

FIRE PENSION BOARD MEETING
Wednesday, August 15, 2018– 10:00 a.m.
City Hall, Council Chambers, Vero Beach, Florida

A G E N D A

- 1. CALL TO ORDER**
- 2. AGENDA ADDITIONS, DELETIONS AND ADOPTION**
- 3. APPROVAL OF MINUTES**
 - A) May 16, 2018 Regular Meeting Minutes**
- 4. PUBLIC COMMENTS**
- 5. QUARTERLY REPORTS**
 - A) Highland Capital Management**
 - B) Salem Trust**
 - 1. Class Action Report**
 - 2. Annual Verification Letter Update**
 - C) AndCo Consulting**
- 6. NEW BUSINESS**
 - A) Annual Budget for FY 2018/2019**
- 7. OLD BUSINESS**
- 8. CHAIRMAN’S MATTERS**
- 9. MEMBER’S MATTERS**
- 10. ADJOURNMENT**

This is a public meeting. Should any interested party seek to appeal any decision made by the Board with respect to any matter considered at such meeting or hearing, he will need a record of the proceedings and that, for such purpose he may need to ensure that a record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based. Anyone who needs a special accommodation for this meeting may contact the City’s Americans with Disabilities Act (ADA) Coordinator at 978-4920 at least 48 hours in advance of the meeting.

FIRE PENSION BOARD MIINUTES
Wednesday, May 16, 2018– 10:00 a.m.
City Hall, Council Chambers, Vero Beach, Florida

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

Excused Absence: Duane Bluemke

1. CALL TO ORDER

Today's meeting was called to order at 10:00 a.m.

2. AGENDA ADDITIONS, DELETIONS AND ADOPTION

None

3. APPROVAL OF MINUTES

A) February 17, 2018 Meeting Minutes

Mr. Losey made a motion to approve the February 17, 2018 minutes. Mr. Middleton seconded the motion and it passed unanimously

4. PUBLIC COMMENTS

None

5. QUARTERLY REPORTS

A) Highland Capital Management

Mr. Todd Wishnia and Mr. Grant McMurry, with Highland Capital, were present for today's meeting.

Mr. Wishnia referred to their report for the quarter ending March 31, 2018 (on file in the City Clerk's office). He said the market saw its first negative quarter after nine (9) straight gains. The S&P was negative about 76 basis points for the quarter. They also saw volatility, which had been lacking in 2017. He talked about what sectors were doing the best. In the report, he went over page 8, Domestic Equity Sector Allocation. He said they have been trimming back on financials, but it is still a big part of the portfolio at 26%. He reported that this quarter the value portfolio was up about 3% compared to the benchmark at 2.4%. He said with the fixed income, they are in line with the

benchmark. He said they were heavy in corporates and riskier assets in 2017 and they have trimmed back their corporate bonds and moved into short dated treasuries.

Mr. McMurry talked about some of the events going on in the market and some of the trends that they see happening. He commented that volatility is very sensitive to news. He expressed concern about the strength of the dollar.

B) Salem Trust

Mrs. Karen Russo, with Salem Trust, provided the Board members with a copy of their Class Action Report for the period January 1, 2018 through March 31, 2018 (on file in the City Clerk's office). She reported that there were no class actions filed on behalf of their plan and there were no class action settlements received for that period.

Mrs. Russo reported that they have renegotiated the contract with Chicago Clearing Corporation (CCC) in regards to their class action processing fee and have reduced that fee from 20% to 12%.

Mrs. Russo provided the Board members with a handout on Cyber Security (on file in the City Clerk's office), which highlighted some of the things Salem Trust is doing to be proactive. She also provided them a copy of their insurance certificate, pointing out that they now have a \$5 million policy for cyber insurance.

Mrs. Russo went over their quarterly Service Report Summary for the period ending March 31, 2018 (on file in the City Clerk's office). She noted that there would be a gathering at the FPPTA conference in June on Tuesday night and invited anyone in attendance to join them. She said she would not be able to attend their August meeting but she would still send the Class Action Report to them. She would also be sending the COLA information to them. They plan on sending out the annual "Are You Alive" verification letters on August 1st.

C) AndCo Consulting

Mr. Dave West, with AndCo Consulting, was present for today's meeting. He reported that this was not a good quarter for them. He said they were overweight in equities and international. They were also overweight significantly in investment grade bonds, which were the worst performers for the quarter. He commented that it could have been worse with all the volatility they have seen.

