

FIRE PENSION BOARD MINUTES
Wednesday, August 16, 2023 – 9:30 a.m.
City Hall, Council Chambers, Vero Beach, Florida

PRESENT: Terry Zokvic, Chairman; Henry Losey, Secretary/Treasurer; Member: Kent Middleton
Also Present: Finance Director, Steven Dionne; Kelley Brost, Assistant Finance Director and Records Retention Specialist, Heather McCarty

1. CALL TO ORDER

Today's meeting was called to order 9:30 a.m.

2. AGENDA ADDITIONS, DELETIONS AND ADOPTION

None

3. APPROVAL OF MINUTES

A) May 17, 2023 Regular Meeting Minutes

Mr. Losey made a motion to approve the May 17, 2023 Fire Pension Board meeting minutes. Mr. Middleton seconded the motion and it passed unanimously.

4. PUBLIC COMMENTS

None

5. QUARTERLY REPORTS

A) Salem Trust

Mrs. Karen Russo, with Salem Trust, went over their Class Action report for the quarter ending June 30, 2023 (on file in the City Clerk's office). She reported that they did file a proof of claim for Micro Focus International and they received a settlement for \$833.13 from Wells Fargo Fair Fund.

Mrs. Russo said that the verification letters were sent out and all 10 have now been received. Also, they have received the amounts for the 2% COLA increases and are all set up to begin the new amounts on October 1st.

Mrs. Russo said that they received an email requesting online access to Weblink for the statements for the new Finance Director. If they approve it, she has a letter for the Chairman to sign to instruct Salem Trust to remove Cindy Lawson from online access and set up the new Finance Director with the same type of access and statements (on file in the City Clerk's office).

Mr. Losey made a motion to allow Weblink access to the new Finance Director. Mr. Middleton seconded the motion and it passed unanimously.

Mrs. Russo reported that on May 30, 2023, there was an announcement that went out that said that their parent company, TMI Holding, announced a planned merger with Argent Financial Group. She said that TMI Trust Company's legal name would change to Argent Institutional Trust Company. Salem Trust would continue operating the same way. She added there should be no change to their clients or employees and no system changes.

B) Highland Capital Management

Mr. Todd Wishnia, with Highland Capital, went over the letter they sent regarding Home Depot shares pricing (on file in the City Clerk's office). He explained how they lost money in the amount of \$2,701.80 in that transaction and that they are going to reimburse the Plan. He asked if the Plan preferred to receive a check or if they would like it taken off the next invoice.

Mrs. Russo said that either way would be fine with them.

Mr. Dave West, with AndCo Consulting, said that usually that amount would just be taken off their next quarter's fees. He said this was just a rare oversight but this is the type of transaction error that could have been easily swept under the carpet and not noticed. He said Highland has been very transparent and they immediately communicated with them and looked internally to see what happened and immediately moved forward to reimburse their clients for any potential loss.

Mr. Losey made a motion to have Highland Capital take a credit in that amount off the next quarterly fees invoice. Mr. Middleton seconded the motion and it passed unanimously.

Mr. Wishnia went to his Investment Review report for the period ending June 30, 2023 (on file in the City Clerk's office). He reported that the market for the secondquarter was strong, with the S&P being up 8.7%, which bring the S&P returns for the first half of the year to 16.9%. He talked about inflation and the economy. He commented that the first quarter earnings were better than expected, with 78% of companies beating their estimate. He said so far, the gains have been in technology. He commented that the seven (7) largest tech companies accounted for 77% of the market returns.

Mr. Wishnia reviewed the chart on page 14, Performance Returns for Various Periods. Growth has outperformed value by 24.5% through the first half of the year. He went over the chart, Domestic Equity Sector Allocation, on page 15. He said that their portfolio had strong performances in Communication Services, as well as Materials and Staples. He added that during the quarter, their fixed income was set to more defensive and was designed to generate more cash flow than the index.

C) AndCo Consulting

Mr. Dave West, with AndCo Consulting, said he had three (3) things to go over today, including their report, a rebalancing recommendation, and some new statutory requirements that requires them to make some adjustments to their Investment Policy Statement (IPS).

