CITY OF ST. PETE BEACH FIREFIGHTERS' RETIREMENT SYSTEM PENSION BOARD OF TRUSTEES QUARTERLY MEETING MINUTES

Governor Ron DeSantis signed Executive Order 20-69 which suspends all statutes that require a quorum to be present in person or require a local government body to meet at a specific public place. It also provides that local government bodies may utilize communications media technology, such as telephonic and video conferencing, as provided in section 120.54(5)(b)2, Florida Statutes. Under Executive Order 20-69, the Board meeting was held via video conference using Zoom Meeting.

Thursday, October 15, 2020 at 8:30AM

TRUSTEES PRESENT: Kevin D'Amico
Patrick Strong
Marilyn Terry
Keith Beattie

TRUSTEES ABSENT: None

OTHERS PRESENT: Bonni Jensen, Klausner, Kaufman, Jensen & Levinson
Kerry Richardville, AndCo Consulting
Richelle Hayes, American Realty Advisors
Patrick Donlan, Foster & Foster
Vince Tenaglia, City's Asst. City Manager/Finance Director
Kim Kilgore, Foster & Foster

1. **Call to Order** – Kevin D'Amico called the meeting to order at 8:33AM.

2. **Roll Call** – As reflected above.

3. **Public Comments** - None.

4. **Approval of Minutes**

The Board voted to approve the minutes from the July 16, 2020 quarterly meeting upon motion by Kevin D'Amico and second by Marilyn Terry; motion carried 4-0.

5. **New Business**
    a. Actual expenses as of September 30, 2020
        i. Kim Kilgore commented she would be presenting the actual expense report at the next board meeting when completed.

    b. Proposed 2021 meeting dates

The Board approved the proposed 2021 meeting dates upon motion by Kevin D'Amico and second by Patrick Strong; motion carried 4-0.

    c. City commission appointed trustee – vacancy
        i. Kim Kilgore commented Bruno Falkenstein had moved from St. Pete Beach, therefore he had to step down from his position on the Board. Kim Kilgore further commented that Council would be recognizing him for his service on the Board at the October 27, 2020 council meeting. The Board ensued in a conversation on recognizing Bruno for his many years of service as a trustee for the pension plan.

The Board approved a monetary amount of no more than $100 to purchase a gift of appreciation for the trustee when leaving their term on the Board upon motion by Marilyn Terry and second by Keith Beattie; motion carried 4-0.

6. **Consent Agenda**
   a. Payment ratification
      i. Warrant #16
         1. AndCo, invoice #35702, $4,500.00
         2. Klausner, Kaufman, Jensen & Levinson, invoice #26381, $410.30
         3. Foster & Foster Administrator, invoice #17507, $1,260.00
      ii. Warrant #17
         1. Salem Trust, 2nd quarter fees (Auto-Deduct), $2,585.00
         2. Klausner, Kaufman, Jensen & Levinson, invoice #26599, $1,071.50
         3. Foster & Foster Administrator, invoice #17769, $1,260.00
      iii. Warrant #18
         1. Klausner, Kaufman, Jensen & Levinson, invoice #26808. $397.80
         2. Foster & Foster Administrator, invoice #18044, $1,260.00
         3. Anchor Capital Advisors, 2nd quarter fees, $3,837.42
         4. AndCo, invoice #36431, $4,500.00
   b. New invoices for payment
      i. None.
   c. Fund Activity Report for July 10, 2020 – October 8, 2020

The Board voted to approve the Consent Agenda as presented upon motion by Kevin D'Amico and second by Keith Beattie; motion carried 4-0.

