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 19, 2023, at 8:30AM

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

1. **Call to Order** – Kevin D'Amico called the meeting to order at 8:30AM and led the Pledge of Allegiance and a quorum was determined.

2. **Roll Call** – None.

3. **Public Comments** – None.

4. **Approval of Minutes**

The Board voted to approve the minutes from the October 20, 2022, quarterly meeting as presented, upon motion by Kevin D'Amico and second by Marilyn Terry; motion carried 5-0.

5. **Consent Agenda**
   a. Payment ratification
      i. Warrant #37
         1. Foster & Foster, actuarial services, invoice #24956, $995.00
         2. Salem Trust, 3rd quarter fees (Auto-Deduct), $2,755.00
         3. Klausner, Kaufman, Jensen & Levinson, invoice #31605, $2,794.24
         4. Foster & Foster, plan administration, invoice #25408, $1,260.00
         5. Klausner, Kaufman, Jensen & Levinson, invoice #31773, $456.60
         6. Klausner, Kaufman, Jensen & Levinson, invoice #31946, $47.70
         7. Foster & Foster, plan administration, invoice #25706, $1,260.00
   b. New invoices for payment
      i. None
   c. Fund Activity Report for October 14, 2022 - January 12, 2023

The Board voted to approve the consent agenda as presented, upon motion by Patrick Strong and second by Phil Milner; motion carried 5-0.

6. **New Business**
   a. Trustee term expiration
      i. Chrissy Stoker commented Kevin D'Amico's term as a firefighter trustee would expire April 1, 2023. Chrissy asked Kevin if he intended to remain on the pension

board. Kevin commented he would keep his name in the running. Chrissy stated she would send out a nomination notice to see if any active firefighter wanted to run against Kevin for his seat and would let the Board know if any election would be held.

b. Actual expenses as of September 30, 2022
   i. Chrissy Stoker presented the report of actual expenses. The total amount spent in FY2022 was $93,354.19 compared to the total budgeted amount of $117,000. Chrissy requested the Board to approve the report as it had to be sent to the State.

The Board voted to approve the actual expenses as of September 30, 2022, as presented, upon motion by Phil Milner and second by Patrick Strong; motion carried 5-0.

7. Reports

a. AndCo Consulting, Kerry Richardville, Investment Consultant
   i. Quarterly report as of December 31, 2022
      1. Kerry Richardville gave an update through the end of the calendar year.
      2. Kerry Richardville reviewed the financial reconciliation of the fund. Vince Tenaglia noted the contributions were high this quarter due to the State Monies deposit.
      3. Stephan Grossnickle discussed at length the idea of shifting the Fund's asset allocation to a short-term cash position and retracting their allocation to equities.
      4. Phil Milner commented the pension fund was a long-term investment and he supported allowing the managers to do their job. Kevin D'Amico commented they should stay the course and not make moves now based on what might happen in the future.
      5. The Board discussed their investment style at length.
      6. Bonni Jensen reminded the Board their consultants were fiduciaries of the pension fund. Kerry Richardville commented she did not recommend tactical asset moves.
      7. The market value of assets as of December 31, 2022, was $17,195,183.00.
      8. Kerry Richardville reviewed the asset allocation of the Fund, commenting 47% was in Domestic Equity, 13% was in International Equity, 21.8% was in Domestic Fixed Income, 4% was in Global Fixed Income, 12.3% was in Real Estate, and 1.8% was in Cash. Kerry noted they were in line with their policy parameters.
      9. The total fund gross returns for the quarter were 5.97%. Trailing returns for 1, 3, and 5-year periods were -14.73%, 3.37%, and 5.58% respectively. Since inception (6/1/1994), gross returns were 7.55% underperforming the policy index of 7.57%.
      10. Kerry Richardville reviewed the performance of each manager.
      11. Vince Tenaglia commented major changes were underway in the market and requested AndCo to provide a recommendation for how they might proceed with adjusting the portfolio. Kerry Richardville commented she would bring an asset allocation study to the next meeting to model different scenarios for the Board's consideration. Marilyn Terry commented she was concerned about real estate since so many people were not going back to work and she would like to see more real estate projections.
   ii. Continuing discussion of tobacco-free managers
      1. Kerry Richardville presented a performance report for Parnassus, an active core manager who screened out any companies who had more than 10% invested in tobacco, guns, etc. Kerry commented they could replace the Vanguard Equity Income Fund and/or MFS Growth with Parnassus. Kerry reviewed the comparative performance of Parnassus versus 50/50 Vanguard Equity Income and MFS Growth.

