

FIRE PENSION BOARD MINUTES
Wednesday, November 16, 2022 – 9:30 a.m.
City Hall, Council Chambers, Vero Beach, Florida

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

1. CALL TO ORDER

Today's meeting was called to order at 9:33 a.m.

2. AGENDA ADDITIONS AND DELETIONS

Mr. Zokvic said that under his matters, he would bring them up to date on the status of the conference call they are working on.

3. APPROVAL OF MINUTES

A) August 17, 2022

Mr. Losey made a motion to approve the August 17, 2022 minutes. Mr. Middleton seconded the motion and it passed unanimously.

4. PUBLIC COMMENT

None

5. QUARTERLY REPORTS

A) Highland Capital Management

Mr. Todd Wishnia, with Highland Capital, talked about the increases in interest rates and the ripple effects they had across every sector. He pointed out that the market ended the quarter down -23.8% for the year. He said there have been three (3) consecutive quarters where they have seen equities and bond prices fall negatively. He noted that there were only two (2) positive sectors during the quarter, which were consumer discretion and energy. He said that energy remains the only positive sector of the year. He commented that it was not a good year for any thing, but energy.

Mr. Wishnia went to page 11 in their Investment Review for the period ending September 30, 2022 (on file in the City Clerk's office) and reviewed the chart, Performance Returns for Various Periods. He talked about what they have cut back on and what they have added. He pointed out that for the fiscal year, they are behind, which goes back to the fourth quarter last year. He talked about some other various issues affecting the market.

B) Salem Trust

Mrs. Karen Russo, with Salem Trust, went over their Class Action Report for the period ending September 30, 2022 (on file in the City Clerk's office). She reported there was one (1) proof of claim filed on behalf of the plan for the period with no estimated loss or payout. Also, there were no settlements that came in.

Mrs. Russo said since their last meeting, they did send out the Annual Verification letters and that all of them were returned more quickly than in the past.

Mrs. Russo reported that they received the State contribution in the amount of \$167,179.99 and they did post it on August 31st to their mutual fund account to keep it separate as suggested at the last meeting. There was a second check for \$4,348.45 received on October 26th and that was also posted to the mutual fund account. She brought up the issue with the check being received late by them due to the hurricane and that the City did owe some interest for the delay in deposit.

Mr. Zokvic asked if anyone had turned in any tax changes. Mrs. Russo answered that it does not go through their office so she was not sure, but she would find out.

C) AndCo Consulting

Mr. Dave West, with AndCo Consulting, gave out a couple of handouts (on file in the City Clerk's office). He said it was such a significant period impacting everyone and everything. He talked about what has transpired during the fiscal year and the changes in the market. He said there were four (4) 75 basis point increases to the interest rate over nine (9) months, which is unprecedented. He continued going through their handout and talked about the charts, U.S Treasury Yield Curve and Historical Maximum Drawdown Since Inception.

Mr. West went to his Investment Performance Review Report for the period ending September 30, 2022 (on file in the City Clerk's office). He reviewed page 13, Asset Allocation Compliance. Being that this is the fiscal year-end report, he suggested taking some action today to get the asset allocation inside the policy they all have agreed to. He went over their options. They could change their policy, which he does not recommend. They could continue to monitor it, but he thinks they should execute the third option. He explained what he is recommending is that they rebalance all the way back to neutrality, which would entail moving about 5% of real estate from that manager. Also, they need to make sure they are maintaining appropriate liquidity since nothing is coming in and they are just paying out.

Mr. West said his recommendation is to rebalance real estate allocation back to policy neutrality, which would entail liquidating approximately 5% of total plan assets, which would be a \$300,000 redemption from Intercontinental Real Estate Fund. He said it would go into their R&D account to be used for distributions. He added that for the

next level of liquidation, if they need to raise additional cash, he would suggest they use the Pimco diversified income fund for an additional source of funds.

Mr. Losey made a motion to rebalance real estate back to policy neutrality by 5%, and if they need additional funds, they can get it out of the Pimco Fund. Mr. Middleton seconded the motion and it passed unanimously.

Mr. West went back to his report on page 18, Comparative Performance Trailing Returns, Total Fund. He reported that for the fiscal year to date (FYTD), the Total Fund (net) declined -11.71%, which was a little better than the benchmark. He noted that the Plan remains to be in good shape. He said that Highland has done an excellent job for them. On page 19, he wanted to point out that Intercontinental was up 26.46% (5th percentile). He concluded in his report by going over the chart on page 17, Schedule of Investable Assets.

Mr. Zokvic asked Mrs. Russo if she is good with the rebalancing. Mrs. Russo said yes and that they do have a standing letter of rebalancing and if this falls in those parameters, they can take direction from Mr. West.

6. NEW BUSINESS

A) Approval of 2023 Meeting Dates

Mr. Losey made a motion to approve the 2023 proposed meeting dates. Mr. Middleton seconded the motion and it passed unanimously.

7. OLD BUSINESS

None

8. CHAIRMAN'S MATTERS

Mr. Zokvic wanted to update them on the conference call regarding the overfunding issue. He said they have set up two (2) different dates for the call and both times had a hurricane hit so they had to reschedule. They do not have a new date scheduled yet.

Mr. Zokvic noted that with the FYTD loss of 11%, they won't be overfunded this year. But they would rather negotiate it now so they have it straight and don't have to worry about it in future.

Mr. Losey commented that he thought they took care of this issue a long time ago.

9. MEMBER'S MATTERS

None

10. ADJOURNMENT

Today's meeting adjourned at 10:24 a.m.

/hm