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, July 21, 2022, at 10:30AM

TRUSTEES PRESENT:	Stephan Grossnickle Phil Milner Patrick Strong Kevin D'Amico Marilyn Terry
TRUSTEES ABSENT:	None
OTHERS PRESENT:	Patrick Donlan, Foster & Foster Kerry Richardville, AndCo Consulting Bonni Jensen, Klausner, Kaufman, Jensen & Levinson Kim Kilgore, Foster & Foster Chrissy Stoker, Foster & Foster Vince Tenaglia, Assistant City Manager/Finance Director

1. **Call to Order** – Kevin D'Amico called the meeting to order at 10:31AM and led Pledge of Allegiance and a quorum was determined.

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

3. **Public Comments** - None.

4. **Approval of Minutes**

The Board voted to approve the minutes from the April 21, 2022, quarterly meeting as presented, upon motion by Phil Milner and second by Patrick Strong; motion carried 5-0.

5. **New Business**
   a. Proposed FY 2022-2023 budget
      i. Kim Kilgore reviewed the budget requirement and each expenditure type.

The Board approved the FY 2022-2023 budget as presented, upon motion by Kevin D'Amico and second by Marilyn Terry; motion carried 5-0.

6. **Consent Agenda**
   a. Payment ratification
      i. Warrant #33
         1. AndCo, invoice #40985, $5,000.00, plan administration
         2. Klausner, Kaufman, Jensen & Levinson, invoice #30333, $47.70
         3. Foster & Foster, invoice #23307, plan administration, $1,260.00
         4. Salem Trust, 1st quarter fees (Auto-Deduct), $2,640.00
         5. United Members Insurance, invoice #175, $3,248.58
      ii. Warrant #34
         1. Foster & Foster, invoice #23542, actuary, $6,724.46
         2. Klausner, Kaufman, Jensen & Levinson, invoice #30501, $4,181.15
         3. Foster & Foster, invoice #23662, plan administration, $1,260.00
         4. Anchor Capital Advisors, 1st quarter fees, $5,299.74

iii. Warrant #35
1. Foster & Foster, invoice #23891, plan administration, $1,260.00
2. Klausner, Kaufman, Jensen & Levinson, invoice #30708, $429.30
3. AndCo, invoice #41785, $5,000.00

b. New invoices for payment
1. None.

c. Fund Activity Report for April 15, 2022 – July 14, 2022

The Board voted to approve the consent agenda as presented, upon motion by Phil Milner and second by Patrick Strong; motion carried 4-0.

7. **Reports**

a. Foster & Foster, Patrick Donlan, Board Actuary

i. Experience study

1. Patrick Donlan commented each year they did a valuation and as part of that report they made assumptions that were used to determine the funding requirements. Patrick commented the assumptions needed to be revisited every 5 years or so to analyze the plan's actual experience and adjust the assumptions as needed.
2. Patrick Donlan reviewed the UAAL that was currently amortized over 30 years. Patrick commented they would pay less interest if they amortized the UAAL over a shorter period. Patrick recommended amortizing all future layers of the UAAL over a 20-year period instead of 30 years, which would not change the current funding requirements.
3. Phil Milner, Stephan Grossnickle, and Patrick Donlan discussed the cost impacts of shortening the amortization period.
4. Patrick Donlan recommended changing the Entry Age Normal cost allocation method which would slightly reduce the funding requirements. Patrick commented this was a minor technical change but was a better methodology.
5. Patrick Donlan reviewed the salary increase assumptions. Patrick recommended the assumed rates of salary increases be amended to better align with actual plan experience for members with less than one year of service and members with 1-5 years of service.
6. Patrick Donlan reviewed the retirement provisions and current assumptions. Patrick recommended to assume that members who were not grandfathered into the Age 55 or 25 years of service provision would retire on their Normal Retirement Date and the members who were grandfathered would retire at their first eligibility 50% of the time and would have a 50% probability of retirement in the second year or after first eligibility and would have a 100% probability of retirement two years after first eligibility. Patrick recommended to eliminate the assumption that members eligible for Normal Retirement would work one more year.
7. Patrick Donlan reviewed the withdrawal rates, commenting overall the actual incidence of termination was in line with current assumptions, with a higher rate in the first year of service, so he would only make slight adjustments to the withdrawal assumptions.
8. Patrick Donlan reviewed the disability rates. Patrick recommended doubling the assumed rates of disability, which would have a slight impact to the members and the City.
9. Patrick Donlan reviewed the history of the investment return assumption against the actual market investment return since 1992. Patrick commented they currently assumed 7.50%.
10. Patrick Donlan commented any assumption changes would be made in conjunction with the 10/1/2022 valuation, which would impact the funding for 10/1/2023.

