

FIRE PENSION BOARD MINUTES
Wednesday, August 18, 2021 – 9:30 a.m.
City Hall, Council Chambers, Vero Beach, Florida

PRESENT: Charles Zokvic, Chairman; Henry Losey, Secretary/Treasurer; Member: Kent Middleton
Also Present: Records Retention Specialist, Heather McCarty

1. CALL TO ORDER

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

2. AGENDA ADDITIONS, DELETIONS AND ADOPTION

Mr. Zokvic requested they move items 6-A) and 7-A) to the beginning of the meeting.

3. APPROVAL OF MINUTES

A) June 16, 2021 Minutes

Mr. Losey made a motion to approve the June 16, 2021 Fire Pension minutes. Mr. Middleton seconded the motion and it passed unanimously.

* At this time, item 6-A) was discussed.

4. PUBLIC COMMENTS

None

5. QUARTERLY REPORTS

A) Salem Trust

* This item was discussed after item 7-A).

Mrs. Karen Russo, with Salem Trust (attended via Go-To meeting), referred to their Class Action Report for the quarter ending June 30, 2021 (on file in the City Clerk's office). She said there is nothing to report, as there were no claims filed and no settlements were received.

Mrs. Russo wanted to update them that the County is transitioning from TASC to Clarity Benefit Solutions (Clarity) so the insurance payments that were being sent to TASC will now be sent to Clarity effective October 1, 2021. She said she participated in a conference call with Ms. Ann Rankin with Indian River County and some others from the County, as well as Clarity so they all understood better their goal and to determine how they were going to submit the information to Clarity. She said they have received a signed letter from the Chairman giving them the

authorization to work with Clarity and send the insurance deductions there. She said they have everything in place and will be sending the payments via ACH starting October 1st.

Mr. Losey asked where Clarity is located. Mrs. Russo answered that she did not know, but she could find out.

Mr. Zokvic asked if she would be getting the 2% COLA spreadsheet to them to sign off on. Mrs. Russo said that she would get that to them.

Mr. Zokvic asked about the Annual Verification letters being sent out.

Mrs. Russo said that they have not sent them out yet.

Mr. Losey asked if they had come up with a little better process on the verification letters for retirees.

Mr. Zokvic said he didn't know of a better method of doing it. He said they send out the letters certified and they have to be notarized.

Mrs. Russo said through the benefit system, they do have a death search, but there can be lag in knowing when someone has passed. She said it is up to the Board if they want them to continue sending them out in the same manner.

Mr. Zokvic said he is happy with the way they are doing it and he feels they are covered as a Board with what they are doing.

Mrs. Russo said that she would get the letters sent out.

B) Highland Capital Management

Mr. Todd Wishnia, with Highland Capital, referred to his report for the quarter ending June 30, 2021 (on file in the City Clerk's office). He reported they had a pretty good quarter. He talked about some of the things going on with the market and the world. He said this is the 5th consecutive quarter for market gains. He noted that Real Estate was the top performing sector for the quarter.

Mr. Wishnia went in his report to page 10, pointing out that cash shows 21.4%. He talked about the rebalancing they did at the end of the quarter, which they had discussed at their last meeting. He said they sold off \$750,000 in International and moved that to Fixed Income and they sold \$400,000 sold out of Domestic Equity to go to the R & D account. He reported currently they are sitting at about 9% cash and they are looking for opportunities to put that to work. He said they have had a pretty strong fiscal year. He talked about the changes that have been occurring this year and what's been going on in the different sectors. He added that they outperformed well through May. He said they are having a good fiscal year and he hopes that continues.

Mr. Zokvic referred to the seven (7) pages of sales. Mr. West said that it was a very big rebalancing.

Mr. Wishnia explained the process they had to go through in the rebalancing. He said they had to do it straight across the board and had to sell certain percentages out of each security. He commented that they had to get back in balance per their Investment Policy Statement.

C) AndCo Consulting

Mr. Dave West, with AndCo Consulting, talked a little more about the size of the rebalancing. He said they had put off the rebalancing and then got to the point that they were out of compliance so they did the rebalancing and brought everything back to the center line.

