

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
February 24, 2022

An electronic meeting was held beginning at 9:11 A.M. Those persons present were:

TRUSTEES

Rich Seamon
Barry Ruf
Rory Kimbrell
Valerie Hurley (9:13 A.M.)

OTHERS

Margie Adcock, Administrator
Adam Levinson, Attorney
Tim Nash, Brad Hess & Jack Evatt, Investment Monitor
Eric Leventhal, Auditor
Nicolas Lahaye, Actuary

It was noted that the meeting was originally scheduled to be held in person. However, due to a late medical issue for one of the Trustees, the meeting was moved to an electronic meeting so all of the Trustees could attend. The notice of the electronic meeting was posted by the City. Mr. Levinson stated that he had no issue with the Board moving forward with an electronic meeting.

PUBLIC COMMENTS

There were no public comments.

ADDITIONS AND DELETIONS

There were no additions or deletions.

MINUTES

The Trustees reviewed the minutes of the meeting of November 4, 2021. A motion was made, seconded, and carried 3-0 to accept the minutes of the meeting of November 4, 2021.

Valerie Hurley entered the meeting.

AUDITOR REPORT

Eric Leventhal appeared before the Board. He presented the draft Annual Audit as of September 30, 2021. He stated that they would be issuing a clean unmodified opinion. He reviewed Management's Discussion and Analysis. He reviewed the Statement of Net Fiduciary Position as of September 30, 2021. The total assets were \$59,524,135 with most of the money in investments. Total liabilities were \$574,405. Total net position restricted for pensions was \$58,949,730, with \$40,063,502 restricted for defined benefits and \$18,886,228 restricted for DROP benefits. Mr. Leventhal reviewed the Statement of Changes in Net Fiduciary Position. He stated that there were total additions of \$13,525,768 and total deductions of \$5,448,249 leaving an increase in the Plan net position of \$8,077,519.

Mr. Leventhal reviewed the schedule of administrative expenses. He stated that he thinks they are reasonable and appropriate as compared to what he has seen in other plans. He reviewed the notes to the financial statements. He reviewed the supplementary information. He reviewed the schedules of changes in the employer's net pension liability and related ratios. Mr. Leventhal stated that there were no substantive changes to any of the disclosures. Mr. Leventhal stated that he found no significant internal control issues. He received full cooperation from management and the service providers. A motion was made, seconded and carried 4-0 to accept the Annual Audit as of September 30, 2021. A motion was made, seconded and carried 4-0 to authorize the Chair to execute the Management Representation Letter.

ACTUARY REPORT

Nick Lahaye appeared before the Board. He presented the Actuarial Valuation as of October 1, 2021. He reviewed the annual required contribution. He noted that the assumed rate of return reduced from 6.9% to 6.7%. Even with the reduction in the assumed rate of return, there is still a reduction in the required contribution requirement from last year. Mr. Lahaye stated that the total required contribution for the plan year ending September 30, 2023 would be \$3,632,202. This is a decrease of \$17,466 from last year. He stated that with contributions from Division II of \$21,645, the City's contribution would be \$3,610,456 versus the City's contribution from last year of \$3,634,387.

Mr. Lahaye noted that there were no revisions in benefits. There are only two active employees left in the Plan. He stated that the actuarial assumed rate decreased from 6.90% to 6.70%. He stated that given the Plan is closed and consists primarily of retirees collecting a benefit, he would recommend lowering the assumed rate of return to somewhere between 5.5% and 6% over time. He noted that the Board is already taking steps to reduce the assumed rate of return so that is good.

Mr. Lahaye stated that there was a net actuarial gain of \$1,862,034 for the year, which means that the actuarial experience was more favorable than expected. The gain was primarily due to the higher than expected return of 11% versus the expected return of 6.9%. . The actuarial gain was partially offset by lower than expected inactive mortality with there being only one retiree death. Mr. Lahaye stated that there would be no 13th check because the Plan experienced a cumulative actuarial loss. The funded ratio was 70.6% versus 63.6% 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 stated that the unfunded liability is scheduled to be paid off in about five Valuations from now. He reviewed the historical investment rate of return from 1972 to 2021. There was further discussion on lowering the investment return assumption. Mr. Nash stated that he agreed on the target moving to 6.7%. He noted that the Board has been lowering the investment return assumption all along. He stated that they will need to de-risk the portfolio over the next several years. They will look at more income generating opportunities, which will mean less equities and a lower assumed rate of return. A motion was made, seconded and carried 4-0 to approve the Actuarial Valuation as of October 1, 2021.

