

City of Marco Island Florida Fire Pension
MINUTES OF MEETING HELD March 8, 2024

1. Steve Gaskill called the meeting to order at 9:06 AM in the training room 2nd floor of new fire station. Those persons present included:

TRUSTEES

Steve Gaskill, Chair
Jake Clemmons, Secretary
Michael Shone, Trustee

OTHERS

Scott Baur & Toby Rabelo, Administrators (Resource Centers)
Scott Owens – (Greystone)
Pedro Herrera – (Sugarman, Susskind, Brasswell & Herrera)
Jeffrey Ambrose – (GRS Actuary)

2. **ROLL CALL**

Each person present was accounted for and Mr. Herrera and Ambrose joined electronically.

3. Exigent Circumstances for Trustees Joining Electronically were approved

4. **PUBLIC COMMENT**

No members of the public had any comment.

5. **APPROVAL OF MINUTES**

The Board reviewed the minutes for the December 8, 2023 meeting. The BOARD agreed the minutes were a good faith summary of our meetings and not verbatim. The Plan Administrators would handle any public record requests if applicable.

- **Steven Gaskill made a motion to approve the December 8, 2023 minutes with the amendments which Trustee Shone and PA Rabelo worked on. The motion received a second from Jake Clemons. Approved unanimously**

6. **REPORTS –**

Investment Consultant (Scott Owens – Greystone) - Due to the number of agenda items, the Chair requested the presentations be kept to 10 to 15 minutes

Prior to Scott Owens beginning his presentation the BOARD began with some discussion on the Ordinance and Collective Bargaining Agreement (CBA) regarding Item C 2 on the agenda but deferred the conversation until the item came up.

Mr. Owens provided an overview of performance and reminded the board how the ordinance is what guides the consultant on how the portfolio can be managed. He stated the previous quarter was remarkable with Large Cap Growth up 42 %. He advised the BOARD that the fund is “on top” of its targets. There is not a lot of clarity in the market right now. The market reacts to news. For example if the market believes FED will lower rates than Growth performs better. Mr. Owens then went over page 5 and stated that when the value of the USD goes down it helps because the USD was over valued. Mr. Owens went over page 6 speaking about fixed income restraints and an inverted yield curve. The expectation is the FED will lower rates. Mr. Owens then referenced page 9 chart with credit usage up and savings down, indicating a recipe for disaster and referenced 2008. Mr. Owens commented on page 10 with demand being down and inventory

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being up causing sale pricing. Mr. Owens reviewed pages 11-13-15 and 16. He indicated Anchor is not doing as well but it is doing what it's supposed to do by diversifying the portfolio. ALL Spring was down 10 - Russell 2500 Growth Mid Cap. Mr. Owens said most managers outperformed for the quarter (page 16). He then referenced Blackrock on page 7 and affirmed why the BOARD made requested a search for a new manager.

Mr. Owens explained the constraints of how and where they can invest. He provided an overview of real estate asset (Private vs REITS – Private allows for more diversification). All real estate has taken a hit due to rising interest rates. Trustee Shone asked for reasons for underperformance and what recommendations does Mr. Owens have? S. Gaskill asked Mr. Owens what happens when money comes in – does it go into the plan? Mr. Owens replied, “Yes” to either distributions or principle. M. Shone explained how money would be invested and Mr. Owens agreed. M. Shone said he agrees with the prior BOARDS decision to add real estate, the selection of the manager is hindsight. Mr. Owens went over page 30 stating Anchor has low volatility – defensive strategy per the BOARD. Mr. Owens said it depends on what the BOARD wants – high risk or defensive strategy. **Mr. Owens then recommended a search to replace All Spring for the same reasons the BOARD did a search for Clearbridge.**

After some discussion, the BOARD agreed with the consultant's recommendation to conduct the search to replace ALL Spring.

The fund is at \$33,984,750.00 (10.4% returns)

Mr. Owens then went over the fix manager search handouts (Short Term Fix and Intermediate & Core Fixed. He reviewed the differences between each (Strategy/Fees/Returns). Trustee Shone said short fix managers hit singles and have lower bonds (BBB) and indicated he would prefer to buy the INDEX, move to intermediate and leave the other half in Blackrock for now. Mr. Owens said if they yield curve goes the other way then we would want to move most of the allocation to intermediate. Scott Baur said the BOARD can expand the duration of the portfolio which would be easy to do, moving half of Blackrock to Intermediate (M. Shone and S. Owens agreed)

Mr. Owens then went over the Intermediate & Core Fixed handout explaining how managers would perform in an up or down market. Trustee Shone asked if credit or aggregate? Mr. Owens indicated that was later in presentation but recommended going with Core – Trustee Shone agreed. Trustee Shone told Mr. Owens he prefers the Qualitative information which Scott Baur shared on the zoom screen electronically. Trustee Shone asked for Mr. Owens to come back to the next meeting with recommendations and reasons for those recommendations. Chair S. Gaskill said he'd rather do it sooner than later. Attorney Herrera suggested making a motion contingent on trustee Shone (as a designee) agreeing with consultant.

