

City of Lake Mary Firefighters' Retirement System

Meeting of February 5, 2021

I. CALL TO ORDER

Gabe Vella called the meeting to order at 7:40 AM. Those persons present included:

TRUSTEES

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

OTHERS

Pedro Herrera, Attorney (Sugarman & Susskind)
Frank Wan, Investment Consultant (Burgess Chambers Assoc.)
Crystal Wamble, Investment Manager (Eagle Asset Mgmt)
Scott Baur, Administrator (Resource Centers)
Jeff Amrose, Actuary (GRS)
Brent Mason, Finance Director

II. EXTENUATING CIRCUMSTANCES

Gabe Vella made a motion finding extenuating circumstances due to COVID allowing the two Trustees not physically present to participate electronically. The motion received a second from Martin Bel, approved by the Trustees 3-0.

III. APPROVAL OF MINUTES

The Board reviewed the Minutes for the meeting of November 6, 2020.

Gabe Vella made a motion to approve the November 6, 2020 Minutes. The motion received a second from Adam Neri, approved by the Trustees 5-0.

IV. REPORTS

Investment Manager (Crystal Wamble, Eagle Asset Management)

Crystal Wamble provided updates for Eagle. The firm added two new members to the investment team that do not affect the management of the portfolio in any way. One long-term analyst was also promoted to co-portfolio manager. Ms. Wamble explained that Eagle tends to perform under the benchmark in low quality issue driven environments. Eagle outperformed the benchmark for the first 9 months of 2020 and performed under the benchmark for the quarter ending December 31, 2020. Companies without earnings performed 10% better on average for the quarter.

Eagle tilted the portfolio to value holdings to participate in the cyclical rotation to value. The additional performance for the December 31 quarter, however, was not enough for the overall portfolio to beat the benchmark. Eagle still expects further rotation to value stocks and continued outperformance from the value holdings. Accordingly, Eagle believes the portfolio is positioned well looking forward.

The manager had a nearly flat quarter from the fixed income portfolio, with an extraordinary 8% gain for the 2020 calendar year. Like equities, lower quality bonds performed best for the quarter. The fixed income portfolio therefore performed slightly under the benchmark. Eagle does see an environment with higher inflation likely, but that timing is unknown. Frank Wan addressed the possible fixed income opportunities that Eagle seemed to have missed, remaining very risk adverse when opportunities presented themselves. Now that yield spreads have narrowed, those same opportunities no longer exist. Mr. Wan noted that Eagle also missed on the securities selection since the manager had a slight overweight to the lower quality securities and still performed under the benchmark. Ms. Wamble stated that Eagle will likely continue to shift a larger allocation to higher quality corporate holdings.

Investment Consultant (Frank Wan, Burgess Chambers and Associates)

Mr. Wan reviewed the rotation in the market as value sectors recovered on vaccine optimism. Growth stocks, meanwhile, have become increasingly expensive compared to value stocks. Mr. Wan also reviewed the asset allocation, noting the portfolio now had a lower allocation to fixed income. For the quarter ending December 31, 2020, the portfolio gained 11.6% compared to a gain of 10.3% for the benchmark. For the calendar year the assets gained 18.6% to finish in the top 6% of the public universe, while the 3-year 11.1% average return ranked in the top 18%. Eagle protects better in down markets and tends to lag in strong markets. Even after a strong quarter, the global infrastructure holdings remain under valued in the recovery. Weakness in the dollar boosted the international holdings. The convertible allocation gained an astonishing 61.2% for 2020 due to Tesla. Finally, ASB had a lackluster year due to retail properties, offset in part by the industrial holdings. The real estate manager does have a 94% lease rate and 92% rent collections.

Martin Bel asked about the diversification of fixed income assets in a low interest rate environment. Ms. Stack asked about more detailed reports for Fiduciary Management, since the overall allocation to equities appears to underweight growth. Mr. Wan recommended rebalancing the portfolio, drawing about 3.5% of assets from the convertibles and S&P 500 Index and adding to fixed income.

Gabe Vella made a motion sell \$460k from the convertible allocation and \$230k from the S&P Index to add \$690k to the Eagle Fixed Income. The motion received a second from Martin Bel, approved by the Trustees 5-0.

Attorney Report (Pedro Herrera, Sugarman & Susskind)

Pedro Herrera reported that the City Council approved the ordinance updating the plan provisions. He also addressed the new E-Verify requirements that all public employers must comply. He explained that the Retirement System meets the definition of a public employer with contracted service providers. The Board even without employees must register and comply with E-Verify. All Board contracted service providers must also register and comply. Finally, all new Board agreements and addendums must include compliance requirements.

Mr. Herrera reported that the legislative session just began but no proposed bills appear to have a significant impact on the local plans.

Administrator (Scott Baur & Amber McNeill, Resource Centers)

Mr. Baur provided a notice for the election for the seat held by Trustee Adam Neri.

Mr. Baur then reviewed the current SOC 1 Type 2 audit report for the Resource Centers. The auditor did not find any exceptions to the stated controls and procedures in place at the plan administrator, which allows both auditors and plan administration clients of the firm to rely on accuracy of those controls and procedures. Mr. Baur explained the difference between a Type 1 SOC audit report, which states but does not test the controls and procedures, and a Type 2 SOC audit report, which fully tests all the internal controls in place. His firm has completed a Type 2 SOC audit now for 13 years.

Finally, Mr. Baur provided the 112.664 received from the actuary to the Board. He introduced Alison Lichter to the Board, an associate from his office joining the meeting.

V. PLAN FINANCIALS

The Trustees received, reviewed, and filed the interim financial statement through December 31, 2020.

The Board then reviewed the Warrant dated February 5, 2021 for payment of invoices.

Gabe Vella made a motion to approve the payments on the Warrant dated February 5, 2021. The motion received a second from Adam Neri, approved by the Trustees 5-0.

The Board reviewed the benefits for approval.

Gabe Vella made a motion to approve the refund of contributions to Brian Grace. The motion received a second from Adam Neri, approved by the Trustees 5-0.

VI. OTHER BUSINESS

With the plan now 96% funded, the members requested cost estimates for additional benefits with possible increases to member contributions to cost share with the City. The Trustees discussed a 1% annual COLA increase or an increase to the multiplier. The Board also considered requesting cost estimates from the actuary for the benefit enhancements. The Trustees requested to hold a workshop or other forum with the Police Officer Board of Trustees to coordinate any requests for benefit increases.

VII. PUBLIC COMMENTS

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

VIII. ADJOURNMENT

The next regular meeting is scheduled for May 7, 2021. The meeting adjourned at 9:20 AM.

Respectfully submitted,

Adam Neri, Secretary