INVESTMENT MONITOR REPORT

Tim Nash, Brad Hess and Jack Evatt appeared before the Board. Mr. Nash stated that he was leaving AndCo at the end of March. He stated that he was leaving consulting and moving back to the investment management industry. He introduced Mr. Hess and Mr. Evatt. Mr. Evatt stated that he wanted to make sure the Board felt appropriately resourced and that there was a suitable avenue to communicate regarding any issues going forward. It was stated that Mr. Hess would be taking over as the Monitor for this Plan. Mr. Hess provided a brief background. He stated that he has been with AndCo since 2016, but has more than 20 years experience. He stated that he has a decent amount of experience in consulting and a pretty good amount of experience in evaluating money managers and putting together portfolios.

Mr. Hess provided an update on the firm. He stated that the firm has \$123 billion in client assets under advisement as of June 30, 2021. The firm has had 21 straight years of revenue growth. They have reinvested 100% of the net profits back into the organization. They continuously invest in technology. They have 87 team members. In 2021 they added two more partners. He reviewed their organizational chart.

Mr. Hess discussed the market environment for the quarter ending December 31, 2021. He stated that it has been a tremendous year after Covid and the significant downturn in March 2020. There has only been a handful of 5% corrections in the last two year period. He noted that there was a 10% correction in the last month or so, Equity markets have driven returns for the year. The five largest technology names comprised 27% of the Index. This is truly an anomaly.

Mr. Hess reviewed the performance as of December 31, 2021. The total market value as of December 31, 2021 was \$59,569,089. The asset allocation was comprised of 49.8% in domestic equities; 9.6% in international equities; 26.8% in fixed income; 8.2% in real estate; 4.4% in alternative investments; and 1.2% in cash. The Fund was up 4.04% net of fees for the quarter while the benchmark was up 5.68%. Total equities were up 5.55% for the quarter while the benchmark was up 7.78%. Domestic equities were up 6.93% while the benchmark was up 9.28%. International was down 1.13% while the benchmark was up 1.88%. Fixed income was down .04% while the benchmark was up .01%.

Mr. Hess reviewed the individual managers. Legg Mason Dynamic Large Cap Value was up 5.59% while the Russell 1000 Value was up 7.77%. Cambiar was up 7.54% while the Russell 2500 Value was up 6.36%. Alger was up 5.48% while the Russell 1000 Growth was up 11.64%. Vanguard Total Stock Market was up 9.16% while the benchmark was up 9.16%. EuroPacific R6 was down 1.13% while the benchmark was up 1.88%. With respect to fixed income, Garcia Hamilton was down .04% while the benchmark was up .01%. He stated that Garcia Hamilton has struggled. They went conservative early and reduced duration significantly in anticipation of interest rates rising. However, they have made up almost all of their underperformance this year. American Realty was up 8.81% while the NCREIF was up 7.70%. The PIMCO All Asset Fund was up 3.20% while the benchmark was up 1.54%.

Mr. Hess reviewed the compliance checklist. He stated that they have no recommendation to rebalance and had no recommendation for any changes. He reviewed the fees and stated that it was a good fee structure. A motion was made, seconded and carried 4-0 to accept the Investment Monitor Report.

ADMINISTRATIVE REPORT

The Board was presented with a list of benefit approvals which included DROP distributions. A motion was made, seconded and carried 4-0 to approve the benefit approvals.

The Board reviewed the financial statements for the period ending December 31, 2021.

The Board was presented with disbursements, including the investment manager disbursements. A motion was made, seconded and carried 4-0 to pay the listed disbursements.

ATTORNEY REPORT

Mr. Levinson provided an update on the Legislative Session. He discussed the status of the proposed Ordinance regarding the firefighter cancer presumption and the SECURE Act. He stated that he will wait for the Legislative Session to close before moving the Ordinance to the City Attorney.

Rory Kimbrell departed the meeting.

OTHER BUSINESS

There was discussion on Trustee elections. It was noted that an election needed to be done for the member position currently held by Rory Kimbrell as his term is up at the end of May. It was noted that there is still a vacant City Trustee position. The Board was provided with communication from the City Commission in response to the Board's request for reconsideration to appoint Mr. Maki to the Board.

It was noted that the Board needs to formally determine the expected rate of return for the short term and long term, as is required by the State. It was noted that the Board just approved the return of 6.7% in the Valuation. Mr. Nash stated that it was reasonable to assume that the assets would return 6.7% over the short term, mid-term and long term. A motion was made, seconded and carried 3-0 to determine the expected rate of return using the rate of 6.7%. Mr. Nash stated that they would prepare the letter to be sent to the State.

There was discussion on the next meeting. Mr. Levinson stated that he had no issue with the Board having the next meeting electronically.

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

Respectfully submitted,

Rory Kimbrell, Secretary