

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
MINUTES OF MEETING HELD
August 17, 2017**

Summarized Minutes of the regular meeting of the City of Fort Pierce Retirement and Benefit System August 17, 2017 2:00 p.m., in the 2nd Floor Conference Room at City Hall.

Present:

Commissioner Tom Perona, Chairperson	City Commission Member
Johnna Morris	Director of Finance
Keith Stephens, Vice -Chairperson	U.A. General Member
Rodney Nieves	Police Officer Member
Caleta Scott	General Member
Nina Penick	U.A. Board Appointee

Attorney Jim Walker	Attorney for the Retirement Board, Advisory
Christina Paz	Retirement Clerk

Guests:

Cody Chapman	Callan Associates
Weston Lewis	Callan Associates

Absent:

Commissioner Reginald Sessions	City Commission Member
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Recording:

Queen Thompkins	Executive Assistant to the Director of Finance
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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”.

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.

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ITEM NO. 4 ~ APPROVAL OF SUMMARIZED MINUTES OF MAY 18, 2017.

Comm. Perona, the next item was the approval of the summarized minutes of May 18, 2017, and asked if there was a motion to approve the minutes. Ms. Nina Penick had one correction to the minutes. On **Item No. 9 – CONSENT OF AGENDA** should read **CONSENT AGENDA**.

A motion was made by Ms. Johnna Morris and seconded by Ms. Caleta Scott to approve the summarized minutes of May 18, 2017.

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 has a couple of items. Everybody has the summary report on this year's NAPPA Conference. It was very informative. I have taken the liberty of enclosing for each of you, a thumb drive of the entire conference material. Several years ago NAPPA gave me permission to give every Board member a copy. They did ask that in doing so, it be held by the individual and not be given out to third parties. I would ask that you not do that unless you contact me and the contents not be copied. In all probability, that collection of documents now constitutes a public record. If a member of public wishes to access it, they have to send a request to the City and they will comply. If there are any questions, I will be happy to answer them. There is a brief status report on a matter of Mr. Lewis who passed away. His designated beneficiary has passed very shortly before he did; before there was opportunity to update his designation. There is in excess of \$20,000 in accumulations that are owed to him. We have received the contact from Attorney Applebaum representing two of the beneficiaries who expressed interest in getting a hold of that money. There was a petition for summary administration that listed a third beneficiary without listing the others. What we need is a PR who appears for all three beneficiaries. We haven't gotten that yet. I had a conversation with the attorney about two weeks ago. He told me he would look into that and to see about maybe pursuing it. We really can't wait forever on that. I would propose if nothing more is heard between now and then, that when I report at the next meeting, I recommend that we consider what is called an interpleader action. That's where you sue all the interested parties saying, "I've got this pot of money; I don't know who to give it to; here's the check; I'm stepping back and you guys sort it out." That's what we can talk about at the next meeting.

Comm. Perona asked if that takes away any future liability of the Retirement Board.

Mr. Walker said it should. If they had a claim; any claim beyond that, they would have to assert it in the interpleader.

Comm. Perona said the cleanest way when you don't have direction to be able to do. Has this happened before?

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Ms. Morris said no. The reason it hasn't is because the beneficiary died shortly after he died. There was nobody to leave it to.

Comm. Perona said the money should have moved to the beneficiary at his death.

Ms. Morris said that is right. It was a two-week span. He died and then his mother died; she was his beneficiary.

Mr. Walker said offering this backup before the Board; next month maybe we can get some definitive direction at that time. We've been holding it in expectation that the beneficiaries would get this and they haven't so far. That's all that going on.

Comm. Perona said we will hear more on that at the next meeting.

ITEM NO. 6 ~ PUBLIC HEARINGS ON BENEFIT APPLICATIONS

Comm. Perona opened up the public hearing for comments on the request for Retirement from Timothy Little with 17 years and 3 months of service with the City of Fort Pierce (DROP Program). He asked if there was anyone 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 Ms. Johnna Morris and seconded by Ms. Caleta Scott to approve the request for retirement from Timothy Little.** 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 Retirement from William Field with 18 years and 7 months of service with the City of Fort Pierce (DROP Program). He asked if there was anyone 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 Ms. Caleta Scott and seconded by Mr. Keith Stephens to approve the request for retirement from William Field.** 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 the request for Retirement from Edward L. Hugunea with the City of Fort Pierce (DROP Program). He asked if there was anyone 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 Ms. Johnna Morris and seconded by Ms. Nina Penick to approve the request for retirement from Edward L. Hugunea.** Comm. Perona asked for any questions or comments on this request before the motion was called. **All**

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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

a. CONSIDERATION OF PROPOSED AMENDMENT TO BOARD RULE 17

Mr. Walker said if you can recall, we had a situation a few months back where a retiree passed away. Her son was continuing to cash the checks. The matter came to our attention but not before the checks summing up to \$10,000 had been cashed. Since then he has executed a promissory note. I presume he has continued to make the payments on it. When I brought this to the Board's attention, it was requested that Johnna Morris and I jointly prepare a proposed policy that the Board might look at for discussion purposes. As to implement procedures that might fairly address this kind of situation in the future, Rule 17 of our rules of procedure has been singled out for amendment; sets out several provisions here. Rule 17.1 would be amended to provide that the secretary sends out notice to return mandatory information requested for the purpose of receiving of benefits. That's the amendment of provision you will recall that we enacted several years ago to periodically clean up the rolls to make sure that there was continuing eligibility by each of the recipients for receipt of benefits in question. The second paragraph Sub. B in Rule 17 would read, "and would add a proposed warning notice to recipients so that there is no question, that if they get a check, they realize there is no ability to cash that without authorization by either the main payee or the City Finance Director." Number three sets out a procedure whereby upon the secretary's receipt information regarding the unauthorized cashing of checks that an investigation is undertaken and a report with recommendation is made to the Board. The Board would then take measures to protect the fiduciary interest of the System and would then further determine whether a referral for criminal prosecution is indicated. That summarizes the proposed procedures that are offered for discussion purposes.