a. Foster & Foster, Patrick Donlan, Board Actuary
   i. October 1, 2022, actuarial valuation report
      1. Patrick Donlan stated the report being presented was not final so the numbers may change slightly with the final report.
      2. Patrick Donlan commented as a percentage of payroll the City's contribution increased from 35.80% to approximately 37.10%. Patrick commented this would likely increase slightly after the new assumptions.
      3. Patrick Donlan reviewed the smoothing commenting they had -15.43% return for FY2022, but they smoothed using a rolling 4-year average return, so for the actuarial valuation assumption (AVA) they used 3.79%. Phil Milner asked which return dropped off. Patrick commented the 10.06% return from 2018 dropped off.
      4. Patrick Donlan commented the actuarial loss was approximately $545,000, and they amortized gains and losses over 30 years so that equated to approximately $37,000 per year to amortize.
      5. Patrick Donlan commented the minimum required contribution as a percentage of payroll increased from 55.60% to 56.70%.
      6. Patrick Donlan commented he would present the final valuation report at the next meeting.
      7. Vince Tenaglia commented the members approved the contract to close the Plan effective September 30, 2023, moving all new firefighters into FRS effective October 1, 2023. Vince commented closing the Plan required an ordinance change. Vince asked if Patrick Donlan could keep the valuation in draft status pending the incorporation of the new contract. Patrick commented he would do the October 1, 2022, valuation like normal and would then do an impact statement for the plan closing.
      8. Kevin D'Amico noted current Plan members were locked into the current provisions and would not be impacted by the Plan's closure.
      9. The Board and Patrick Donlan discussed how many pieces of their pension benefit would be calculated at retirement.
      10. Vince Tenaglia recommended Patrick Donlan and Bonni Jensen to work together to draft ordinance language to facilitate exactly what was agreed to in the CBA and then send it to Vince for review to confirm the intent was properly communicated.

b. Klausner, Kaufman, Jensen & Levinson, Bonni Jensen, Board Attorney
   i. Public Safety Officer Support Act memorandum
      1. Bonni Jensen reviewed the Public Safety Officer Support Act memorandum. Bonni explained this was a federal benefit available for death and disability and added the assumption that PTSD was caused in the line-of-duty (ILOD) and would be retroactive to January 1, 2019, so anyone who was diagnosed or attempted treatment or had attempted suicide could apply for this benefit. Bonni commented the lump sum benefit was $422,000. Bonni commented this legislation was an attempt to bring police and fire in line with the military which had long recognized PTSD as an ILOD disability.
   ii. Internal controls memorandum
      1. Bonni Jensen reviewed a memorandum regarding internal controls and reviewed a case of an in-house plan administrator who embezzled a substantial amount of money from a pension fund. Bonni stated she wanted the city's auditors to do more work on the pension plan to ensure the Plan was being administered correctly. Bonni commented a stand-alone audit of the pension plan would not be that expensive. Bonni commented she also recommended third-party check deaths, which Salem Trust was already doing and sending to the administrator. Bonni discussed additional recommendations for preventing fraud and abuse.

iii. SECURE 2.0 Act memorandum
1. Bonni Jensen reviewed the changes made with the SECURE Act 2.0. Bonni commented the $3,000 taxable income exclusion for retirees who made health insurance premium payments directly from their monthly benefit payments was extended to all retirees who had insurance, even if the premiums were not deducted directly from their pension. Bonni commented beginning January 1, 2027, disability pension benefits would remain non-taxable even after normal retirement age was reached. Bonni commented lump sum payments made to public safety officers under age 50 would not be taxed the additional 10% so long as the member had 25 years of service at the time of separation. Bonni added the Required Minimum Distribution (RMD) age was increased to 73 effective January 1, 2023, and it would increase again to age 75 on January 1, 2033.

a. Foster & Foster, Patrick Donlan, Board Actuary (continued)
11. Patrick Donlan commented after speaking with Vince Tenaglia the only change to the ordinance for the current member funded benefits was that the multiplier was 3.00% for future service on/after October 1, 2023, but they could still use their final average compensation when they retired, and the member contribution rate would be 4.00% on/after October 1, 2023.

8. Old Business
a. Foster & Foster pension portal
i. Chrissy Stoker commented this item would remain on the agenda under Old Business until otherwise instructed by the Board.
ii. Patrick Strong commented this could be removed from the agenda. Kevin D'Amico commented they liked the annual member statements (the "green sheets"). Patrick Donlan noted the new green sheets were more accurate than in years past since they were now using average salary.

9. Staff Reports, Discussion, and Action
a. Foster & Foster, Chrissy Stoker, Plan Administrator
i. None.

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

11. Adjournment – The meeting adjourned at 10:16AM.

12. Next Meeting – April 20, 2023, at 10:30AM, Quarterly Meeting

Respectfully submitted by:

Chrissy Stoker

Chrissy Stoker, Plan Administrator

Date Approved by the Pension Board:

April 20, 2023

Approved by:

Kevin D'Amico, Chairman