

FIRE PENSION BOARD MEETING MINUTES
Wednesday, November 15, 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 and Records Retention Specialist, Heather McCarty

1. CALL TO ORDER

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

2. AGENDA ADDITIONS AND DELETIONS

3. APPROVAL OF MINUTES

A) August 16, 2023

Mr. Losey made a motion to approve the August 16, 2023 minutes. Mr. Middleton seconded the motion and it passed unanimously.

4. PUBLIC COMMENT

None

Mr. Adam Levinson, with Klausner & Kauffman, (attended via conference phone) requested to speak first for a few minutes as he needed to leave the meeting. He said that they have to make sure they are registered with the State portal and they also have to prepare a one-page report, which is based on the template that they provided (on file in the City Clerk's office). He explained the one-page template and the approved Investment Policy Statement (IPS) will need to be filed with the State prior to December 15th to comply with the new law, House Bill 3. He also wanted to point out that the Ordinance went through and the calculations have been done. As far as he's concerned, this is a good year. He wished everyone Happy Holidays. (Mr. Levinson left the meeting at 9:33 a.m.)

Mr. Jeff Amrose, with Gabriel Roeder, attended the meeting via conference phone. Mr. Amrose talked about his letter from November 13, 2023 (on file in the City Clerk's office). He explained that the State money that came in for the fiscal year ending September 30, 2023 was a little over \$254,000. According to the new Ordinance, that money will be disbursed to pay the required City contribution, which was around \$21,000, and the money left was \$243,000. That amount is split 50/50; 50% goes to the City Pension Plan for a cushion for future years, and the other 50% goes to the Share Plan. The 50% amount

is \$121,778.23 and that amount gets equally divided between the eligible retirees. Each retiree will get a share plan distribution in the amount of \$12,177.82. He said this same methodology will be used going forward.

Mr. Amrose said they normally present the valuation in the February meeting. He said they usually get the data from the Finance Department around this time of year that they need to prepare the Valuation report. If they receive that in the next week or two, it won't be a problem to meet that deadline.

Mr. Steven Dionne, Finance Director, said that would not be a problem. Mr. Amrose told him that if had any issues, he would be happy to work with him.

Mr. Amrose left the meeting at 9:37 a.m.

Mr. Zokvic said for this benefit change, they are supposed to transfer money, but at the end of August, they had \$311,000 in the R&D account and at the end of September 30, 2023, they had \$950,000. He asked why are they going to transfer money out of the mutual fund account if they have the funds already in the R&D account, and he wanted to know where the extra \$600,000 came from.

Mr. Todd Wishnia, with Highland Capital, said they did raise 400,000 from domestic equity and moved it to the R/D account.

Mrs. Karen Russo, with Salem Trust, explained that they put the State contribution into the mutual fund account so that it would sit there until they were ready to use it. She was thinking that if they are going to make a disbursement, which comes out of the R&D account, and the State contribution is housed in the mutual fund account, that is why she put in her email to move the money from the mutual fund account to the R&D account.

Mr. Dave West, with AndCo Consulting, added that at the last meeting they decided to leave that money in cash equivalents pending knowing how it was going to be distributed, which is why they ended up with a lot higher cash allocation.

Mrs. Russo wanted to clarify that cash allocation includes all cash equivalents, and not just what is in the R&D account. Mr. West said that is correct. And they usually try to keep at least two (2) quarters of operating funds in that R&D account.

Mr. Zokvic asked if that isn't usually under \$300,000. Mrs. Russo said that just the payout to the retirees is about \$62,400 a month.

Mr. West referred to page 20 in their Investment Review Report (on file in the City Clerk's office).

Mr. Zokvic said he just wants to know why they need to transfer money now when they already have that much cash. Then if they need more in there later, they can transfer that then. Mr. West explained they wanted to make sure they had more than the usual amount they needed for normal operations, which they were comfortable doing because they could make 5% based on current yield. Whether the cash was in the mutual fund or in the R&D account, it was swept into the U.S. Government Money Market to earn that 5% and they both added up to the \$959,175 that they showed on page 20 as of September 30, 2023.