Steven Gaskill made a motion to move 50% of BLACKROCK to Core contingent upon Trustee Shone agreeing with the plan consultant. Second by Jake Clemmons. Motion passed 3-0

Mr. Owens then went over the requested fee summary. Trustee Shone said it was retro to July 1, 2023.

Mr. Owens then said how the plan gets lower fees for active managers, and how Morgan Stanley looks at all accounts in the aggregate and has no trade fees. If the BOARD went to an all PASSIVE strategy then the plan would be on a different platform. Trustee Shone asked Mr. Owens to explain why. Mr. Owens said asset base fee vs hard money fees and how managers would almost double. “The tipping point is 50% of the total cost of the plan”.

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Actuary -

Jeffrey Ambrose provided a high level summary of the October 1, 2023 valuation. The fund is at a surplus being 117.4% funded. Of all the plans they manage the Marco Island Fire Pension Plan is in the top 3 or 5 plans. Required City contributions have been in a tight range from 2012 to 2020 (low of 38% to high of 44%). In years 2021-2022 and 2023 the City required contribution went down to 27 to 33% of pay.

The valuation used the assumed rate of return of 7%. Jeffrey said he believes this assumption rate is reasonable. Even though the City active head count and salary increased by 11 and 16.4% respectively, the fund is still in surplus. Jeffrey noted that Florida Statute does not allow going less than zero. Even with 2.0 million in differed losses over the next 4 years the fund will still have a surplus of 1.7 million. Trustee Shone asked if the state contributions of 765K were an anomaly. Jeffrey replied it would not be appropriate to expect that type of contribution but rather a 4 to 6 % is more appropriate. S. Baur said it depends on City action on premium tax which comes from the general fund or some other fund. There is legislation to keep an eye on. Attorney Herrera said Bill HB 70-73 (SB74) is current legislation being proposed to mitigate rise in property insurance and increases, passing savings to insurance carriers. Jeffrey Ambrose continued his overview by going over pages 9-12-13 and 31.

MOTION by S. Gaskill to approve the valuation report dated October 1, 2023. Second by Jake Clemmons. Motion passed 3-0

MOTION by S. Gaskill to approve the declaration of an assumed rate of return of 7% based on the advise of the consultant for now and years later. Second by Jake Clemmons. Motion passed 3-0

Jeffrey Ambrose then went over the requested asset allocation study with 20 year projection scenarios. He referred to page 5 stating new hires after July 1, 2022 begin with a lower rate and benefits. He then reviewed page 6 (5.5 % for ten years then 7% for ten years would result in an increase of City Contributions to 1.2 million and a 3.7 to 3.3 unfunded liability position. The study is still using a 7% assumed rate of return. Trustee Shone said in today's dollars year 20 would be approximately 300K. Mr. Ambrose agreed. Page 8 review showed how being 1% more aggressive would not change the City contribution rate that much. S. Owens said this is why prior Boards took a defensive strategy. S. Baur said the City contributions would not change because the City contributes normal cost. Jeffrey Ambrose then went over how stressing the portfolio with a 2.3 % for then years (which on average was worse than what the market realized in the 2001 to 2009 recession) shows an enormous compounding effect. There was discussion while reviewing the charts with the different scenarios the actuary was asked to provide. Further discussion on Market Conditions, Pricing and Timing being more technical than fundamentals.

The CHAIR called for a ten minute break at 11:45 am. Meeting resumed at 11:58AM.

Attorney Report (Pedro Herrera, Sugarman, Suskind, Brasswell & Herrera)

Pedro Herrera provided an update on the ordinance indicating he is still waiting on the City to reply to the letter he sent them on December 13, 2023. He followed up with the City this morning, March 8, 2024. Pedro indicated the legislation session is scheduled to end today. Pedro Herrera believes a legislation to reinstitute the COLA to 3% and increase the supplemental pay will pass the Senate and House. He has not heard of a possible veto by the Governor. If the bill passes it will become effective July 1, 2024. Secretary J. Clemmons asked Pedro Herrera to

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ensure any changes to the FRS (COLA/Supplement/Extension of DROP from 5 to 8, fixed rate to go up from 1.3 % to 4.5% or higher) should be covered in the Marco Island Fire proposed ordinance change.

Pedro Herrera then went over the new reporting requirements for the FORM 1 in detail. He informed the BOARD the FPPTA has two webinars upcoming on this topic and reminded trustees that asset values are only reported if the asset is valued over \$2500.00. Pedro advised the trustees that they do not have to file a FORM 6.

