

ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



Minutes: March 10, 2022

1. Chairman Tony Napolitano called the January 21, 2022 Quarterly Board Meeting to order at 2:30 PM.

TRUSTEES

Tony Napolitano, Chair
Jeff Lee, Secretary
Serge Greene (Electronic)
Chief Nate Spera
Ryan Sapp

OTHERS

Scott Baur & Albert Lovingood, Administrator (Resource Centers)
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)
Burgess Chambers, Consultant (Burgess Chambers Assoc)
Steve Loncar (Ceredex)

2. EXTRAORDINARY (EXIGENT) CIRCUMSTANCES FOR TRUSTEES JOINING ELECTRONICALLY

Attorney Bonni Jensen reviewed the exigent circumstances for Trustees to Join the Board Meeting Electronically.

Chief Spera made a motion to allow Trustee Serge Greene to join the Board Meeting Electronically due to exigent circumstances. The motion received a second from Ryan Sapp, approved by the Trustees 4-0.

3. MINUTES

The Trustees reviewed the Quarterly Board Meeting Minutes Dated: January 21, 2022.

Chief Spera made a motion to approve the Minutes for the Meeting of January 21, 2022, as presented. The motion received a second from Serge Greene, approved by the Trustees 5-0.

4. BENEFIT APPROVALS

The Trustees reviewed the Benefit Approvals Dated March 10, 2022.

Chief Spera made a motion to approve the Benefit Approvals Dated March 10, 2022. The motion received a second from Jeff Lee, approved by the Trustees -0.

The Trustees reviewed the Benefit Approval for Trustee Chief Nate Spera.

Jeff Lee made a motion to approve the Benefit Approval Dated March 10, 2022, for Chief Nate Spera. The motion received a second from Ryan Sapp, approved by the Trustees 4-0.

The Board reviewed Kenneth Dean's Pension Calculation. Mr. Baur informed the Board that the City of Fort Pierce had combined Mr. Dean's General and Fire Pension's into a single payment resulting in the General Employees' Pension Plan owing the Firefighters' Pension Plan for the portion of the Pension that is the responsibility of the General Employees' Plan. Mr. Baur also informed the Board that Mr. Dean is requesting for his Pop-up to be implemented. Chief Spera stated that the member must provide documentation that he is entitled to receive the Pop-up Chief Spera noted that the pop-up was implemented in 1995 and pointed out that Mr. Dean retired in 1994. Jeff Lee addressed the need for the

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General Employees Plan to reimburse the Firefighters' Pension Plan for the General Employees' Portion of the member's Pension.

Chief Spera made a motion to have the Plan Administrator contact the General Employees' Pension Board to reimburse the Firefighters' Pension Plan for the benefit payment portion that the General Employees' Plan is responsible for. The motion received a second from Ryan Sapp, approved by the Trustees 5-0.

Jeff Lee stated that there is no evidence to move forward with the pop-up request and stated that the Plan can reach out to the member and ask for any documentation that he may have that would show he is entitled to the pop-up.

5. PLAN FINANCIALS

Interim Financial Statements

The Board received the interim financial statement through December 31, 2021.

Disbursements

The Board reviewed the Warrant Dated March 10, 2022.

Jeff Lee made a motion to approve the Warrant Dated March 10, 2022. The motion received a second from Ryan Sapp, approved by the Trustees 5-0.

2021 GASB 67 & 68 Reports

Pete Strong reviewed the GASB 67 and 68 Reports with the Board in detail. Mr. Strong reported that the net pension liability decreased by \$47 Million in one year due to strong investment results. The Pension Fund has an 84.78% funded ratio as of the 2021 Fiscal-Year end at the market value of assets using the 2020 assumptions. The Plan has unrecognized gains that are now complementing to the actuarial value of assets.

6. REPORTS

Annual Valuation Report (Pete Strong, GRS)

Pete Strong reviewed the Annual Valuation results with the Board. The required employer contribution for Fiscal-Year End 2023 is \$15,595,218, which was \$83,582 higher than the previous year. The Fire District has a prepaid contribution of \$524,380 available to offset the employer contribution requirement. Mr. Strong then reviewed the benefit changes that were incorporated in 2021. Mr. Strong recommended further reductions to the Assumed Rate of Return and noted a large wave of DROP Entries, and that salaries increased more than expected. The Board lowered the Assumed Rate of Return from 7.5% down to 7.4% effective October 1, 2021. This assumption change caused the required contribution to increase by \$520,810 or 1.51% of pay; however, this amount was offset by net actuarial experience gain of \$5,878,819, which was more favorable than expected. Mr. Strong then reviewed the asset reconciliation along with the

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smoothing of investment gains. The Pension Fund had a market value return of 10.2% for the trailing five years. The Chapter 175 Premium Tax cumulative reserve increased from \$368,597 to \$869,162. Attorney Bonni Jensen noted the Board may adjust Pensions for retired members; however, the actuary has not accounted for the gains and losses necessary to pay an increase and noted the COLA cannot exceed 3%. Mr. Strong stated that he will need the prior Valuation Reports to account for all of the gains and losses that the Plan has experienced before GRS became the Actuary.

Jeff Lee made a motion to approve the 2021 Actuarial Valuation Report as presented. The motion received a second from Chief Spera, approved by the Trustees 5-0.