Mr. Zokvic said that doesn't tell him how much they have right now. He reiterated they do not need to transfer money from one account to the other; they only need to have a record to show where it was taken from to make the disbursement payments.

Mr. Zokvic wanted to make sure they were all on the same page for the procedure on this. He said in September, whoever is on the register list will get the premium tax distribution. He said they need to do the approval of that distribution in the November quarterly meeting every year. He asked if that would meet Salem Trust's deadline.

Mrs. Russo said it is a one-time payment. She explained when they receive the list, they could be in a "black out", which is when they are making updates for recurring changes. She said the payout would then be around December 1st. She will provide the spreadsheet of what she has, but it is up to the Board to determine who gets the check and the amount.

Mr. Zokvic said the Actuary does the figures every year and they will fill in the spreadsheet with the amount they will get based on those figures. He will sign it and the Clerk's office will return that to Salem.

Mrs. Russo said they need to send the signed spreadsheet with a letter directing them to pay the amount on the spreadsheet and to use the withholding on file, including any additional amount they currently have deducted.

Mr. Zokvic wanted to make sure next year it will happen on time around December 1st and not go into the next year to make the payout.

Mrs. Russo said that should be fine. She added it will be the same situation every year. She explained they will process it when they receive it, unless they are in a black-out, and then they would process it December 1st.

Mr. Zokvic said technically, he doesn't think they need Board approval every year since it is in the Ordinance. They just need the Actuary to work up the figures and the Finance Director to approve the figures. Then they can fill out the spreadsheet that is sent by

Salem Trust and sign it and return it. Mrs. Russo agreed with the procedures, but it would be up to their attorney if they need to approve it every year.

Mrs. Russo reported the balance in the R & D account is \$391,920.62 as of today. Mr. Zokvic questioned how two (2) months of payouts brought it down to that from \$950,000.

Mr. West reviewed that at the last meeting when they were looking at their asset allocation and the equity allocation triangle was in the red, so they rebalanced per their policy. Highland liquidated \$400,000 from equity and sent it to the R&D account to bring them in to compliance. They were okay leaving that in the R&D account to collect the 5% they discussed.

Mr. Zokvic questioned that if they payout \$62,000 a month for pensions, how in two (2) months did it go from \$950,000 to \$400,000. Mrs. Russo said she would try to get that answer while they are in their meeting.

Mr. Zokvic asked Mrs. Russo who the letter should come from. Mrs. Russo answered it has to be signed by an authorized user and typically would be prepared by the Clerk's office.

Mr. Zokvic said the Board gave Mr. West the authority to move money when he needs to.

Mrs. Russo said that approval was for rebalancing purposes. Her concern was that the State money was posted to the mutual fund account, which is why she made the comment about transferring it.

Mr. Zokvic said if they find out they do need to transfer money, the Board gave Mr. West the authority to transfer money.

Mr. West said that between himself and Mrs. Russo, he thinks they can take care of this.

Mrs. Russo said if they need cash to process the distribution amount, she will get with Mr. West to raise the cash. She is okay taking those instructions from him. From the Board, she needs instructions to pay the amount on the spreadsheet and to use the withholding on file.

Mr. West said they will see where the cash is and what amount needs to be moved. Since it is moving money within accounts, he can provide those instructions to Salem Trust.

The Chairman said the way it stands is that he would write the letter and Mr. West is going to handle whatever transfer needs to be made.

Mr. Losey made a motion to proceed and send the letter and the spreadsheet signed by the Chairman. Mr. Middleton seconded the motion and it passed unanimously.

Mr. Steve Dionne, Finance Director, referred to the letter going to the retirees. He felt that the amount they are getting should be in the letter so that they know the amount to expect. The Chairman said they could add that.

Mr. Losey added that he also wants to make sure they know the amount could change from year to year.

Mr. Losey made a motion to approve the letter to the retirees with the discussed changes and have the Chairman sign it. Mr. Middleton seconded the motion and it passed unanimously.