Comm. Perona asked if there were any comments. This does tighten things up a little bit; makes it clear, our position rather than start from a point where we rattle around amongst ourselves to determine what our fiducial responsibility is. It's pretty well laid out here. Rodney, you brought this up a couple of years ago.

Mr. Nieves said yes and he has a few questions for Mr. Walker. When referring to certain, what are you referring to?

Mr. Walker said he would let Ms. Morris answer the question.

Ms. Morris said whenever we send out the notice, there's a return by a certain date.

Mr. Nieves asked what that would be.

Ms. Morris said it depends on when it is sent. It's usually 30 days.

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Mr. Nieves said the reason he asked that is in the event the individual lives out of the country. Sometimes the mail is a little lacks.

Comm. Perona asked if you don't receive it in 30 days, what happens?

Ms. Morris said what we did when we first initiated it we gave them the 30 days to send it out; really it was 60 days because we sent it out 60 days before and gave them a date of 30 days back to us. If it was not returned, we would then stop the direct deposit or the check until they came in to verify.

Comm. Perona said they would come in and say they've been in Europe and didn't get the mail; the remedy is immediate, right?

Ms. Morris said right.

Mr. Nieves said you said something in the effect of discussing a check; what if they have direct deposit?

Ms. Morris said most of them are direct deposited. That was prior language that was included in but most of them are direct deposit. We do have a few that are checks.

Mr. Nieves said if you have money that is going into a direct deposit account and the beneficiary is deceased, there is a warning to the individual to return the money.

Ms. Morris said we send out a stub to all retirees. Even if it's a direct deposit, we mail an actual stub every month. They get a receipt of their direct deposit.

Comm. Perona said it brings up the question the word "check" also provides for a deposit or credit to an account. To me, a check is a physical piece of paper with a lot of banking codes on it that usually means that I don't have a success of increasing my bank account when I put it into it. With direct deposit, if you have control over that account like a lot of elderly people do, does that language protects that also. If not, what can we do to make sure that's part of it?

Mr. Nieves said that only reduces plausible deniability by somebody saying I didn't know.

Comm. Perona said you'll have a fiduciary responsibility if you are on the account to make sure that all those deposits go in. You need to know what those deposits are. You are on that account therefore you need to make sure that's money that should be in there.

Mr. Walker said that's an excellent point. I'm not completely persuaded that the language in its current form accommodate that concern. I would like to go ahead and proof that.

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Comm. Perona said this is proposed, do you rather we wait until the language comes back specific before we act upon this.

Mr. Walker said he doesn't have any preference, if the policy, otherwise thought appropriate could pass maybe subject to amendment providing for direct deposit.

Comm. Perona said we can always amend it.

Mr. Walker said on second reading next month we can go ahead and approve the part with the second deposit.

Mr. Nieves said where it states that Retirement System shall take the appropriate steps to secure recovery of all such monies and shall further determine whether such unauthorized person shall be referred to criminal prosecution. I think that all persons should be prosecuted and it's up to the Board later on to say yea or nay they want to be the victim. What I mean is the investigation should be done by some type of agency. What you choose to do after that is different. That will remove all improprieties. If you choose, as a Board, to say no we are not going to prosecute or we are not going to investigate them versus not prosecuting them, is completely differently than if you choose who it is you are going to investigate; now we have a problem. Investigate them all then choose to see which one was in error or was it criminal.

Mr. Walker said I discussed that with a friend of mine who is also an Assistant City Attorney. The discussion revolved around the question as to whether or not people should automatically in all cases be referred. He was of the view that was not necessarily appropriate in all instances that a preliminary check might apply those instances where any evil attempt was not involved, but also he told me that once that referral is made, we as the "victim" lose any control over whether or not that matter proceeds to the prosecution, that is then up to the State's Attorney. I could in my own mind conceive of circumstances where the Board might not feel it essential to put it into that process, but that's an essential policy calling. I would not presume to make an argument one way or the other, that's very much up to the Board to decide.

Mr. Nieves said I would have to disagree with your attorney friend because the City would become the victim; no victim, no crime; which is generally the way of the law. If the City decides to back away and not prosecute then we don't. Once you don't have a victim, you don't have a crime. That doesn't eliminate the investigation process prior to the City making the decision that we are going to follow through with it.

Comm. Perona said there are scenarios that could work here where it's complete innocent activity, especially if it's an automatic deposit; family is not here, the people die, there is a lot of stuff going on; a couple of months go by and somebody realizes that you still have this amount is being deposited into that account. Are you going to turn it over to the State Attorney?

Mr. Nieves said no, it doesn't go to the State Attorney's office. It goes to a local police agency. They do the investigation. If they find some criminal negligence and file charges, then it goes to

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the State Attorney's office. What I'm trying to do is reduce the improprieties from us; we'll do it to some but we won't do it to others.

