

ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



Minutes of Meeting September 19, 2019

Chairman Anthony Napolitano called the meeting to order at 2:40 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 and Albert Lovingood; Resource Centers
Bonni Jensen; Klausner, Kaufman, Jensen & Levinson
Doug Lozen; Foster & Foster
Jay McBee; DiBartolomeo, McBee, Hartley & Barnes, P.A
Members of the Plan

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Minutes from the Board Meeting held on March 14, 2019, May 16, 2019, and July 16, 2019 were presented to the Board for review and approval.

- Jeff Lee made a motion to approve the Minutes from the March 14, 2019, May 16, 2019 and July 16, 2019 Board Meetings as presented. The motion received a second from Brian Blizzard and was approved by the Trustees 5-0.

DISBURSEMENTS

The disbursement listing was presented for approval. Ms. McNeill informed the Board that the disbursement contains an invoice from the computer programmer, Ellen Schaffer for the charge to reload revised payroll data.

- Jeff Lee 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.

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

INVESTMENT CONSULTANT REPORT

Burgess Chambers appeared before the Board to present the Investment Report for the quarter ending June 30, 2019. Mr. Chambers started his presentation by reviewing the Capital market compared to the Plan, noting that if the Trustees want to increase the expected return of investment, they would need to add more equity exposure. The Plan was up 3.3% for the quarter versus the model of 3.1%; equities were up 3.9%, domestic equities were up 4.0%; Infrastructure was up 4.4%, convertibles were up 3.1%, international equities were up 3.8%, private real estate was up 1.2%, fixed income was up 2.3% and the cash earned 0.6%. Mr. Chambers reported the following: Convertibles performed better than equities fiscal year to date. Atlanta has improved and did very

ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



Minutes of Meeting September 19, 2019

well in the recent period. Atlanta's peer group has been more aggressive; however the market transition to value should reflect improvement of Atlanta. Bloomfield is now fully invested, and they are waiting for the Capital Call for TerraCap as it has not been funded yet. Fidelity provided some savings on the index and most of the investment managers are beating their benchmarks. Right now, the only way to earn more in return is to increase risk. Mr. Chambers is comfortable with the plan assets. The international markets as a whole have not performed very well and China is having issues with tariffs. In the State of Florida there are two tariffs in place, one on sugar and the other on oranges due to these commodities being imported from Central and South America. The Cohen & Steers Global Infrastructure Fund includes satellites, toll roads, cell towers, and other various infrastructure components. With new technologies such as 5G, Mr. Chambers expects infrastructure to be a good asset class for the Plan and urges the trustees to consider going on site to visit Cohen & Steers in New York City. Trustee Jeff Lee inquired about the Foster and Foster 2018 Comparative Analysis and the Plan's ranking. Mr. Chambers stated that the changes that were done in the past year will take some time to have an impact. Trustee Lee then inquired if more risk in the plan would have resulted in better returns. Mr. Chambers confirmed the Plan would have had a better return in the recent period with more exposure to equities. Mr. Chambers then stated that he feels that the Plan is positioned to do well. Mr. Chambers invited the Trustees to attend the manager onsite visits with him. Atlanta Capital and Bloomfield are scheduled to attend the next meeting.