Mr. West went to their Investment Performance Review report for the period ending March 31, 2018 (on file in the City Clerk's office). He reviewed the charts on page 2, Major Market Index Performance, and page 3, Domestic Equity Style Index performance. He pointed out that both stocks and bonds were negative, which made a pretty tough operating environment, but luckily they had real estate and other assets to

help offset that some. He went over page 19, Financial Reconciliation Fiscal Year to Date. He reported for the quarter, they declined 1.26%. On a fiscal year to date (FYTD), they are at 2.3% versus 3.4%, which is 47 basis points under their self imposed benchmark. He said their three (3) and five (5) year numbers look good. He reiterated it was a pretty tough quarter and they ended up in the 94th percentile, which is not normal for them. This FYTD pulled them down below average, however their three (3) and five (5) year performances have been so strong that they are still running a very strong program relative to the peer group. He went over the international composite part of their portfolio, pointing out that the international equities declined much less than the benchmark. He went over the numbers for the fixed income strategy and the PIMCO diversified income fund shown on page 20, Comparative Performance Trailing Returns. He reported the Intercontinental strategy had a very strong quarter and was up 2.78%.

Mr. West went in the report to the cash flow shown on page 16, Financial Reconciliation Fiscal Year to Date. He reported that they opened on October 1, 2017 with \$7,854,406 and closed at \$7,698,058 for the quarter ending on March 31, 2018. He went over page 12, Asset Allocation vs. Target Allocation. He said they are still overweight in equities. He said the fixed income is a little below target policy. He said they do have a 20% floor minimum per their investment policy statement. He is recommending that they get their bond allocation back to the policy minimum, which currently stands at 12.8% for domestic fixed income and they need to be at a 20% minimum. He said he cannot give a hard dollar amount that they have to move, other than that they are recommending that they move their bond allocation up to the minimum and that would need to come from equities. He needs to coordinate what that dollar amount is with the manager, so he is making a broad based recommendation to bring their fixed income allocation up to policy minimum and to the extent necessary, using domestic equity as their source of funds to get that done.

Mr. Losey made a motion to follow the Consultant's recommendation and give them approval to bring it in line with what their strategy is. Mr. Middleton seconded the motion and it passed unanimously.

Mr. West said they would complete the necessary letter of direction with the exact dollars and the accounts for things to be moved around and will coordinate that with the manager for authorization.

Mr. Zokvic asked Mr. McMurry what his thoughts were on this. Mr. McMurry said that he agreed absolutely that they need to get it back in line.

Mr. Zokvic referred to page 35, Compliance Checklist. He said the actuarial earnings assumption should be 6% and not 6.25%. Mr. West said that he would get that corrected.

6. NEW BUSINESS

A) Tax Compliance Ordinance

Mr. Zokvic said that he spoke with their Actuary who advised that they needed to look into their 415 regulations in their Ordinance and do some housekeeping because they were getting to the point where they weren't meeting the standard. He said he contacted their Attorney, Mr. Adam Levinson, to have him review all the State laws and Federal laws to make sure they are up to date with everything because there have been so many changes. He said the City Attorney is finishing reviewing it. He has not spoken with the Finance Director regarding it yet. He explained that this is just bringing them up to the Federal Regulation Code. He said that after the City Attorney reviews it, they will have the Actuary prepare the impact statement.

Mr. Losey made a motion that they proceed with the Ordinance and allow the Chairman and Secretary/Treasurer to follow through with it to get it on the City Council agenda. Mr. Middleton seconded the motion and it passed unanimously.

7. OLD BUSINESS

None

8. CHAIRMAN'S MATTERS

Mr. Zokvic reminded them that there is a Conference in June in Tallahassee, which he is not attending.

Mr. Zokvic said that they need to find another Board member to sit on this Board. Mr. Middleton pointed out that they are limited because they have to be a City resident.

9. MEMBER'S MATTERS

Mr. Losey asked if the Ethics Class is going to be a requirement every year. Mr. Zokvic said that he was not sure.

Mr. Losey said that you have the Ethics Class now and the requirement of going to Tallahassee for the State class, which can be a burden. He feels that is part of the problem with not being able to recruit Board members. He said it appears that this is going to be part of the job.

Mr. Zokvic said that the State previously had only required them to get what was taught at the State conference, but because of so many issues with Board members, City Council members and County Commission members, they have decided to make anyone who has any authority in any level of government to take the Ethics Class.

Mr. Losey said that is a stumbling block he has run into when trying to find somebody to volunteer to be on the Board.

Mr. Zokvic commented that if they get to a point where they only have three (3) members, they are going to be in trouble because the State could try and close them down.

Mr. Middleton asked if there is any way to get an exemption for someone who lives in the County to come on the Board. Mr. Zokvic said they would have to contact the Attorney. He commented that the City is not going to put a County individual into their spot on the Board unless they have something in writing from the State saying that is allowed.

10. ADJOURNMENT

Today's meeting adjourned at 11:09 a.m.

/hm