

City of Lake Mary Firefighters' Retirement System
Meeting of February 7, 2020

I. CALL TO ORDER

Gabe Vella called the meeting to order at 7:30 A.M. Those persons present included:

TRUSTEES

Gabe Vella, Chair (7:55 AM)
Martin Bel
Adam Neri
Jeff Koltun
Elizabeth Stack

OTHERS

Pedro Herrera, Attorney (Sugarman & Susskind) by phone
Frank Wan, Investment Consultant (Burgess Chambers Assoc.)
Crystal Wamble & Ryan Nail (Eagle Asset Management)
Brent Mason, Lake Mary Finance Director
Scott Baur, Administrator (Resource Centers)

Chair Gabe Vella welcomed Adam Neri and Elizabeth Stack to the Board.

II. PUBLIC COMMENTS

No members of the public had any comment.

III. BOARD OFFICER ELECTIONS

Gabe Vella opened nominations for Board Chair.

Elizabeth Stack made a motion to nominate Gabe Vella as Chair. Jeff Koltun seconded the motion, approved by the Trustees 5-0.

Gabe Vella opened nominations for Board Secretary.

Elizabeth Stack made a motion to nominate Adam Neri for Board Secretary. Jeff Koltun seconded the motion, approved by the Trustees 5-0.

IV. APPROVAL OF MINUTES

The Board reviewed the draft Minutes for November 1, 2019.

Gabe Vella made a motion to approve the November 1, 2020 Minutes. Martin Bel seconded the motion, approved by the Trustees 5-0.

V. REPORTS

Manager: Eagle Asset Management (Crystal Wamble and Brian Nail)

Crystal Wamble provided the Board with a brief update regarding the investment management firm, reporting no changes to the firm or the investment team. She stated the high-quality growth portfolio tends to under perform the market during periods of high growth and added risk. The quarter ending December 31 also included a large number of corporate mergers and acquisitions. The manager outperformed the benchmark for the 2019 calendar year, with a gain of 30.05% compared to 27.77% for the benchmark. Industrial holdings and stock selection in the industrial sector contributed substantially to overall performance during the quarter. Health care holdings and technology issues, on the other hand, detracted from the relative performance. The portfolio typically does not hold rapidly growing but less profitable technology companies.

The manager continues to see growth performing over value in the current global market environment. The fixed income securities also posted strong results for the quarter ending December 31, 2019, unusual in combination with equities. The Barclay Aggregate Bond Index posted the strongest gains since 2002, with rate cuts amid growing concerns about a possible recession. Eagle typically fares better than the market during periods of greater volatility and downturns, so the manager believes the portfolio remains positioned well for an election year.

Investment Consultant (Frank Wan, Burgess Chambers and Associates)

Mr. Wan, commenting on market forecasts, stated that most market predictions tend to be horribly off. Expectations for the market this year have increased after the strong results in 2019. Accordingly, stock prices have greater sensitivity to the downside. Using Tesla as an example, Frank noted that 41 analysts following the company all proved wrong when earnings for the company exceeded expectations.

The portfolio ended December 31, 2019 with total assets of \$19,707,890, up 5.2% for the quarter compared to a gain of 5.6% for the benchmark. The assets gained 20% for the 2019 calendar compared to a gain of 20.4% for the benchmark to rank in the top 31%. The 3-year annualized gain of 7.5% ranks in the top 17% of the peer manager universe. Frank Wan reviewed performance for the individual managers, noting that all the managers performed to expectations. Mr. Wan reported that American Funds fired the manager of a 9% sleeve of the portfolio after finding that manager held and traded an undisclosed personal account. Mr. Wan noted that the portfolio cannot avoid holding bonds, but the strong performance last year from fixed income securities lowers future expectations for the asset class even more. He did not recommend any rebalancing of the portfolio, with current assets weightings with Policy targets.

Mr. Wan noted that the market shows no signs of a recession currently.

Attorney Report (Dave Robinson, Sugarman & Susskind)

Pedro Herrera provided an update on the status of the pending ordinance to implement the cancer presumptions mandated by the state. The ordinance has a minor cost impact already identified by the actuary. Pedro Herrera and Brent Mason briefly explained the process for the City to pass an ordinance, typically with at least two readings. Mr. Herrera reported that the courts already found in favor of a member diagnosed with cancer prior to the state mandate, presuming that the condition resulted from the performance of the firefighter's duties.

Mr. Herrera reviewed the provisions of the Secure Act, raising the age for Minimum Required Distributions from 70-1/2 to age 72. A beneficiary must also liquidate an inherited account now within 10 years. Pedro Herrera also reported on changes to notary laws in Florida, allowing for remote notarization. Finally, pending SB1270 if passed will make the Trustees a fiduciary to the local government and require Trustees to obtain 5 hours of governance education per term.

Administrator (Scott Baur, Resource Centers)

Mr. Baur addressed the process currently used to identify deceased members receiving payments. Many years ago, Boards sent annual "Still Alive" verification letters and forms to members, but with the advent of electronic database searches, mostly abandoned the more time consuming and manual letter process. The database searches rely heavily on data that feeds through the Social Security Administration. In more recent years, the Social Security Administration stopped reporting death information received from states due to differences between state and federal privacy laws. As a result, the electronic database verifications are no longer as effective. Mr. Baur now recommends that Boards must use a combination

of methods to identify deceased members receiving payments, the annual verification letters in combination with the automated database death searches. He will bring back a specific process and additional details that his office will use for the retired members of the plan. The Board will pay the actual cost for the process, estimated in the \$3 range per retired member including postage. Mr. Baur expects his office to begin this process in April.

Mr. Baur then updated Board signature authorizations on file with Regions, custodian for the Retirement System. He also provided the Chapter 112.664 Compliance and GASB 68 reports received from the actuary. The Board briefly discussed records retention schedules. Due to the nature and longevity of the Retirement System, the plan administrator maintains all plan records indefinitely.

VI. PLAN FINANCIALS

The Trustees received, reviewed, and filed the interim financial statement through December 31, 2019.

The Board then reviewed the Warrant dated February 7, 2020 for payment of invoices.

Jeff Koltun made a motion to ratify the payments on the Warrant dated February 7, 2020. Gabe Vella seconded the motion, approved by the Trustees 5-0.

The Board had no benefits for approval.

VII. OTHER BUSINESS

The Board had no other business for discussion.

VIII. ADJOURNMENT

The next meeting having previously been scheduled for Friday, May 8, 2020, the meeting adjourned at 9:06 AM.

Respectfully submitted,

Adam Neri, Secretary