

FIRE PENSION BOARD MINUTES
Wednesday, November 16, 2016 – 10:00 a.m.
City Hall, Council Chambers, Vero Beach, Florida

PRESENT: Terry Zokvic, Chairman and Henry Losey, Secretary/Treasurer; Members: Kent Middleton, Henry Losey and Duane Bluemke **Also Present:** Heather McCarty, Records Retention Specialist

Excused absence: Kenneth Chatham

1. CALL TO ORDER

Today's meeting was called to order at 10:08 a.m.

2. AGENDA ADDITIONS, DELETIONS AND ADOPTION

The agenda was unanimously approved as presented.

3. ELECTION OF OFFICERS

A) Chairman

Mr. Losey made a motion to have Mr. Zokvic continue as Chairman. Mr. Middleton seconded the motion and it passed unanimously

B) Secretary/Treasurer

Mr. Middleton made a motion to have Mr. Losey continue as Secretary/Treasurer. Mr. Zokvic seconded the motion and it passed unanimously.

4. APPROVAL OF MINUTES

A) August 17, 2016

Mr. Losey made a motion to approve the August 17, 2016 Fire Pension Board minutes. Mr. Middleton seconded the motion and it passed unanimously.

5. PUBLIC COMMENTS

None

6. QUARTERLY REPORTS

A) Highland Capital Management

Mr. Todd Wishnia, with Highland Capital Management, was present for today's meeting. He went through their quarterly report for the period ending September 30, 2016 (on file in the City Clerk's office). He said in this third quarter, they saw a shift into more risky assets. They saw a move into Technology and Financials and Industrials. He reviewed the charts on page 4, Performance Returns for Various Periods. He pointed out that for the quarter, values were up 3.07%, compared to the benchmark, which was up 3.48%. He noted that in the bond market, they continue to take advantage of the corporate bonds. For the quarter over all, they finished at 3.02%, and for the fiscal year, they are up 10.58%. He talked a little about the market since President Trump was elected.

Mr. West asked if there were any portfolio adjustments they were recommending at this time. Mr. Wishnia answered that they haven't made too many changes as of yet.

Mr. Zokvic questioned why the cash level was up more this quarter than it was up last quarter. Mr. Wishnia said that he would have to look into that.

Mr. West said he thought that it was supposed to be allocated to the international equity portion.

Mr. Wishnia reviewed the asset allocation chart on page 3, Total Return Summary. He said this quarter, they ended with 4.7% in cash and last quarter which ended June 30, 2016, they were at 4.8%.

Mr. Zokvic expressed concern that it is a long time for the cash to be sitting there. He said they have been at the same level the last two quarters and he feels it should have been invested. Mr. Wishnia said that he will check into that.

Mr. Zokvic pointed out that the international portion only changed 0.8%. He added that last quarter, he thought they had directed them to get it invested.

Mr. West said because this a closed plan, they are operating at a high cash balance to make the required disbursements. Mr. Zokvic said that they transferred \$400,000 last quarter to cover that for six months.

B) Salem Trust

Mrs. Karen Russo, with Salem Trust, was present for today's meeting. She referred to their Class Action Report for the period July 1, 2016 to September 30, 2016 (on file in the City Clerk's office). She reported there were three class actions filed on behalf of their plan for this quarter and also that they did not receive any settlements.

Mrs. Russo said that they have sent out the annual verification letters.

Mr. Zokvic said that he prefers that they send them out in the middle of August and ask that they be returned by the middle of September.

Mrs. Russo said they would begin doing that next year.

Mrs. Russo reported that for GlobeTax, they received all the necessary paperwork back and they have sent everything to GlobeTax. She said it has been filed with the IRS and it is being reviewed now.

Mrs. Russo handed out copies of their SSAE No. 16 Audit (on file in the City Clerk's office). She explained this is an annual audit of their internal operations controls and procedures. The report is for the time period June 1, 2015 through June 30, 2016. She said she is happy to say that it is a good report. She referred back to their conversion, which caused them to have a not so good report for the period ending June 30, 2014. But the last two reports have been good. She noted that previously, they had always had good reports from 1998 through 2013.

