

City of Lake Mary Firefighters' Retirement System

Meeting of November 1, 2019

I. CALL TO ORDER

Secretary Shawn Anastasia called the meeting to order at 7:35 A.M. Those persons present included:

TRUSTEES

Gabe Vella, Chair (7:55 AM)
Shawn Anastasia, Secretary
Martin Bel
Karen Guidinas
Jeff Koltun

OTHERS

Pedro Herrera, Attorney (Sugarman & Susskind) by phone
Frank Wan, Investment Consultant (Burgess Chambers Assoc.)
Jeff Amrose, Actuary (Gabriel Roeder Smith)
Brent Mason, Lake Mary Finance Director
Scott Baur, Administrator (Resource Centers)

II. PUBLIC COMMENTS

No members of the public had any comment.

III. APPROVAL OF MINUTES

The Board noted a correction to the draft Minutes for August 2, 2019.

Martin Bel made a motion to approve the August 2, 2019 Minutes as amended. Jeff Koltun seconded the motion, approved by the Trustees 4-0.

IV. REPORTS

Annual Actuarial Valuation (Jeff Amrose, Gabriel Roeder Smith)

Mr. Amrose reported that the plan was in strong and sound shape. He stated the required City contribution was now 29% of pay, and that contribution rate remained very stable over time. The 92% funded ratio is also healthy and higher than the average plan. And finally, the Board set all reasonable assumptions for the annual valuation, a contributing factor to the long-term stability of the plan.

Jeff Amrose reported that the employer contribution increased from 27.32% for the current year to 29.32% for the 2021 fiscal year. He discussed entry age normal cost method used to derive the annual contribution requirement. The method consists of two parts: the employer normal cost to fund current benefit accruals that generally remains level, and an amortization payment on any unfunded accrued liability. The increase in the required contribution from the prior year resulted from the expiration of a credit base amortization payment and an increase to the normal cost proportionate to increases in payroll. Finally, the state mandated benefits for cancer increased overall contribution requirements by \$5,125 per year or 0.17% of pay as well.

The funded ration increased from 91.1% to 92%. The plan also had a small experience loss on investments, with a smoothed gain of 6.4% compared to the 7.0% return on assets assumed by the Board. Jeff Amrose explained that another amortization base of \$88,434 will expire next year, and one for \$177,000 will expire the following year. These amounts will lower the future contribution requirements.

Mr. Amrose discussed the new cancer presumptions in greater detail. No real experience exists to derive the cost for the additional state mandated benefits. The actuary assumed that the incidence of members with a duty disability will increase from 75% to 85% from members who might otherwise qualify for a non-duty disability benefit. He reviewed the Share Account allocation and premium tax receipts. An additional \$8,652 will get allocated to member Share Accounts from premium tax receipts of \$187,057

received by the plan in 2019. Mr. Amrose provided further detail for the required City contribution for the 2021 fiscal year, breaking down the normal cost of benefits at 22.98% of pay.

Mr. Amrose explained the 5-year asset smoothing used by the plan, which reduces volatility of contributions that might otherwise impact the City from near-term volatility in the market. The average return will increase next year as a loss from 2016 drops out of the average. The actuary had no recommendations to modify or update any of the current assumptions set by the Board.

Gabe Vella made a motion to approve the October 1, 2019 annual valuation. Shawn Anastasia seconded the motion, approved by the Trustees 5-0.

Gabe Vella made a motion, based on the advice of the Investment Consultant, that the Board expects to achieve a 7% net return on assets for the next year, the next several years, and the long-term thereafter. Martin Bel seconded the motion, approved by the Trustees 5-0.

Mr. Amrose provided the annual employee pension benefit statements to the Board.

Investment Consultant (Frank Wan, Burgess Chambers and Associates)

Mr. Wan reported the Federal Reserve Board reduced interest rates 3 times since the last meeting. The investment portfolio has positive alpha, a measure of performance adjusted for the amount of risk or volatility in the portfolio, for trailing periods. The growth in plan assets results primarily from the positive investment results. The 7.1% average annual return for the trailing 5-year period ranks in the top 11% of the peer manager comparison universe. The plan finished the quarter ending September 30, 2019 with totals assets of \$18,734,801. Mr. Wan also reported that assets invested in index funds and products have now surpassed the assets in actively managed portfolios. The plan assets gained 1.0% for the quarter ending September 30, 2019 to equal the benchmark gain of 1.0% for the same period. The assets gained 5.2% for the fiscal year compared to 5.8% for the benchmark.