Mr. Walker asked Mr. Nieves if he has proposed language that he would like the Board to consider.

Mr. Nieves said no and he's not an attorney.

Comm. Perona said the message is there that everybody that does it, no matter what gets investigated. This situation happens very rarely.

Ms. Morris said it happens more often than not, especially in the times as you've said; in direct deposit and with parents being deceased, they don't really know until it's a couple of months later and we contact them. Once we know we can pull money back. We do a request with the bank to pull the funds back. Sometimes they're just sitting in the account. We do reach out to those individuals to say that we've learned this retiree is deceased and sometimes it might be an oversight; they bring the check right in. With others in the times past George and Gloria set up an account with interest to pay the money back.

Comm. Perona said he is fine with it either way. The rule is the rule. When you get to exceptions it starts to take the rule down to an opinion or an advisement. Something like this, it shows fiduciary responsibility; we're safe keepers. What we would do, once that has happened, Johnna would notify the local authorities of the situation. What's the process then?

Mr. Nieves said it's up to the Board. Would like it in-house with an agency that's still attached to the City or do you want to use an outside source (i.e. St. Lucie County Sheriff's Office)?

Mr. Stephens said it could be a conflict of interest.

Mr. Nieves said if you use the City. We investigate burglars within our own premises. It's up to the Board. It would give you peace of mind. You are letting a professional organization investigate probable wrongdoings or just a mistake.

Comm. Perona said he can see it going both ways. It's a time issue when people have gotten around to doing it, I can see not turning it over to the Police Dept. because you know how it's going to be; something we should be able to control right here but there again is the exception.

Ms. Morris asked if there should be a time in there. What if it's an individual where it's one month; should there be a time limit?

Mr. Nieves said he agrees and by the time you find out it's not going to be that month; something has happened within the last 30 days. What I suggest; how about a figure.

Comm. Perona said he doesn't know about that.

Ms. Morris said it depends on the amount the retiree is getting.

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Comm. Perona said if you had 60 days and it wasn't brought to attention within 60 days; anything over 60 days automatically goes to the police. Most of those exceptions that happen are picked up within 60 days?

Ms. Morris said, between 60 and 90 days.

Mr. Stephens said he was thinking 90 days because, something happen the first month the person might not catch it; the second month and you wonder what's going on; before you know it 90 days has passed.

Comm. Perona said anything over 90 days is a mandatory Police Department matter.

Mr. Nieves said his main goal was that, I've dealt with criminals for 33 years; when I read this, it's one of those things that says you can be prosecuted; the true criminal says, "I'm going to take a chance." When you read something that says you will be prosecuted, the light shines differently. That's how it reads to me.

Comm. Perona said he like the 90 days. He asked if this is a consensus from everyone.

Ms. Penick said she was in agreed with the 90 days instead of the dollar amount.

Mr. Stephens is also in agreed with the 90 days.

Comm. Perona asked Mr. Walker if this was understandable to him.

Mr. Walker said what he would like to do is suggest some language here. Where it says that the Systems shall take the appropriate steps to secure recovery of all such monies and may make a referral to the St. Lucie County Sheriff Department for further investigation except that if payments were made and collected on an unauthorized basis or more than 90 days, there shall be referral to the Police Department for further investigation.

Mr. Stephens asked if you still have the option less than 90 days if there is something we know and after 90 days becomes mandatory.

Mr. Walker said that is right.

Comm. Perona said we can adopt this with the amended language.

Mr. Walker said along with the amendment to the warning in Sub. B to provide for direct deposit.

Mr. Stephens asked do we now require people to do direct deposit. Is there a reason why?

Ms. Morris said with retirees, some of them don't or still prefer a check.

Mr. Stephens said the reason he asked is because the military require you to have direct deposit. Does it increase administrative time and money?

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Ms. Morris said it decreases it. We have made it mandatory for our employees.

Comm. Perona said we have Proposed Amendment to Board Rule 17. We should have a motion to accept as amended. **A motion was made Ms. Caleta Scott and seconded by Mr. Rodney Nieves to accept the Proposed Amendment to Board Rule 17 as amended.** 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. 8 ~ NEW BUSINESS

a. QUARTERLY REVIEW OF PERFORMANCE EVALUATIONS FROM CONSULTANT, CALLAN ASSOCIATES

Comm. Perona welcomed Weston Lewis and Cody Chapman from Callan Associates.

Mr. Lewis said before he gets started, he wanted to give the Board updated information on Callan. It's not public information as of yet but very soon you will receive a memo to organizational changes taking place at Callan. Number one, Callan is an S corporation. S corporation doesn't allow more than 100 stockholders. We have in the 90's right now. We've gone back and forth with our attorneys and tried to figure out how we could continue to allow more shareholders. Cody and I are shareholders and we promote employment share. We are creating a limited liability corporation to allow for a way to continue this employee share. In our opinion this is a very good thing and we hope that you all see it that way too. One, it's going to be a LLC and two, S corps now report up to, so there's no change there. The other change is that Ron Peyton, our chief executive officer and chairman, is announcing that he is going to move to the executive chairman and Greg Allen, our president and director of research will now become and president and chief executive officer. Now getting into your results, we will talk about the Executive Summary. Your results are driven by three factors. Number one, what did the market do? Number two, what is our policy mix of stocks, bonds, international stocks, domestic stocks, real estate or whatever it may be. Number three, what is the performance of our managers. The latter two; policy mix as well as the performance of your managers are more key features in this report. First of all, what's going on in the economy; the U.S. remains in very much slow growth mode; first quarter U.S. GDP growth was revised slightly upward from +1.2% to +1.4%; advance estimate of 2.6% annual rate for second quarter of 2017. This is a little better; some improvement from what we saw in the first quarter but still well below what a lot of people were hoping for in that 3-4% range as being a return to what we saw prior to the global financial crisis. What may be as a little bit of a surprise and something relevant to how you are invested is foreseeing more positive surprises coming from abroad. The Euro zone and some of the emerging markets are starting to show a more positive growth in their economy. For the longest time we've said the U.S. is kind of like the "cleanest dirty shirt in the laundry basket". That's not as much of the case anymore. It was a little bit more unequal footing then. You are starting to see that Euro zone first quarter GDP was +2.3%; that was meaningfully higher than what we see in