7. **Reports**
   a. American Realty Advisors, Richelle Hayes, Investment Manager
      1. Richelle Hayes introduced herself to the Board and gave a brief overview on the team and clients of American Realty Advisors.
      2. Richelle Hayes reviewed the advantages of the real estate asset class noting it acted as an inflation hedge and was not correlated to stocks and bonds which provided diversity to the fund and lowered the volatility.
      3. Richelle Hayes commented the American Core Realty Fund should receive between 6.00% to 9.00% gross returns and had since the inception.
      4. Vince Tenaglia asked what the threshold would be to get out of this investment. Richelle Hayes explained the process for redemption.
      5. Kevin D'Amico asked about the office rental space with more employees working from home.
      6. Richelle Hayes commented they were expecting more employees to work from home but possibly only on part of the work week. Richelle Hayes commented not one commercial tenant had broken their lease as of today and they were working with tenants to keep buildings occupied. Richelle Hayes commented they had no exposure to malls, but instead had shopping centers anchored by Publix.
      7. Richelle Hayes commented their fund had a net investment of $1,275,000 with an ending net asset value of $1,305,026 as of June 30, 2020. Richelle stated the total portfolio gross was -1.23% for the quarter stating it had been the first negative returns they had in ten years. Richelle further stated since inception the return was 6.71%.
      8. Richelle Hayes reviewed their diversification across target markets and property types.
      9. Richelle Hayes commented 97.00% of rent was collected for the months of February through August 2020.
      10. Richelle Hayes reviewed the makeup of tenants and lease expirations.

11. Richelle Hayes stated the preliminary returns through September 30, 2020 were -0.14%,1.62%, 4.18% and 9.91% for quarter,1, 2, and 10-year periods.

b. AndCo Consulting, Kerry Richardville, Investment Consultant
   i. Quarterly report as of September 30, 2020
      1. Kerry Richardville reviewed the market environment during the past quarter.
      2. The asset allocation of the fund as of September 30, 2020 was Domestic Equity at 52.20%, International Equity at 9.90%, Domestic Fixed Income at 24.50%, Global Fixed at 3.90%, Real Estate at 7.90% and Cash Accounts at 1.60%.
      3. Kerry Richardville stated the asset allocation of the fund was in compliance with the Investment Policy Statement and there was no recommendation to rebalance at this time.
      4. The total market value of the fund was $16,513,305 as of September 30, 2020.
      5. Kerry Richardville commented the fiscal year to date return was 10.86%. Patrick Donlan stated the four-year averaging used in the valuation would be around 8.70%.
      6. The total fund gross returns without Real Estate for the quarter were 5.78%. Trailing returns for 1, 3, and 5-year periods were 10.86%, 9.14%, and 9.60% respectively. Since inception (6/1/1994), gross returns were 8.04%.
      7. Kerry Richardville reviewed the performance of each investment manager for the past quarter.
      8. Kerry Richardville reviewed how Templeton invested so differently from the benchmark. Kerry proposed to look at other managers in the global fixed income space at the next quarterly meeting.
      9. Kerry Richardville recommended to rebalance the growth fund back into the value fund in the amount of $400,000.

The Board approved to sell MFS Growth in the amount of $400,000 and buy into Anchor All Cap Value upon motion by Patrick Strong and second by Keith Beattie; motion carried 4-0.

10. Kerry Richardville commented she would be preparing an asset allocation study to present at the next meeting. Kerry briefly reviewed the allocation study would look at the current fund allocation and use expected rate of return models for the next ten to fifteen years out to help determine if any changes are needed.
11. Kerry Richardville requested for the Board to approve an annual fee increase for AndCo from $18,000 to $20,000. Kerry commented it had been four years since AndCo had increased their fee and they would guarantee no increase to the new fee for three years.

The Board approved the annual fee increase to $20,000 for investment consultant services with AndCo effective October 1, 2020 upon motion by Kevin D'Amico and second by Keith Beattie; motion carried 4-0.

12. Kerry Richardville thank the Board and commented she valued their business.

c. Klausner, Kaufman, Jensen & Levinson, Bonni Jensen, Board Attorney
   i. Governor's Order extension for remote meetings
      1. Bonni Jensen commented the Governor had extended the Order to November 1, 2020 to meet virtually and was not expecting any future extensions.

