

City of Lake Mary Firefighters' Retirement System
Meeting of November 7, 2014

I. CALL TO ORDER

Chairman Gabe Vella called the meeting to order at 7:37 A.M. Those persons present included:

TRUSTEES

Gabe Vella, Chairman
Shawn Anastasia, Secretary
Martin Bel
Jeff Koltun
Karen Gudinas

OTHERS

Scott Christiansen, Christiansen & Dehner, PA
Dianne Holloway, City of Lake Mary Finance Director
Audrey Ross, Pension Resource Centers
Frank Wan, Burgess Chambers & Associates
Ed Rick, Eagle Asset Management
Stephanie Geller, Miller Howard Investments
Kim Calhoun, Westwood Management
Matthew Na, Westwood Management

II. APPROVAL OF MINUTES

The Trustees reviewed the minutes from the regular meeting on August 8, 2014.

Karen Gudinas made a motion to approval of the minutes from the regular meeting of August 8, 2014. Gabe Vella seconded the motion and passed by the Trustees 5-0.

III. REPORTS

Jeff Amrose, Gabriel, Roeder & Smith (GRS)

Mr. Amrose noted that the required contribution dollar amounts that are reflected in the report are estimates only because the actual contributions should be based on the percentage of the actual payroll for the fiscal year. He reported that the employer contributions will slightly decrease from 25.50% to 24.02% for the fiscal year ending 9/30/2016. The decrease in employer contributions was mainly due to lower than expected salary increases and also there were fewer retirees than expected. Mr. Amrose reviewed the changes that were implemented during the year and stated that the assumed rate of return will also decrease by another .1%, making the current rate 7.6% effective October 1, 2014. He noted that the Plans goal is to eventually decrease their assumed rate of return to 7.5%, although he commented that the current rate is average and in line with Foster & Foster's other clients. During the fiscal year the Plan had an actuarial net gain of \$573,097 and the Plan's funded ratio also increased this year from 82.6% to 86.2%, which is still very high compared to most plans. Mr. Amrose reviewed the participant data and commented that there are now 38 active members, 5 retired members, 2 disabled members and no vested. He reviewed the Plans administrative fees and stated that altogether the Plan is paying about 77 basis points for all expenses which is very minimal. Lastly he noted that the Plan is currently using the RP2000 generation mortality table which is a little more conservative, but is a better fit for this Plan.

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Jeff Koltun made a motion to approve the September 30, 2014 Actuarial Valuation Report as presented by the Actuary. Gabe Vella seconded the motion and passed by the Trustees 5-0.

Lastly Mr. Amrose explained that a new bill (Senate Bill 534) was recently passed and it will increase the GASB requirements, which ultimately means that the Actuary now has more reporting requirements that they will need to meet. In this year's valuation report GRS will need to complete 5 additional calculations that are now being required by the State. He briefly explained to the board what the new calculations consist of, but he reassured the board that these calculations are for informational and accounting purposes only and will not have any impact on the plan or the plan's funding requirements. He stated that the fee range for GRS to complete these additional reports is between \$2,500-\$3,000. He explained that one of the additional reports require the fund to report at 2% below their funding level so for comparison purposes most Boards/Actuary's are doing an additional report reflecting the fund at 2% above their funding rate as well. All of these additional reports are required to be published on the City's website once they are completed so therefore Mr. Christiansen recommended completing the additional report reflecting the funding at 2% over as well. The Trustees discussed the additional Senate Bill 534 requirements as well as the additional GRS fee.

Gabe Vella made a motion to approve the GRS fee range of \$2,500-\$3,000 to complete the additional reports as required under the new Senate Bill 534 and to also include the 2% over funding report as well. Karen Gudinas seconded the motion and passed by the Trustees 5-0.