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the U.S. around the same time. We are starting to see a pickup in their economies. Coming back to the U.S. and the Federal Reserve actions, you probably noticed in June that the Fed decided to raise rates from the .75% to 1.0% target; now going from 1.0% to 1.25% target. They appear to want to normalize interest rates but they're really tied down by a couple of things. The main thing is, what is inflation doing. Inflation remains very low and this kind of fear of slowing growth could lead to deflation or not really seeing inflation in areas we want to see it, such as, wage growth. As it relates to unemployment in wage growth, unemployment remains at historical lows but some of that is being driven by participants dropping out of the labor force. It was about half and half two years ago to where your retirees and your baby bombers starting to drop out of the labor force and versus a kind of structural people in their key working years; males ages 25 to 40 dropping out. It was about half and half, now it's moving to where it's more structural; more baby bombers; about 2/3-1/3. The problem area is shrinking but is still a problem. What's most interesting is we are at historic highs for the length of the duration of our expansion. We are 96 months into expansions without any meaningful pullback. On Page 3 our stock markets shows signs of expansion without a pullback. It's been a bull market since 2009. In the last two years volatility has been at historic blows. We really have not seen a pullback in the market. It's been the longest duration we've been without having a 2% pullback in the market in 20 years. Thinking about what happened with the Equity; Large Caps outperformed small and mid caps stocks; growth outperformed value. The S&P 500 is still driven by a small number of names; Facebook, Amazon, Apple, and Microsoft; driving a lot of that performance; maybe less than what it has in the past but that kind of leadership is certainly being exhibited here. The strong returns coming from outside the U.S. on the right-hand side of the page to where year-to-date developed non-U.S. markets are up 14% roughly; think back to what I mentioned about the S&P 500 up 9.3% year-to-date. So, starting to show a distinct advantage where that advantage is most now is in emerging markets; up 18.4% year-to-date and still showing signs of growing post when this printed at the end of quarter. A lot of those gains are pretty far out-based. You think of the BRICs; the big ones, the Brazil, Russia, India, China. Brazil was negative as was Russia. It was based on some poor energy results as well as some strain relationships with the U.S. Moving to Page 4; as I mentioned the Fed wanting to take action but really not being able to. The Fed has telegraphically wanted to have one more interest rate increase by the end of the year. It's more likely of us seeing that not happening. It will likely be next year before we see any additional increases in the Federal funds rate. You see that playing out in the Yield curve. In the next few years they want to be at 5%. You would see this green line or the blue line in the Yield curve be much steeper than it actually is, so this is the market telling us there's no way they are going to get that. As you think of what investors appetites are for risk, we are continuing to see investors being paid less and less for accepting that marginal risk within fixed income markets. It has helped your fixed income manager out just in terms of being a little bit overweight to credits and also they were a little bit longer in certain areas of the curve and that has help them more recently. That's what's happening with fixed income. Putting that aside and saying, what is your policy mix? Going to Page 5, 63% of your funding is in equity; fixed income, and real estate makes up the rest. You are in line with your targets. Typically on the bottom of the page when you talk about how your fund did, we look at the quarter; there was a little bit less variation of the quarter, so we wanted to pull together what