Mr. Zokvic said he had another question. Salem Trust is now Argent Financial and Highland Capital is also Argent Financial. He asked if they both work for the same company under different divisions.

Mr. Wishnia answered technically yes, but they are separate entities. He added they work independently of Argent and don't work directly with them.

Mr. Zokvic asked if they meet all of the qualifications of the State to do business in the State. Mrs. Russo answered yes. Mr. Wishnia said yes, they went through everything and he doesn't think there should be any issues. Everything is pretty much operating the way it was.

Mrs. Russo said they are under the same parent company, but they work for different sides.

Mr. Zokvic wanted to verify that it is the same company. Mr. Wishnia confirmed it is the same company.

5. QUARTERLY REPORTS

At this time, item 5-C was discussed.

A) Highland Capital Management

Mr. Todd Wishnia, with Highland Capital, gave a brief summary of the equity market. He commented that in the third quarter, they kicked off with a strong July, saw cooling inflation, and a belief that the economy may avoid a recession. There were turns in August and they saw rates rise and the market fall -1.6%. He talked about how the market fell again in September.

Mr. Wishnia went to his Investment Review Report for the Period Ending September 30, 2023 (on file in the City Clerk's office). He went over the charts on page 12, Performance Returns for Various Periods. He pointed out that overall, the market ended down -3.27% to close out the quarter. He commented that it was a very difficult market to navigate. He said that Technology was down -5.5% for the quarter, but it was still up 35% for the FYTD. Looking at the domestic equity, they were basically in line for the quarter, but they did fall short for the FYTD. He said they were slightly overweight in Value, which they took care of in the rebalancing, and they are now a little overweight in Growth, noting that Growth has outperformed Value in 2023 by close to 25%.

Mr. Wishnia went over the graph on page 13, Domestic Equity Quarterly Sector Returns vs. S&P 500. He pointed out that Energy and Communication Services were the only positive sectors for the quarter, and they remain slightly overweight in the Energy sector. Communication Services was comprised mostly with Google and Facebook, which had very strong quarters. Their underperformance came from other names, such as Netflix, down -14% and Disney, down about -10%. He reported the worst performers were real estate and utilities. International was in line with the index for the quarter and had a nice FYTD and was up 28%. Fixed Income had a good quarter. He reviewed the last quarter, they were taking cash from their mortgages and putting it into treasuries. This portfolio is already high quality, but they did increase quality a little more during the quarter. For the FYTD, they are still beating the index by about 0.5%

B) Salem Trust

1. Class Action Report

Mrs. Karen Russo, with Salem Trust, went over their Class Action Report for the quarter ending September 30, 2023 (on file in the City Clerk's office). She reported they filed one (1) claim for the quarter for Wells Fargo 2018 Securities Litigation. She said they basically came up with a \$0.00 recognized loss and an estimated payout of \$0.00, however they did still file the claim and will see how it turns out. She reported they did receive \$349.73 in a class action settlement in the quarter from Valeant Pharmaceuticals.

2. Proposed Fee Increase

Mrs. Russo referred to the letter in their backup regarding their proposed fee increase (on file in the City Clerk's office.) She wanted to point out the current fee structure has been in place for 13 years, with no changes or increases. She explained they are proposing leaving the fee as it is, however removing the 100 free trades, which equates to a \$1,000 per year fee increase. She said they did not increase the minimum fee of \$5,000 and if their trading volume decreases, they could be charged that minimum fee. She included an amended exhibit A and also included the current exhibit A (on file in the City Clerk's

office). If they approve the increase, they can sign the amended exhibit A, and it would be effective for the quarter ending December 31, 2023.

Mr. Losey made a motion that they accept the amended contract, as presented. Mr. Middleton seconded the motion and it passed unanimously.

3. Assumption and Ratification Agreement

Mrs. Russo said that because of the merger with Argent Financial Group, there is an Assignment, Ratification and Assumption Agreement that needs to be signed (on file in the City Clerk's office). She reviewed the Agreement with the Board. She said their Attorney's office has seen this Agreement and are aware of it.