Jeff Lee made a motion based on the advice of the Investment Monitor that the Board expects to achieve a 7.4% Assumed Rate of Return for the next year, next several years, and the long-term thereafter. The motion received a second from Chief Spera, approved by the Trustees 5-0.

Ceredex Investments (Steve Loncar, Ceredex)

Steve Loncar reported that Ceredex is a wholly owned affiliate of Virtus Investment Partners with \$182 Billion in assets under management. Ceredex manages only value equity strategies. Ceredex manager \$9.9 Billion in assets. Mr. Loncar described the process which focuses on a traditional bottom-up stock selection approach to portfolio construction. Ceredex likes dividend stocks, all holdings within the portfolio must pay a dividend or the firm will not invest in that company. If a company stops paying dividends, then that holding will be sold. Companies that Ceredex invests in must have earning power, total return, and low volatility when added to the Portfolio; however, the manager will sell if any of these things is lost. Mr. Loncar then reviewed the sector allocation, portfolio characteristics and top holdings in detail with the Board.

Mr. Loncar noted that during the high beta COVID rally, Ceredex underperformed; however, from March 15 to now, the Portfolio has outperformed and recently, Ceredex again underperformed, particularly during period when the market does not focus on fundamentals. Burgess Chambers reviewed recommended changes to the Investment Policy, pointing out the target allocation changes, increasing real estate, and reducing fixed income. Mr. Chambers also noted that TA Realty has an April 1, 2022, Capital Call and that real estate will provide a better hedge against inflation.

Chief Spera made a motion to adopt the updated Investment Policy Statement as presented. The motion received a second from Ryan Sapp, approved by the Trustees 5-0.

Mr. Chambers informed the Board that the funding of the TA Realty Capital Call will come from the Vanguard High Yield fund.

Investment Consultant (Frank Wan, Burgess Chambers & Associates)

Burgess Chambers reported on the assets as of December 31, 2021, noting that the market has had losses due to increased volatility. Mr. Chambers reviewed the market performance by sector in detail with the Board and commented on his expectation that the Federal Reserve will raise interest rates and the impact that it will have on the markets when those rates increase. For the quarter, the Retirement System Earned \$15.6 Million or 4.5% (4.3% net), ahead of the benchmark rate of 4.4% and ranked in the top 41st percentile.

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The best performing assets were: TerraCap private equity at 16.0%, Atlanta Capital Large Cap Growth at 11.1%, Fidelity Large Cap Core at 11.0% and Lazard Global Infrastructure at 10.1%. For the One-Year trailing return, the Plan earned \$47.1 Million or 14.9% (14.2% net), beating the benchmark rate of 13.8%. The Three-Year trailing returns 17.2% (16.6% net), compared to the benchmark rate of 17.2%, the Five-Year trailing returns earned 11.5%, beating the benchmark rate of 11.3%. Mr. Chambers then reviewed each investment manager's quarterly results in detail with the Board and noted that supply costs are now slowing own development projects, which is keeping valuations higher on existing properties and as a result, real estate remains strong.

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

New COVID Bill: Mrs. Jensen informed the Board that the new COVID Bill had its first reading on January 11, 2022, however it appears that it has stalled, and Mrs. Jensen does not believe that it will be passed this legislative session.

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

Application Status Notification: Mr. Baur informed the Board that The Resource Centers has implemented a new Pension Application Status Notification System that notifies each member as to where their application is in the process. The system will give an expected completion date and if there are any delays in the processing of the application, the member will be notified as to what is causing the delay and it will provide an updated completion date.

Annual Verification Letter: Mr. Baur presented the Board with the Annual Verification Letter that is being mailed out to all retirees and reviewed the verification process in detail with the Board.

Fire District Insurance Compliance Policy: Carl Spencer addressed the Board that the Fire District is requesting to be listed as a covered party on the Pension Plan general liability insurance policies as well as the Resource Centers general liability insurance policy. There was a discussion regarding the insurance policies along with the reasons why the Fire District wants to be listed as a covered party.

Resource Centers Fee Increase Request: Mr. Baur presented the Board with a Fee Increase request and reviewed the request in detail with the Board. There was a lengthy discussion regarding the fee increase and Mr. Baur's request to separate the \$750 monthly charge for the interim financial statements to be separated out as a separate charge. Trustee Jeff Lee asked if Mr. Baur could provide the Board with a Fee Comparison to review to make an informed decision regarding the requested increase and the Board considered separating the interim financial statement fee from the monthly base retainer/

Jeff Lee made a motion to approve the \$750 monthly interim financial statement fee. The motion received a second from Ryan Sapp, passed 4-0 by the Trustees.

7. NEW BUSINESS

There was no new business to discuss at this time.

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8. OTHER BUSINESS

There was no other business to discuss at this time.

9. ADDITIONAL REPORTS

There were no additional reports at this time.

10. PUBLIC COMMENTS

No members of the public had any comment.

11. NEXT MEETING

The next Quarterly Board Meeting is scheduled for Thursday, May 10, 2022, at 2:30PM.

12. ADJOURNMENT

There being no further business, Jeff Lee made a motion to adjourn the meeting at 4:35 PM. The motion received a second from Ryan Sapp, passed 5-0 by the Trustees.

Respectfully submitted,

Jeff Lee, Secretary