manager and their process. They met with general counsel and all key people involved with Bloomfield.

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Mr. Chambers reviewed the Investment Report for the period ending March 31, 2019. He reported the following: The transition to the lower cost index with Fidelity was done in three stages due to the market volatility as explained at the prior meeting. The market had improved over the prior quarter with the Plan ranking in the top 31<sup>st</sup> percentile of the public fund universe. The Plan was up 9.1% for the quarter versus the model of 9.8%; equities were up 12.2%, domestic equities were up 12.8%; Infrastructure was up 11.1%, convertibles were up 10.8%, international equities were up 12.4%, private real estate was up 1.7%, fixed income was up 3.4% and the cash earned 0.6%. Mr. Chambers then reviewed each manager in detail noting the following: Atlanta Capital has done very well in the recent period ranking in the top 23% for the quarter, top 2% fiscal year to date and top 4% for one year. Fixed income had a good quarter due to people running from the market in the prior quarter. Now that the 10-year yield has decreased, he does not expect much more yield in the current fiscal year. He will instruct for the standard rebalancing and raising cash as needed. There were no further recommendations for changes at this time.

### ATTORNEY REPORT

CHANGES IN TAX RULES FOR ALIMONY: Bonni Jensen presented a Memo to the Board regarding recent changes to how the Internal Revenue Service treats taxation of Alimony payments. Ms. Jensen stated that Alimony and separate maintenance payments are no longer deductible for any divorce or separation agreement executed after December 31, 2019, and modified after that date.

KKJL CONFERENCE INVITATION: Mrs. Jensen reminded the Trustees of her firm's upcoming conference. The invitations had been sent via email and included in their meeting packets. Discussion followed regarding education for new Trustees.

FORM 1 FILING DUE: Mrs. Jensen reminded the Trustees the form 1 Filing is due by July 1<sup>st</sup> and they may be able to file it electronically. If mailing, she reminded the Trustees to keep proof of how and when it was sent (I.E. certified receipt).

CANCER PRESUMPTION: Mrs. Jensen reported the Cancer Presumption Bill passed unanimously from both sides. The Bill has much information that is not entirely clear and will require administrative follow up on the rules. She reviewed the items summarized in the memo. Discussion followed regarding the presumption change as many of the pending questions may be resolved in litigation. It was noted they may have to see the actual impact from experience. FRS made some assumptions of who was covered in their examples and did a State cost review inclusive of duty disabilities changing the typical 50/50 (50% duty related and 50% non-duty related) to 75/25 (75% duty related and 25% non-duty related); however this pension plan is different from FRS. It was clear that the cost of the presumption must be paid for by the employer and cannot be passed along to the employees. Three requirements were noted: Employee must have been employed with the employer for at least five years, must have been tobacco free for at least five years and not working with a secondary employer with a high risk for at least five years. Discussion followed regarding the District's new employee process as all hired after a specific date include nicotine tests.

SSI ADDENDUM: Mrs. Jensen explained the SSI addendum is ready to be signed. The document was signed accordingly.

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FORBES FORMAL DISABILITY UPDATE: Mrs. Jensen explained Richelle Levy is working on dates for depositions. Mrs. McNeill explained she has also requested copies of the actual films so the requests for film copies have been submitted as requested.

DISABILITY TAX STATUS: Mrs. Jensen reported on the tax treatment of duty related disability pensions and whether or not it is non-taxable. She feels the Plan should continue to report as "taxable not determined" and allow the member to address their individual situation with the IRS. The Plan should not be deciding whether the benefit is taxable or non-taxable as it is difficult to make the determination and is not reasonable for the Plan to do so. She is not certain if the cancer presumption "called" a conclusive determination; is irrebuttable. There is currently a case out of Alaska that is pending regarding rebuttable versus irrebuttable. Mrs. McNeill explained that all disability members have been set up as taxable not determined since they have been the administrator for the Plan. Lengthy discussion followed regarding the process. Mrs. Jensen explained she feels the process begins with the employer and the employer determines the presumption coordination, not the workers compensation carrier.

## **ADMINISTRATORS REPORT**

PAYROLL DATA UPDATE: Mrs. McNeill reported the revised fiscal year end data had been provided to the actuary April 26<sup>th</sup> and they have responded to some follow up questions since that time. Doug Lozen informed the Board that the GASB information will be available in the next week and they will have the valuation report completed to be presented at the July meeting. Discussion followed regarding the next meeting date and it was agreed to change the date to Tuesday, July 16<sup>th</sup>.

BENEFIT APPROVALS: Mrs. McNeill noticed an error on the Benefit Approvals that had been presented for consideration. She requested they be tabled to the next meeting. No action was taken.

All Trustees confirmed they will be attending the FPPTA summer conference.

## **ADDITIONAL REPORTS**

Portfolio monitoring reports from KTMC were included in the trustee packets for informational purposes.

## **NEW BUSINESS**

TRUSTEE APPOINTMENT: Anthony Napolitano's seat was up for reappointment and the matter had been tabled from the prior meeting due to the need for additional trustees.

- Nate Spera made a motion to reappoint Anthony Napolitano to the Fifth Seat. The motion received a second from Brian Blizzard and was approved by the Trustees 5-0.

## **OLD BUSINESS**

ACTUARY REQUEST FOR PROPOSAL: Discussion followed regarding the responses received and the seven responses from various actuarial firms. Mrs. Jensen recommended short listing and inviting a few to the next meeting for presentations. Jeff Lee requested they consider only firms with

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offices in Florida. It was agreed to interview all three firms with Florida offices. Foster and Foster, Gabriel Roeder Smith & Company and Freiman Little will be invited to present accordingly.

Jeff Lee explained the Fire District has updated their logo. A copy will be provided to the administrator to update the letterhead and agendas accordingly.

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

- Jeff Lee made a motion to adjourn the meeting at 4:45 PM. The Motion received a second from Brian Blizzard and was approved by the Trustees 5-0.

Respectfully submitted,

Brian Blizzard, Secretary