

City of Lake Mary Firefighters' Retirement System
Meeting of November 4, 2016

I. CALL TO ORDER

Secretary Shawn Anastasia called the meeting to order at 7:36 A.M. Those persons present included:

TRUSTEES

Gabe Vella, Chairman
Shawn Anastasia, Secretary
Jeff Koltun
Karen Gudinas
Martin Bel (departed 8:31am)

OTHERS

Scott Baur, Resource Centers
Ed Rick, Eagle Asset Management
Frank Wan, Burgess Chambers & Associates
Jeff Amrose, GRS
Dianne Holloway, City of Lake Mary Finance Director

It was noted that Mr. Christiansen had a medical emergency and will not be attending today's meeting.

II. APPROVAL OF MINUTES

The Trustees reviewed the minutes from the regular meeting on August 5, 2016 and the special meeting held on September 27, 2016.

Jeff Koltun made a motion to approval of the minutes from the regular meeting of August 5, 2016 and the special meeting of September 27, 2016. Karen Gudinas seconded the motion and passed by the Trustees 5-0.

III. REPORTS

Ed Rick, Eagle Asset Management

Mr. Rick gave a brief market update during the quarter ending September 30, 2016. He stated that it was a strong quarter in a low quality rally. Small cap outperformed large cap and even though the market environment did not favor their portfolio or management style, the Plan still had a great quarter at 8.84% versus the index at 6.56%. He reviewed the performance attribution as well as the detractors and contributors during the quarter. The Board discussed the expectations for the portfolio in light of the possible interest rate increases. Mr. Rick briefly reviewed the fixed income side and noted that they shifted from Treasuries to Corporates during the quarter, which was in preparation of narrowing the yield spreads. Mr. Wan commented that he only expects about a 2% return from bonds over the next 5 years. Mr. Wan noted that he has no recommendations to make any changes with Eagle, he is pleased with their performance.

Frank Wan, Burgess Chambers and Associates (BCA)

Mr. Wan reviewed the Plan's performance and noted that they have had impressive gains over the last 5 years adding up to \$5.2M from investments with an average return of 9.4% per year. For the quarter ending September 30, 2017 the Fund was up 3.7% net of fees and 9.9% net of fees for the fiscal year. Mr. Wan reviewed each manager's performance during the quarter and noted that he is very disappointed with Miller Howard's performance and will keep an eye on them. Overall it was a great quarter for this Plan.

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Mr. Wan passed out some material on Schwab who recently introduced a REIT ETF which is similar to the one that is currently being held in the portfolio, but with a lower expense ratio. Therefore Mr. Wan is recommending that the Board move from the SPDR REIT (with Wilshire) to the Schwab REIT.

Gabe Vella made a motion to authorize the transfer from the SPDR REIT to the Schwab REIT per the recommendation of the Plan's Investment Consultant. Karen Gudinas seconded the motion and passed by the Trustees 4-0.

Lastly Mr. Wan reviewed his proposed fee increase with the Board. He is proposing an annual increase from \$15K to \$18K, or he offered a 10.5 basis points alternative based on assets. The Trustees discussed the 2 options offered.

Gabe Vella made a motion to approve a revised fee schedule of 10.5 basis points based on the Plan's asset at the end of each year. Karen Gudinas seconded the motion and passed by the Trustees 4-0.

Jeff Amrose, GRS

Mr. Amrose stated that he was here today to address the September 30, 2016 Actuarial Valuation Report and also the experience study he completed at the request of the Board. He explained that the Valuation being presented today does not include any assumption changes other than the required mortality table change. Mr. Amrose reported that this pension Plan is in good health with a required employer contribution rate of 25.39% of covered payroll for the fiscal year ending September 30, 2018, which is at the lower range of his clients. The contribution rate has remained very stable over the years and this year it actually decreased from 26.29% to 25.39%. Mr. Amrose stated that the decrease in contributions was primarily due to the mortality table change. The Plan also had a net gain this year of \$181,384 which was due to lower than expected salary increases and better than expected returns. The Plan's funded ratio increased as well from 86% to 89.8%. Mr. Amrose discussed the State money and explained that since the Board has no mutual consent, 50% of the any premium tax receipts above \$169,753 will go to the Share accounts by default. He noted that the Plan received \$168,155.99 for 2015. The Plan's admin expense remain relatively low at 80 basis points overall. Mr. Amrose explained that he would like to review the experience study prior to the Board approving this Valuation report in case there are any changes.

Mr. Amrose explained that the experience study evaluates the assumptions used by the Plan. The assumptions do not determine the cost of the Plan, but it determines the timing of contributions into the Plan. First he reviewed the salary increase assumption which is currently at 7.5% and this has been lower than expected. Therefore he would recommend to the Board a table of rate assumption increase. This change would decrease the City's contributions and increase the Plan's funded ratio. Mr. Amrose reviewed other assumptions changes he made such as the retirement rates, turnover rates, disability rates, and mortality rates. The net of all these changes will decrease the required contributions by 7.45%. He explained that by lowering the Plan's assumed rate of return from 7.5% to 7% was a 2% decrease in itself. The Trustees had a discussion on the proposed assumption changes and also questioned what kind of impact the proposed ordinance will have because it is expected to increase the required contributions even though the Ordinance includes a cap on overtime hours. Mr. Amrose stated that the recommended assumption changes would offset the impact of the

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proposed Ordinance changes. The Trustees had a lengthy discussion on the recommended assumption changes.

Gabe Vella made a motion to approve the experience study as presented setting forth the assumption change recommendations. Jeff Koltun seconded the motion and passed by the Trustees 4-0.

Mr. Amrose noted that he will revise the September 30, 2016 Actuarial Valuation report to reflect the assumption changes that were just approved.

Lastly the Board set their assumed rate of return for the next year, the next several years, and the long term thereafter.

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, the next several years, and the long term thereafter to be 7%. Jeff Koltun seconded the motion and approved by the Trustees 4-0.

Scott Baur, Pension Resource Center

Mr. Baur stated that the proposed Ordinance regarding FLSA and overtime has been presented to the City and the impact statement has been completed as well.

Mr. Baur presented the Board with the 2017 meeting dates.

Gabe Vella made a motion to approval the 2017 meeting dates as presented. Jeff Koltun seconded the motion and passed by the Trustees 5-0.

IV. NEW BUSINESS

Mr. Baur stated that Mr. Koltun's term is set to expire and his seated is appointed by the other 4 Trustees on the Board as a 5th Trustee.

Shawn Anastasia made a motion to reappoint Jeff Koltun as Trustee on the Board for another 2 years. Karen Gudinas seconded the motion and passed by the Trustees 5-0.

Mr. Baur commented that Mr. Anastasia's term is also set to expire on December 31, 2016. His position is elected by the other active members. Mr. Vella commented that he will post a notice in regards to this election and will follow up at the next meeting.

V. PLAN FINANCIALS

Disbursements

The Trustees then reviewed the Warrant dated November 4, 2016 for payment of invoices.

Jeff Koltun made a motion to approve the Warrant dated November 4, 2016 for payment of invoices. Gabe Vella seconded the motion and approved by the Trustees 5-0.

VI. PUBLIC COMMENTS

N/A

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VII. ADJOURNMENT

There being no other business and the next meeting having previously been scheduled for Friday February 3, 2017 the meeting adjourned at 9:40 AM.

Respectfully submitted,

Shawn Anastasia, Secretary