2. Bonni Jensen suggested looking into possibly changing the Board meeting venue from conference room to commission chambers for physical meetings going forward to allow for social distancing.

ii. Ordinance updates

1. Bonni Jensen reviewed the Ordinance for the Internal Revenue Service (IRS) required minimum distribution and State cancer presumption commenting it had been approved by the City.

iii. Summary Plan Description (SPD) update

1. Bonni Jensen reviewed the intent of the SPD was to present the plan provisions in simple language. Bonni Jensen further commented the SPD was required to be sent to the membership every two years. Bonni reviewed the changes made to the SPD and noted she would remove Bruno Falkenstein from the trustee listing.

The Board approved the updated Summary Plan Description as presented upon motion by Kevin D'Amico and second by Keith Beattie; motion carried 4-0.

2. Patrick Strong asked about the selection of benefit option prior to retirement for a vested member with ten years of service. Bonni Jensen commented she would review the current Ordinance language and put together a proposed amendment to present at the next meeting.

8. **Old Business**

a. Further discussion on the assumed rate of return

1. Patrick Donlan commented currently the Board had been reducing the assumed rate of return by 5 basis points every year with 7.50% to be assumed on the next valuation. Patrick Donlan stated the average assumed rate use by other plans was around 7.50%. Vince Tenaglia commented the City's expectation was the reduction to 7.50% for the assumed rate of return.
2. Patrick Donlan commented due to this year's gain with meeting the assumed return and the Florida Retirement System (FRS) mortality assumption changes this may be a good time to reduce the assumed rate of return. Patrick Donlan commented he still could not guarantee cost would go down for the next valuation due to other assumptions which may have been unfavorable.

The Board approved the assumed rate of return of 7.50% upon motion by Kevin D'Amico and second by Keith Beattie; motion carried 4-0.

9. **Staff Reports, Discussion, and Action**

a. Kim Kilgore, Foster & Foster, Plan Administrator

i. Foster & Foster cyber liability coverage update

1. Kim Kilgore commented Foster & Foster increased their cyber liability coverage from $1 million to $2 million per claim.

ii. State Annual Report

1. Kim Kilgore stated the annual State Report had been approved on August 10, 2020 and premium tax disbursement in the amount of $177,892.60 had been deposited into the plan's account on September 3, 2020.

iii. Educational opportunities

1. Kim Kilgore commented the FPPTA Virtual Summit would be held October 26-28, 2020. Kim Kilgore further commented the annual FPPTA membership fees would also need to be paid along with any registration for the event.

The Board approved to pay the FPPTA membership fee only if a trustee was attending the FPPTA Virtual Summit upon motion by Patrick Strong and second by Marilyn Terry; motion carried 4-0.

10. **Trustees' Reports, Discussion, and Action**
    a. Patrick Strong asked to discuss the Unfunded Actuarial Accrued Liability (UAAL) and the progress being made on paying it down. Patrick Donlan commented the plan's current traditional funded ratio was 64.90% and most plans tried to be 80.00% to 100.00%funded. Patrick Donlan explained how the plan provisions were greatly reduced and how the plan began to enhance benefit provisions again.
    b. Bonni Jensen recommended for Patrick Donlan to be prepared to discuss the valuation in more detail with the newer trustee.
    c. Bonni Jensen stated the plan language specifically stated no optional benefits could be made to a beneficiary if the member died before retirement, the only option would be the ten-year certain. Bonni commented they could present a proposed Ordinance to the City for a change, but this provision change may need to go through negotiations.

11. **Adjournment** – The meeting adjourned at 10:12AM.

12. **Next Meeting** – January 21, 2020 at 10:30AM, Quarterly Meeting

Respectfully submitted by:

Kim Kilgore

Kim Kilgore, Plan Administrator

Approved by:

K. J. D'a

As: CHAIR

Date Approved by the Pension Board: 1/21/2021