

LEESBURG FIREFIGHTERS PENSION BOARD
MARCH 08, 2023 9:00 A.M.
LEESBURG VENETIAN CENTER – 1 DOZIER CT

Members Present:

Walter Roenbeck, Chairman
 Steve Allen, Trustee
 Ryan Owens, Trustee
 Ronny Goeler, Trustee

Others Present:

Frank Wan, BCA
 Richelle Levy, Pension Attorney
 Chad Little, Actuary
 Amed Avila, Custodian
 Mindy Johnson, Custodian

Erik Leventhal, Auditor –
 Via Video
 Isreal Diaz, Auditor –
 Via Video
 Members of the Public

The meeting was called to order at 9:00 A.M. Chairman Roenbeck requested comments from the public. No comments were brought forth.

Approval of Minutes

A motion was made by Trustee Goeler to approve the minutes from the December 14th quarterly meeting and seconded (2nd) by Trustee Allen. All in favor, motion carried.

Sonja Vicchiollo, Fund Administrator, provided the administrator report for the quarter as follows:

Q2-22/23 Presented March 8th, 2023– Administrator Report

1. Member Retirements/Updates (12/02/22 -03/01/2023)

I. Retirements

i. None

II. Separations

i. Member Bryan Hartney submitted resignation letter. Refund process pending member contact.

III. Updates

i. Member Clifton Preiss updated beneficiary to wife. 10 certain, no new calculation required

ii. Member Kenneth Rinehart final Share balance issued \$2,398.77 – delivered

02/14/2023

IV. New Hires

i. None

2. Accounts Payable

03/02/22 – 06/01/22	06/02/22- 09/01/22	09/02/22 – 12/01/2022	12/02/2022 – 03/01/2023	
\$305,838.60	230,556.84	\$412,386.00	\$336,003.03	Benefits
\$67,280.03	64,313.00	\$11,953.60	\$2,398.77	Lump
\$0.00	\$0.00	\$0.00	\$1,268.16	Retiree Share
\$0.00	\$0.00	\$0.00	\$0.00	Reimbursements
\$36,000	\$0.00	\$0.00	\$0.00	Actuary
\$0.00	\$0.00	\$3,592.44	\$0.00	Insurance

\$3,875.00	\$4,325.00	\$7,310.00	\$3,325.00	Legal
\$4,135.86	\$4,421.91	\$4,227.73	\$4,428.53	Salem Trust
\$0.00	\$0.00	\$8,800.00	\$4,700.00	Auditor
\$7,178.40	\$0.00	\$6,330.16	\$0.00	BCA
\$3546.16	\$3,384.42	\$3,261.93	\$3,298.19	Highland – Tennesseebank
\$4135.86	\$3,192.67	\$3,027.28	\$2,958.09	Polen – TruistBank
\$3000.00	\$3,700.00	\$4,050.00	\$4,050.00	Admin
\$3487.00	\$2,912.00	\$2,742.00	\$3,072.00	Fiduciary - JohnsonBank
\$438,476.91	\$316,805.84	\$467,681.14	\$365,501.77	

3. Correspondences / Updates (12/02/2022 – 03/01/2023)

- I. 12/07/2022 - 60T report & Disclosure received from BCA
- II. 12/15/2022 – Share roll forward annual report received from actuary
- III. 12/20/2022 - Disclosure requirements received from Fiduciary Management
- IV. 01/25/2023 – Sponsor request received for SOC1 report. Fulfilled request 02/02/2023
- V. 02/06/2023 – Executed Custodian contract delivered to Fiduciary Management
- VI. 02/09/2023 – Termination of Services ltr delivered to Salem Trust
- VII. 02/15/2023 - Auditor Representation ltr executed – on file
- VIII. 02/23/2023 – Virtual meeting held between Administrator and Fiduciary Management to discuss timeline for takeover of accounts

In addition, several communications have been received and replied to regarding the transition to the new Custodian. These communications are administration processing in nature and on file.

A motion was made by Trustee Allen to approve the administrative report and seconded (2nd) by Trustee Goeler. All in favor, motion carried.

Auditor Report.

Mr. Erik Leventhal and Mr. Israel Diaz presented the 2022 Plan Audit. Mr. Leventhal reviewed the statement of changes in fiduciary net position, stating that the statement of fiduciary net position reports fiduciary net position and how it has changed.