Mrs. Russo referred to the Confirmation of Statement Recipients form (on file in the city Clerk's office).

Mr. Zokvic said that he is happy with just the City Clerk's office and the Finance Director getting the reports off of their website and having the City Clerk's office forward them to the members.

Mr. Losey agreed that he would prefer that.

Mrs. Russo said that she could make that change, but if they change their mind, they could always let her know and she could restart their access to the website.

Mr. Middleton made a motion that the reports just be sent to the City Clerk's office and the Finance Director and to have the Clerk's office send the quarterly and annual reports to the Board. Mr. Losey seconded the motion and it passed unanimously.

C) Bogdahn Consulting

Mr. Dave West, with Bogdahn Consulting, gave a recap of their firm and Bogdahn's role for the benefit of their new member, as well as a summary of how this Board functions. He said that their last year target was 6.25%. As of October 1st of this year, it goes down to 6%. He added that their average rate of return is around 7¼%.

Mr. West went through their Investment Performance Review for the Third Quarter of 2016 (on file in the City Clerk's office). He went over an administrative item on page 1 which was a letter from Mr. Mike Welker, President/CEO of the Bogdahn Group. He wanted to report that they would be having a name change early in 2017 and would be rebranding their firm. He added that there are no contract change requirements and the ownership will remain the same.

Mr. West continued in the report, going over the allocation differences on Page 12, Asset Allocation vs. Target Allocation. He reviewed page 19, Comparative Performance Trailing Returns. He reported the Total Fund (Net), for the fiscal-year-to-date (FYTD) was up 10.11%. He said that they are having an excellent year. He reviewed their three (3) and five (5) year numbers. He said their Total Fund (Gross) for the FYTD was up 10.72% (16th) versus the benchmark, which was up 10.89% (15th). He went over the returns on the Highland Equity portion of their portfolio. On page 20, he reviewed the Total International Composite of their portfolio. He pointed out that for the FYTD, it was up 3.8% (91st) versus the benchmark at 9.80% (57th). He commented that they are a little concerned about the international performance. On page 21, he reviewed the FYTD numbers for the Highland Fixed Income and the Total Global Fixed Income lines, which are the PIMCO Diversified Income Fund and the Templeton Global Bond Fund. He reported that Intercontinental was up 13.29% (17th) for the FYTD versus the benchmark, which was up 9.22% (93rd). He encouraged patience with the Templeton Global Bond Fund.

Mr. West reviewed the cash flow shown on page 16, Financial Reconciliation Fiscal Year to date. He reported they opened up the fiscal year on October 1, 2015 with \$7,178,707 and finished the fiscal year on September 30, 2016 with \$7,463,523. He reviewed the three (3) year rolling performance charts on page 25.

Mr. West said he had one more administrative item, which was to request consideration for a fee adjustment to the Bogdahn agreement. He said they are currently on a fixed fee of \$22,000 a year. He said they are requesting to increase that to \$25,000 a year. They are asking for an amendment to their standard agreement. He said it would be done under the current name effective this fiscal year with a three-year guarantee. He added that it is within the budget constraints that they passed.

Mr. Zokvic made a motion to approve the increase for the Bogdahn Group but that it needs to go through Mr. Adam Levinson, Board Attorney with Klausner and Kauffman first to get his approval. Mr. Losey seconded the motion and it passed unanimously.

7. NEW BUSINESS

A) Approval of 2017 Meeting Dates

Mr. Middleton made a motion to approve the 2017 meeting dates as presented (on file in the City Clerk's office). Mr. Losey seconded the motion and it passed unanimously.

8. OLD BUSINESS

None

9. CHAIRMAN'S MATTERS

None

10. MEMBER'S MATTERS

None

11. ADJOURNMENT

Today's meeting adjourned at 11:22 a.m.

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