Lastly Mr. Amrose explained that last year GRS approached the Plan for a fee increase due to the new GASB 68 reporting requirements, now this year they are having to ask for more fees due to the new Senate Bill 534 requirements, and then next year there will be an additional fee for the GASB 67 reports which is the City's responsibility (Mr. Amrose noted that he will be sending out a letter regarding GASB 67 shortly).

Ed Rick, Eagle Assets Management

Mr. Rick updated the board on the firm and noted that Eagle Boston who was a subsidiary of Eagle Assets has left, but this change does not have any impact on this fund's portfolio. He reviewed the SMID cap fund and noted that for the quarter ending September 30, 2014 the fund was down -4.34% versus the index at -5.35%, but for the one year they are still up at 11.74% versus the index at 8.97%. Mr. Rick noted that consumer discretionary was the worst performing sector during the quarter but since the quarter ended they have reallocated out of it. On the fixed income side things are moving along a lot slower, although they were positive for the quarter at 0.10% versus the index at 0.17 and for all other time periods they are in line with the index.

Frank Wan, Burgess Chambers and Associates (BCA)

Mr. Wan reviewed the performance for the quarter and fiscal year ending September 30, 2014. The fund has a slight loss for the quarter net of fees at -1.2% versus the index at -0.9%, but for the fiscal year the Fund did great at 10.2% net of fees versus the index at 11.6%. Mr. Wan briefly reviewed each Managers return for the quarter and the fiscal year. He noted that Eagle is doing a great job in SMID and they are starting to improve on the fixed income side. American Realty has called all their capital calls at this point. Overall Mr. Wan commented that the portfolio is doing great and is becoming well diversified, although he does have some other ideas as well.

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Mr. Wan reviewed his handout regarding International Equities and stated that he thinks the portfolio can be diversified a little bit more. He reviewed and compared Emerging Markets to the S&P 500 as well as International mutual funds. Mr. Wan explained why you would not want to hire an active manager for international equity, nor would you want to choose an index fund. The Trustees reviewed some international equity mutual funds and Mr. Wan's recommended American Europacific because they are larger and would accept this Plan because of their size. Also Europacific's fees are less than other others and index funds at only 4 basis points. The Trustees' had a very lengthy discussion on international equity and where they would take the funds from to fund Europacific. Mr. Wan's recommendation is to move completely out of the MSCI index (I-Shares fund) and transfer all of it over to American Europacific.

Martin Bel made a motion to close out the MSCI index (I-Shares fund) and transfer the total balance to American Europacific. Shawn Anastasia seconded the motion and approved by the Trustees 5-0.

Mr. Wan explained that the Plan's investment policy guideline would need to be revised to include MLP's assuming the Plan hires an MLP manager after today's presentation. He noted that the Ordinance was revised after the last meeting to allow MLP's in the Plan. Ultimately the Plan would need to reduce their large-cap holding from 28% to 23%, and add that 5% allocation to MLP's. The Trustees discussed and noted that they are confident that they are going to allocate some money to MLP's, it was just a matter of with what manager.

Gabe Vella made a motion to approve and accept the revised investment policy guidelines as presented. Martin Bel seconded the motion and passed by the Trustees 5-0.

Scott Christiansen, Christiansen & Dehner

Mr. Christiansen explained that the Plan received a letter to consent for solicitation from American Realty. He noted that this will allow American Realty to start investing internationally, but it will not have any impact or effect on this Plan or this Plan's portfolio. Mr. Christiansen commented that he does not have any objections to the Board signing.

Gabe Vella made a motion to approve and accept the American Realty consent for solicitation letter. Jeff Koltun seconded the motion and approved by the Trustees 5-0.

Mr. Christiansen presented the Board with the 2015 meeting dates.

Karen Gudinas made a motion to approve and accept the 2015 meeting dates as presented. Jeff Koltun seconded the motion and approved by the Trustees 5-0.

Mr. Christiansen stated that the board needs to declare their actuarial assumed investment rate of return for next year, the next several years and long term.

