

City of Lake Mary Firefighters' Retirement System

Meeting of August 5, 2022

I. CALL TO ORDER

Adam Neri called the meeting to order at 7:30 AM. Those persons present included:

TRUSTEES

Adam Neri, Secretary
Martin Bel
Jeff Koltun
Elizabeth Stack (electronically)

OTHERS

Scott Baur & Kyle Tintle, Administrator (Resource Centers)
Frank Wan, Investment Consultant (Burgess Chambers Assoc.)
Pedro Herrera, Attorney (Sugarman & Susskind - Electronically)
Ryan Nail (Eagle Asset Management , Carillon Tower Advisers)
Ehab Azer, Assistant Finance Director, City of Lake Mary
Jeffrey Amrose, Actuary (GRS)

II. EXTENUATING CIRCUMSTANCES

Adam Neri Made a motion to approve Elizabeth Stack to join the meeting electronically due to exigent circumstances. 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 May 6, 2022.

Jeff Koltun made a motion to approve the May 6, 2022 minutes. The motion received a second from Adam Neri, approved by the Trustees 4-0.

IV. REPORTS

Fixed Income Manager Presentations

Eagle Asset Management - Ryan Nail

Mr. Nail acknowledged that fixed income assets did not perform to expectations but were in line with benchmarks. He explained the portfolio tilts to high quality, and the current market did not include credit downgrades which are typical in a down market. Eagle does not take duration beta, leaving results in line with the benchmark. The portfolio is over weighted to corporates and underweighted to treasuries. Eagle believes the Fed will continue to raise rates leading to a more sustained downturn in the markets.

Mr. Wan noted the portfolio has a lower average quality than the benchmark. Mr. Nail explained the junk in their portfolio is better than the junk in the benchmark. He also explained why Eagle does not take downturn bets over the long term given short interest moves in the market. Eagle has become defensive in this environment. Underperforming resulted from securities selection.

Integrity Fixed Income - Earl Denny & Chris Caputo

Mr. Denny stated that Integrity is a local fixed income shop which is 100% employee owned, that wins awards for risk adjusted performance. The Integrity management team came from SunTrust. Half of the Integrity clients come from Florida public pensions.

Integrity manages the portfolio very actively, timing over holdings 65% each year. The extreme disciplined process is to achieve consistent results. The portfolio looks for yield, weighting towards mortgages and corporate holdings. The manager takes only minor duration bets. Interest rates movements can be very random. The manager does, however, manage along the yield curve using various strategies. Integrity takes a macro top-down approach to selection of securities.

Mr. Caputo reviewed the results as the portfolio consistently outperformed the benchmark overtime. The manager has excellent up/down capture of the market and Integrity charges 25 bps. They manage mostly curve out of the core strategy. Mr. Denny stated that the portfolio only invests in government mortgages. Martin Bel asked the team to explain how they add or remove holdings from the portfolio. Mr. Denny gave examples from car parts and Dollar General for types of companies that perform well in downturn markets. Integrity has no problem dumping a holding that appears to be going bad. The manager only retains bonds that remain strong.

Highland Capital Management – Brian Escobedo & Steve Stacks

Mr. Stack introduced himself and Highland Capital Management. The company was founded in 1987 and is part of Argent Financial Group and manages \$3 billion in assets. The firm has many public clients. Mr. Stack reviewed the fixed income team and said he manages the value equity portfolio with Bart McMurray. Highland has consistent performance relative to the benchmark over time. The managers actively manage assets and yield curve allocations while taking only duration bets. Highland emphasizes risk management, particularly in the current market environment.

The manager is increasing duration but through quality, without confidence in the Fed. Predicting action by the Fed, however, is very difficult. Mr. Escobedo concluded, noting the Fed has become very data dependent. Highland sifts through the market to identify relative value.

Comments – Frank Wan

Mr. Wan commented that Integrity and Highland were nimbler than Eagle. Integrity and Highland had better results with greater consistency. He provided his expectations for the fixed income market. Highland and Integrity have similar results. Jeff Koltun advocated for a change of manager sooner rather than later and would like the Board to decide today. Mr. Wan believes both Highland and Integrity would do well, handing over fixed income portfolio in kind. Adam Neri perceived that Highland seems to protect assets more, also Jeff Koltun prefers Highland because Highland has a deeper management team. Martin Bel said his firm also uses Highland.

Adam Neri made a motion to replace Eagle with Highland. The motion received a second from Jeff Koltun, approved by the Trustees 3-0.

Investment Consultant (Frank Wan, Burgess Chambers and Associates)

Mr. Wan believes we are in a recession, but not a bad one. Consumers simply reverted to the mean following COVID. Inflation is now following quickly as a result. Wall Street now expects fewer interest rate increases. In a recession, rates could fall. When corporate bonds provide extra yield most of the time bonds follow up with positive returns. Earnings are going up, meanwhile, stocks are going down. The portfolio finished the June quarter with \$22,016,653 in total assets, down -10.6% compared to -11% for the benchmark. Fiscal year to date the portfolio returned -11.5% versus -11% for the benchmark. Real Estate holding provided positive results.

Attorney Report (Pedro Herrera, Sugarman & Susskind)

Mr. Herrera began with reviewing some housekeeping items. He said the FPPTA Trustee School scheduled for October 2 – 5, 2022 and the Division of Retirement will have their Fall Trustee School in November in Orlando. Adam Neri asked about a pending bill in Congress for the First Responders to get Medicare at or earlier retirement age. Mr. Herrera reported on the “expanding healthcare options for early retirees act” reducing the Medicare age to 50.

Actuary (Jeff Amrose, GRS)

Mr. Amrose reviewed the Benefit Comparison study results showing normal cost and benefits. Board assumptions, however, affected the normal cost and the Lake Mary Fire Board generally costs more comparative assumptions. He reviewed the difference between benefits in relation to the normal cost for benefits. Adam Neri said the study helped the members, they are satisfied, and the study helped with perceptions.

Administrator (Scott Baur, Resource Centers)

Mr. Baur presented the plan financial and benefit approvals.

V. PLAN FINANCIALS

The Trustees received, reviewed, and filed the interim financial statements through June 30, 2022.

The Board then reviewed the Warrant dated August 5, 2022, for payment of invoices.

Adam Neri made a motion to approve the warrant dated August 5, 2022. The motion received a second from Jeff Koltun, approved by the Trustees 4-0.

Mr. Baur presented the Benefit Approvals for Toby Palmer and Britt Clark for review by the Trustees. After review of the Benefits a motion was made.

Adam Neri made a motion to approve the benefit approvals for Toby Palmer and Britt Clark. The motion received a second from Jeff Koltun, approved by the Trustees 4-0.

VI. OTHER BUSINESS

There was no other business.

VII. PUBLIC COMMENTS

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

VIII. ADJOURNMENT

The next regular meeting is scheduled for November 4, 2022. Adam Neri made a motion to adjourn the meeting, Jeff Koltun seconded the motion, and the Board unanimously approved to adjourn the meeting at 9:25 AM.

Respectfully submitted,

Adam Neri, Secretary