The BOARD stated that active members reaching the point where they can enter the DROP. The BOARD requested the Plan Administrator to prepare DROP Application paperwork.

Administrator Report (Scott Baur & Toby Rabelo, Resource Centers)

Scott Baur provided a report to include updates on:

- 1) Pension Pay: Benefit Allowance
- 2) 5th Trustee OPEN SEAT – See Resume
- 3) 2023 Resource Centers SOC 1 Type 2 Audit Report & Certificate

Item One – Scott Baur informed the BOARD that Mr. Polanco from the City received his letter notifying them of the BOARDS decision and stated there would be no changes of payroll information at this time. Mr. Polanco sent the letter to the City Attorney.

Scott then went over the six people calculations he is conducting. It is still in progress due to several possessives he has had to do. Scott Baur is now ready to forward the calculations to Mr. Ambrose. There was discussion on Harris and Munion (25% to 10%). Scott also said the calendar year to biweekly for revised calculations has a range of 3 to 5% actual difference.

S. Gaskill asked Attorney Herrera if the BOARD had to enforce the City to take the 3% contribution. Mr. Herrera said the first step should be to write a letter to the City that these monies are pensionable and deductions should be collected from the members. (Everyone agreed the most likely scenario would be the monies would be applied as a credit) Mr. Herrera re-affirmed the BOARD has sole authority the definition of pensionable pay.

Mr. Baur then discussed the 5th open seat which is selected by the BOARD but approved/appointed by the City. The BOARD asked Mr. Baur to have the candidate Trustee Shade recommended at the June meeting.

Mr. Baur informed the BOARD that Trustee Leslie Shade requested the BOARD consider a proposal for Investment Consultant as a matter of due course and some concerns over long term performance. There was discussion this is good governance. Scott Baur will handle the RFP which should ask potential bidders to state their performance with similar plans like Marco Fire. Trustee Shone will provide Mr. Baur a template he used on another BOARD. Chair S. Gaskill asked Mr. Shone and Baur to work on the wording for the RFP. Mr. Shone said his prior firm should be excluded from the RFP. There was also discussion on 321 and 338 services. Mr. Baur said the performance must be reviewed at least every 3 years. Mr. Herrera stated the BOARD can choose either service (321/338) but reminded everyone of FL Statute 112 which covers fiduciary responsibilities. Mr. Herrera stated that of the 150 plans he works with, none of them have chosen to allow consultant to make the decision. Mr. Shone asked Mr. Baur to include if the consultant offers 321 and/or 338 services in the RFP. Secretary J. Clemmons asked if there would

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be a fee consequence to hiring a 338 service consultant. Mr. Herrera and Mr. Owens said yes, the BOARD would have to hire an independent consultant to complete a performance review every 3 years.

Mr. Baur informed the BOARD that Leslie Shade asked him to reach out to Marco Police to see if they would be interested in joining Fire on this search. Mr. Baur spoke with Marco Police Chair who said he would place it on the agenda. Marco Police did not have a quorum this month so this will be heard at the June meeting.

MOTION by M. Shone to approve the RFP for an Investment Consultant. Second by S. Gaskill. Motion passed 3-0

Mr. Scott Baur went over the COC 1 Type 2 Audit Report and Certificate and highlighted the difference between a SOC 1 Type 1 versus Type 2 audit. Mr. Baur was happy to report that Resource Centers has passed the audit for the last 16 years without any exceptions.

Mr. Toby Rabelo reminded the BOARD and service providers of the remaining meeting dates and asked everyone to ensure the plan administrators are copied on all emails dealing with the plan to ensure continuity.

Chari Gaskill asked Toby Rabelo to provide feedback on the member statements process at the next meeting.

7. APPROVALS – Taken out of order per Chair

The Trustees reviewed the Warrant dated March 8, 2024 for payment of plan expenses.

- **S. Gaskill made a motion to approve the Warrant dated March 8, 2024 for payment of expenses. The motion received a second from Jake Clemmons. Motion Approved Unanimously.**

There were no benefit approvals for this meeting.

8. NEW BUSINESS

N/A

9. OLD BUSINESS

N/A

10. Board Member Comments

BOARD requested Toby Rabelo work with Jake Clemmons on identifying three dates for work shops.

11. PUBLIC COMMENTS


No members of the public had any comment.

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12. ADJOURNMENT

There being no further business and the Board having previously scheduled the next regular meeting for Friday, June 7, 2024 at the new starting time of 9:30AM

S. Gaskill made a motion to adjourn the meeting at 1:05PM. The motion received a second from J. Clemmons, Motion Approved Unanimously 3-0.



Jake Clemmons, Secretary