Mr. West went to his Investment Performance Review report for the quarter ending June 30, 2023 (on file in the City Clerk's office). He reviewed page 10, Market Rate & Yield Curve Component, and the chart, 1-Year Trailing Market Rates. He went over page 13, Asset Allocation Compliance. He explained they are in violation of their allocation compliance and that when they hit the outer 5% limit, they recommend rebalancing back to their target. He is asking for Board approval today to rebalance the domestic equities back to the policy target, which is at 45% and direct Highland to liquidate \$400,000 in equity. He suggested they give Highland the discretion on where to liquidate the funds from. Then they would use those funds to replenish the R&D account.

Mr. Losey made a motion to rebalance domestic equity back to policy targets and to direct Highland to sell \$400,000 of their equity portfolio at their discretion and proceeds would then be transferred to the R&D account for operating funds. Mr. Middleton seconded the motion and it passed unanimously.

Mr. West said they would work with Highland Capital to get that done.

Mr. West reminded everyone that this is a closed plan and they are paying out more than they are receiving in regards to cash flow. He went over the chart on page 17, Schedule of Investable Assets. They had a beginning market value of \$3,097,990 and ended June 30, 2023 with a market value of \$6,672,935. He commented that everything is working well and they have a total net gain over time of \$15.7 million. He went over the returns shown on pages 18-19, Comparative Performance Trailing Returns. He reported that the total fund (net) for the quarter was about even with the benchmark at 3.65%. He stated for the fiscal year to date (FYTD), they are in great shape, up 12.27%, which is double the Actuarial rate of return. He pointed out that Intercontinental was down 14.88% for the FYTD. He gave an update on real estate over the last couple of quarters.

Mr. Zokvic said they did a rebalance for real estate awhile back and they received a partial payment. He asked if they ever received the balance of that.

Mr. West answered no. He referred them to page 21 in his report to address that question. He said so far they have received \$30,308 from that distribution request. They are in arrears waiting for around \$270,000.

Mr. West reviewed the cash flow on page 21. He reported that they opened the fiscal year on October 1, 2022 with a market value of \$6,509,000 and ended on June 30, 2023 with \$6,672,935. He said the Plan is in great shape. They are opportunistically taking profits to raise money for pension benefits and he thinks they are in a very good position so far this fiscal year.

1. Investment Policy Statement

Mr. West referred to the Investment Policy additions, which were language additions to address House Bill 3. He explained nothing changes with what they are doing and it is just to make sure they are compliant with the latest Statute. He summarized that the Statute states that all investment decisions have to be made to make money or manage risk.

Mr. West said the first change is language straight out of the Statutes that he put on page 5, under C) Limitations and basically says that they will comply with the Statutes and defines who's responsible. It defines what pecuniary is and that all decisions must be pecunitive, with no political or ideological considerations. On page 7, under V) Communications, they added item H, which says that they will comply with any reporting requirements and file a comprehensive report by December 15th every odd-numbered year. He said this impacts all public funds. On page 7, under VI) Compliance, they added item G), which says that the Investment Consultant will provide investment managers for consideration based solely on pecuniary factors, which they are already doing and item H), which is in regards to putting out an RFP and does not apply to them.

Mr. West said he did review the entire IPS while making these additions and didn't have any observations to make. He said they need a motion to approve the amended IPS, which would then be filed with the City, the State, and the Actuary. The Consultants obligation is to make sure that all their investment managers receive a copy and acknowledge receipt of that copy.

Mr. Losey made a motion to approve the amended Investment Policy Statement with the changes discussed. Mr. Middleton seconded the motion and it passed unanimously.

6. NEW BUSINESS

A) 2023-2024 Annual Budget

Mrs. Kelley Brost, Assistant Finance Director, introduced Mr. Steven Dionne, the City's new Finance Director.

Mrs. Brost referred to the proposed 2023/2024 Administrative Expenses Budget that they prepared (on file in the City Clerk's office). She was not recommending any changes at this time.

Mr. Losey made a motion to approve the 2023-2024 Budget, as presented. Mr. Middleton seconded the motion and it passed unanimously.

