

ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



Quarterly Meeting: May 20, 2021

1. Chair Anthony Napolitano called a meeting of the Board to order at 2:30 PM. Mr. Baur called roll. Those persons present included:

TRUSTEES

Tony Napolitano, Chair
Jeff Lee, Secretary
Serge Green
Ryan Sapp
Chief Nate Spera

OTHERS

Scott Baur & Albert Lovingood, Administrator (Resource Centers)
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)
Burgess Chambers, Investment Consultant (Burgess Chambers & Assoc.)
Pete Strong, Actuary (GRS) Electronically
Additional Public

2. EXTRAORDINARY (EXIGENT) CIRCUMSTANCES FOR TRUSTEES JOINING ELECTRONICALLY

The Board had no Trustees joining the meeting electronically.

3. MINUTES

The Trustees deferred approval of the minutes for the March 11, 2021 Quarterly Meeting.

4. BENEFIT APPROVALS

The Board reviewed the benefits for approval.

Chief Spera made a motion to approve the Benefit Approvals. The motion received a second from Jeff Lee, passed by the Trustees 5-0.

5. INTERIM FINANCIAL STATEMENTS & DISBURSEMENTS

The Board reviewed and received the interim financial statement through April 30, 2021.

The Board then reviewed the Warrant dated May 20, 2021 for payment of expenses.

Chief Spera made a motion to approve the disbursements on the Warrant dated May 20, 2021. The motion received a second from Ryan Sapp, approved by the Trustees 5-0.

6. REPORTS

Actuary: Annual Valuation Report (Pete Strong, GRS)

Pete 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 Fire District does have a prepaid contribution balance of \$524,380 as of October 1, 2020. The DROP members contributed \$269,328 to bring down the unfunded liability. The plan also had a slight loss from smoothed investment returns lower than the assumed rate. Mr. Strong estimated that the benefit

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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 made a motion to approve the October 1, 2020 Valuation report. The motion received a second from Jeff Lee, passed 5-0 by the Trustees.

Chief Spera made a motion, based on the advice of the investment consultant, that the Board expects to achieve a 7.5% return on investments for the next year, the next several years, and for the long term thereafter. The motion received a second from Jeff Lee, approved 5-0 by the Trustees.

The Board previously approved a 10 bp annual reduction in the investment return assumption until the Retirement Fund reaches a 7% target return assumption. The Trustees discussed the plan to further reduce the investment return assumption, already set at 7.4% for the next year.

Investment Consultant: Quarterly Report (Burgess Chambers & Assoc.)

Burgess Chambers reported that the plan has a higher allocation to domestic equities than the typical public plan, enhancing recent performance considerably. The US market performed better than international markets. The Board also diversified the fixed income allocation into various alternative strategies, contributing to performance. He compared the asset growth to the net contributions into the investment portfolio, highlighting the considerable gains in the portfolio. The current year is on track to finish as the best year on record for the plan. Assets increased from \$201 million in 2020 to \$344 million as of March 31, 2021. The 11.7% 3-year average return ranks in the top 12% of the public fund universe, while the 42% gain for the trailing 12 months rands in the top 8%. The Serenitas Gamma Fund returns to date now rank in the top 1% against the fixed income benchmark. The private real estate allocation, meanwhile, fared well so far during the pandemic and the current market environment. Finally, the convertible bond allocation contributed materially to overall performance based on the strength of Tesla in the convertibles index.

The Pension Fund had total assets of \$343,976,863 as of March 31, 2021. Mr. Chambers continued to review recent performance for the various managers of the portfolio. The bond allocation provides a continued source of liquidity for the Retirement Fund. Mr. Chambers recommended that the Board conduct due diligence visits to both Serenitas and Intercontinental. Mr. Chambers will also review the current asset allocation for any further rebalancing recommendations. Chief Spera asked whether the Board should adopt a policy limiting large distributions from DROP accounts. Currently members can take two lump sum distributions per year. Ms. Jensen will provide a draft policy for Board discussion.

Ryan Sapp made a motion to authorize a manager due diligence visit for no more than 3 Trustees. The motion received a second from Serge Greene, passed by the Trustees 5-0.

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Attorney Report (Bonni Jensen, Klausner Kaufman Jensen & Levinson)

Bonni Jensen reported that the Plan document benefit changes and restatement should move forward on the June Commission agenda. She also reminded the Trustees to file the annual Form 1 financial disclosure by July 1 with the Supervisor of Elections for the county where each Trustee resides. She reviewed a memo outlining best practices to locate missing members with assets. She reported the current IRS mileage reimbursement rate. The Klausner Kaufman Jensen & Levinson firm registered with E-Verify. Finally, Ms. Jensen reported that no legislation passed the recent session affecting local retirement systems. A bill regarding local public meetings during declared emergencies did not pass.

Administrator Report (Scott Baur and Albert Lovingood, Resource Centers)

Mr. Baur confirmed the Trustees attending the annual FPPTA Conference scheduled from June 27 to June 30.

7. NEW BUSINESS

Serge Greene asked about the snapshot of the 4-year final average salary as of September 30, 2021. He also noted that the annual Valuation Report showed that the Fire District hired members on average at age 27, so the average member will also retire at age 52 with 25 years. Finally, he inquired if a member could use mustering money to complete the purchase of prior qualifying service credit. Ms. Jensen advised that the timing of the payment may create an issue, but she will look into the question further.

8. OTHER BUSINESS

The Board had no other business for discussion.

9. PUBLIC COMMENTS

No members of the public had any comment.

10. NEXT MEETING

The Board previously scheduled the next regular meeting for Thursday, July 15, 2021 at 2:30 PM.

11. ADJOURNMENT

There being no further business, the Chair adjourned the meeting at 4:00 PM.

Respectfully submitted,

Jeff Lee, Secretary