CITY OF ST. PETE BEACH GENERAL EMPLOYEES' 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 1:30PM

TRUSTEES PRESENT: Nancy Schultz
Tim McLean
Laura Williamson

TRUSTEES ABSENT: None

OTHERS PRESENT: David Wheeler, Graystone Consulting
Bonni Jensen, Klausner, Kaufman, Jensen & Levinson
Chrissy Stoker, Foster & Foster
Patrick Donlan, Foster & Foster

1. **Call to Order** – Nancy Schultz called the meeting to order at 1:30PM and a quorum was determined.

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

3. **Public Comments –** None.

4. **Approval of Minutes**
   a. Chrissy Stoker commented Laura Williamson reached out prior to the meeting to suggest changes to the minutes. Chrissy reviewed the changes Laura suggested. The Board agreed with the revisions.

The Board voted to approve the December 9, 2022, quarterly meeting minutes, upon motion by Laura Williamson and second by Nancy Schultz; motion carried 3-0.

5. **Consent Agenda**
   a. Payment ratification
      i. Warrant #40
         1. Klausner, Kaufman, Jensen & Levinson, invoice #31776, $95.40
         2. FPPTA, invoice #8483, Pension Board Membership, $750.00
         3. Klausner, Kaufman, Jensen & Levinson, invoice #31949, $2,441.90
   b. New invoices for payment
      i. None.
   c. Fund Activity Report for December 3, 2022 - January 12, 2023

The Board approved the consent agenda as presented, upon motion by Tim McLean and second by Laura Williamson; motion carried 3-0.

6. **New Business**
   a. Discussion of overpayment to deceased member's beneficiary
      i. Chrissy Stoker commented she was made aware of a member who had been receiving quarterly withdrawals of $372.20 from his DROP account, and when he passed away, two additional payments were made to his beneficiary for a total overpayment of $744.42. Chrissy stated the overpayments were made in 2017-2018 and had not been addressed since then. Chrissy requested direction from the Board whether to pursue recoupment of the overpaid funds.

ii. Bonni Jensen commented the SECURE Act 2.0 gave more leeway as far as collecting overpayments, and the IRS had softened its restrictions on recouping overpaid funds.
iii. The Board discussed the overpayment at length and whether the administrator should pursue recovery of the funds.

The Board voted to not pursue recovery of the $744.42 overpayment to the beneficiary discussed, based upon the time elapsed since the overpayment was made, upon motion by Tim McLean and second by Laura Williamson; motion carried 3-0.

7. **Old Business** – None.

8. **Reports**
   a. Foster & Foster, Patrick Donlan, Board Actuary
      i. October 1, 2022, actuarial valuation report
         1. Patrick Donlan reviewed they previously changed the city contribution requirement from a percentage of payroll to a dollar funding method. Patrick briefly reviewed the assumption changes and reminded the Board they reduced the investment return assumption from 7.50% to 7.25%.
         2. Patrick Donlan commented the actual net return for the fiscal year was -17.80% so they missed the assumption by approximately 25%. Patrick commented the actuarial loss was approximately $3,658,384 relative to what they expected to earn. Patrick noted they implemented a smoothing technique two years ago, so they would only recognize 20% of this loss each year for the next five years. Patrick added they had good investment experience the prior year and they would continue to recognize 20% of that gain for the next four years, which was exactly how the smoothing was supposed to work.
         3. Patrick Donlan reviewed the valuation participant reconciliation, noting that the Plan closed on October 1, 2021, and there were 30 active members in the Plan at that time. Patrick commented as of October 1, 2022, only 19 members were left accruing benefits in the Plan. Patrick commented turnover was higher than expected.
         4. Patrick Donlan commented they did not smooth the assets for accounting purposes when determining net pension liability, so the city would book a net pension liability of $5,802,782 this year. Patrick commented assets were smoothed for funding purposes to ensure the city's requirement remained relatively stable.
         5. Patrick Donlan reviewed the detailed actuarial gain/loss analysis, commenting the Unfunded Actuarial Accrued Liability (UAAL) was $3,873,476 as of October 1, 2022. Patrick reviewed the reconciliation of the UAAL.
         6. Patrick Donlan discussed how the city's required contribution was determined and stated the required amount for the fiscal year ending September 30, 2024, was $592,473. Patrick commented the Normal Cost would continue to decrease as members exited the plan.
         7. Patrick Donlan commented the funded ratio was 77.4% and reviewed the history of funding progress since 2013.
         8. The Board discussed the life of the pension plan.

The Board voted to approve the October 1, 2022, actuarial valuation as presented, upon motion by Laura Williamson and second by Tim McLean; motion carried 3-0.

The Board voted the declaration of returns for the plan shall be 7.25% for the next year, the next several years, and the long-term thereafter net of investment related expenses, upon motion by Laura Williamson and second by Tim McLean; motion carried 3-0.

   b. Graystone Consulting, David Wheeler, Investment Consultant
      i. Quarterly report as of December 31, 2022
         1. David Wheeler reviewed the capital market returns as of December 31, 2022.