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happened throughout last year. There are a couple of things that maybe looking at your report and saying, why did we under performed on benchmark? This chart at the very bottom gets to exactly that. No.1, were you different from what your target weights were? Not so, but it did lead to some sort of drag and you see that in the (1.5%). That asset and allocation effect was what caused you all to be about 15 bases points behind your benchmark. The rest is what we call the manager's effect and that is largely, predominantly; did our managers outperform or underperform their benchmarks. If you look at manager effect for Domestic Equity at (0.32%), we saw some challenges within Domestic Equity. There are two active managers; Ceredex and Emerald. Emerald outperformed their benchmark for the last year. Ceredex were challenged and we will talk about Ceredex in a minute. Your three strategies all underperformed, but William Blair and Morgan Stanley International; the two big ones that were challenged. As you look at this 11.86% return, on its phase is an absolute number; it's actually a pretty good number. It's almost 12% over the last year and we've been telling you for a while to expect low returns, but we have another double digit year. For the first time since 2008 your ranking was below medium. This is not any reason to sound the alarm bell; we just want to go back to some of the things that cause that. Some of that has to do with your allocation. Predominance of your equity investments are in U.S. base companies versus non-U.S. base companies. That's why I made the point in talking about how well the non-U.S. companies have done and their markets have done relative to the U.S. In our asset liabilities several years ago we recommended a higher weight of your equity being in non-U.S. equity. Think of what our global market weight is it's about 50/50. Callan typically recommends having some home country bias; maybe not this large of one, but more to the tune of 60% U.S. versus 40% non-U.S. in terms of what your total equity pie should be. That is likely to be a consistent theme in something that we encourage you all to move towards over time, but just want to keep it on top because it is starting to affect your relative results relative to your peers. Moving on to Page 6, we will just mention that total fund increased by over \$5 million over the quarter. Much of that due from investment returns coming from both in Domestic Equity as well as International Equity. Looking at Page 7, your last year return in 57th percentile; no reason to sound the alarm bells, but a lot of that was driven by your asset allocation being so heavily skewed to Domestic Equity. This was a huge tail end for you all over the past 5 years. By not moving toward International, that was a great decision. What we've seen with the U.S. outperforming non-U.S. stocks for so much and so long, these periods are not unprecedented but they are also not all that common. Keep in mind if we're thinking about making that move or if there is any desire to make that move, Callan would certainly be supportive. Moving on to Page 9, Emerald is your Small Cap Growth manager; they have a great performance across the board. Looking at last year; ahead by over 4% and over the last 3 and 5 years in the top percentile relative to peers, outperforming their index; meeting their policy statement objective overall periods. Looking at Page 10, Ceredex had a very difficult year, a lot of this being generated from the second half of last year. As you'll recall the post Trump rally; when Trump got elected, a lot of things didn't occur like people thought they would, and Ceredex missed a lot of the upside gains coming from Small Cap Value Markets. If you look at last year, they were over 12% behind the benchmark. That's going to take some time. We would hope and expect to see some more near term turnaround from Ceredex. Otherwise it will increasingly affect their long-term results. Your two Index Strategies, the SSgA S&P Mid Cap

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400 as well as the S&P 500 are doing exactly what you hired them to do which is to track the index closely at a very low fee. Moving on to Morgan Stanley, we did see some improvement for the quarter as we did with all of your International managers; all outperformed for the quarter, but over the last year, still working off some challenge results. As you'll recall with Morgan Stanley, this International Developed Equity Strategy, after the Brackson announcement, they caught more of the downside than what they typically do. When we think of Morgan Stanley, that's pretty well their strategy as being a better downside protection strategy and it was just a challenging environment for them and working their way out of that. Like Ceredex, we don't think anything is broken but it certainly was a challenging year for them. As you look across longer term timeframes, you'll see that they still rank very well for the 10 years; for the 20 years; you've had them for quite some time for the 25^{3/4} years in the top 5 percentile. As you think of your investment policy statement objectives; outperforming the Index by .50%, they are doing that over 3 years but not meeting the objective of being above median; they are at the 56th percentile for the last 3 years. Morgan Stanley Emerging Markets, again a little more challenge result over the last year; did show some improvements for the quarter of the last three years and this fund is reported net of fees. They are beating their benchmark net of fees but behind their investment policy statement objective of being a percent ahead; in the 62nd percentile over three years. As you look at the longer-term results, admittedly they are somewhat underwhelming. One of the challenges here with this fund is it represents \$1 million. It gives you the exposure that you need to Emerging Markets. If this was a larger fund and made up of a bigger percentage, they might tell you, let's really think about taking some action here, because it's a \$1 million; because it provides the exposure that you need. Because there is that longevity, we don't recommend any action here. We certainly would like to see some improvement here from Morgan Stanley. Moving on to Page 16, William Blair International Growth are meeting their objective by outperforming the Index. However, they are not meeting their objective of above median for the last three years. You will note they're in the 52nd percentile; had a better quarter the second half of 2016; much like Morgan Stanley; developed market was challenged for International Growth Fund. There are also some organizational changes at William Blair. Michelle Shietz, who is head of investments for both U.S. and non-U.S., serves as an executive advocate for the Strategies and the Portfolio managers, announced she will be leaving and they are going to replace. This is something we are monitoring and watching closely as to what the spillover effects are. We would like to see some improvement with William Blair; long-term results are better, but over the last three years, still below that objective of being around the median. Richmond Capital in Page 18; your Core Fixed Income manager; they are not meeting their objective of outperforming the Index by .50% over three years. They are within 3 bases points of that, which in Core Fixed Income, when you get this environment where returns are compressed; I would have to say that 50 bases points of our performance is a pretty steep objective to begin with. However, it is an objective and that is something that we think in a more normal interest rate environment is more realistic. Richmond Capital had a better year this year where they are ahead of the Index by 60 bases points. Finally we will talk about Heitman, your real estate manager on Page 20. We hired Heitman as maybe a little more conservative, real estate manager, and the lot of the core real estate managers; they've tried to be ahead of the curve in that they want more of their return to come from income versus capital appreciation, and you are

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seeing that play out in the portfolio; 80% of their return came from income over the last quarter. That is consistent with how Core Real Estate has generated return over volatile timeframe as 2/3 come from income and 1/3 should come from capital appreciation. Over the past 3 or 4 years a lot of the returns from real estate have come from capital appreciation as appose to income.

Mr. Stephens asked if Mr. Lewis was talking about the income because people are selling the commercial properties. Is that where the income would come from?

Mr. Lewis said the income is typically going to come from tenants. They are selling and you get that capital appreciation bump when you sell. What is a little worrying about these core funds is being the buyer. They've got capital to put to work so you have some of these funds paying record high prices for what will eventually become income. There's something that Heitman does own that's different from their peers in the marketplace is a pretty substantial allocation to self-storage. This concludes my remark and will certainly answer any questions you might have.

