

FIRE PENSION BOARD MINUTES
Wednesday, May 15, 2019 – 10:00 a.m.
City Hall, Council Chambers, Vero Beach, Florida

PRESENT: Charles Zokvic, Chairman; Henry Losey, Secretary/Treasurer; Member: Norman Wells **Also Present:** Records Retention Specialist, Heather McCarty

Excused Absence: Duane Bluemke and Kent Middleton

1. CALL TO ORDER

The Chairman called the meeting to order at 10:00 a.m.

2. AGENDA ADDITIONS, DELETIONS AND ADOPTION

Chairman Zokvic made a motion to move item 6-A) Budget to after item 3-A) Approval of minutes. The agenda was unanimously adopted as amended.

3. APPROVAL OF MINUTES

A) February 20, 2019 Meeting Minutes

Mr. Losey made a motion to approve the February 20, 2019 minutes. Mr. Wells seconded the motion and it passed unanimously.

4. PUBLIC COMMENTS

None

5. QUARTERLY REPORTS

A) Highland Capital Management

Mr. Todd Wishnia, with Highland Capital, went through their Investment Review report for the period ending March 31, 2019 (on file in the City Clerk's office). He went over the chart on page 8, Performance Returns for Various Periods. He talked about the fourth quarter of 2018, which he said was the worst equity performance for a quarter since 2008. He pointed out that in the first quarter of 2019, they responded by seeing the best quarter for the market since 2009, with the S&P gain 13.6% and getting most of the losses back. He went over some of the things going on in the market. He said during the quarter, all 11 sectors of the S&P were in positive territory, with technology being the biggest winner with almost a 20% gain. He reviewed the chart on page 9, Domestic Equity Sector Allocation. He pointed out that this quarter, they are a little ahead of the index and have been in line with the index for the past 6 weeks. He went over the International portion of the Portfolio, and reviewed the chart on page 11, Top Ten International Performance Returns for Various periods and page 12, International Equity

Country Allocation. He explained that when Emerging Markets underperform, they kind of struggle as well.

Mr. Zokvic referred to page 26, Purchases, and the corresponding commissions. He commented that their highest trades are all from Jones Trading at \$0.04, which is higher than all but one (1) and they do quite a bit of trading with them. Mr. Wishnia said that he would look into it.

Mr. Zokvic said that at some point they had signed a recapture agreement, but he does not know if that is still in effect.

Mr. West said that nothing would have changed with the recapture. Mr. Zokvic said that it hasn't come up in any discussion since they signed the agreement whether or not they have received anything. Mr. West explained the way they restructured all of their recapture agreements was to obligate that the managers are under fiduciary responsibility to seek best execution and to provide commission recapture opportunity. He added that it is optional whether the manager utilizes that commission recapture broker or not. Their decision should be based on best execution. He said they could go back and look at the current agreement.

Mr. Wishnia said that fixed income for the quarter was up 2.98%, versus the benchmark, which was up 2.94%, so they are right in line with the index. For performance, lower quality, such as BBB bonds, and longer maturity outperformed. He added that they are not able to participate in BBB bonds so they missed out on that, but he thinks they are doing fairly well.

Mr. Wishnia said there have not been any real changes. They did sell off a bit of the financials in the value portfolio and added some financials in the ADR portfolio. He said everything in the portfolio is running as they always have and there have been no changes in any portfolio managers or any processes.

B) Salem Trust

1. Change in Ownership of the Company

Mrs. Karen Russo, with Salem Trust, said that she had a few things to go over with them today, including the change in ownership of Salem Trust. She reported that as of April 1st, TMI Trust Company (TMI) has bought 100% of the stock of Salem Trust. She referred to the letter that went out April 1, 2019 (on file in the City Clerk's office). She went over some background on TMI. She pointed out TMI's expertise is in the corporate trust area. She said the management of Salem Trust has not changed and they will continue in their line of business. to Key West. She is supported by the Tampa office. The banking will eventually go to a different bank, but the intent is to stay with the same system and with the same account numbers. She added that at the upcoming conference, they would have individuals there from TMI at their reception.

Mr. West pointed out that anytime there is a merger or an acquisition, red flags go up. They met before the public announcement of the merger and went through the pertinent questions together and came away comfortable. He said the strategic intent of the merger is legitimate and they are comfortable with the responses that they received from Salem.

Mr. Zokvic asked if they are going to update all the letters. He pointed out that the direction letter from August 2015 on file still says Bogdahn Consulting and not AndCo.

