

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
May 13, 2019

A meeting was held beginning at 9:08 A.M. in the Conference Room at Station 91, Lake Worth, Florida. Those persons present were:

TRUSTEES

Rich Seamon
Barry Ruf
Valerie Hurley

OTHERS

Margie Adcock, Administrator
Adam Levinson, Attorney
Jennifer Gainfort, Investment Monitor
Pete Strong & Nick Lahaye, Actuary

PUBLIC COMMENTS

There were no public comments.

ADDITIONS AND DELETIONS

There were no additions or deletions to the Agenda.

MINUTES

The Trustees reviewed the minutes of the meeting of February 19, 2019. A motion was made, seconded, and carried 3-0 to accept the minutes of the meeting of February 19, 2019.

ACTUARY REPORT

Pete Strong and Nick Lahaye appeared before the Board. Mr. Strong stated that he has been given more responsibilities and clients so will be transferring the meeting attendance to Mr. Lahaye going forward. He stated that he will still be involved with the Fund behind the scenes.

Mr. Strong presented the Actuarial Valuation as of October 1, 2018. He reviewed the annual required contribution. He noted that the total required contribution increased from last year. He stated that the City contribution went up \$268,494. The primary reason was due to reducing the amortization period by another year from 12 to 10 years. He noted that the extra year really drives up the contribution. Mr. Strong stated that the total required contribution for the plan year ending September 30, 2020 would be \$3,131,723. He stated that with contributions from Division II of \$68,770, the City's contribution would be \$3,062,953 versus the City's contribution from last year of \$2,794,459.

Mr. Strong noted that there were no revisions in benefits. He stated that the assumed rate decreased from 7.30% to 7.15% which increased the required contribution by \$74,359. The assumed rate of return will be reduced by .15% again next year in order to reach the 7% target rate. Given that the Plan is closed, he recommended lowering the current target assumption of 7% to somewhere in the range of 6% to 6.5%. He noted that the one year reduction in the amortization period is scheduled each year until October 1, 2021. The increased the required contribution by \$185,598. It was suggested that the Board

have the Actuary communicate with the City letting the City know of the increase and getting the City's input for next year. Mr. Strong recommended amortizing all new basis over 10 years. A motion was made, seconded and carried 3-0 to amortize all new basis over 10 years.

Mr. Strong stated that there was a net actuarial loss of \$24,797 for the year, which means that the actuarial experience was less favorable than expected. The loss was primarily due to the lower than expected inactive mortality experience (0 deaths versus 1.5 deaths expected) and lower than expected return on the actuarial value of assets (7.1% versus 7.30% expected). The actuarial experience resulted in an increase of \$3,248 in the required contribution. Mr. Strong stated that there would be no 13th check because the Plan experienced a cumulative actuarial loss. The funded ratio was 56.7% versus 55.2% last year.

Mr. Lahaye reviewed the actuarially determined contribution. He reviewed the actuarial value of benefits and assets. He reviewed the calculation of the employer normal cost. He reviewed the liquidation of the unfunded actuarial accrued liability. He reviewed the historical investment rate of return from 1972 to 2018. A motion was made, seconded and carried 3-0 to approve the Actuarial Valuation as of October 1, 2018.

INVESTMENT MONITOR REPORT

Jennifer Gainfort appeared before the Board. She discussed the market environment as of March 31, 2019. She stated that after a quite difficult 4th Quarter 2018, the markets rebounded nicely. Higher risk assets did well. The markets reacted favorably with global trade concerns. She noted that Brexit is still on the table, having been pushed to October 2019. The slowing down of growth is a concern. Domestic equities did better than international equities. Since last week there have been more talks of increasing the tariffs which caused markets to sell off very drastically last Friday.

Ms. Gainfort reviewed the performance as of March 31, 2019. The total market value as of March 31, 2019 was \$45,287,198. The asset allocation was comprised of 57.8% in domestic equities; 8.3% in international equities; 17.5% in fixed income; 9.4% in real estate; 4.4% in alternative investments; and 2.5% in cash. The Fund was up 10.02% net of fees for the quarter while the benchmark was up 9.10%. Total equities were up 14.18% while the benchmark was up 13.32%. Domestic equities were up 14.32% while the benchmark was up 14.04%. International was up 13.20% while the benchmark was up 10.44%. Fixed income was up 2.47% while the benchmark was up 2.94%.

Ms. Gainfort reviewed the individual managers. Legg Mason Dynamic Large Cap Value was up 12.33% while the Russell 1000 Value was up 11.93%. Cambiar was up 15.96% while the Russell 2500 Value was up 13.12%. Alger was up 15.61% while the Russell 1000 Growth was up 16.10%. Vanguard Total Stock Market was up 14.07% while the benchmark was up 14.06%. EuroPacific R6 was up 13.20% while the benchmark was up 10.44%. With respect to fixed income, Garcia Hamilton was up 2.47% while the benchmark was up 2.94%. American Realty was up 1.74% while the NCREIF was up 1.68%. The PIMCO All Asset Fund was up 5.39% while the benchmark was up 2.57%. Ms. Gainfort stated that overall it was a great quarter. The managers did a great job. There are no recommended changes. She stated that they do expect some volatility going forward.

ADMINISTRATIVE REPORT

The Board was presented with disbursements, including the investment manager disbursements. A motion was made, seconded and carried 3-0 to pay the listed disbursements.

The Board reviewed the financial statements for the period ending March 31, 2019.

The Board was presented with a list of benefit approvals. A motion was made, seconded and carried 3-0 to approve the benefit approvals.

Ms. Adcock reported on the status of the City's update of the premium tax database. She stated that the City advised that they have updated the database file.

ATTORNEY REPORT

Mr. Levinson provided a Memorandum regarding Data in the Division of Retirement's Annual Report dated February 6, 2019. He stated that this is the memorandum from Keith Brinkman of the Division of Retirement to the Legislature that he discussed at the last meeting. He stated that there was no recommendation to the Legislature but the memorandum had meaningful data in it. It was noted that the most common actuarial investment assumption is 7.5%.

Mr. Levinson provided a Memorandum dated April 2019 regarding Senate Bill 426 and House Bill 857. He stated that this related to certain benefits for firefighters who receive a cancer diagnosis when specific conditions are met. The law was passed a couple weeks ago. There was discussion on how it will be costed out and administered. Mr. Strong stated that he did not see much of an impact in this Plan. There are only six active firefighters left so this will not change the cost of the Plan much.

Mr. Levinson provided a Memorandum regarding Changes in Tax Rules for Alimony dated April 2, 2019. He reviewed the changes noting that alimony and separate maintenance payments are no longer deductible for any divorce or separation agreement executed after December 31, 2018. He stated that this information could be added to the SPD as well as have the memorandum given to employees going through a divorce.

OTHER BUSINESS

The Board was provided with the Notice from the City regarding ADA Accommodation dated March 29, 2019. There was a lengthy discussion.

There was discussion regarding the status of a possible merger between Division I and Division II. It was noted that Division II is sending out a letter to all members requesting any comments and/or concerns.

There being no further business, the Trustees adjourned the meeting.

Respectfully submitted,

Rory Kimbrell, Secretary