

City of Lake Mary Firefighters' Retirement System

Meeting of May 7, 2021

I. CALL TO ORDER

Gabe Vella called the meeting to order at 7:33 AM. Those persons present included:

TRUSTEES

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

OTHERS

Pedro Herrera, Attorney (Sugarman & Susskind)
Frank Wan, Investment Consultant (Burgess Chambers Assoc.)
Scott Baur, Administrator (Resource Centers)
Brent Mason, Finance Director
Mike Stanley, Investment Manager (Fiduciary Management)

II. EXTENUATING CIRCUMSTANCES

Adam Neri made a motion finding extenuating circumstances due to COVID allowing Elizabeth Stack to participate electronically. The motion received a second from Jeff Koltun, approved by the Trustees 3-0.

III. APPROVAL OF MINUTES

The Board reviewed the Minutes for the meeting of February 5, 2021.

Martin Bel made a motion to approve the February 5, 2021 Minutes. The motion received a second from Adam Neri, approved by the Trustees 4-0.

IV. REPORTS

Investment Manager (Mike Stanley, Fiduciary Management)

Mike Stanley joined the meeting from Milwaukee. He explained that Fiduciary Management buys a concentrated portfolio of good companies at a discount, identifying strong management. The portfolio typically has low turnover and low volatility. He discussed the fear of missing out on gains in the market as opposed to the problem of holding the wrong company too long. Few good companies qualify for investment over longer time periods. Fiduciary Management looks for good companies rather than good stocks. The manager has typically outperformed the benchmark by losing less when the market declines. Mr. Stanley reviewed some of the top holdings in the portfolio as well as current portfolio metrics. The holdings trade at a discount to the benchmark.

Elizabeth Stack asked whether Fiduciary Management expects a pullback in the current market and how the manager positions the portfolio accordingly. Mr. Stanley stated that Fiduciary Management does not foresee a selloff in the market, but in the event of a downturn, the manager expects to lose less. Fiduciary Management does believe that current market valuations are elevated. Typically, the portfolio captures 80% of the market downside over time and 90% of the market upside. The manager does not expect significant inflation pressures to continue, but he noted that higher quality and lower debt companies will fare better in an inflationary environment. The manager trimmed some cyclical value positions recently.

Investment Consultant (Frank Wan, Burgess Chambers and Associates)

Mr. Wan reviewed crypto currency trends. He believes that greed has taken over in the crypto market with speculation running rampant. He does not see the asset as an appropriate investment for institutional plans. He noted that China is now experimenting with digital currencies. The US dollar now occupies 85% of all global reserves, while China seeks to become increasingly prominent.

Mr. Wan does expect higher inflation and the yield curve for the 10-year treasury notes steepened significantly. The portfolio gained 2.6% gross and 2.5% net for the quarter ending March 31, 2021, an increase of \$593,000, beating the 2.4% return for the benchmark. For the trailing 12-month period the assets gained 38.7%, and the 12.3% average annual return for the 3-year period ranks in the top 19%. Mr. Wan reported that the managers performed in line with expectations. The market, meanwhile, is pressed to perform perfectly as many stocks trade at a premium. Global reopening should also boost infrastructure holdings. In the near-term rising interest rates hurt infrastructure holdings like utilities. Mr. Wan stated that Tesla called back their convertible securities before Tesla stock fell, helping the plan to lock in gains from Tesla in the convertible holdings.

American Realty continues to have over a 90% lease rate and rent collections. The long-term impact of work at home trends remains unknown. An overweight to equities and holdings like real estate should help the portfolio hold up against any inflationary pressures. Martin Bel asked about TIPS in the fixed income holdings, securities that trade like bonds but adjust for inflation. Mr. Wan believes that TIPS have become too pricey at the moment to offer attractive investment opportunities, as the market already priced expectations for inflation. The allocation to bonds in the portfolio is smaller with recent market gains but still falls within the target ranges established by the Investment Policy.