The Plan's net results from operations for fiscal year 2022 reflected the following financial activities:

- Total net position restricted for pensions was \$22,070,143, which was 17% lower than the 2021 total net position restricted for pensions, with the decrease due primarily to unfavorable market conditions.
- Total contributions were \$1,255,892, which was 9% greater than the 2021 contributions, with increase due primarily to a greater amount from the employer per the actuarial calculation and payroll increases. The amount of employer contributions varies from year to year and is actuarially determined. Participant contributions were 6.5% of their compensation.
- Total interest and dividend income was \$767,140, which was 41% greater than interest and dividend income during 2021.

- Net investment loss was (\$4,210,040), which was 195% lower than the net investment income during 2021, with the decrease due primarily to unfavorable market conditions.
- Pension benefits were \$1,322,295, which was 6% greater than the pension benefits during 2021, with the increase primarily due to lump sum distribution due to past due benefits.
- Net position restricted for pensions at September 30, 2022 was \$22,070,143, a 17% decrease from the net position at September 30, 2021.
- Total investments at September 30, 2022 were \$22,129,772, a 16% decrease from the investments at September 30, 2021.

Mr. Leventhal compared net fiduciary net position as of September 30 as follows

	2022	2021	% Change
Receivables	\$43,171	\$51,643	(16%)
Investments, at fair value	\$22,129,772	\$26,499,340	(16%)
Total assets	\$22,172,943	\$26,550,986	(16%)
Total liabilities	\$102,800	-	100%
Net position restricted for pensions	\$22,070,143	\$26,550,983	(17%)

Mr. Leventhal advised that Revenues (traditionally additions to the fiduciary net position) for the Plan actually resulted in a deduction to the fiduciary net position of (\$2,954,148), which was made up of total contributions of \$1,255,892, less net investment loss of (\$4,210,040).

Mr. Leventhal reviewed comparative totals to identify what drove the deduction, citing that most plans across the State experienced a loss of investment during the year.

A motion was made by Trustee Allen to approve the audit report and seconded (2nd) by Trustee Goeler. All in favor, motion approved.

A motion was made by Trustee Allen to ratify the representation letter signed by the Chairman, and seconded (2nd) by Trustee Goeler, all in favor, motion approved.

Custodian Introduction – Transition Update

Mr. Amed Avila and Ms. Mindy Johnson presented a status update on the custodian transition from Salem Trust to Fiduciary Trust. Mr. Avila advised that his team has been in contact with all service providers involved. Mr. Avila advised that the Tuesday March 28th, all investment managers would be settling accounts in preparation for the transition of assets to Fiduciary Trust on April 4th.

Ms. Johnson advised that Retirees would be notified of the change and to inform them that they would receive two W2's for tax purposes in 2024.

American Reality

Ms. Richelle Cook presented the quarter American Reality report and updates. Ms. Cook advised that the invested fund is currently valued at \$8.49B, citing that the leverage ratio is at 20.6% with a lease percentage of 92.1%.

Ms. Cook reviewed the categories of properties included in the investment fund, citing that a new category of property types is residential which includes "single family rentals". Ms. Cook advised that the fund was experiencing additional exposure to this type as of two (2) years ago. Ms. Cook advised

that fund was increasing exposure through diversification around the county and through differing types of properties.

Performance Consultants (Burgess Chambers & Associates) Q41 Report

Performance Consultant Frank Wan, Burgess Chambers & Associates, presented a market overview & manager analysis report citing specifically that China's reopening will have a rippled effect across Asian currencies over the next year. Both the emerging markets and Europe have gone up over the fourth (4th) quarter.

The portfolio holds two (2) international investments benchmarked against the EAFE index. Historically, 70% of the time, AF Europacific has beat the benchmark. Last year, it became an anomaly, closing out at -22%. Mr. Wan advised that he believes it will continue to outperform over the long run. Mr. Wan advised the fund was up 14% over the last quarter and another 7% YTD.

Mr. Wan advised that Real Estate was up 9.3%. Mr. Wan advised that now the problem was rising interest rates. Because the rates have risen to quickly, Real Estate is in competition with Bonds. This has caused Real Estate to be repriced. Mr. Wan advised that BCA was monitoring the risk and that the Plan was Invested in a higher quality of Real Estate that is less prone to experiencing extreme write offs.

Mr. Wan reviewed Polen, citing that they were the worst performer in the Stock manager category. Mr. Wan advised that the technology sector has rallied YTD, but that it is based on Federal rates. Mr. Wan advised that Polen outperformed since February, but since that time, they have been in line with the benchmark, which does not meet expectations.

Mr. Wan reviewed Fiduciary Trust, citing that they were one of the best performers and that they are currently outperforming their peers.

