

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM  
MINUTES OF MEETING HELD  
August 18, 2016**

Summarized Minutes of the regular meeting of the City of Fort Pierce Retirement and Benefit System, August 18, 2016 at 2:00 p.m., in the 2<sup>nd</sup> Floor Conference Room at City Hall.

Present:

Commissioner Tom Perona, Chairperson	City Commission Member
Keith Stephens, Vice -Chairperson	U.A. General Manager
Johnna Morris	Director of Finance
Rodney Nieves	Police Officer Member
Attorney Jim Walker	Assistant City Attorney, Advisory
Christina Paz	Retirement Clerk

Absent:

Commissioner Reginald Sessions	City Commission Member
Nina Penick	U.A. Board Appointee
Caleta Scott	General Member

Guest:

Cody Chapman	Callan Associates
--------------	-------------------

Recording:

Queen Thompkins	Executive Assistant to the Director of Finance
-----------------	--

**ITEM NO. 1 & 2 ~ ROLL CALL**

**Comm. Tom Perona** called the meeting to order at 2:03 p.m., the first item on the agenda being the “*Roll Call*”.

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM  
MINUTES OF MEETING HELD  
August 18, 2016**

**ITEM NO. 3 ~ COMMENTS FROM THE PUBLIC**

**Comm. Perona**, the next item on the agenda was comments from the public. There were no comments from the public.

**ITEM NO. 4 ~ APPROVAL OF SUMMARIZED MINUTES OF JULY 21, 2016.**

**Comm. Perona**, the next item was the approval of the summarized minutes of July 21, 2016 and asked if there was a motion to approve the minutes.

**A motion was made by Ms. Johnna Morris and seconded by Mr. Rodney Nieves to approve the summarized minutes of July 21, 2016.**

**All those in favor of the motion signified by saying aye. A poll was done of each Board member. There was no opposition and the motion was carried unanimously.**

**ITEM NO. 5 ~ ATTORNEY'S REPORT**

**Attorney Jim Walker** said he didn't have anything to report at this time but would be happy to entertain any questions from the Board.

**Comm. Perona** asked if the Board had any questions for Mr. Walker. He also asked if the Board had a chance to review Mr. Walker's Power Point presentation from the NAPPA Conference he attended.

**ITEM NO. 6 ~ PUBLIC HEARING ON BENEFITS APPLICATIONS**

**Comm. Perona** opened up the public hearing for comments on the request for Retirement (DROP) Program from Robert Creswell with 16 years and 8 months of service with the City of Fort Pierce. He asked if there was any one here who would like to publicly comment on this request.

**Attorney Kevin Doty** addressed the Board to say that he was here to represent Robert Creswell on his issue of his DROP.

**Comm. Perona** said it is true that Mr. Creswell's application is being considered for the DROP Program but Mr. Doty is obviously here for another reason as well.

**Mr. Doty** said that was true. He said Mr. Walker and he have had several discussions regarding Mr. Creswell's DROP and they respectfully disagreed about what the Board may do today and what direction the Board may go. He also thanked Comm. Perona for allowing him to address the Board.

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM**  
**MINUTES OF MEETING HELD**  
**August 18, 2016**

