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

City Hall, 2nd Floor Conference Room, 155 Corey Avenue, St. Pete Beach, FL 33706

Thursday, January 20, 2022, at 1:30PM

TRUSTEES PRESENT: Stephan Grossnickle
Phil Milner
Patrick Strong
Marilyn Terry

TRUSTEES ABSENT: Kevin D'Amico

OTHERS PRESENT: Patrick Donlan, Foster & Foster
Kerry Richardville, AndCo Consulting
Bonni Jensen, Klausner, Kaufman, Jensen & Levinson
Kim Kilgore, Foster & Foster

1. **Call to Order** – Patrick Strong called the meeting to order at 1:35PM.
2. **Roll Call** – As reflected above.
3. **Public Comments** - None.
4. **Approval of Minutes**

The Board voted to approve the minutes from the October 21, 2021, quarterly meeting, upon motion by Patrick Strong and second by Marilyn Terry; motion carried 4-0.

5. **New Business**
   a. Actual expenses as of September 30, 2021
      i. Kim Kilgore briefly reviewed the State requirement to prepare and review the actual expenses for the fiscal year.

The Board approved the actual expenses as of September 30, 2021, as presented, upon motion by Phil Milner and second by Stephan Grossnickle; motion carried 4-0.

   a. Trustee term expirations
      i. Kim Kilgore commented Patrick Strong's term as the member elected trustee would be expiring in April. Patrick stated he would like to rerun for the position. Kim stated she would reach out to the members for nominations and would hold an election if needed.

6. **Consent Agenda**
   a. Payment ratification
      i. Warrant #29
         1. Salem Trust, third quarter fees (auto-deduct), $2,530.00
         2. Foster & Foster, invoice #21702, actuarial services, $2,220.00
         3. Foster & Foster, invoice #21844, plan administration, $1,260.00
         4. Klausner, Kaufman, Jensen & Levinson, invoice #29436, $1,970.19
         5. Anchor Capital Advisors, third quarter fees, $5,191.93
      ii. Warrant #30

1. Foster & Foster, invoice #22396, actuarial services, $13,403.50
2. Foster & Foster, invoice #22251, plan administration, $1,367.47
3. AndCo, invoice #40193, fourth quarter fees, $5,000.00

b. New invoices for payment – None.
c. Fund Activity Report for October 15, 2021 – January 13, 2022

The Board voted to approve the Consent Agenda as presented, upon motion by Patrick Strong and second by Stephan Grossnickle; motion carried 4-0.

7. **Reports**

a. AndCo Consulting, Kerry Richardville, Investment Consultant

i. Quarterly report as of December 31, 2021 (Preliminary)

1. Kerry Richardville thanked the Board for their business and reviewed the team working under AndCo with 13 partners giving them 87 team members in all. Kerry commented she and Brian Green had made partners this past year with the company. The Board congratulated Kerry on her becoming a partner with AndCo and for her accomplishments for the Fire plan.
2. Kerry Richardville reviewed the market environment during the past quarter and calendar year. Kerry discussed the inflation concerns and omicron variant as well as the impact they had on the market. Kerry reviewed the treasury yield curve and commented the ten-year Treasury ended the year higher as economic growth accelerated in anticipation of the Federal Reserve beginning the process of normalizing inflation rates. Kerry commented there could be 3 to 5 Federal interest rate hikes this year.
3. The preliminary total market value of the fund was $19,906,980 as of December 31, 2021.
4. The asset allocation of the fund as of December 31, 2021, was Domestic Equity at 51.40%, International Equity at 14.50%, Domestic Fixed Income at 20.90%, Global Fixed at 3.60%, Real Estate at 7.60% and Cash Accounts at 1.90%. Kerry Richardville commented all allocations were within the target ranges of the Investment Policy Statement and there was no need to rebalance at this time.
5. The total fund gross return without Real Estate for the quarter was 3.66%. Trailing returns for 1, 3, and 5-year periods were 11.89%, 15.91%, and 12.12% respectively. Since inception (6/1/1994), gross returns were 8.44% outperforming the policy index of 8.40%.
6. Kerry Richardville reviewed the performance for each manager commenting it had been a challenging quarter.
7. Stephan Grossnickle asked why not invest in Russell 3000 instead of Anchor. Kerry commented the rest of the investors in the market had produced significant value. Kerry further commented when an investment in the portfolio was not performing well, we put them on watch for the next four quarters to determine if termination was needed on the investment. Phil Milner commented we could lose the amount the active managers earn over the index if we changed. Stephan Grossnickle commented funds do not typically outperform the index.
8. Kerry Richardville stated she would bring projections of the index performance for the next 5 to 10 years to review at the next meeting.

ii. Fixed Income investment discussion

1. Kerry Richardville reviewed intermediate bonds typically mature between five to ten years compared to the short-term bonds between one to five years. Kerry further commented the intermediate bond may take on a little more risk but could produce a better return than short-term bonds.