Mr. Wan advised that the Plan was currently underweight in international sectors. Mr. Wan recommended moving \$200,000.00 from Polen and move it directly into the Fidelity International Index.

Mr. Wan recommended that Board restate their approval to authorize BCA to rebalance in between meetings in order to capture opportunity as is arises. Mr. Wan advised that there is potential to move funds away from Fiduciary Trust to a core position at the right time.

A motion was made to move 1% from Polen to Internationals by Trustee Goeler, and seconded (2nd) by Trustee Owens. All in favor, motion carried

A motion was made by Trustee Owens to allow BCA to rebalance in between meetings. Motion was seconded (2nd) by Trustee Allen. All in favor, motion carried.

Mr. Wan presented the quarterly report as follows:

- For the quarter, the Plan earned \$974K or +4.5% (+4.4% net), behind the strategic model (+6.0%). Top performers were: Fidelity International (+18.4%), Euro Pacific Growth (+13.9%) and Fidelity Large Cap Value (+12.1%).
- For the one-year period, the Plan was down \$4.2 million or -15.2% (-15.6% net), behind the strategic model (-13.7%). The top performers were: American Core Realty (+9.3%), Cash (+1.8%), and Cohen & Steers Global Infrastructure (-4.1%).

- For the three-year period, the Plan earned \$2.8 million or +4.4% (+4.0% net) and ranked in the top 39th percentile.
- For the five-year period, the Plan earned \$5.2 million or +5.3% (+4.8% net) and ranked in the top 47th percentile.

A Redemption request was submitted to American Realty Advisors to begin to redeem \$1 million on December 31, 2022, \$40K was received. The redemption process will continue in 2023, providing liquidity for expenses.

Legal Updates

Mrs. Richelle Levy, Pension Attorney, presented legal updates as follows. Mrs. Levy updated the Board on the Secure Act. Mrs. Levy advised that the updates include raising the age in which a retiree is required to begin collecting their benefit, lump sum distributions penalties, and disability payments remaining nontaxable for the life of the benefit payment. Mrs. Levy advised that another update involved overpayment recovery. Mrs. Levy advised that the new provision allows the Board the ability to take other factors into consideration when attempting to collect overpayments and the amount needed to be collected.

Mrs. Levy advised the Board of the Federal Public Safety Officers Benefits program, administrated by the Bureau of Justice assistance department. Mrs. Levy advised that the program provides death and disability benefits to first responders who are injured or killed in the line of duty. Mrs. Levy advised that the program does not impact the Plan, but wanted to bring it forth for distribution to members. Mrs. Levy advised that the coverage includes PTSD. Mrs. Levy reiterated that this is a Federal benefit and that members could research application requirements. <https://bja.ojp.gov/program/psob>

Mrs. Levy advised that she would be sending notification to all managers in regards to proxy voting that directs them to vote against any efforts to shield their officers.

Mrs. Levy reviewed HB 3 and SB 302 Florida Legislation amending Chapter 175. Mrs. Levy advised that it creates a new provision in SS 112 which requires Boards of Trustees to consider only pecuniary interest when making investments. Mrs. Levy advised that the requirements to the proposed change included a report being filed by the Board every two (2) years and new investment contracts include a provision specifying compliance. Mrs. Levy advised that the Plan and managers already function in a way that is compliant.

Mrs. Levy provided a draft ordinance amending the title of the retirement system for the members of the city of Leesburg Fire Department to be inclusive and amending the city of Leesburg Firefighters' defined benefit plan to implement the heart and lung act and firefighter cancer presumption.

A motion was made by Trustee Owens to change the name of the Plan to City of Leesburg Municipal Firefighters' Retirement Plan and to add a provision to the Plan to implement recent changes to the heart and lung act and firefighter cancer presumption. Motion was seconded (2nd) by trustee Allen. All in favor, motion carried.

Actuary Report/Drop Study

Mr. Chad Little presented the 2022 Actuary Report. Mr. Little advised that the funding percentage went decreased slightly from 86.96% to 84.75%. Mr. Little advised that pay increases were more than expected with the actual average pay increases amongst continuing actives at 9.83% in comparison to the 4.87% salary increase assumption, explaining that this generates a loss for the Plan due to making the liability higher.

The investment return on the Market Value of Assets was (15.95%) and the return on the Actuarial Value of Assets was 4.76% (smooth version), each in comparison to the 7.0% rate of return net of investment expenses assumed for the fiscal year ending September 30, 2022. Because the return on the Actuarial Value of Assets was more than the net assumed investment return, there was an actuarial investment gain for the year ending September 30, 2022.

