

FIRE PENSION BOARD MINUTES
Wednesday, August 17, 2016 – 10:00 a.m.
City Hall, Council Chambers, Vero Beach, Florida

PRESENT: Chairman Terry Zokvic; Members: Kent Middleton, Henry Losey and Kenneth Chatam **Also Present:** Heather McCarty, Records Retention Specialist

Excused absence: Duane Bluemke

1. CALL TO ORDER

Today's meeting was called to order at 10:01 a.m.

2. AGENDA ADDITIONS, DELETIONS AND ADOPTION

Mr. Zokvic asked that they add the annual budget to the agenda and moved that to quarterly reports item 5-D). He requested that it be discussed first. The Board had no problems with this change to the agenda.

3. APPROVAL OF MINUTES

A) May 18, 2016

Mr. Losey made a motion to approve the May 18, 2016 minutes. Mr. Middleton seconded the motion and it passed unanimously.

* Item 5-D) was discussed next.

4. PUBLIC COMMENTS

None

5. QUARTERLY REPORTS

A) Highland Capital Management

Mr. Todd Wishnia, with Highland Capital Management, was present for today's meeting. He said that last quarter they saw continued volatility. He talked a little bit about what has been going on in the market. He went through their Investment Review Report for the period ending June 30, 2016 (on file in the City Clerk's office) going over page 5, Total Return Summary. He reported that they finished for the quarter with a cumulative return of 2.09%. He reviewed the strategy that they have been following for the last couple quarters. He said they are about 55% in corporate, which is what is driving the

bond market. He said that internationally, they came in just under the index. He added that right now the portfolio is yielding about 2.8%.

Mr. Dave West, with Bogdahn Consulting, explained it is a non-economic bull market. He said this boom has been largely liquidity driven with low rates. He asked Highland Capital how their model addresses the huge disparity and when they would see the need to change the theme.

Mr. Grant McMurry, with Highland Capital, said that there are a lot of people coming into the marketplace that are looking for and can't find in the fixed income marketplace, a safe consistent return. He said they think people are going to be flocking to higher yielding stocks. He explained how that doesn't show up in their model and they decided to deviate away from the model for the short term, but he does not know how long that will be for.

Mr. Chatam asked how the market can be so high with only little returns. Mr. McMurry explained that corporations are making money, but they are not reinvesting it in a way that is going to help the general economy and workers. He commented that their stocks were up about 10% for the fiscal-year-to-date (FYTD), which is more than they thought it would be. Also the bonds are up about 5% or 6%.

Mr. West referred to the Russell 1000 chart on page 4 in the Bogdahn Investment Performance Review report (on file in the City Clerk's office). He pointed out that Telecom Services are up 23.4% for the year and Utilities are up 31.5%. He said the third highest area is Consumer Staples, which is up 17.2%. He pointed out that everything else is down or marginally up at best.

Mr. Wishnia said that they are about halfway through the quarter and are up 3.1% for the FYTD.

B) Salem Trust

Mr. Brad Rinsem, with Salem Trust, reviewed their Class Action Report for the period April 1, 2016 through June 30, 2016, which had been previously provided to the Board members (on file in the City Clerk's office). He reported that there was one class action filed on behalf of the plan with CVS Caremark and also that the plan did not receive any settlements during that period.

Mr. Rinsem reviewed the foreign tax recapture program with Global Tax that had been previously presented to the Board and approved by them. He said everything has been done with the City and they now just need to get the letter signed by the Chairman.

Mr. Rinsem commented that he wrote an article for the FPPTA newsletter, The Voice, in regards to Globe Tax recoveries. He will send the article to the City Clerk's office to disperse to the Board.

Mr. Zokvic brought up some issues that he has been having getting on the Salem Trust website.

Mr. Rinsem said that he would get a specialist to work with them on the problems they are having.

Mr. Zokvic said one of the problems is they get locked out after three months, but they have quarterly meetings and sometimes don't pull them for three months. He added that the Finance Director has also experienced this issue.

Mr. Rinsem said he is not sure what can be done about that. He added that they are a Financial Institution under attack all the time. He said they would investigate it.

Mr. Zokvic referred to the Confirmation of Statement Recipients form that they were provided with (on file in the City Clerk's office). He said he has not received any electronic copies of any reports from Salem Trust since they switched over. He can go online and get them, but he does not receive them. He referred to the managers and what reports it shows them receiving.

Mr. Rinsem said that the Plan would be the one to authorize their managers to get the reports in one form or another.

Mr. Zokvic went over the master sheet and who received which reports.

The Board agreed that Salem Trust should send all of the reports to Ms. Cindy Lawson, Finance Director, and the City Clerk's office to distribute to the Board.