Comm. Perona said to Mr. Lewis he's heard him say many times where the market's has changed and everybody else was jumping ship, you guys stayed there and now it has come back and you are reaping the rewards for that. I'm at a time where he would rather watch it closely. I know you will let us know when it's gone from a cautionary standpoint to where it looks like it's starting to get into a very iffy situation.

Mr. Lewis said one thing they don't want do is surprise you with any sort of recommendation of you needing to reconsider your asset allocation as things to be thought through over time. One thing we would like to telegraph to you is we would like for you to reconsider, if not for today, for future meetings that we begin to think about reducing some of that from country bias.

Comm. Perona said it's important to everybody here; most of us are either certified pension trustees or close to it. That's one thing they beat into your head is to follow your plan. When you drift from your plan, no matter what, you end up in a strategy and a portfolio that really isn't helping your System out.

Mr. Nieves said to Mr. Lewis he's saying that our Equities probably needs to change somewhere between 8% and 10%; seems to be what the trend is looking like, and going to International Equities. My only concern is who's holding our International Equities; they haven't been doing very well for a long time, and that is Morgan Stanley. I haven't been happy with them by looking at their numbers and that's who's holding our International.

Mr. Lewis said there is one question I dislike that our clients ask when there is an underperforming manager is would you put them in a search today. For this Morgan Stanley International, actually I can say yes, we would because we have done it recently. It's an understanding of what you are getting. We still believe in the team; we still like what they do. We know it has been a tough year for them. We don't think it's a situation where you are throwing good money after bad actually. We think it's a good time to say we know you are at a challenging point in the cycle.

Comm. Perona thanked Mr. Lewis and Mr. Chapman for coming.

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b. RECOMMENDATION REGARDING ROBERT CRESWELL

Mr. Walker said he received an email followed by a letter and everybody has received a copy. We denied a petition from Mr. Creswell seeking an increase in his benefits based upon military time previously served and credited. There were two grounds for denial of the claim, if you recall. He was actually late in making the request following return. Second, he had already been credited with the time that he now sought to additionally applied toward his civilian plan; “double dipping”. He has a new attorney. The new attorney threatens to sue; has drafted a complaint. We do have an opportunity to either be 100% sure of ourselves or to let it go into lawsuit or correct matters if it appears that a mistake was made. At this point no recommendation is made in that regard. However, with all due respect to his previous counsel, the issues are brought into a little better focus with the new attorney who has now appeared in his behalf. He cited some authority; I took a look at it. It does appear to land some comfort to his position. It’s arguably distinguishable. I did additional research of my own. I found cases; at least one comes down on our side. It too is however, arguably distinguishable. There are other decisions that were found that illustrate the complexity of the subject. Turns out there are all kinds of double dipping. Some are permissible; some are not. The bottom line is I was left with the conviction that this was a subject that might benefit from another look. At this point no commitment would be made that the Board would either affirm its previous decision or recede from such previous decision. The Board does have the discretion if it chooses to exercise that; to reassess what it previously decided. If the Board agreed to do that, no reconsideration would take place at this time. It is suggest that any such consideration take place a couple of months down the road, I think it would be very helpful for the parties to brief this Board with legal memoranda on their respective positions and once we had the benefit of that briefing; two month’s time; hence the October meeting, then they would have the opportunity to present any further evidence that they thought ought to be weighed in the scale. The only decision that the Board is asked to make today is to decide whether it is incline to look at the matter at further length. The process would take place in two months if the Board decided to do that.

Comm. Perona said we had so many continuances; the statement of fact, we went through rule and regulations as far as I am concern. It was clear at that moment and time. I have always wanted to give the employee the benefit of the doubt but I have to tell you I feel I have already given the benefit of the doubt. In this particular case I don’t know if the complexities may confuse the issue and make it very difficult for us to get through another hearing.

Comm. Perona said this employee got every consideration that this Board could give. He was represented by someone that may not have been up to date on the latest retirement issues; that’s not our fault. Due process has happened. We are losing members that sat on that hearing and we are going to have new members; it’s a rehearing. It’s a fresh look; everything goes back to affirm something that has already happened by arbiters that haven’t been a part of the original process complex the issue more than that. I think we did our job as far as I’m concern. If they want to continue this, there’s a different form of appeal other than the City of Fort Pierce.

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Mr. Stephens said based on what Mr. Walker said he had all his information; he said he implored the attorney representing Mr. Creswell to come up with something. I knew Mr. Walker stance on that. Based on your recommendations, we have to count on you. My question is could this cost us more money?

Mr. Walker said there's going to be the legal cost of defense. There will be legal cost, court report fees, filing fees, etc. and a claim will be made for attorney's fees for the prevailing party by Mr. Creswell. He may or may not get such fees in this instance but a claim is being made for them and you can't discount in advance that he would, in fact, prevail. There is a very significant down side if the Board elects to stand on its previous decision and does not prevail down the road.

Mr. Nieves asked what Mr. Creswell was asking for.

Ms. Morris said he wants credit for the time he was in the military in his pension as well. As far as vesting, there was never anything or additional requirements as far as vesting. He wants the monetary contribution for those years. He has never clearly stated what it was he wants because when we were in the hearing, I asked if he wanted the supplemental, because he was supplemented those years. He didn't get his full pay from the City; it was a supplemental amount he received from the City. I asked him to clarify; did he want years for the supplemental and he said, "No. I'll purchase the military time but I don't want to pay the 6%." He knows that he has to purchase them or that's the rule to purchase them. He wants us to give it to him. It was erroneous because of the whole way he left. He didn't go through the HR process. He just left and then called back as said I'm in the military. There were a lot of loops that were not taken care of.

