

# ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



## Workshop Minutes: May 19, 2021

1. Chair Anthony Napolitano called the Workshop Meeting of the Board to order at 2:32 PM. Mr. Baur called roll. Those persons present included:

### TRUSTEES

Tony Napolitano, Chair  
Jeff Lee, Secretary  
Serge Greene  
Chief Nate Spera

### OTHERS

Scott Baur & Albert Lovingood, Administrator (Resource Centers)  
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)  
Burgess Chambers (Burgess Chambers & Assoc.)  
Pete Strong (GRS)  
Linda Hudson (St. Lucie County Fire District Fire Board)  
Chris Dzadoovsky (St. Lucie County Fire District Fire Board)  
Shannon Martin (St. Lucie County Fire District Fire Board)  
Stephanie Morgan (St. Lucie County Fire District Fire Board)  
Curtis Johnson (St. Lucie County Fire District Fire Board)  
Member of the Firefighters' Pension Fund

## 2. CHIEF NATE SPERA

Chief Nate Spera thanked everyone for attending the workshop. Chief Spera stated that the Board held a similar workshop about a year and a half ago laying out the groundwork for the changes to the Pension Plan. The changes included member contributions, changes to the Assumed Rate of Return due to the assumptions having higher expectations that were not inline with reality. Chief Spera stated that the Plan's Actuary will explain the changes in the Assumed Rate of Return in greater detail momentarily, the changes of the final average salary moving from four-years to five-years and changing the DROP participation from five-years to six-years, noting that the change to the DROP had no financial impact on the Plan. Chief Spera also stated that cost of living adjustments will also be discussed at this workshop.

Chief Spera then introduced the Firefighters' Pension Fund Board Members, which included Chairman Tony Napolitano, Secretary Jeff Lee, Serge Greene, and Ryan Sapp. Chief Spera then reviewed the role that the Board has with regards to the Pension Plan, including bringing down the unfunded liability of the Plan. The St. Lucie County Fire District Board was introduced. In attendance was Vice Chair Linda Hudson, Chris Dzadoovsky, Shannon Martin, Stephanie Morgan, and Curtis Johnson. Chief Spera concluded by introducing Scott Baur, Plan Administrator, Burgess Chambers, Investment Monitor, Bonni Jensen, Plan Attorney, and Pete Strong, Plan Actuary.

## 3. PRESENTATIONS

### Retirement Fund Investment Consultant (Burgess Chambers & Assoc.)

Burgess Chambers introduced himself to everyone present at the workshop and gave an overview of his firm and his professional background. Mr. Chambers then reviewed what his role is for the Pension Plan

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along with what objectives that he is entrusted to achieve. Mr. Chambers then reviewed the different investment sectors that the Plan is invested in along with some of the changes that the Plan has made over the past few years. The past four-year history of the Plan was reviewed by Mr. Chambers with the mention of the Assumed Rate of Return being changed due to the general consensus of experts. This has part to do with the bond markets due to the low interest rates. Mr. Chambers then reviewed the Asset Allocation of the Plan compared to the Plan's Peers. The actual vs targeted asset allocation was then reviewed and compared against the Plan's Peers. The Plan's Peer universe quartile ranking over the past five-years was then reviewed, with Mr. Chambers noting that the one-year returns of 42.0% has part to do with the March dip in the market due to the COVID-19 pandemic. Mr. Chambers concluded his presentation by reviewing the growth of investments chart from April 1, 2016, through March 31, 2021, noting that over that period, the Plan had a 10.8% annualized rate of return. There was a question asked about the difference in the actual rate of return on the Plan and the Assumed Rate of Return. Pete Strong and Burgess Chambers explained the difference between the two and how they are calculated.

Chief Spera thanked Mr. Chambers for his presentation and informed everyone present at the workshop that the cost that the Pension Plan pays for the Investment Monitor, Actuary, Administrator, Plan Attorney, Investment Managers, and the Auditor is only 0.50%, noting that the expertise and guidance that the Plan receives is relatively cheap compared to what the cost percentage would be for an individual investor.

## **Retirement Fund Actuary (Pete Strong, GRS)**

Pete Strong introduced himself to everyone present at the workshop and gave an overview of his firm and his professional background. Mr. Strong then reviewed what his role is for the Pension Plan along with what objectives that he is entrusted to achieve. Mr. Strong reviewed the Assumed Rate of Return for the Plan, the target Assumed Rate of Return that the Plan should move to, along with the various options that can be utilized to mitigate the additional costs to the Plan. Mr. Strong reviewed the annual valuation results. The required contributions increased \$744,366 from 46.55 to 48.49% of pay, with about 2/3 of the increase resulting from the decrease in the investment return assumption. The plan had a slight loss from smoothed investment returns lower than the assumed rate, which Mr. Strong explained the smoothing process in detail. Mr. Strong estimated that the benefit changes will reduce the required contributions approximately \$500,000 to \$1,000,000 to bring the required contribution for next year back to about the same amount as for the current year. Pete Strong further reviewed the details of the annual contribution requirement, noting the plan also had more retirements in the last year than expected. The funded ratio increased to 72%. Mr. Strong explained that the total cost of the plan consisted about half the normal cost and half from the payments on the unfunded liability. Mr. Strong reviewed the 5-year smoothing of investment gains and losses, with a 6.6% 5-year average gain on the actuarial assets and a 7.4% gain on market value. The contribution requirements do not yet reflect the pending benefit changes.

Chief Spera stated that the Plan does allow for a COLA; however, specific parameters need to be met for a COLA to be issued. Mr. Strong reviewed the costs for implementing an annual COLA to the Plan as compared to changing the multiplier, noting that an annual 2% COLA would increase the Plan's unfunded liability by 40-50%. Mr. Strong also stated that the Plan could do an ad hoc COLA, which is a one-time payment made to retirees when the Plan's performance surpasses a designated benchmark or benchmarks. Chief Spera noted that back in 1999 there was discussion of converting the Chapter 175 funds to cover an annual COLA. A lengthy discussion ensued regarding COLAs and the Health Trust.

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There was a question regarding the unfunded liability and how the Plan intends to lower that cost burden on the taxpayers. Mr. Strong reviewed the various ways that these costs are being mitigated now along with how the unfunded liability will be affected when the Plan meets or exceeds the Assumed Rate of Return. There was then a lengthy discussion regarding the unfunded liability and how this liability is paid down.

#### 4. OTHER BUSINESS

There was no other business to discuss.

#### 5. PUBLIC COMMENTS

No members of the public had any comment.

#### 6. NEXT MEETING

The next Quarterly Board Meeting is scheduled for Thursday, May 20, 2021, at 2:30PM.

#### 7. ADJOURNMENT

Chief Spera thanked everyone for coming to the Workshop today and commended the Fire Fighters Pension Board, The Fire District Board, and Firefighters all coming together to find ways to lower the Plan's Unfunded Liability.

There being no further business, the St Lucie County Fire District Firefighters Pension Fund Fire Board of Commissioners Workshop adjourned at 2:46pm.

Respectfully submitted,

Jeff Lee, Secretary