11. Patrick Donlan, Vince Tenaglia, and the Board further discussed reducing the amortization period. By consensus the Board decided to move on with the agenda and return to the experience study.

ii. Member portal demo
   1. Patrick Donlan commented the portal was a tool for the members that allowed them to calculate estimated retirement benefits. Patrick commented the data used in the portal was based upon biweekly pay feed data received from the City. Patrick gave a portal demonstration and reviewed the portal's features.

iii. Experience study (continued)
   1. Stephan Grossnickle asked which assumptions were the most sensitive. Patrick Donlan commented the investment return assumption was the most sensitive.
   2. Patrick Donlan, Kevin D'Amico, and Patrick Strong discussed the impact of members exiting the plan and going to the Florida Retirement System (FRS) plan.
   3. Phil Milner asked Patrick Donlan if the new assumptions could be used beginning on 10/1/2022. Patrick explained this was possible but there would be a disconnect between the City's accounting and the funding.
   4. Bonni Jensen reminded the Board the numbers in the experience study were based on a twenty-year amortization. Patrick Donlan commented he would rerun the numbers using a thirty-year amortization.

iv. Member portal demo (continued)
   1. Patrick Donlan commented the initial setup fee would be $3,125, which included workshops for the members, and an ongoing annual fee of $4,375 for annual updates or $6,250 for bi-weekly payroll updates. Patrick Strong commented bi-weekly payroll data would be more beneficial to the members.
   2. Phil Milner commented Kevin D'Amico and Patrick Strong should get feedback from the members to gauge their interest before purchasing the portal. Patrick commented he would discuss with the members and let the Board know.
   3. Kim Kilgore commented the portal allowed them to monitor usage statistics to ensure members were using it and if not, they could cancel their subscription.

b. AndCo Consulting, Kerry Richardville, Investment Consultant
   i. Quarterly report as of June 30, 2022
      1. Kerry Richardville gave an overview of the market environment over the quarter. Kerry commented it was another very challenging quarter and reviewed the index returns for equities and fixed income.
      2. Kerry Richardville commented AndCo Consulting won a Quality Leader award from Coalition Greenwich and thanked the Board for their support.
      3. The MVA as of 6/30/2022 was $16,773,641.
      4. Kerry Richardville reviewed the asset allocation of the fund, commenting 46.70% was in Domestic Equity, 12.90% was in International Equity, 22.60% was in Domestic Fixed Income, 4.10% was in Global Fixed, 11.50% was in Real Estate, and 2.20% was in Cash Accounts.
      5. Kerry Richardville reviewed the asset allocation compliance, commenting they were within their policy targets, and she had no recommendations to rebalance at this time.
      6. The total fund gross return without Real Estate for the quarter was -10.38%. Trailing returns for 1, 3, and 5-year periods were -11.82%, 5.24%, and 6.88% respectively. Since inception (6/1/1994), gross returns were 7.66% outperforming the policy index of 7.64%.
      7. Kerry Richardville reviewed the performance of each manager.

8. Stephan Grossnickle asked if they had any investments in tobacco companies. Kerry Richardville commented she was unsure and would investigate this and report back to the Board.
9. Kerry Richardville reviewed a comparative performance of actively managed funds Anchor Capital (value) and MFS (growth) versus passive index funds.
10. Kerry Richardville briefly reviewed a US Large Cap Value Manager Analysis to evaluate potential replacements for Anchor's All Cap Value strategy. Kerry reviewed the trailing performance of each manager net of fees.

The Board voted to replaced Anchor Equity with Vanguard Equity, upon motion by Kevin D'Amico and second by Stephan Grossnickle; motion carried 5-0.

c. Klausner, Kaufman, Jensen & Levinson, Bonni Jensen, Board Attorney
   i. Bonni Jensen commented the Internal Revenue Service (IRS) rate for mileage increased to $0.625 effective 7/1/2022.

d. Foster & Foster, Patrick Donlan, Board Actuary
   v. Experience study (continued)
      1. Patrick Donlan commented he ran the numbers using a 30-year amortization instead of 20 and reviewed the changes in the funding requirements.
      2. Phil Milner commented he supported Line 9 of the Experience Study with a 30-year amortization. Patrick Strong commented he supported lowing the assumed rate of return to 7.40% and making the other adjustments as recommended.
      3. The Board, Patrick Donlan, and Kerry Richardville discussed lowering the assumption rate at length.

8. Old Business

a. Bonni Jensen commented member Ryan Holt was not able to take a partial refund of contributions.

9. Staff Reports, Discussion, and Action

a. Foster & Foster, Kim Kilgore, Plan Administrator
   i. Kim Kilgore confirmed the annual report was submitted to the State and they were just waiting for the approval letter.
   ii. Kim Kilgore confirmed all trustees filed their financial disclosure forms.
   iii. Kim Kilgore reviewed the upcoming FPPTA trustee school that was available if the Board elected to join the organization.

The Board voted to approve cost of paying the Board membership fee if anyone wanted to attend the FPPTA Fall Trustees School, upon motion by Kevin D'Amico and second by Patrick Strong; motion carried 5-0.

10. Trustees' Reports, Discussion, and Action – None.

11. Adjournment – The meeting adjourned at 1:04PM.

12. Next Meeting – October 20, 2022, at 1:30AM, Quarterly Meeting

Respectfully submitted by: Kim Kilgore

Kim Kilgore, Plan Administrator

Approved by:

Trustee

Date Approved by the Pension Board: October 20, 2022