Mr. Losey made a motion that they accept the Agreement. Mr. Middleton seconded the motion and it passed unanimously.

Mrs. Russo thanked them for approving the fee increase and said Salem Trust appreciates their business.

C) AndCo Consulting

This item was discussed prior to 5-A).

Mr. West said before they go into the report, he wanted to say it is a good thing they did take profits in equity when they did because they had a pretty nasty market sell-off in equities. He talked about what has been going on with the bond and equities markets and the change in rates.

Mr. West went to page 3 in their report and reviewed the 1-Year Performance chart, pointing out that the S&P was up 21.6%. He reviewed the top stocks on page 6, Top 10 Index Weights and Quarterly Performance. He noted it was a very difficult environment for active managers. Real Estate declined last quarter. He noted their return this year was driven entirely by the equity allocation they had in their portfolio. With that said, he said they fared very well, particularly since they rebalanced. After they moved \$400,000, they went back to target and saved themselves from the market downturn.

Mr. West went to page 13, Asset Allocation Compliance and said he has no changes or recommendations at this time. They will continue to hold higher amounts of cash and monitor what needs to be transferred. He went over the bottom line on page 17. For the FYTD, the Total Fund (Net) was up 9.5%. He reviewed the 1, 3, 5 and 7-year returns. Over time, they have been successfully reaching their required rate of return.

Mr. West reviewed the cash flow on page 20, Financial Reconciliation Fiscal Year to Date. He reported they opened the fiscal year on October 1, 2022 with \$6,509,279 and ended it on September 30, 2023 with a market value of \$6,560,227. He said all in, it was a good year. It was a very challenging year and having their conservative allocation paid off.

6. NEW BUSINESS

A) Approval of 2024 Meeting Dates

Mr. Zokvic read the proposed 2024 dates, which were February 21, 2024; May 15, 2024; August 21, 2024 and November 20, 2024.

Mr. Losey made a motion to approve the 2024 meeting dates, as presented. Mr. Middleton seconded the motion and it passed unanimously.

B) House Bill 3 / Comprehensive State Report due December 15th

Mr. West wanted to make sure everyone was okay with House Bill 3 (HB3). He said they need to make sure they are registered online with the State's portal.

Mr. Zokvic said they registered and have put the Finance Director as the point of contact. Mr. Steve Dionne, Finance Director, said he is good with that.

Mr. West said there would be a memorandum coming around that the Investment Policy Statement (IPS) will be attached to. They have already approved the IPS that has all the necessary language in it for them to comply. He explained that AndCo needs to get all of their engaged managers to acknowledge that HB3 exists and that they will comply. They already got the acknowledgement in their IPS. He said what AndCo is doing to be more efficient about this is that they are inventorying all the managers that they work with. So Highland will receive a notice from AndCo that they will acknowledge and sign off on so all of their common relationships will be covered and they will keep that filed, so when the next phase of the report comes around and they want to see that all of their managers are compliant, they will already have that filed. He said it is not a requirement right now to have all that.

Mr. Wishnia pointed out that they have already received that from AndCo.

Mr. Zokvic asked if Mr. West is going to send everything they need to file to the City Clerk's office and to the City Finance Director.

Mr. West said the IPS has already been distributed. Then Mr. Dionne will be the one that is responsible to acknowledge the policy statement along with the memorandum that will be coming.

Mr. Dionne said he thinks they have what they need.

Mr. Zokvic said he wanted to make sure they are all on the same page.

C) Discussion of Process and Approval of Distribution Checks to the Retirees

This item was discussed previously.

7. OLD BUSINESS

None

8. CHAIRMAN'S MATTERS

A) Approval of Letter to Retirees re: Share Plan Distributions

This item was discussed previously.

9. MEMBER'S MATTERS

Mr. Losey asked if they have a date when the distribution transaction will take place.

Mrs. Russo explained around December 1st, they should be making the payments.

10. ADJOURNMENT

Today's meeting adjourned at 10:45 a.m.

/hm