

City of Lake Mary Firefighters' Retirement System

Meeting of August 7, 2020

I. CALL TO ORDER

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

TRUSTEES

Gabe Vella, Chair
Adam Neri, Secretary
Martin Bel
Jeff Koltun
Elizabeth Stack

OTHERS

Pedro Herrera, Attorney (Sugarman & Susskind) by phone
Frank Wan, Investment Consultant (Burgess Chambers Assoc.)
Scott Baur, Administrator (Resource Centers)
Crystal Wamble, Investment Manager (Eagle Asset Management)

II. APPROVAL OF MINUTES

The Board reviewed the Minutes for the meeting of May 8, 2020.

Gabe Vella made a motion to approve the May 8, 2020 Minutes. The motion received a second from Adam Neri, approved by the Trustees 5-0.

III. REPORTS

Investment Manager: Eagle Asset Management (Crystal Wamble)

Crystal Wamble reported no major firm changes and an easy transition to a remote working environment at the investment management firm. One member of the team was promoted as a new co-manager of the portfolio. The second calendar quarter included the best gain for the Russel 2500 Index in 25 years with a return of 26.56% and unprecedented stimulus. The speed of the recovery surprised even the management team, with growth stocks outperforming value stocks both on the way down and on the way up again. For the trailing 12 months, the portfolio returned -3.13% compared to -4.7% for the R2500 benchmark. The portfolio does not participate as much in the rebound with higher quality holdings. The strongest relative gain came from the financial holdings in the portfolio. Eagle takes a sector neutral approach to portfolio construction, focusing on securities selection within each sector.

In the current quarter to date, the portfolio has gained about 300 bp against the benchmark as valuations continue to adjust. The manager looks to a return to normal later in 2020 with potential vaccines in the pipeline. Regardless, Eagle believes the portfolio remains well positioned going forward.

Eagle found good opportunities in the fixed income assets during the brief period of market illiquidity. The manager keeps the credit quality of holdings very high. The fixed income management team has less confidence in the overall recovery than the equity team. The manager typically underweights holdings in Treasury bonds, because the corporate bonds often provide better long-term results. Frank Wan asked about the potential for credit defaults. Eagle keeps the quality high and the duration short, avoiding more troubled industries.

Investment Consultant (Frank Wan, Burgess Chambers and Associates)

Frank Wan reported that the market made an amazing comeback with a "V" shaped recovery. The second wave of the pandemic dampened the recovery some. Consumer debt, meanwhile, fell to a low during the second quarter, which should allow consumers to spend more as things return to normal. The portfolio gained \$2.4M or 13.9% for the quarter ending June 30, with the best performance from convertible bonds and international equities. For the fiscal year to date, the portfolio is now up 5.1%. The 6.6% net

gain for the trailing 5-year period ranks in the top 4%. The Retirement System had total invested assets of \$19,718,159 as of June 30, 2020.

Fiduciary Capital Management, the large cap value manager, had the worst relative performance with value lagging growth issues. The FAANG stocks, nearly 40% of the growth index, gained 80% collectively for the calendar year to date. With a tilt to value, Lake Mary remains more defensive. The convertible allocation benefited from new issues by Tesla, and the EuroPacific Growth fund also benefited from a high allocation of assets to Chinese companies. The real estate holdings, on the other hand, face challenges as employees continue to work remotely. Other properties, like movie theaters, remain closed. American Realty has still collected about 92% of rents so far. The move away from open office space may offset the drop in overall office demand.

Gabe Vella asked the consultant to comment on the possible impact of the election on the market. So far the election has had very little impact outside of private equity. The market seems to price an expectation that the current electronic environment will continue indefinitely, so a vaccine may actually cause some technology holdings to correct. American Realty had some minor impacts to some properties from local riots in Portland. The manager also has a queue now for redemptions. The Board further considered the current exposure in the portfolio to real estate. Mr. Wan advised against making tactical allocation changes to the portfolio, since a queue to invest in real estate may follow a redemption queue. American Realty overweights industrial and underweights retail holdings, favoring Publix anchored shopping centers. Real estate overall continues to show strength.

Attorney Report (Pedro Herrera, Sugarman & Susskind)

Pedro Herrera thanked the first responders on the Board for their service. Executive Order 20-179 extended the ability of the Board to meet electronically through September 1. He reviewed a proposed ordinance to implement requirements of the Secure Act, including an increase in the age for Minimum Required Distributions from 70-1/2 to 72. The Board will need to obtain an impact statement and forward the proposed ordinance to Council for consideration.

Gabe Vella made a motion to approve the amendment and authorize an impact statement. The motion received a second from Adam Neri, approved by the Trustees 5-0.

Mr. Herrera reminded the Trustees that the annual Form 1 financial disclosure was due on July 1. He reported that the FPPTA canceled the next conference and opted for a virtual platform.

Administrator (Scott Baur, Resource Centers)

Mr. Baur updated the Board briefly on operations during the pandemic, reporting no disruptions in operations.

IV. PLAN FINANCIALS

The Trustees received, reviewed, and filed the interim financial statement through June 30, 2020.

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

Jeff Koltun made a motion to approve the payments on the Warrant dated August 7, 2020. The motion received a second from Gabe Vella, approved by the Trustees 5-0.

The Board reviewed the benefits for approval.

Gabe Vella made a motion to approve the benefits. The motion received a second from Elizabeth Stack, passed by the Trustees 5-0.

V. OTHER BUSINESS

The Board had no other business for discussion.

VI. PUBLIC COMMENTS

No members of the public had any comment for the Board.

VII. ADJOURNMENT

The next regular meeting, scheduled for November 6, 2020, includes the annual valuation report by the actuary. The meeting adjourned at 9:13 AM.

Respectfully submitted,

Adam Neri, Secretary