

**CITY OF FT. PIERCE POLICE OFFICERS' RETIREMENT TRUST FUND
MINUTES OF MEETING HELD
MARCH 16, 2017**

A quarterly meeting of the Board of Trustees was called to order on March 16, 2017 at 9:30 A.M. in the 2nd Floor Conference Room located at the Fort Pierce City Hall, Fort Pierce, Florida.

TRUSTEES PRESENT

John Schramm
Carlos Diaz
Frank Amandro
Carlos Villanueva
Daniel Flaherty – Absent

OTHERS PRESENT

Bonni Jensen, Klausner Kaufman Jensen & Levinson
Scott Baur, Brittany Park, and Kyle Tintle, Pension Resource Center
Burgess Chambers, Burgess Chambers & Associates
Christine Paz, City of Fort Pierce
Pete Strong, Gabriel, Roeder, Smith, & Co.

Carlos Diaz was introduced and welcomed to the Board as the City appointee replacing Melissa Harned. He has already completed Form 1, the annual financial disclosure.

PUBLIC COMMENTS

No Public Comment.

The election for Frank Amandro's election still needs to be handled. The notice for election will be sent with the employee pay check stubs.

APPROVAL OF MINUTES

The Trustees reviewed the minutes of the meeting held on September 15, 2016.

Daniel Flaherty made a motion to approve the minutes of the meeting held on September 15, 2016 as amended. Carlos Villanueva seconded the motion, approved by the Trustees 4-0.

ACTUARY'S REPORT

Mr. Strong appeared before the Board on behalf of Gabriel, Roeder, Smith & Co. to present the 2016 Actuarial Valuation. The Chapter 185 Premium tax receipts received for fiscal year end September 30, 2016 equaled \$302,837 versus the previous fiscal year amount of \$265,449. The excess contribution dramatically increased the reserve by adding \$129,629 which brought the balance up to \$211,676. For this Plan, the new mortality tables actually reduced costs slightly similar to what was being used as a conservative adjustment. The total contribution requirements increased slightly on October 1, 2016 to 9.68% versus 9.5% of payroll from the previous year due to slight overall experience loss. The experience loss resulting from higher than expected pay increases. Higher than expected turnover offset the pay increases somewhat; but the Plan also had a smoothed return of 6.1% compared to 7.25% expected.

The funded ratio of 93.9% dropped slightly from 94.9% the previous year. If the Plan used Market Value as the basis for the valuation the funded ratio would have been 90.9%.

Mr. Strong recommended lowering the return assumption to 7%. The assumption would be slightly more conservative based on Chapter 185 premium tax receipts and member contributions. Mr. Chambers reported that FRS (Florida Retirement System) does not plan to lower their assumption rate below 7.5% even though the state actuary recommends 7%. Ms. Jensen asked whether Chapter 185 premium tax increases are likely to continue. Mr. Strong discussed contribution requirements in light of higher premium tax receipts and payroll increases.

Mr. Strong explained the Plan smooths investment gains and losses over a four year period. If the Plan does not assume a lower investment return assumption, the Plan realizes investment gains or losses as positive and negative experience each year. He reviewed smoothing in detail. Mr. Chambers and Mr. Strong also considered the funding and the reserve. Mr. Chambers is more optimistic regarding market expectations as monetary policy returns to normal. He also sees the current administration adding to an improving economy. Mr. Strong would avoid lowering the member contribution until the portfolio rebuilds a healthier reserve.

Mr. Baur discussed in detail money market account used to back members selecting the fixed interest option. After some discussion the matter was tabled.

The Board considered the investment assumptions. Mr. Schramm voiced concern about further straining member contributions while not building the reserve. The Board also considered a gradual phase in to change the assumption. Mr. Amandro suggested that they leave the assumption as it is and reconsider changing it at the next meeting. Ms. Jensen discussed a motion to set Board expectations for the assumption based on advice of consultants.

Frank Amandro made a motion to keep assumption as is at 7.25%. Carlos Diaz seconded the motion, approved by the Trustees 4-0.

Frank Amandro made a motion to approve the Valuation. Carlos Diaz seconded the motion, approved by the Trustees 4-0.

INVESTMENT CONSULTANT REPORT

Mr. Chambers showed annual snapshots of asset allocation over time. He stated that asset allocation drove performance more than manager selection. He made a comparison of current allocation to target allocations. The asset allocation is designed to create greatest likelihood for the Plan to earn 7.25%. Fixed income is expected to drag on overall performance as interest rates rise, but Mr. Chambers expects gains on equities to offset fixed income. He reviewed the cash flows for the trailing 5 years. The Plan has some index holdings for portions of the portfolio. Returns ranked in the top 24% for the last twelve months. The MLP has had great performance recently after the initial losses. The economy has grown only at 2% as the banking system healed after 2008, but Mr. Chambers sees higher growth driven by proposed infrastructure spending by the current administration. FMI has a new less expensive share class, that Mr. Chambers recommends changing to the lower cost option. Both small caps and high yields performed well, along with a steepening yield curve, an indication of an improving economy.

The Plan had total assets of \$12,263,679 as of December 31, 2016. The portfolio gained 0.4% against 0.3% net for the quarter compared to 1% benchmark. 8.3% gross for the calendar year compared to 8.9% bench ranking in the top 24th percentile as previously noted. Mr. Chambers reviewed the individual manager performance and compliance with the investment policy. The Plan has an overall allocation of about 60% assets to equities or asset classes defined as equities. Mr. Chambers considered the strategic allocation balanced not aggressive. He now recommends

the Board reduce the allocation to private Real Estate as interest rates increase. The current generation can no longer afford house ownership, but if policy shifts to encourage ownership, rentals will take a hit. Retail properties are also not doing well. Mr. Chambers will continue to monitor allocation. The Real Estate currently has no queue to exit and the portfolio has quarterly liquidity. The portfolio has an underweight to international but recent returns are returning allocations to target. He noted that CS McKee is cutting their management fee.

Frank Amandro made a motion to move FMI to the new institutional share class at the lower cost. Carlos Diaz seconded the motion, approved by the Trustees 4-0.

There was a proposed addendum change to reduce the fee to 35bp flat along with the newly required public records addendum.

Frank Amandro made a motion to accept the addendum change. Carlos Diaz seconded the motion, approved by the Trustees 4-0.

FINANCIAL REPORT

Ms. Paz reviewed the interim financial statement. The Board received and filed the report.

BENEFIT REPORT

No benefit approvals.

ATTORNEY REPORT

Ms. Jensen explained the IRS mileage rate went down from \$0.540 to \$0.535. She provided a copy of an article from Miami Beach related to fraud. Ms. Jensen questioned the security measures currently in place with custodians. She suggested looking into cyber liability insurance because it is not very expensive and it provides coverage. Ms. Jensen advised the Board consider retained liability compared to City, Custodian, or Service Providers. The City has a cyber consultant and a committee that meets quarterly and Mr. Amandro sits on this committee. There are two bills in the legislature that might impact public safety plans. A bill expanding presumptions for firefighters and another bill looking to set or regulate investment returns assumptions. The Board would reduce return assumptions by 0.25% every year until matching the capital market forecasts. Mr. Strong has a much lower future expectations due to the drag on interest.

ADMINISTRATIVE REPORT

Mr. Baur discussed the cycle for the generation of quarterly DROP statements.

Ms. Paz submitted the Annual Report on March 15, 2017. The report does not have any signature requirements.

There being no further business and the next meeting being scheduled for June 15, 2017, the meeting adjourned at 11:11 A.M.

Respectfully submitted,