2018 ACTUARIAL VALUATION REPORT

Doug Lozen of Foster and Foster appeared before the Board to present the revised 2018 Valuation Report. He noted the report had been revised from the first one sent due to the contribution change effective 10/01/17. The revised Valuation Report includes Resolution 675-19, which incorporates changes to the Member Contribution Rate and payment of accumulated sick and vacation leave time for future Members entering the DROP with less than 10 years of service. When the resolution is passed, there will be some additional state Chapter 175 money in reserve and will need to know how these funds will be allocated which can be discussed with the Chief before the December funding payment is made. The revised current fiscal year employer contribution is \$13,160,924 and any excess funds will be credited toward the next fiscal year's contribution of \$14,102,186. Attorney Nate Spera inquired of the attorney if the Plan could negotiate with the District to use the State money to offset the employer contributions. Mrs. Jensen confirmed the State funds can be used in that manner if negotiated accordingly. The \$14.1 million reflects the updated change of employee contributions, 5% for fiscal year 2019 and 6% for fiscal year 2020. The DROP employee contributions help to paydown the unfunded liability of the Plan and there is no direct funding change to those members. There will be a minimal impact to the Plan for DROP entries with less than 10 years of service due to sick and vacation time. There was some actuarial smoothed investment loss to the Plan; however there was also some savings from payroll due to having a lower payroll than expected. The Funded ratio increased from 71.8% to 72.9%. Mr. Lozen noted that there is \$4 million worth of prior investment losses yet to be recognized and the losses will probably cause the Plan to not meet the Assumed Rate of Return.

- Jeff Lee made a motion to accept the 2018 Actuarial Valuation Report. The Motion received a second from Nate Spera and was approved by the Trustees 5-0.

2018 AUDITED FINANCIAL REPORT

Jay McBee with DiBartolomeo, McBee, Hartley & Barnes, P.A. presented the Board with the 2018 Audited Financial Statement. Mr. McBee began his presentation by informing the Board that his firm has issued a clean opinion and that the financial statements referred to in his report were fairly

ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



Minutes of Meeting September 19, 2019

represented. The Plan has a strong position with the fiduciary net position for pension benefits at \$248,493,716. Mr. McBee reviewed the Profit and Loss Report with the Board, noting that the Plan added \$17,918,352 as a net increase for 2018. The footnotes, required disclosures, explanation of benefits, the funded status, and the cash and investments of the Fund were reviewed. Mr. McBee noted that there was approximately a \$2,000,000 gain when comparing the historical cost to the market value of the Fund for Fiscal Year 2018. The schedule of funding process was reviewed along with the actuarially determined contributions within the audit. It was confirmed that funds were collected from payroll each pay period and wired out to the fund on a regular basis. Mr. McBee ended his review by stating that it was a good year for the Plan.

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

ATTORNEY REPORT

FORBES FORMAL DISABILITY UPDATE: Mrs. Jensen provided an update regarding the pending Forbes Disability case. There have been additional records requested due to the discovery that there were a significant amount of records missing from one of the physicians. Attorney Richelle Levy is currently working on depositions. Mrs. Jensen explained if it is determined that the missing records provide substance that would impact the Board's decision, the attorney will advise.

CANCER PRESUMPTION RESOLUTION: Mrs. Jensen reviewed the Cancer Presumption Resolution that was drafted to be compliant with the recent State law changes. It was noted that there would be an increased cost to the Plan, thus the Plan will need an Impact Statement from the actuary.

- Jeff Lee made a motion to forward the Resolution with the changes to the Fire District for consideration and to the actuary to perform an Impact Statement. The Motion received a second from Neil Spera and was approve by the Trustees 5-0.

COLLECTIVE BARGAINING CONTRACT CHANGE RESOLUTION: Attorney Bonni Jensen presented the Board an update regarding the Collective Bargaining Contract Change Resolution. Ms. Jensen informed the Board that the Resolution has been approved by the Fire Board at their recent meeting and a Resolution is pending regarding the use of the 175 funds.

CYBER ATTACK MEMO: Ms. Jensen presented the Board with the Cyber Attack Memo, stating that the purpose of the memo is to heighten the awareness of the possibility of a cyberattack. Ms. Jensen reviewed several recent cyberattacks on various cities in Florida and throughout the country. She then reviewed the recent \$700,000 loss suffered by the City of Naples where a thief sent an invoice to the city from what appeared to be a construction company that had a paving contract with the city. The fake invoice passed all of the city's checks and balances and the funds were wired out. Ms. Jensen also informed the Board that there was a Pension Administrator who is not affiliated with the Resource Centers who had their information hacked and had received what appeared to be a legitimate transfer. Due to the wiring instructions not being the same as past requests, the custodian had followed their procedures to confirm and it was determined that the request was fraudulent prior to the funds being paid. Ms. Jensen informed the Board that with all of the fraud attempts that are out there, the Trustees should verify any requests that seem out of the ordinary. Mrs. McNeill also informed the Board that they should always contact the administrator's office by way of the contact numbers the Trustees have on file to verify any requests that are either out of the ordinary or that are not currently expected, to ensure the validity of the request. She further explained their company has internal checks and balances to mitigate fraudulent transactions or requests from being

ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



Minutes of Meeting September 19, 2019

processed. Mrs. McNeill reported that two of their firm's partners had recently attended a cyber security seminar put on by the Secret Service and the FBI a few weeks prior and they found that some of the recommendations being made to businesses are already in place with the Resource Centers; however they did come away from the meeting with a few new ideas.

SCOTT & SCOTT SOUTHWEST ENERGY CLASS ACTION UPDATE: Ms. Jensen informed the Board that the motion to dismiss the case was passed and the decision has been appealed. There was a discussion regarding the recent class action suit against Southwest Energy and Ms. Jensen stated that the case is being watched. If it is determined that the Board needs to take any action, she will advise at that time.

ADMINISTRATORS REPORT

PAYROLL DATA UPDATE: Mrs. McNeill informed the Board that the Resource Centers is receiving payroll files and that an update to the data is coming soon.

BENEFIT APPROVALS: The Benefit approvals were presented for consideration.

- 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.

FIFTH THIRD CLIENT SERVICE AUTHORIZATION: Mrs. McNeill presented the Board with a letter allowing Fifth Third Bank to accept direction from the Client Services Team at The Resource Centers. Mrs. McNeill explained the process of primary and secondary review on all member payments prior to being submitted to the custodian.

- Jeff Lee made a motion to authorize the Client Services Team at the Resource Centers to give direction to Fifth Third Bank for all member activity. The Motion received a second from Tony Hood and was approved by the Trustees 4-0.

2020 MEETING SCHEDULE: The Board was presented with the meeting dates for the 2020 calendar year. Mrs. McNeill stated that the dates are based on the Board's historical meeting schedule except for the adjusted date in March due to Spring Break. The Board had no objections to the schedule for the 2020 calendar year.

ADDITIONAL REPORTS

The Bloomfield Quarterly Distribution Notice, the Intercontinental Investor communication regarding the recent earthquakes in California, the KTMC reports, and the BLBG reports dated March 31 and June 30, 2019 were included in the trustee packets for review.

ACTUARY RFP

Attorney Bonni Jensen reviewed the different ways that various Pension Boards decide on how they choose a new service provider. Mrs. McNeill explained that there were no changes to the summary of the Actuary RFP. The Board discussed how to vote on the three actuarial candidates and there was a decision for each Trustee to rank their preference in a 1, 2, 3 ranking, with 1 being the top preferred and 3 being the least preferred. Ms. Jensen requested that each Trustee place their name on their choices. The results of the ranking placed GRS in First Place, Friedman Little Actuaries in Second Place, and Foster & Foster in Third Place.

ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



Minutes of Meeting September 19, 2019

- Jeff Lee made a motion to change Actuarial Services from Foster and Foster to Gabriel Roeder Smith. The Motion received a second from Brian Blizzard and was approved by the Trustees 5-0.

NEW BUSINESS

Ms. McNeill reported to the Board that she had a conference call with Human Resources regarding the disability process.

Mrs. McNeill then reported the 2018 Annual State Report is pending approval. The Board was notified that the State is sending out notices they are holding chapter funds for all plans who have not yet been approved. There was a discussion of how to deal with the Plan's pending report due to the amended Actuarial Valuation Report if the State does not approve it.

There being no further business to discuss;

- Jeff Lee made a motion to adjourn the meeting at 4:34 PM. The Motion received a second from Brian Blizzard and was approved by the Trustees 5-0.

Respectfully submitted,

Brian Blizzard, Secretary