Mr. West talked about the three (3) looming issues occurring: Delta variant, the significant demand supply disruption in the global economy and the employment picture. He noted that there are more jobs available than there are people willing to work.

Mr. West went in his report for the quarter ending June 30, 2021 (on file in the City Clerk's office) to page 3, Major Market Index Performance. He pointed out that all in, the S & P 500 was up 8.5% for the quarter. He reviewed the Treasury Yield Curve chart on page 10. He went over page 12, Asset Allocation Compliance. He reviewed that they were out of compliance because they let equities run, but they have brought everything back to the target levels. He talked about the total net money flow shown in the chart on page 16, Total Fund. He went over the return results shown on page 17, Comparative Performance Trialing Returns. He said for the fiscal year to date (FYTD), they are in great shape at 22.89%, outperforming the policy benchmark of 15.98%. He went over the one (1), three (3) and five (5) year numbers shown on pages 17 through 19.

Mr. West said there are no action recommendations from AndCo Consulting at this time.

6. ATTORNEY'S MATTERS

This item was discussed after item 3-A).

Mr. Adam Levinson, with Klausner, Kaufman, Jensen & Levinson (attended via Go-To meeting), said he had a couple of housekeeping items to go over with him. First, they lost three (3) first responders to COVID this week. He explained that for the communicable disease presumption to apply, you have to have had the vaccination. He urged active Firefighters and Police Officers to do their homework and to get vaccinated.

Mr. Levinson reported that the premium tax money statewide was up for Fire Pensions and down a little for Police Pensions. He said the City of Vero Beach Firefighter's amount went up by \$20,289, so they will be receiving \$161,553.78, which is a 13% increase.

Mr. Levinson reminded the Board members to send in their Form 1 disclosure. All of the Board members said they had already.

Ms. Cindy Lawson, Finance Director, said they had a member pass away in December and when notified, Salem Trust asked if they should pull back the January 1, 2021 payment that had been made and they were told not to. She asked Mr. Levinson if the Board has the right to pay someone for a month that they aren't entitled to because they passed away before that benefit should have been paid. She said this is something that the auditors will notice. So she wants to know if that is something they can do and if so, is it a decision that needs to be made by the Board as a whole, or is it an administrative decision.

Mr. Zokvic stated that this Board has been giving that pension payment to the individual if they have already received it and they have not requested that the family gives it back for the last 30 years.

Ms. Lawson said this was the first time it was noticeable to her.

Mr. Zokvic wanted to make sure that Mr. Levinson knew that the Board's policy as past practice has been if the family has received it before they are notified, then they don't request that the family give it back because it is too much aggravation and too painful for a lot of families.

Ms. Lawson said they don't have active Firefighters, but they do have a lot of active Police Officers and this is good information that she will pass on to Human Resources.

Mr. Levinson said that he is not going to give a specific answer because he wants to get more information. But he will speak high-level and then will follow up once he receives more information. He said he is assuming they are only talking about one (1) month. He said that they may spend more time and money and aggravation to chase down a small amount of money than it's worth. There is also the aggravation of the family who just went through a loss and now they are going after them for nothing that they did, or is their fault. He stated that the Board has discretion as fiduciaries and a fiduciary is allowed to make judgement calls.

Ms. Lawson thanked him for his high-level answer and addressing the question. She asked once he received the details, if he could please send something in writing.

Mr. Levinson agreed that once he receives an email with specifics, he would reply with an answer that the City and the Auditors can rely on.

A) Statement of Policy Regarding Contractual Provisions for Investment Managers

Mr. Levinson referred to the Statement of Policy Regarding Contractual Provisions for Investment Managers that he sent them (on file in the City Clerk's office). He explained the Policy is not anything specific for a specific manager, but standards for whenever they negotiate a new contract to hire a new manager and what they want in a new contract. He said it is to save time and money in advance and gives them leverage when negotiating a new contract.

Mr. West said AndCo Consulting has no problem implementing the recommended action. He asked how specific and if it would be an addendum to the Investment Policy Statement.

Mr. Levinson answered that a stand-alone policy is easiest, but they are flexible.