**Comm. Perona** said for the record, he asked Mr. Doty where he practices law.

**Mr. Doty** said he does practice in St. Lucie County. He said he believes Mr. Walker has advised the Board that Section 13-27 of the City Ordinances governs the determination of the deferred compensation. Mr. Doty said he would respectfully say that Section 13-27 is not applicable here and he would like to explain why; and if it is applicable, it is contrary to State's Statute. In order for Statute 13-27 to apply, the Board has to determine and has to reach the conclusion that when Mr. Creswell was activated by the Army on active duty and he took a leave of absence, in accordance of State's Statute, the Board has to determine; quoting it from Section 13-27 titled "Credit for Intervening Military Service," reads, "A member who left the employ of a participating employer to enter the Armed Forces of the United States during any period of compulsory military services and who re-enters the employ of a participating employer and again becomes a member shall have such Armed Services not to exceed a total of five years credit to that participating employer service if the following conditions are set. Mr. Doty said he will fast forward to what Mr. Walker believes is pertinent and that would be Subsection 4 which says, "The same period of service has not been used to obtain or increase a benefit from another retirement." You have to determine that he didn't take a leave of absence. You have to determine that he left the employ of the City of Fort Pierce. Chapter 112 of Florida Statutes has no applicability here whatsoever as it applies to Mr. Creswell's situation. What does apply to Mr. Creswell's situation is Chapter 115 of Florida Statutes which covers leave of absence for officials and employees. Section 115.12 of the Statutes reads, "During such leave of absence such official shall be entitled to preserve all seniority rights, efficiency ratings, promotional status, and retirement privileges. The period of active military services shall, for purposes of computation to determine whether said person may be entitled to retirement under the laws of the State, be deemed continuous services in the office of said official. While absent on leave without pay, said official shall not be required to make any contributions to any retirement fund. Section 115.14 applies to employees. All employees of the State, the several counties of the State and the municipalities of the political subdivisions of the State shall be granted leave of absence under the terms of this law; upon such leave of absence being granted said employee shall enjoy the same rights and privileges as are granted to officials under this law, insofar as may be, including, without limitation, receiving full pay for the first 30 days. The point is Section 115.12 applies to employees as much as it does apply to officials such as elected officials or elected city manager would qualify. Mr. Doty said he wanted to remind the Board that during Mr. Creswell period of active duty from 2008 to 2011 when he was under compulsory reserve duty, the City thought he was on leave of absence and not terminated because they continued to augment his pay and the City continued to deduct his retirement benefits at that time. It wasn't until 2015 that the City said they should not have made those deductions and I think the Board is familiar with the City sending Mr. Creswell a check including interest. Mr. Creswell returned the check to Mr. Walker's office. Mr. Doty said he doesn't know what the Board wants to do.

**Comm. Perona** said he wants to hear what the intent was so the Board will have to agenda this for consideration and there is a formal way to do this. Today is just for the application for Retirement DROP that is in front of the Board. We want to be able to go through all the issues

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM**  
**MINUTES OF MEETING HELD**  
**August 18, 2016**

and have Mr. Walker opine on it and invite you back to be able to discuss this in a full manner and we will be able to go through it and hear your plea for appeal.

**Mr. Walker** said to Comm. Perona they did discuss this briefly before the hearing and he advised Mr. Doty that the Board would only do two things today; approving the retirement and approving enrollment in DROP. It was nevertheless understood that the applicant does have concerns with the manner of the calculation of the benefit. It was suggested to Mr. Doty that he bring this up in a context of a request for a rehearing. The rules under rule hearing under “For Rehearing” is more detailed so as to accommodate quasi-judicial consideration of any specific issue that the applicant may wish to bring up and thus offer much more protection to the retirees fundamental due process rights. This is the first time we have received a legal response to the City’s stated concerns with specific invocation of Section 115.12. Mr. Walker said he encourage Mr. Doty to prepare and send a legal memorandum setting out his argument and he will then respond for the benefit of the Board. He said he may or may not express agreement with his position but he thinks it will benefit both parties to have such an exchange before that meeting takes place.

**Comm. Perona** asked Mr. Doty if this was acceptable to him.

**Mr. Doty** said it was. He asked for sufficient time to do this. Mr. Doty asked if it would be alright to schedule for October or November.

**Comm. Perona** said this would be fine.

**Mr. Walker** said he would like for Mr. Doty to get his request in for rehearing in time but if for some reason that meeting that immediately follows wouldn’t be convenient, a request for continuance can be done.

**Mr. Doty** asked what the timeframe on the rehearing was.

**Mr. Walker** said 10 days after the formal order is sent out.

**Mr. Doty** said he will be out of state most of September, so October or November would be better for him.

**Mr. Walker** said in Mr. Doty request for rehearing include a request that the matter be presented for the month that works for him.

**Comm. Perona** said as long as we hear from him in that 10-day period, it reserves the right for the hearing.

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM  
MINUTES OF MEETING HELD  
August 18, 2016**

**Comm. Perona** again opened up the public hearing for comments on the request for Retirement (DROP) Program from Robert Creswell with 16 years and 8 months of service with the City of Fort Pierce. He asked if there was any one here who would like to publicly comment on this request. Seeing none, Comm. Perona closed the public hearing. Comm. Perona opened up the matter for the Board. **A motion was made by Ms. Morris and seconded by Mr. Stephens to approve the request for Retirement (DROP) Program from Robert Creswell.** Comm. Perona asked for any questions or comments on this request before the motion was called. **All those in favor of the motion signified by saying aye. A poll was done of each Board member. There was no opposition and the motion was carried unanimously.**

**Comm. Perona** opened up the public hearing for comments on the request for Deferred Retirement from Robert Yaffy with 7 years and 2 months of service with the City of Fort Pierce Police Department. He asked if there was any one here who would like to publicly comment on this request. Seeing none, Comm. Perona closed the public hearing. Mr. Stephens opened up the matter for the Board. **A motion was made Ms. Morris and seconded by Mr. Stephens to approve the request for Deferred Retirement from Robert Yaffy.** Comm. Perona asked for any questions or comments on this request before the motion was called. **All those in favor of the motion signified by saying aye. A poll was done of each Board member. There was no opposition and the motion was carried unanimously.**

**ITEM NO. 7 ~ OLD BUSINESS**

None.

