

City of Lake Mary Firefighters' Retirement System

Meeting of August 6, 2021

I. CALL TO ORDER

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

TRUSTEES

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

OTHERS

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

II. EXTENUATING CIRCUMSTANCES

Gabe Vella made a motion finding extenuating circumstances due to COVID allowing Trustee Jeff Koltun to participate in the meeting electronically. The motion received a second from Martin Bel, approved by the Trustees 4-0.

III. APPROVAL OF MINUTES

The Board reviewed the Minutes for the meeting of May 7, 2021.

Gabe Vella made a motion to approve the May 7, 2021 Minutes. The motion received a second from Elizabeth Stack, approved by the Trustees 5-0.

IV. REPORTS

Investment Manager (Crystal Wamble, Eagle Capital Management)

Crystal Wamble reported that Carillon, parent to Eagle Capital Management. The small-mid growth equity portfolio finished the June 30, 2021 quarter in line with the portfolio benchmark. Ms. Wamble explained that Eagle performed well in the momentum environment, but possible inflation concerns precipitated a sell-off in more value oriented issues while companies without earnings posted stronger results. As a result, Eagle lost ground relative to the benchmark later in the quarter. The quarter also marked a return to the "meme" trades which distorted short-term market performance.

Ms. Wamble reviewed the holdings in the portfolio, highlighting the sectors that performed well for the manager. Energy holdings, however, did not fare so well due to securities selection. The manager typically does not perform as well when commodity prices gain, avoiding the companies most heavily influenced by such moves. Eagle remains uncertain whether a true rotation to value continues to take place in the market. She further reviewed performance and specific holdings in the portfolio. Eagle expects the strategy to perform well going forward as uncertainty in the market increases.

Ms. Wamble then reviewed the fixed income results for the June 30 quarter, reporting results in line with the benchmark as concerns over possible inflation increased. Eagle believes the inflationary pressures are transitory but expect the pressures in the market to only gradually dissipate. In the meantime, temporary price inflation shows up in some unexpected ways such as car rental, hotel, and used car prices. As the pandemic recovery continues, economic growth should moderate. The fixed income portfolio gained 1.92% for the June 30, 2021 quarter compared to a gain of 1.83% for the benchmark. The manager has shifted the portfolio to higher quality holdings and Treasuries in the midst of continued uncertainty in the

market. Ms. Wamble noted that Eagle has a hard time finding good values in the current market for investment, with little return on bond yields and little reward for taking additional risk in the portfolio.

Investment Consultant (Frank Wan, Burgess Chambers and Associates)

Frank Wan commented on a slowing housing market and the end to the moratorium on evictions. The convertible bond allocation remains a bright spot in the portfolio. The assets increased to \$25,107,623 as of June 30, 2021, up from \$23,923,207 on March 31. The portfolio gained 5% for the quarter and 20.8% for the fiscal year to date compared to 18.5% for the benchmark. The 3-year average annual gain of 13.4% ranks in the top 10% of the public plan universe. Mr. Wan reported that growth companies now trade at premiums between 65 – 95% higher than historic norms, yet Amazon reported growth of only 8% in profits. Therefore even the slightest miss in expectations can punish individual companies even as the broader market continues to gain.

FMI as a manager now underweights cyclical and technology issues. The overall portfolio slightly overweights US stocks as well, so Mr. Wan believes that the portfolio is positioned well going forward. Real estate holdings also performed well as building replacement costs continue to increase. Mr. Wan reported that American Realty Advisors currently has 94% of properties leased. Mr. Wan also discussed the current employment market, as profit margins slip while many positions go unfilled.

Attorney Report (Pedro Herrera, Sugarman & Susskind)

Mr. Herrera said that Florida now appears to have issued the \$1,000 payments promised to first responders. The checks have no tax withholding. He also reviewed upcoming educational opportunities available to the Trustees.

Administrator (Scott Baur, Resource Centers)

Mr. Baur updated the Board on the status of the audit of all retired members receiving payments from the plan. Only one retired member failing to respond will receive a notice that her pension will be suspended as of September 1, 2021.

Mr. Baur then reviewed the current SOC 1 Type 2 audit report for his office, an external audit of the internal controls and procedures in place at the administrator firm. His firm has conducted the annual audit now for 13 years without any adverse findings or exceptions reported. Mr. Baur discussed some of the current cyber security issues as they impact plan operations, including increases in Board cyber insurance premiums from 60% to 1000% or more. Mr. Baur reviewed recommendations issued by the Department of Labor for best cyber practices for employee benefit plans.

Mr. Baur also provided an updated list of conferences available to the Trustees.

V. PLAN FINANCIALS

The Trustees received, reviewed, and filed the interim financial statement through June 30, 2021. The Board then reviewed the Warrant dated August 6, 2021 for payment of invoices.

Gabe Vella made a motion to approve the payments on the Warrant dated August 6, 2021. The motion received a second from Adam Neri, approved by the Trustees 5-0.

VI. BENEFIT APPROVALS

The Board had no benefits for approval.

VII. OTHER BUSINESS

The Board continued discussion of cost estimates for benefit improvements, since the members of the plan are not represented by a bargaining unit. Right now both salaries and benefits are in open discussion at the City. The Board considered that the City last improved or increased benefits in 2002. The members requested that the Board provide costs for some increases, although benefit increases are not expected in the current budget environment with minimal property value increases and hotel tax revenues down. Mr. Mason still supports the cost study process. Pedro Herrera advised that the studies are a reasonable expense of the Board.

Gabe Vella made a motion to approve the actuary to provide cost studies for 3 possible benefit increases. The motion received a second from Adam Neri, approved by the Trustees 5-0.

VIII. PUBLIC COMMENTS

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

IX. ADJOURNMENT

The next regular meeting having been previously scheduled for November 5, 2021, a motion was made, seconded, and unanimously approved by the Board to adjourn the meeting at 9:01 AM.

Respectfully submitted,

Adam Neri, Secretary