7. OLD BUSINESS

A) Discussion of New Pension Ordinance and Procedures to Run it

Mr. Zokvic reported that Ordinance 2023-11 was passed by City Council and comes up with a way to disburse the State Premium Tax money. He said this year, they received \$260,000 of premium tax money. He explained that under the new Ordinance, the City's requirement is paid first. If

there is no City required contribution, they would split the \$260,000, with half going back in to the Pension Plan and the other half would be disbursed among the retirees. On the conference call he had with the Attorney and Salem Trust, it was decided it would be a normal pension payout and what the retiree normally has taken out of their benefit check for taxes, would be taken out of the payout.

Mr. Zokvic said that the Board is going to make a request that Finance try to get their Annual Report done by November 1st, if possible, so they can get that payment in motion. Otherwise it will be pushed to their February meeting and the money would be sitting there rather than being invested.

Mrs. Brost said in theory, that shouldn't be a problem.

Mrs. Russo referred to their conference call with the Board Attorney. She said based on what the attorney said, it was decided it could be taxed with the withholding on file for the retiree. Her suggestion was that she would send a spreadsheet with the retiree's information and it would have a blank column for them to fill out with the amount to be paid to each retiree. That would be returned to them signed. She said a recurring payment distribution form would need to be filled out and they would instruct Salem to pay the one-time payment out per the spreadsheet and instruct them to use the withholding that is on file. She added it will show on their same 1099R when they receive it. She ensured them that all the information would be sent encrypted back and forth.

Mrs. Russo said that last year when the State contribution came in, it was suggested to keep it segregated out, so it was put in the mutual fund account in the Goldman Sachs Treasury sweep vehicle. There have been two (2) payments posted in there, one on August 31, 2022 for \$167,179.99 and then on October 26th for \$4,348.45 and those are still sitting in the mutual fund account. If they were going to use part of that, they would need a letter instructing them to move the money from the mutual fund account to the R&D account.

Mrs. Russo said if it was moved to the R&D account, it would sit in the same money market vehicle until it's used, so it is really the same thing. She asked when this year's premium tax money comes in, should they post that into the R&D account.

Mr. West said what Mrs. Russo was suggesting is that they consolidate the money and put it in the R&D account, but they would still have the separate accounting and be ear-marked.

Mr. Zokvic said they have three (3) things, the City's payment that they have to make sure they have, the other half that goes in to the Plan and the other half that goes to the retirees. He said in September, the Actuary is going to figure what the Premium Tax money is and once the annual report is done and they approve it, they can authorize payments.

Mrs. Russo said she is not making a recommendation, just explaining that last year's contributions were put in to the mutual fund account, which has a money market sweep vehicle, which is where it has been sitting. The R&D account is where they pay monthly benefits and invoices so anything

that goes in there will be used. She said if they want to keep it ear-marked, keep it in the mutual fund account and when they go to do something like this, they would tell them then to move it over.

Mr. West said the way it is set up right now is maybe cleaner to just keep it separated out until they decide what's going to happen and they will manage the R&D account separately and raise funds when needed as they did today.

Mrs. Russo said she needs direction as to what they want them to do when the checks come in and where they want them to be deposited it. When they go to make the disbursements, if they want them to use part of that money, then they need to instruct them to transfer the money to the R&D account.

Mr. Steven Dionne, Finance Director, said it makes sense to leave it the way it is because that way is cleaner and they can see a clear accounting of it.

Mrs. Brost agreed to keeps things simple and as clean as possible, they should process it the same way. Finance will send the checks to Salem Trust, where it will be put into the mutual fund account. Once the amounts are determined and ready to be distributed, they will provide the instructions to Salem Trust to move the amount needed to cover those payments. She added either way, the detail would exist, but she feels they should keep it consistent with how they've done it in the past.

Mr. Zokvic asked who usually does their Annual Report. Mrs. Brost answered it has been the Finance Director and will continue to be. She doesn't anticipate any problems.

Mr. Brost said that Finance will work with Salem Trust when they receive the checks.

8. CHAIRMAN'S MATTERS

Mr. Zokvic said that their school is on September 25th through the 28th in Orlando this year and they all are planning on attending.

9. MEMBER'S MATTERS

None

10. ADJOURNMENT

Today's meeting adjourned at 10:49 a.m.

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