2. David Wheeler gave an overview of the market environment through December 31, 2022 and reviewed the executive summary of the fund.
3. The market value of assets as of December 31, 2022, was $12,011,000.00.
4. The gross total fund returns for the quarter were 6.66%, underperforming the policy benchmark of 6.70%. Trailing returns for the 1, 3, 5, 7 and 10-year periods were -16.80%, 2.64%, 4.39%, 5.71%, and 6.52%, respectively. Since inception (8/1/2006) gross returns were 6.31% outperforming the policy benchmark of 5.71%.
5. David Wheeler reviewed the asset allocation compliance and discussed the target allocation to cash at length.
6. David Wheeler reviewed the asset allocation compliance by manager.
7. David Wheeler briefly reviewed the performance of each manager.
8. David Wheeler commented total fund net returns for the 10-year period were 6.81% even though they realized -17.23% for the year in 2022. David commented they were off to a good start for the current fiscal year.
9. David Wheeler presented an asset allocation rebalancing spreadsheet and stated his recommendation. David recommended the Board to take 2.00% from the Vanguard Russell 1000 Core ETF, 2.00% from the Vanguard Russell 1000 Growth ETF, 0.50% each from the Janus Henderson Small Cap Growth Mutual Fund and the Vanguard Small Cap Growth ETF, add 2.00% to the Europacific Growth Fund, add 1.00% to the Western Core Bond Mutual Fund, reduce the Vanguard REIT Mutual Fund by $60,000 and add that $60,000 to the cash cushion. David summarized his recommendation was to move money from domestic to international and from small cap growth to fixed income.
10. Tim McLean commented he did not see the need to move funds into emerging markets and they had enough diversification in the portfolio. Tim commented he would be more comfortable with an actively managed fund in this space versus an index fund. David Wheeler commented they could easily swap out of an ETF into an actively managed fund.
11. The Board and David Wheeler further discussed their exposure to emerging markets and the volatility of this asset class.
12. Laura Williamson stated she supported David Wheeler's recommendation and would support moving forward.
13. The Board and Patrick Donlan discussed future benefit payments and cash needs.
14. The Board and David Wheeler discussed at length how to raise cash most efficiently. David commented following his recommendation should get them enough cash to get through September 30, 2023.

The Board voted to approve the investment consultant's recommendation to rebalance as shown on the asset allocation rebalancing spreadsheet, upon motion by Laura Williamson and second by Nancy Schultz; motion carried 3-0.

15. David Wheeler noted a discrepancy on Page 5 of the IPS dated April 15, 2021. Bonni Jensen commented the ordinance required a 75% cap on corporate common stock and convertible bonds. David commented he would send a revised IPS to Chrissy Stoker to be executed. Nancy Schultz commented she was interested in DocuSign. Chrissy commented she would discuss DocuSign with her Operations Manager and get back to Nancy with information.

c. Klausner, Kaufman, Jensen & Levinson, Bonni Jensen, Board Attorney
   i. Legislative/legal updates
      1. Bonni Jensen presented a proposed ordinance which would allow an active member trustee seat to be held by a retired plan member if the membership fell

below ten. Bonni commented Vince Tenaglia had a copy of it and he stated he would move it forward.

2. Bonni Jensen presented the SECURE Act 2.0 memo. Bonni noted the RMD age increased to age 73 this year and would increase to age 75 in 2033. Bonni commented SECURE Act 2.0 also reduced the RMD penalties from 50% to 25% and provided a good faith safe harbor opportunity to correct it and limit the penalty to 10%.
3. Bonni Jensen reviewed a case of an in-house plan administrator who stole millions of dollars from a pension fund and presented a memorandum of her firm's recommendations for internal controls. Bonni commented she would like to see the city's auditor examine the pension plan more closely and recommended death audits be run to confirm no deceased members were still receiving benefit payments. Bonni recommended bank account numbers be cross-checked to verify the same account was not being used for multiple plan participants. Bonni recommended having good contact information for each retiree to ensure any changes requested were being made by the retiree and not a fraudulent party.
4. Bonni Jensen discussed a form that could be mailed to each retiree which would require them to provide identifying information and have the form signed in the presence of a Notary Public. Bonni stated the form was unpopular amongst retirees but was one method they could utilize to perform status checks.
5. Laura Williamson commented she would like an official memorandum from Foster & Foster to review the internal controls utilized by the administrator. Chrissy Stoker confirmed she would present this information at the next meeting.
6. Bonni Jensen commented the Board had one investment manager to whom they delegated the responsibility to vote in proxies. Bonni briefly presented the SEC Proxy Voting Disclosure Rules memo, noting the SEC had standardized the process by which managers in a commingled fund reported their proxy voting.
7. Bonni Jensen commented the Delaware law was recently changed to allow companies to insulate corporate officers from personal liability for reckless conduct. Bonni stated this change was not in the best interest of the Plan and her office had been sending letters to managers to inform them of such.
8. The Board and Bonni Jensen further discussed proxy voting.

The Board voted to direct Bonni Jensen to send a letter to Anchor Capital to notify them of the Delaware law change and request they vote against the provision being added to the corporate charter, upon motion by Laura Williamson and second by Tim McLean; motion carried 3-0.

9. Staff Reports, Discussion, and Action

a. Foster & Foster, Chrissy Stoker, Plan Administrator

i. Educational opportunities

1. Chrissy Stoker briefly discussed the upcoming FPPTA Winter Trustees School, commenting registration was still open if any trustees wanted to attend.

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

11. Adjournment – The meeting adjourned at 3:42PM.

12. Next Meeting – April 20, 2023, at 8:30AM, Quarterly Meeting

Respectfully submitted by: Approved by:

Chrissy Stoker

Chrissy Stoker, Plan Administrator

Nancy Schultz

Nancy Schultz, Chairperson

Date Approved by the Pension Board: April 20, 2023