Mr. West wanted to point out that some managers and manager products aren't permitted to make certain changes and are limited on fee negotiations, for example a mutual fund, which is not a direct engagement. So there may be some investments where this will not apply. He asked in implementing this, would it take the form of a side letter for engagement.

Mr. Levinson explained the side letter would come after and this is something they get to see in advance on a negotiated manager contract and gives them the rules and the expectations and the side letter would be flushing out the specifics for that manager.

Mr. Zokvic referred to the E-verify section and that it requires contractors to do it. He said the City is E-verified. He asked Mr. Levinson if the Pension Board needs to use E-verify themselves, or can they use the City's to put in the Contractors.

Mr. Levinson explained why they see it in the Policy is that the Florida Legislature decided that any governmental entity, i.e. the City, the Police Department, the Pension Board, a school entity, any governmental entity that enters into a contract, the contractors have to use E-verify. He explained that the Pension Board has to make sure that the managers that they hire agree to sign up for E-verify, including asking all of their current vendors to verify that they use E-verify and any new ones that they hire, it would be put in their contract.

Mr. Levinson explained in response to the question, does the Board have to register, as they read the Statute, they think that any governmental entity has to separately register, even though this Board doesn't have employees.

Ms. Lawson said that the only people that work for the Board, besides vendors, are City employees and the City uses E-verify. She added that this Board is a component unit of the City, so wouldn't they be under the City's umbrella.

Mr. Levinson said the Board is a separate distinct entity; it is under the City, but it's parallel to the City. The position their office is taking is that each of the Boards have to separately register. He said the Statute is written that any governmental entity has to register and that would include them.

Ms. Lawson said in practical terms, to register, what are they going to need. She pointed out that they use the City's Employer Identification Number (EIN). She asked if the City could specifically add them to their E-Verify.

Mr. Levinson said some Boards get their own EIN, but some use the City's EIN. He said that once they are registered, they won't have to do it again, just keep their contact person updated.

Ms. Lawson commented that if the Board intends to use the City's EIN to register for E-Verify, the City doesn't usually allow others to use their EIN without the permission of the Finance Director or the City Manager. She said if they do need to use the City's, to reach out to her and they will work it out in a way that complies with the use of the City's EIN.

Mr. Zokvic pointed out that in the IRS determination letter, they used the City's EIN to verify that they are a City Pension Plan.

Mr. Zokvic questioned who would be the contact. Ms. Lawson answered that would be Human Resources, since they are the ones that administer the City's E-Verify. She said she would work with Human Resources to help them understand that they need to add the Pension Board as an entity that's registered under their EIN because their attorney says it needs to be done.

Mr. Levinson said it would make sense to reach out to the Police Pension Board to see what they did. Ms. Lawson said they use Foster and Foster as their Administrator. Mr. Levinson said he assures them that Foster and Foster separately registered the Police Board.

Mr. Losey made a motion to adopt the Policy as presented by their Attorney. Mr. Middleton seconded the motion and it passed unanimously.

7. NEW BUSINESS

A) 2021-2022 Annual Budget

Ms. Lawson referred to the draft budget she gave them (on file in the City Clerk's office). She said it is very much the same in terms of the bottom line, but she did make a couple changes, which were increasing the Custodian fees for Salem Trust and lowering their miscellaneous expenses. She commented that it is essentially the same budget they have had for years and always come in under.

Mr. Losey made a motion to adopt the 2021-2022 budget, as presented. Mr. Middleton seconded the motion and it passed unanimously.

8. OLD BUSINESS

None

9. CHAIRMAN'S MATTERS

Mr. Zokvic reported that there will be a State meeting held in October in Orlando and asked if anyone is attending.

Mr. Losey stated that he is not going to go for COVID reasons.

Mr. Zokvic said he has not registered for it yet because he wanted to see how they felt. He added that if the State doesn't get enough registrations, they will cancel the conference. He said he is going to wait until the first week of September to decide if he is going.

Mr. Middleton asked if they had to go. Mr. Zokvic said the State is not going to force anyone to attend.

10. MEMBER'S MATTERS

None

11. ADJOURNMENT

Today's meeting adjourned at 10:47 a.m.

/hm