**ITEM NO. 8 ~NEW BUSINESS**

**PROPOSED AMENDMENT TO RETIREMENT BOARD RULE 8 (SUNSHINE)**

**Comm. Perona** said the Board is familiar with the letter that states formal activity for the Sunshine Rule 8. He said it was good that we have this, especially since we are starting to have some issues, rehearings, and appeals. It's important that we all defer to this regulation and have it heard by the Board in its assembly.

**Mr. Walker** said Comm. Perona is familiar with the rule in its capacity as City Commissioner. The Section in the code that deals with this section and applies to City Commissioners, but whenever there is a quasi-judicial hearing, the Board typically conducts on any contested matter, especially on matters for motions on rehearing. Due process considerations enter the picture. At the last meeting Mr. Walker said he passed around a copy of Jennings vs. Dade County. The court there was concern about ex parte communications between the Board member and an applicant. As a member of the Board, each Board member is a judge of the facts. It is not good procedure to be talking with people about the case outside the courthouse. If there are such conversations and it comes out in some other context, that's presumed prejudicial to the

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM**  
**MINUTES OF MEETING HELD**  
**August 18, 2016**

applicant. Because you don't know what was said, the presumption is of prejudice that would invalidate the Board's actions. You can cleanse the prejudice from such any ex parte communication by disclosing them at the hearing. It is proposed that the Board adopt a disclosure rule for any such ex parte communications and that's reflected in the draft. Ex parte communication is a bad thing regarding any matter that's the subject of the quasi-judicial proceeding. If it happens, the affect could be minimized or neutralized by suitably disclosing it in a public setting.

**Comm. Perona** said if you are ever watched Commission meetings, a lot of times we are discussing issues with applicants, either on zoning code or different things. Many times we speak to the applicants individually. They make their appeals; its part of the process and it's helpful a lot of the times because it explains a lot of the issues that we individually will have. A lot of times we will go through those issues again at the public setting, but we also have to identify the fact that we've met with the applicant so that any bias you may have, plus or minus, will be understood. Comm. Perona thanked Mr. Walker for bringing this information and asked if this was up for consideration for adoption today.

**Mr. Walker** said it was.

**Comm. Perona** said if the hearing is not next month, he asked Mr. Walker if there are issues the Board can go through and get clarification on, would it be possible for the next meeting. Comm. Perona said in the general format of what our rule says now. He said it needs to be an educational component to bring the Board up to date on that particular item.

**Mr. Walker** said the Board does have Code Section 13-27 which everyone has.

**Comm. Perona** said it should not be about the Creswell issue; it should be about Section 13-27.

**Mr. Walker** said a motion needs to be made to approve the first draft of Sunshine Rule 8.

**Comm. Perona** asked that a motion be made to approve the first draft of Sunshine Rule 8. **A motion was made Ms. Morris and seconded by Mr. Stephens to approve the first draft of Sunshine Rule 8. All those in favor of the motion signified by saying aye. A poll was done of each Board member. There was no opposition and the motion was carried unanimously.**

**REVIEW OF PERFORMANCE EVALUATION FROM CONSULTANT – CALLAN ASSOCIATES**

**Comm. Perona** welcomed Mr. Cody Chapman from Callan Associates and opened the floor for his second quarter Executive Summary report.