Mrs. Russo said that nothing really needs to be changed for their merger. Mr. West added that they didn't need to change any of their engagement letters when they became AndCo.

Mr. Zokvic said that he wanted to make sure that there weren't any last minute issues with transferring money around to meet the deadlines to pay the retirees.

Mrs. Russo said that they could reach out and receive direction simply from Mr. West on rebalancing if they need to raise cash. There is nothing they need signed by a Trustee.

Mr. West asked if the Board would need to update or amend the engagement agreement with Salem. Mrs. Russo said no contract needs to be updated according to their legal department. If their attorneys feel differently, Salem would work with them.

Mr. Zokvic said the letter says they need to maintain three (3) months of a cushion, but as long as they are both in agreement and happy, then it is fine.

Mr. West said they could revisit that letter and update it. He added they would not be amending any language other than the name and having a current date on it.

2. Money Market Sweep Vehicle

Mrs. Russo referred to their backup on the money market sweep account (on file in the City Clerk's office). She said this is really just for their information and there is nothing that they have to do or decide. She explained that it is a fund that is set up in each of their accounts with Salem and any cash that comes into their account is automatically swept in to the money market fund so it doesn't sit there uninvested. She said everything has been done and has been taken care of. She went over the three (3) options that they have and said that every account they have is using the Treasury Fund.

Mrs. Russo handed out a copy of their Service Report summary for the period ending March 31, 2019 (on file in the City Clerk's office). She explained that this report comes out on a quarterly basis and is simply a report card letting them know how well Salem is doing in five (5) primary service areas.

3. Class Action Report

Mrs. Russo referred to their Class Action Report for the period January 1, 2019 through March 31, 2019 (on file in the City Clerk's office). She reported there were two (2) class actions filed on behalf of the plan during the period and they did not receive any settlements during the quarter.

Mrs. Russo said that she would not be able to attend their meeting in August. She asked if they would like to have someone attend in her place. She said she would be getting the COLA calculations to them for the Chairman to sign.

Mr. Zokvic said that she did not have to send anyone in her absence and that she could just send them the backup items for the meeting and they will go over it.

C) AndCo Consulting

Mr. Dave West referred to their Investment Performance Review report for the period ending March 31, 2019 (on file in the City Clerk's office). He went over the chart on page 2, Major Market Index Performance, and page 19, Comparative Performance Trailing Returns. He reported the Total Fund (Net) for the quarter had a very nice return with 7.73%, but for the FYTD, they had a deficit of -1.19%, which was a little disappointing. He reviewed the three (3) year and five (5) year numbers. He said the Highland equity portion was up 10.83% for the quarter and down -2.91% for the FYTD. He went over the international component shown on page 20. He pointed out that for the fixed income composite, Highland was doing quite nicely and was up 4.88% for the FYTD. He reported that PIMCO Diversified was up 5.82% (1st) for the quarter versus the benchmark, which was up 4.71%.

Mr. West said that Intercontinental continued to give off very nice returns and for the FYTD was up 4.16%. He said at this point they are not advocating any changes to their portfolio. He reviewed the cash flow shown on page 16. He reported that on October 1, 2018, they opened with \$7,943,359 and ended on March 31, 2019 with a market value of \$7,435,632. He reviewed page 12, Asset Allocation vs. Target Allocation.

6. NEW BUSINESS

A) 2019-2020 Budget

This item was discussed after 3-A).

Ms. Cindy Lawson, Finance Director, presented the Fire Pension Fund FY 19-20 Administrative Expenses Budget (on file in the City Clerk's office). She referred to the website and how they have revised it to include all of the Fire Pension compliance reports on the Fire Pension page so they could be found easily. She said she prepared

the budget the same as last year, even though they underspent it by \$20,000 to \$25,000 in Legal Services, Schools and Meetings, and Miscellaneous Expenses.

Mr. Zokvic said that he preferred to keep the budget the same. Ms. Lawson agreed and said that was her recommendation as well. She said this would also be posted on their website.

Mr. Losey made a motion to accept the 2019/2020 budget as presented by the Finance Director. Mr. Wells seconded the motion and it passed unanimously.

7. OLD BUSINESS

Mr. Wells reported that he attended the Annual Firefighters Pension Trustees' School.

8. CHAIRMAN'S MATTERS

None

9. MEMBER'S MATTERS

Mr. Zokvic said that Mr. Harry Cox passed away and that his wife has all of her insurance covered.

Mr. Losey commented that he was very disappointed in the Fire Department's lack of a response to his death.

10. ADJOURNMENT

Today's meeting adjourned at 11:03 a.m.

/hm