Comm. Perona said it comes back down to the Board. Mr. Walker brought this back to us and I like it when you are standing like the "rock of Gibraltar" more that I am with this newly shaped argument or whatever it is. I feel we have been through the process with everything that was available to us at that time. Is there particular evidence that is 100% make this thing go away? I don't think so. It's still objective; the complexity of it all. If he wants to pursue this, you have avenues to do so; please do. I do not want to go through this whole thing again if nothing has changed.

Ms. Morris said her concern is with who we are dealing with Mr. Creswell and the remarks he has made in the past. Our rule clearly states that he had 30 days after the first year to petition for a rehearing. He did not do that until months later. If we are going to say on the first hand one of the reasons we denied it because you didn't timely make the request if we now do the allowance. Does he say you allowed me to do that and the rule says this?

Comm. Perona said he doesn't want to take leadership on this; he is just one person on the Board; but he will just keep bringing this back and the bell had rung as far as he is concern. I do want to hear from everybody on the matter; let's either promote it or "put it to bed."

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Ms. Penick said when she saw it on the agenda I said did something happened to make us change our minds. If we do it again, we are going to have the same outcome and what is going to stop him from suing us again. Let's just move it along.

Comm. Perona said we have a consensus from each Board member not to reopen the argument presented by Mr. Creswell again. Mr. Walker you have heard from the Board and you will respond in the proper way.

Mr. Walker said he will.

**c. REQUEST TO REINSTATE FORFEITED SERVICE CREDIT FOR EVENS
SAINTILLEN, A POLICE OFFICER**

Comm. Perona asked the Board if they have had a chance to look at Officer Saintilien's request to reinstate forfeited service credit.

Ms. Morris said yes and there was an error in the memo. It stated 2016 and it should have been 2006 when he was hired. In 2012 he left the employment with the City and he was refunded his contributions. He's back now as an employee with the City and he wants to purchase that time back. He is in agreement as to paying the amount that's owed. However, our rules say that the Board has to determine the interest rate he's going to be charged because he has to pay the interest rate. My recommendation is 8%. The 8% is because that's the percentage that every employee gets the benefit from the System.

Comm. Perona said a motion needs to be made that Officer Saintilien can purchase his 10 years back with the 8% interest rate. **A motion was made by Mr. Stephens and seconded by Ms. Scott to approve Officer Saintilien's purchase of his 10 years with an interest rate of 8%.**

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

ITEM NO. 9 ~ CONSENT AGENDA

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

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

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

ITEM NO. 10 ~ CONSIDERATION OF ABSENCES

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Comm. Perona acknowledged the excused absence of Comm. Reginald Sessions. **A motion was made by Ms. Scott and seconded by Mr. Stephens to approve the excused absence of Comm. Reginald Sessions.**

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

ITEM NO. 10 ~ BOARD MEMBER COMMENTS

Comm. Perona said before Board comments, we are saying good-by to one of our favorite Board members and we would like to present a plaque to Mr. Rodney Nieves for his years of dedicated and outstanding service as a trustee Board member on the City of Fort Pierce Retirement Board. He told Mr. Nieves his friendship and fellowship is greatly appreciated.

Ms. Penick asked Mr. Nieves when was he retiring and he said Wednesday was his last day. He will be officially retired.

Comm. Perona said to Mr. Nieves he has an understanding of the System and of the Board. Your job really isn't over with either; having your ear to the ground and knowing when things are going left or right.

Ms. Scott said as of September 5, she will be in a new roll with the City. She has accepted a position outside of the City Clerk's office.

Comm. Perona said Ms. Scott is eligible to sit on the Board because she is still an employee of the City of Fort Pierce.

Mr. Nieves asked Mr. Walker if the person that replaces him can come to him for guidance and information.

Mr. Walker said yes they can.

Ms. Morris said if you are planning on attending the FPPTA Conference in October send the information to her because Christine will be out next month. Please make sure you send it her and she will make sure Dana takes care of the travel arrangements.

ITEM NO. 12 ~ ADJOURNMENT

The next item was next month's meeting. The next meeting is scheduled for September 21, 2017 at 2:00 p.m.

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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 4:22 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.

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FORM 8B MEMORANDUM OF VOTING CONFLICT FOR COUNTY, MUNICIPAL, AND OTHER LOCAL PUBLIC OFFICERS	
LAST NAME—FIRST NAME—MIDDLE NAME <i>NIEVES, Rodney</i>	NAME OF BOARD, COUNCIL, COMMISSION, AUTHORITY, OR COMMITTEE <i>CITY OF FORT PIERCE RETIREMENT Bd</i>
MAILING ADDRESS <i>5908 HICKORY DR</i>	THE BOARD, COUNCIL, COMMISSION, AUTHORITY OR COMMITTEE ON WHICH I SERVE IS A UNIT OF: <input type="checkbox"/> CITY <input type="checkbox"/> COUNTY <input type="checkbox"/> OTHER LOCAL AGENCY
CITY <i>FORT PIERCE</i> COUNTY <i>SAINTE LUCIE</i>	NAME OF POLITICAL SUBDIVISION:
DATE ON WHICH VOTE OCCURRED <i>MAY 18, 2017</i>	MY POSITION IS: <input checked="" type="checkbox"/> ELECTIVE <input type="checkbox"/> APPOINTIVE

WHO MUST FILE FORM 8B

This form is for use by any person serving at the county, city, or other local level of government on an appointed or elected board, council, commission, authority, or committee. It applies to members of advisory and non-advisory bodies who are presented with a voting conflict of interest under Section 112.3143, Florida Statutes.