Mr. Little advised that there were no changes in Plan provisions since the prior valuation of the Plan. However, premium tax contributions in the amount of \$12,683.50 were allocated to Share accounts for the year ending September 30, 2022.

Mr. Little recommended lowering the net assumed rate of return of 7% and advised he would bring studies to future meetings to determine differing ranges and their effects.

Mr. Little reviewed the reconciliation of Market Value of Assets comparing the realized gains and losses from 2021, \$817,004 and 2022, \$342,222. Mr. Little advised that the Market Value of Assets as of 9/30/2022 was \$ 22,070,143. Mr. Little reviewed the gains and losses over the past five (5) years to illustrate how gains and losses were utilized over the smoothing period. Mr. Little advised that if the Plan meets its rate of return year after year, it still needs to absorb over time which increases the asset value on which the funding amount is based on. Mr. Little reviewed the amortization of unfunded liability citing those losses and gains are amortized over a ten (10) year period and used an example showing that the 2014 loss created an annual payment of ~\$350,000 which will be paid in full over the next year, thereby decreasing the unfunded liability. Mr. Little reviewed the factors which decreased the funded percentage which was due to lower the expected investment returns and demographic experiences, citing that aggregated payroll was down.

Mr. Little advised that the Sponsors contribution increased ~\$999,735 for the upcoming year.

Chairman Roenbeck questioned if the Board needed to considered taking action on the ratio of benefit payments to contributions, citing that it appears to be showing the Plan pays out more than it brings in. Mr. Little advised that the Plan is in a good position because its benefits are being paid more by investments then by contributions. Mr. Little advised that disbursements are .01% of assets

A motion was made by Trustee Allen to approve the Actuarial report and seconded (2nd) by Trustee Goeler. All in favor, motion carried.

A motion was made by Trustee Goeler to declare the assumed rate of return of 7% and seconded (2nd) by Trustee Owens. All in favor, motion carried.

Mr. Little presented the Drop Study. Mr. Little explained that costs are associated with behavior, explaining that, at the time a participant elects to enter the DROP, the liability is essentially the same whether they elect to enter the DROP or elect to retire. At that moment there is no impact. However, if

the existence of the DROP causes the participant to change their decision on when to retire or enter DROP, then there is an impact.

Mr. Little provided an example as follows: assume half of the participants who reach age 52 with 25 years of credited service currently retire immediately at 25 years of Credited Service and half wait until 30 years of credited service to retire. On average, the Plan is expecting to accumulate retirement benefits for 27.5 years. When the DROP is implemented, participants who would have left at 25 years of credited service may continue to do so. However, Participants that would have waited until 30 years of credited service to retire may be inclined to enter the DROP at 25 years of credited service and still retire at 30 years of Credited Service. For funding purposes, the Plan would be expecting to accumulate retirement benefits for both Participants for 25 years. This shorter accumulation means that more assets must be added each year to reach the same liability.

Mr. Little presented two (2) Drop options as follows:

- The first set of results assumes that almost all participants are expected to change their behavior to participate in the DROP as soon as possible. This scenario assumes that participants retire or enter DROP at a rate of 100% when they attain the earlier of both age 52 and 25 years of Credited Service or both age 55 and 10 years of Credited Service.
- The second scenario assumes that some participants will continue to retire early. This scenario assumes that participants retire at a rate of 5% each year they are eligible to retire early and when they attain the earlier of both age 52 and 25 years of credited service or both age 55 and 10 years of credited service, they will either retire or enter the DROP at a rate of 100%.

Mr. Little advised that DROP monies gain and lose returns in conjunction with the Plans investments. There is no guarantee of return of investment. Mr. Little advised that there are some Plans that place a floor on losses, which insulate the member from losing their investment, but it does create risk to the Plan.

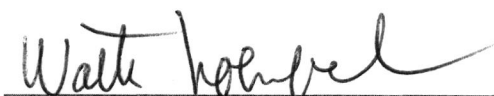
A motion was made by Trustee Goeler to complete a new experience study and seconded (2nd) by Trustee Allen. All in favor, motion approved.


Other/Pending/or New Business

A motion to adjourn the meeting was made by Trustee Goeler and seconded (2nd) by Trustee Allen. All in favor, Motion carried.

Meeting adjourned at 11:24 P.M.

Next Board Meeting – Wednesday, June 14th, 2023


Chairman


Date

Prepared by SV