Gabe Vella made a motion to declare that based upon their Investment Consultants advice, the Plan's actuarial assumed investment rate of return for the next year will be 7.6%, and 7.5% for the next several years, and 7.5% long term. Shawn Anastasia seconded the motion and approved by the Trustees 5-0.

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Audrey Ross, Pension Resource Center

N/A

IV. NEW BUSINESS

Ms. Anastasia stated that the nomination period for his election ends today and as of current there have been no other nominees besides himself. He commented that he will notify Ms. Ross by the end of today on the final results.

Gabe Vella made a motion to reappoint Jeff Koltun as 5th Trustee. Karen Gudinas seconded the motion and approved by the Trustees 5-0.

Ms. Ross stated that Mr. Koltun is the 5th Trustee and is nominated by the 4 other Trustees and his term is set to expire on December 31, 2014.

V. PLAN FINANCIALS

Disbursements

The Trustees then reviewed the Warrant dated November 7, 2014 for payment of invoices.

Jeff Koltun made a motion to approve the Warrant dated November 7, 2014 for payment of invoices. Karen Gudinas seconded the motion and approved by the Trustees 5-0.

VI. PUBLIC COMMENTS

N/A

VII. MASTER LIMITED PARTNERSHIP (MLP) PRESENTATIONS:

Miller/Howard Investments – Stephanie Geller

Ms. Geller introduced herself to the Board and stated that Miller Howard has been investing in MLP's since 1997. Miller Howard started as a research firm back in 1984 and then they bought their first company in 1991, which soon lead to their MLP strategy in 1997. Ms. Geller explained what a MLP was and stated that a MLP combines tax benefits of a partnership structure with the liquidity of equities. Miller Howard has a huge research team and they constantly have analyst out there meeting with companies to get a better understanding. Miller Howard is always researching names that are not held in the portfolio as well for future investments. Ms. Geller reviewed the portfolio characteristics and explained that there are about 19 companies held in the portfolio and there is about a 10-15% turnover rate per year. As of September 30, 2014 year to date the fund was up 24.1% and since inception they are up 31.4%. Lastly Ms. Geller explained why Miller Howard is different from the other firms that invest in MLP's. Miller Howard's strategy is different in that they invest in a separate account versus a commingled fund because to them a separate account is more transparent. Lastly Miller Howard's fee is 75 basis points which is in line with other MLP managers.

Westwood Management – Kim Calhoun & Matthew Na

Ms. Calhoun and Mr. Na introduced themselves. Ms. Calhoun stated that she has been with the firm for 19 years and works with the Florida clients. Mr. Na started with the firm in 2008. Westwood is based out of Texas and was funded in 1983 and they currently

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have \$19.8B in assets. Ms. Calhoun commented that public funds are about a third of their portfolio and lastly their firm has no debt. She reviewed why Westwood is unique as well as other investments they manage. Mr. Na reviewed the portfolio and noted that they are diversified with a low turnover rate. For the quarter ending September 30, 2014 they were up 1.3% net of fees versus the index at 2.7% and for the year to date they are also ahead at 21.7% versus 19.5%. He reviewed their sector weightings and noted that their underweights and over weights. Mr. Na explained that they capture about 83% of the downside and about 109% on the upside. This is a commingled fund with daily liquidity and the fee is 95 basis points.

The Trustees has a very lengthy discussion on the MLP presentations. They noted that both Managers are well qualified so it was just a matter of what firm was a better fit for this Plan in regards to fees and the account vehicle type.

Gabe Vella made a motion to hire Miller/Howard Investments and to give Mr. Wan permission to negotiate the fees as well as direct Mr. Christiansen to prepare the contract. Karen Gudinas seconded the motion and approved by the Trustees 5-0.

VIII. ADJOURNMENT

There being no other business and the next meeting having previously been scheduled for Friday February 13, 2015 the meeting adjourned at 10:55 AM.

Respectfully submitted,

Shawn Anastasia, Secretary