Your responsibilities under the law when faced with voting on a measure in which you have a conflict of interest will vary greatly depending on whether you hold an elective or appointive position. For this reason, please pay close attention to the instructions on this form before completing and filing the form.

INSTRUCTIONS FOR COMPLIANCE WITH SECTION 112.3143, FLORIDA STATUTES

A person holding elective or appointive county, municipal, or other local public office **MUST ABSTAIN** from voting on a measure which would inure to his or her special private gain or loss. Each elected or appointed local officer also **MUST ABSTAIN** from knowingly voting on a measure which would inure to the special gain or loss of a principal (other than a government agency) by whom he or she is retained (including the parent, subsidiary, or sibling organization of a principal by which he or she is retained); to the special private gain or loss of a relative; or to the special private gain or loss of a business associate. Commissioners of community redevelopment agencies (CRAs) under Sec. 163.356 or 163.357, F.S., and officers of independent special tax districts elected on a one-acre, one-vote basis are not prohibited from voting in that capacity.

For purposes of this law, a "relative" includes only the officer's father, mother, son, daughter, husband, wife, brother, sister, father-in-law, mother-in-law, son-in-law, and daughter-in-law. A "business associate" means any person or entity engaged in or carrying on a business enterprise with the officer as a partner, joint venturer, coowner of property, or corporate shareholder (where the shares of the corporation are not listed on any national or regional stock exchange).

* * * * *

ELECTED OFFICERS:

In addition to abstaining from voting in the situations described above, you must disclose the conflict:

PRIOR TO THE VOTE BEING TAKEN by publicly stating to the assembly the nature of your interest in the measure on which you are abstaining from voting; *and*

WITHIN 15 DAYS AFTER THE VOTE OCCURS by completing and filing this form with the person responsible for recording the minutes of the meeting, who should incorporate the form in the minutes.

* * * * *

APPOINTED OFFICERS:

Although you must abstain from voting in the situations described above, you are not prohibited by Section 112.3143 from otherwise participating in these matters. However, you must disclose the nature of the conflict before making any attempt to influence the decision, whether orally or in writing and whether made by you or at your direction.

IF YOU INTEND TO MAKE ANY ATTEMPT TO INFLUENCE THE DECISION PRIOR TO THE MEETING AT WHICH THE VOTE WILL BE TAKEN:

- You must complete and file this form (before making any attempt to influence the decision) with the person responsible for recording the minutes of the meeting, who will incorporate the form in the minutes. (Continued on page 2)

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APPOINTED OFFICERS (continued)

- A copy of the form must be provided immediately to the other members of the agency.
- The form must be read publicly at the next meeting after the form is filed.

IF YOU MAKE NO ATTEMPT TO INFLUENCE THE DECISION EXCEPT BY DISCUSSION AT THE MEETING:

- You must disclose orally the nature of your conflict in the measure before participating.
- You must complete the form and file it within 15 days after the vote occurs with the person responsible for recording the minutes of the meeting, who must incorporate the form in the minutes. A copy of the form must be provided immediately to the other members of the agency, and the form must be read publicly at the next meeting after the form is filed.

DISCLOSURE OF LOCAL OFFICER'S INTEREST

I, Rodney Nieves, hereby disclose that on May 18, 2017:

(a) A measure came or will come before my agency which (check one or more)

- inured to my special private gain or loss;
- inured to the special gain or loss of my business associate, _____;
- inured to the special gain or loss of my relative, _____;
- inured to the special gain or loss of _____, by whom I am retained; or
- inured to the special gain or loss of _____, which is the parent subsidiary, or sibling organization or subsidiary of a principal which has retained me.

(b) The measure before my agency and the nature of my conflicting interest in the measure is as follows:

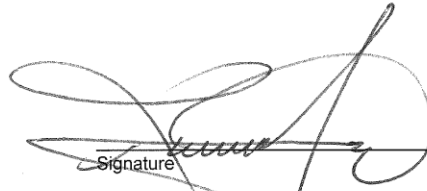
a vote regarding membership of this board which read current employee versus an individual that is currently in the D.R.O.P may remain a member of said board. I could not cast a vote due to my status as a D.R.O.P employee.

If disclosure of specific information would violate confidentiality or privilege pursuant to law or rules governing attorneys, a public officer, who is also an attorney, may comply with the disclosure requirements of this section by disclosing the nature of the interest in such a way as to provide the public with notice of the conflict.

Date Filed

June 14, 2017

Signature



NOTICE: UNDER PROVISIONS OF FLORIDA STATUTES §112.317, A FAILURE TO MAKE ANY REQUIRED DISCLOSURE CONSTITUTES GROUNDS FOR AND MAY BE PUNISHED BY ONE OR MORE OF THE FOLLOWING: IMPEACHMENT, REMOVAL OR SUSPENSION FROM OFFICE OR EMPLOYMENT, DEMOTION, REDUCTION IN SALARY, REPRIMAND, OR A CIVIL PENALTY NOT TO EXCEED \$10,000.