Mr. Wan explained that the convertible ETF that replaced SSI as a convertible manager has not tracked the convertible index well recently. The bond holdings gained 10.9% for the fiscal year to finish as the strongest asset class for the period. Mr. Wan further discussed the market environment, with markets driven in total by the performance of about 40 large companies. Those 40 companies represent about 30% of the total global GDP.

Mr. Wan discussed index funds and the concentration of assets to a few companies in a cap-weighted index such as the S&P. Mid-cap indices are less concentrated. Passive funds, meanwhile, outperformed their actively managed counterparts now for 9 of the past 11 years. Large cap active managers under perform their benchmarks 85.1% of the time, 85.7% for mid-cap managers, and 88% for small cap managers. This plan allocates about 70% of assets to active managers and 30% to passive positions.

Attorney Report (Dave Robinson, Sugarman & Susskind)

Karen Guidinas confirmed that she will leave the Board at the end of her current term. The Board briefly discussed both her long service on the Board and possible replacements.

Mr. Herrera updated the Board regarding the status of the Kyle Fuller duty disability application. Ch 175 Florida Statutes requires the Board to engage an independent medical review. He described the IME (Independent Medical Exam) process, but that process and evaluation often changes depending on the nature of a disability claim. The Board first gathers all medical records, then provides those records to a

Board physician or specialist for review. That provider completes an examination in combination with the job description to make a recommendation if the member can continue to perform the useful and efficient service as a firefighter paramedic. The Board then determines if the disability is total, permanent, and duty related. The Department will indicate whether any other position exists for the employee given the physical limitations and requirements for the job.

Mr. Herrera reported that updates to the Summary Plan Description are pending the ordinance to implement the new cancer presumptions mandated by the Florida legislature during the last session. The next session has not yet begun. The City will present the proposed ordinance to implement the required changes to the plan benefits to Council. Mr. Herrera will draft the ordinance, while GRS as the Board actuary will provide an impact statement. The valuation already identified the cost for the changes. Brent Mason also asked Mr. Herrera to provide a cover memo to the proposed ordinance explaining the requirements and mandates to City Council.

Pedro Herrera reminded both Karen Guidinas and Shawn Anastasia that each must file a final Form 1F financial disclosure after departing from the Board.

Administrator (Scott Baur, Resource Centers)

Mr. Baur provided the Board with the schedule of quarterly Board meetings for the 2020 calendar year. He also gave the Board a brief overview of the Trustee election to replace Shawn Anastasia, stepping down at the end of the year, and Karen Guidinas, who decided not to seek reappointment after serving many years on the Board.

He provided the Trustees with the renewed fiduciary liability policy for their records.

He then reviewed a member detailing the Resource Centers SOC 1 Audit and cyber security safeguards implemented by his firm. He addressed recent ransomware attacks against some local public entities in Florida, as well as other cyber breaches such as fraudulent invoices. He attended a recent briefing hosted by the FBI and Secret Service for local police departments with Sergio Giron, Partner and CIO for the Resource Centers. He reported that even the website that his firm maintains for the client plans logs about 1,200 intrusion attempts per week from such places as Iran, China, Ukraine, and Russia. He provided a general overview of measures taken by his firm to safeguard both the systems and the data maintained for the Pension Fund. He also reviewed the types and limits for standalone cyber coverage maintained by his firm. He discussed the many ways to easily compromise a network. His firm has gone to such lengths as to subject the firm's network to outside intrusion testing, in addition to internally safeguarding systems against attacks. The annual SOC 1 audit process tests the systems and networks of the firm as well. The Resource Centers has completed the annual SOC 1 audit now for 10 years without any exceptions or weaknesses observed to the controls and procedures in place at the firm.

Trustees Martin Bel and Jeff Koltun departed the meeting early due to schedule commitments.

V. PLAN FINANCIALS

The Trustees received, reviewed, and filed the interim financial statement through September 30, 2019..

The Board then reviewed the Warrant dated November 1, 2019 for payment of invoices.

Gabe Vella made a motion to approve the Warrant dated November 1, 2019 for payment of invoices. Karen Guidinas seconded the motion, approved by the Trustees 3-0.

The Board reviewed the benefits pending approval.

Shawn Anastasia made a motion to approve the Benefits for November 1, 2019. Gabe Vella seconded the motion, approved by the Trustees 3-0.

VI. OTHER BUSINESS

The Board had no other business for discussion.

VII. ADJOURNMENT

The next meeting having previously been scheduled for Friday, February 7, 2020, the meeting adjourned at 9:20 AM.

Respectfully submitted,

Gabe Vella, Chair