Mr Rinsem said that he will have the form updated and email it to the Chairman for his signature.

Mr. Chatam made a motion that they change their methods of receiving the reports and that they all come to the Clerk's office to be distributed to the Board members. Mr. Middleton seconded the motion and it passed unanimously.

C) Bogdahn Consulting

1. Money Market Changes for the Retirement Plan

Mr. Zokvic referred to the email from Bogdahn recommending they replace the Prime Money Market Fund with the Goldman Sachs Financial Square Treasury Obligations

Fund (on file in the City Clerk's office). He said the email indicated that Highland Capital was in agreement with the change.

Mr. Rinsem said he has two forms that need to be signed if the Board is in agreement with the change.

Mr. Losey asked what is the difference between this and where they are now.

Mr. West said they are currently in the Prime Money market fund, which allows the money market fund to invest in corporate short term paper. He said the fund they are recommending they move to is the money market fund that only allows for investment and short term U.S. treasury paper. He said that it is going to be at a lower yield, but the big difference is credit. He discussed the Goldman Sachs Treasury Obligation Fund. From their perspective, they feel they should move the assets over to the new fund.

Mr. Losey made a motion to go with the recommendation of their consultant and Salem Trust. Mr. Middleton seconded the motion and it passed unanimously.

The Chairman and the Board members signed the required forms.

Mr. West went over the quarter performance chart on page 2 in their report (on file in the City Clerk's office). He reviewed page 14, Asset Allocation vs. Target Allocation. He said their positioning has been excellent. They are overweight in domestic equity and real estate and they are underweight internationally and in domestic fixed income. He reviewed the bottom line on page 21, Comparative Performing Trialing Returns. He reviewed the numbers for the quarter, FYTD, and 1, 3, 5 and 7 year numbers for the Total Fund (Net) and Total Fund (Gross). He went over the returns shown on page 21 and 22 for Highland Equity and Highland International. He reviewed the numbers shown on page 23 for the Highland Fixed Income, Global Bond Pimco Fund, Templeton Global Bond Fund and Intercontinental. He said they had an excellent quarter and are up around 9% for the FYTD.

Mr. Rinsem went back to the Confirmation of Statement Recipients form discussed previously and the authorization to receive statements. He clarified that if a paper statement is authorized, that would be delivered to the recipient. In the instance of an electronic selection, it would be up to the individual to go into their website and download the reports. They would not be forwarded automatically by Salem Trust.

D) Annual Budget

* Note – this item was discussed after Item 3-A).

Mr. Zokvic asked that they discuss Globe Tax along with the annual budget with Ms. Cindy Lawson, Finance Director.

Ms. Lawson reported that the Globe Tax documents were approved at the August 16, 2016 City Council meeting. She said they have already been signed by the City Manager and she has given the originals to Salem Trust. She said they just need to have the letter signed by the Chairman and they are all set to go.

Ms. Lawson handed out a draft budget that included their year-to-date expenditures for fiscal year 2015/2016 (on file in the City Clerk's office). She reminded them that this is something they have to do annually now for State Pension compliance. She went over the budget, pointing out that the actual expenses for fiscal year 2014/2015 were \$45,820 and so far this fiscal year, they have spent \$35,397, which includes all their actuarial services from this past year. She said they could ask the managers if there are any increases planned this year before they adopt this budget.

Ms. Lawson explained that the State has made pension compliance a bit more complicated in terms of what's required to be posted on their website. She has made sure they are in compliance with that and posted a link to all of their requirements. She will continue to monitor that as they go forward.

Mr. Zokvic asked if there are any changes in the budget she sees that are needed.

Ms. Lawson said that it seems like a reasonable budget. She said she doesn't see any changes that she would suggest.

Mr. Zokvic asked the managers in attendance if they foresee any increases in fees coming up. Mr. West answered that he thinks they are, but he will look into it.

Mr. Zokvic asked if they can move money from one line item to another line item if there is money left over. Ms. Lawson said they should be able to make amends to the budget during the year if they need to.

Mr. Losey made a motion to adopt the same budget as last year as presented by the Finance Director. The motion passed unanimously.

Mr. West said their original agreement is from June 2011 and had a three year guarantee. He said he would probably be bringing an increase to their next meeting for their approval.

6. NEW BUSINESS

None

7. OLD BUSINESS

A) Status of Global Tax Fund

This item was discussed with item 5-D).

8. CHAIRMAN'S MATTERS

Mr. Zokvic said that the State School is November 2nd through the 4th in Orlando. He added that the Klausner conference is in March.

9. MEMBER'S MATTERS

None

10. ADJOURNMENT

Today's meeting adjourned at 11:15 a.m.

/hm