Attorney Report (Pedro Herrera, Sugarman & Susskind)

Pedro Herrera reported that the legislative session ended without any significant bills to affect public pension plans. The proposed legislation to close FRS failed to pass. He then reminded the Trustees to file the annual Form 1 financial disclosure by July 1 with the Supervisor of Elections in the county where each Trustee resides. Most election offices now accept the forms electronically by email.

While the governor approved a one-time bonus payment of \$1,000 to first responders, the timing and form of that payment is not yet known. Governor DeSantis also ended emergency COVID orders.

Administrator (Scott Baur, Resource Centers)

Mr. Baur stated that his office recently sent verification letters to retired members receiving payments, effectively as an audit process for all benefit payments by the Retirement System. His office will mail each retired member receiving a recurring monthly payment 3 opportunities to respond with a notarized verification form before suspending payment of a pension. The process should confirm that all beneficiaries of the plan receiving payments are alive, since the electronic databases currently in use have become less effective due to changes in privacy laws. The Social Security Death Master File no longer verifies death reported to the agency by States, leaving a substantial proportion of deaths unreported.

Mr. Baur provided member Share Account statements. He also updated the Board regarding the upcoming annual FPPTA Conference June 26 – June 30 at the Hilton Omni Championsgate Resort.

V. PLAN FINANCIALS

The Trustees received, reviewed, and filed the interim financial statement through March 31, 2020. Mr. Baur reported the Division of Retirement already approved the Annual Report for the Firefighters' Retirement System. Trustee Martin Bel departed the meeting.

The Board then reviewed the Warrant dated May 7, 2021 for payment of invoices.

Jeff Koltun made a motion to approve the payments on the Warrant dated May 7, 2021. The motion received a second from Adam Neri, approved by the Trustees 3-0.

VI. BENEFIT APPROVALS

The Board reviewed the benefits for approval.

Adam Neri made a motion to approve the application by Robert Howington to enter the DROP. The motion received a second from Jeff Koltun, approved by the Trustees 3-0.

VII. OTHER BUSINESS

The Board had no other business for discussion.

VIII. PUBLIC COMMENTS

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

IX. BENEFIT IMPROVEMENTS (JOINT SESSION WITH POLICE OFFICER BOARD OF TRUSTEES)

Chair Joseph Alberts called a meeting of the Police Officer Board of Trustees to order at 9:10 AM in a joint session with the Board of Trustees for the Firefighters' Retirement System. The two Boards agreed to meet together to consider recommendations for possible increases to the benefits provided by the two plans serving public safety employees in the City of Lake Mary.

The Trustees considered current member contribution rates and possible increases in those contributions to improve benefits. The Trustees discussed extending the period members can participate in the DROP from 5 years to 6, 7, or 8 years; a prospective increase in the multiplier from 3.2% to 3.5%; changing the vesting from 5- to 10- years; and various ways to introduce a COLA benefit to the plan. Jeff Amrose, actuary for the Firefighters Retirement System from GRS, and Drew Ballard, actuary for the Police Officers Retirement System from Foster & Foster, participated in the discussion.

Brent Mason advised that the timing may not be good for the City to consider benefit increases for the members, with recent pay raises and uncertainty regarding projected revenues. The Firefighter elected Trustees noted that members received no increases in benefits since 2002. The Boards discussed the cost for the actuary to provide cost estimates for various proposed benefits. Martin Bel suggested the member Trustees identify one specific benefit in each of 3 categories for the actuary to cost: the DROP participation period, the benefit multiplier, and a COLA option. Pedro Herrera advised that the Boards can then approve the benefit cost studies in advance at the next quarterly meeting. The Boards designated Adam Neri and Joseph Alberts to act as liaisons with the plan actuaries for the process.

X. ADJOURNMENT

The next regular meeting having been previously scheduled for August 6, 2021, Adam Neri made a motion to adjourn the meeting at 9:40 AM, seconded by Jeff Koltun, and unanimously approved by the Board.

Respectfully submitted,

Adam Neri, Secretary