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM**  
**MINUTES OF MEETING HELD**  
**August 18, 2016**

**Mr. Cody Chapman** thanked Comm. Perona and said Mr. Weston Lewis will be present at the November Retirement Board meeting. He said starting on Page 2 of the Executive Summary he will give a brief overview of the capital markets. Mr. Chapman said on June 23<sup>rd</sup> British voters narrowly approved the Brexit referendum to leave the European Union. Volatility spiked, global bond yields fall sharply, the pound hit a 31-year low with a record intra-day swing of more than 10%, stock markets plunged, and gold surged. Brexit overshadowed US economic data that continued to point to sluggish, yet positive, growth. Second Quarter GDP growth in the US for 2Q16 was up 1.2%, up from 0.8% from first quarter 2016. Atlanta Fed forecasts 2016 GDP to be 2.3%. This is not the strongest number long term but is positive growth in relative to other developed markets that are still fairly strong. Inflation neared the Fed's 2% target for the Personal consumption Index. Oil has continued to rebound quite a bit; hit low of \$26/barrel on Feb 11 but closed quarter at \$48/barrel. Labor market looks strong; unemployment is at 4.7% which is fairly close to full employment; labor force participation at 62.6%. Outside the US Euro zone unemployment remains elevated at 10%; Euro zone GDP up 0.6% in first quarter; continued stimulus from European Central Bank as well as the Bank of Japan; rate cuts and deterioration in UK economy expected in wake of Brexit. Japan is still struggling to reflate economy; strengthening Yen not helping. Despite all of the fireworks from the European Union, US equity benchmark performance was positive for the quarter. The S&P 500 staged a strong recovery in the wake of the sharp Brexit-related decline in late June, and closed up 2.5 for the quarter. At the end of the quarter, the Index stood just 1.5 below its all-time high (May 21, 2015). Mid and small capitalization stocks outperformed; Russell Mid Cap gained 3.2%; Russell 2000 rose 3.8% value exceeded Growth across market capitalizations, helped by Energy and less exposure to Tech and Consumer Discretionary. In the Sector performance divergent Technology was down 2.8% and Consumer Discretionary was also down 0.9%; Energy was strongest at +12%. Defensive Telecom and Utilities sectors also did well, up 7%; REITS up 7.4%, benefited from the decline in interest rates. In International Equity Developed markets trailed US; MSCI EAFE down 1.5%; best performer was Canada, up 3.4%; worst was Italy, down 10.4%. Emerging markets fared a bit better; MSCI EM up 0.7%; Brazil continued to rebound on stronger oil prices and returned +13.9% for the quarter; up 46.3% year-to-date. Russia was also strong; up 4.0% for the quarter and up 20.4% year-to-date. Poland was among the worst, down 17.5%; India up 3.7% and China up 0.1%. In the Market Environment 2Q16 Fixed Income, Barclays U.S. Aggregate Index returned 2.2% for the quarter; corporates outperformed like-duration Treasuries. Long duration assets posted double-digit returns with the Barclays Long US Government/Credit up 6.6% for the quarter and up 14.3 for six months. High Yield was the best performing fixed income sector. Barclays High Yield Index returned 5.5% for the quarter and is up 9.1% year-to-date. Interest rates in develop markets fell and the dollar weakened. The Yen gain 8% and the euro depreciated 2% vs. the dollar. Brexit worries put pressure on the pound, down 7% vs. the greenback. Barclays Global Aggregate returned 2.9% (+2.5% hedged). Within the EMBI Global Diversified Index, Latin America up 7% was the best performing region, helped by outsized returns from Argentina, up 10%, Brazil up 8% and Venezuela up 23%. Page 6 summarizes the assets as of June 30; \$176.5 million in assets; your targets for each of your assets costs and investment managers are very close to being in line as we expect. On Page 7 reference the performance; for the quarter you all were up 2.3%, total fund outperformed the

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM**  
**MINUTES OF MEETING HELD**  
**August 18, 2016**