2. Kerry Richardville presented two managers Robert W. Baird & Company and Legg Mason Partners Fund Advisor and reviewed their investment strategy as an intermediate bond investor.
3. Kerry Richardville reviewed the management fees, team approach, and trailing performance for each investment.
4. Kerry Richardville recommended pairing Baird with Dodge and Cox and terminating Metropolitan West investment.
5. Stephan Grossnickle asked about the liquidity of Baird and Kerry commented there should be no problem with this investment.

The Board approved to terminate the investment of Metropolitan West Total Return and replaced with Baird Aggregate Intermediate Bond, upon motion by Marilyn Terry and second by Patrick Strong; motion carried 4-0.

b. Foster & Foster, Patrick Donlan, Actuary
   i. October 1, 2021, actuarial valuation report
      1. Patrick Donlan reminded the Board the contributions set forth in the October 1, 2021, valuation report were applicable for fiscal year ending (FYE) September 30, 2023.
      2. The total required contributions from the City for 2022-2023 fiscal year had decreased from the previous valuation from 40.60% to 35.50%.
      3. Patrick Donlan stated the City had a prepaid contribution of $18,507.62 available to offset a portion of their funding requirement.
      4. Plan experience was favorable overall based on the plan's actuarial assumptions. Sources of actuarial gain included an investment return of 10.85% (Actuarial Asset Basis) which exceeded the assumed rate and a larger than expected turnover. There were no significant sources of actuarial loss.
      5. Patrick Donlan reviewed the changes made back in 2013 on the accrual lowered from 3.40% to 1.25% and no future COLAs. Patrick commented Fire requested better provisions with 3.40% accrual with the City agreeing to fund for a 2.75% accrual and the members paying the difference. The City also only pays the cost of benefits using base salary and members would pay any additional cost on using overtime pay up to the 300 hours allowed annually.
      6. Patrick Donlan commented the City bears the brunt of any loss or gain recognized when performing the valuation.
      7. Patrick Donlan reviewed the reconciliation of the Unfunded Actuarial Accrued Liabilities (UAAL) with ending balance of $6,700,555 and City's annual amortization payment of $680,667.
      8. Patrick Donlan reviewed the funded ratio from fiscal year beginning 2018 of 62.90% compared to fiscal year beginning 2021 of 72.90%.
      9. Patrick Donlan reviewed the four-year smoothing used for the valuation and the 17.23% return for 2021 giving a nice cushion for any bad returns in the next years.
      10. Patrick Donlan reviewed the participant reconciliation from the previous valuation with one new active member.
      11. Patrick Strong commented he would like to look at cost of adding a DROP program to the Plan. Patrick suggested providing a DROP benefit which would be cost neutral allowing the DROP earnings to be either a fixed rate or the fund's net return.
      12. Patrick Donlan recommended an experience study needed to be performed since it had been 5 years since the last study was done.
      13. Conversation ensued on the reason for lowering assumed rate when were now achieving. Patrick Donlan commented we had been looking at the

long term returns and not the short term returns as we have been gradually lowering.

14. Patrick Donlan commented the net pension liability used by the City would be $5,306,421 which does not consider the 4-year smoothing.

The Board voted to approve the October 1, 2021, actuarial valuation report as presented upon motion by Phil Milner and second by Marilyn Terry; motion carried 4-0.

The Board voted to approve for the Actuary to complete an experience study to cost no more than $8,000, upon motion by Phil Milner and second by Marilyn Terry; motion carried 4-0.

The Board voted the declaration of returns for the Plan shall be 7.50% for the next year, the next several years, and the long-term thereafter net of investment related expenses, upon motioned by Marilyn Terry and second by Phil Milner; motion carried 4-0.

c. Klausner, Kaufman, Jensen & Levinson, Bonni Jensen, Board Attorney
   i. 2022 Local Educational Conference
      1. Bonni Jensen postponed the education training until April 22nd due to Indian Shores Town Hall closed due to COVID. Bonni commented an invitation would be forthcoming to the Trustees to RSVP for the event.
   ii. Legal/legislation update
      1. Bonni Jensen commented HB117 and SB774 was filed on adding COVID to the list of infectious disease as a presumption for disability/death benefits as line-of-duty. Bonni commented there had been little movement with the bill but would continue to monitor and would update the Board if the bill passed.

8. Old Business – None.

9. Staff Reports, Discussion, and Action
   a. Foster & Foster, Kim Kilgore, Plan Administrator
      i. Kim Kilgore stated she had no reports at this time.

10. Trustees' Reports, Discussion, and Action
   a. Patrick Strong inquired on how to present to the City on adding a DROP provision to the Plan. Phil Milner commented it may be easier if Fire provided the provision details for the City to review.

11. Adjournment – The meeting adjourned at 3:54PM.

12. Next Meeting – April 21, 2022, at 8:30AM, Quarterly Meeting

Respectfully submitted by: Kim Kilgore

Kim Kilgore, Plan Administrator

Approved by: [signature]

Trustee

Date Approved by the Pension Board: 4/21/2022