benchmark by 0.18% for the quarter. Total Fund performance relative to the benchmark and peers has remained strong over time. On Page 9, we will look at some of your managers, starting with Emerald. Emerald underperformed the benchmark by 0.66% during the quarter and underperformed by 3.00% over the last year. Emerald has strong long-term returns well above the benchmark over longer time frames. Positive contributors were the utilities, consumer discretionary, and producer durables sectors. All posted a positive contribution to return. The primary detractor was technology, more specifically, poor equity selection in the semiconductor and software industries. Next on Page 10 is Ceredex. Ceredex outperformed the benchmark by 2.12% for the quarter and outperformed by 8.62% over the last year. Long-term results are strong. The fund has outperformed the benchmark for all trailing periods shown. Overweight positions in the consumer staples and industrials sectors led to the fund outperforming the benchmark for the quarter. Pages 11 and 12 summarize your Mid Cap and Large Cap exposure. The fund continues to track the index closely at a very low fee. On Page 14 we will take a look at your International Equity managers starting with Morgan Stanley. The fund outperformed for the quarter and outperformed the index by 2.75% over the last year. Long-term performance remains strong. Outperformance for the quarter was driven by commodities (energy and materials) and defensives (health care, utilities, and consumer staples). Page 15 shows Morgan Stanley Emerging Markets Equity. The fund outperformed the index by 1.24% for the quarter and outperformed by 3.23% over the last year. Long-term results remain above median, outperforming the index and peers over the past 19 years. Stock selection in financials, IT, and materials companies contributed most to returns, while stock selection and an overweight in industrials detracted. Page 16 shows William Blair International Growth Equity. The fund outperformed by 0.16% for the quarter and outperformed by 1.15% over the last year. Long-term performance remains strong. The fund is above median for the observed time periods. Consumer staples, industrials, and financials were all sectors that buoyed the fund, however the subcategory of financials and materials located in the U.K. offset much of the positive impacts of Japan and Latin America positions. On Page 18 is Richmond Capital Core Fixed Income. Richmond slightly outperformed for the quarter and outperformed over the year by 0.30%. Long-term performance remains strong. The fund has outperformed by 0.67% over the last 10 years. Page 20 is Heitman America Real Estate Trust performance vs CAI Open End Core commingled Real Estate (Net); seventh full quarter of performance for Heitman. The fund outperformed the index by 0.08% over the last year. The portfolio is 95% leased and same-property net operating income grew by 7.9% over the quarter. Page 21 summarizes the objectives of the investment managers you have. You see there were four that were not met. Richmond's goal was to outperform BC Aggregate over rolling 3-year periods by 0.50% which was not met. They only performed by about 0.41%. Morgan Stanley Developed, their second objective is to outperform the median international equity manager over rolling 3-yr periods. Both of Morgan Stanley objectives have not been met. They outperformed by 18 bases points over the last 3 years but they outperform the MSCI Emerging Markets over rolling 3-year periods by 1.00%. Mr. Chapman said that concludes his presentation and asked the Board if they had any questions. He also said there is a two-page education section at the end of the summary report. This is something that has been in the work plan and Mr. Walker informed him this is something the Board does on a regular basis. These are Best Practices for Effective Investment Committees. Mr. Chapman said these are tips

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM  
MINUTES OF MEETING HELD  
August 18, 2016**

from Callan's Upcoming White Paper that he wrote along with their office manager, Elizabeth Hood and it will be published on their website in the next couple of weeks. It states the effectiveness of building a committee; how an effective chairperson is critical and should be skilled in running meetings as well as encouraging debate among committee members. It tells how every committee member should understand the purpose of the assets, the nature of the liabilities tied to the assets and legal/regulatory constraints. There are tips listed in creating an effective investment policy statement and developing an effective review process.

**ITEM NO. 9 ~ CONSENT OF AGENDA**

**Comm. Perona**, the next item is the Consent Agenda.

**A motion was made by Mr. Nieves and seconded by Ms. Morris to approve the refund of member contributions.**

**All those in favor of the motion signified by saying aye. A role call was done; there were no oppositions and the motion carried unanimously.**

**ITEM NO. 9 ~ CONSIDERATION OF ABSENCES**

**Comm. Perona** acknowledged the excused absence of Nina Penick and Caleta Scott. There was no acknowledgement from Comm. Reginald Sessions that he would be absent from the meeting today.

**A motion was made by Ms. Morris and seconded by Mr. Stephens to approve the excused absence of Nina Penick and Caleta Scott.**

**All those in favor of the motion signified by saying aye. A role call was done; there were no oppositions and the motion carried unanimously.**

**ITEM NO. 10 ~ BOARD MEMBER COMMENTS**

None.

**ITEM NO. 12 ~ NEXT MEETING**

The next item was next month's meeting. The next meeting was scheduled for September 15, 2016 at 2:00 p.m.

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM  
MINUTES OF MEETING HELD  
August 18, 2016**

**ITEM NO. 13 ~ ADJOURNMENT**

Seeing that there were no further questions or comments, Comm. Perona made a **motion to adjourn the meeting.**

**All those in favor of the motion signified by saying aye. There was no opposition and the motion carried unanimously.**

The meeting was adjourned the meeting at 3:27 p.m.

ATTEST:

\_\_\_\_\_  
Secretary/Treasurer

\_\_\_\_\_  
Chairperson

Note: These minutes are not verbatim, only important issues and motions are reproduced in writing for the benefit of the Fort Pierce Retirement and Benefit System members. The recording itself is the official record for the meeting. The meeting tape/cd is available.