Summarized Minutes of the regular meeting of the City of Fort Pierce Retirement and Benefit System August 15, 2019 2:00 p.m., in the 2nd Floor Conference Room at City Hall.

Present:

Caleta Scott, Vice-Chairperson	General Member
Comm. Tom Perona	City Commission Member
Nina Penick	U.A. Board Appointee
Brian Avilla	Police Officer Member
Mayor Linda Hudson	Commission Appointed Member
Attorney Jim Walker	Attorney for the Retirement Board, Advisory
Christina Paz	Retirement Clerk

Guest:

Cody Chapman	Callan Associates
Cliff Kalish	William Blair
David Bernard	Morgan Stanley
Sean McDermott	Morgan Stanley
Paul Lundmark	Richmond Capital

Absent:

Keith Stephens, Chairperson	U.A. General Member
Johnna Morris	Director of Finance

Recording:

Queen Thompkins	Executive Assistant to the Director of Finance

ITEM NO. 1 & 2 ~ ROLL CALL

Ms. Caleta Scott called the meeting to order at 2:00 p.m., the first item on the agenda being the "*Roll Call*".

ITEM NO. 3 ~ COMMENTS FROM THE PUBLIC

Ms. Scott, 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 MAY 16, 2019

Ms. Scott, the next item was the approval of the summarized minutes of May 16, 2019, and the Board asked if there was a motion to approve the minutes. A **motion was made by Mayor Linda Hudson and seconded by Ms. Nina Penick to approve the summarized minutes of May 16, 2019.**

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

Mr. Walker said at the last meeting the Board authorized a collection effort to Ricky Brown who has failed promissory note payments for repayment of monies that were mistakenly paid to him. We filed suit with the County Court, and he has been served and we have that on diary to enter default. Other than that, I would be happy to entertain any questions.

ITEM NO. 6 ~ PUBLIC HEARINGS ON BENEFIT APPLICATIONS

Ms. Scott opened the public hearing for comments on the request for Retirement (DROP Program) from Jonathan Faison, Jr. with 22 years of service with the City of Fort Pierce. She asked if there was anyone here who would like to publicly comment on this request. Seeing none, Ms. Scott closed the public hearing. She opened the matter for the Board. **A motion was made by Mayor Linda Hudson and seconded by Comm. Tom Perona to approve the request for retirement (DROP Program) from Jonathan Faison, Jr.** Ms. Scott 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 were carried unanimously.**

ITEM NO. 7 ~ OLD BUSINESS

ITEM NO. 8 ~ NEW BUSINESS

a. REVIEW OF PERFORMANCE EVALUATION FROM CALLAN ASSOCIATES

Mr. Cody Chapman said I know you have a lot on the agenda and the money managers are here, so I will try to keep the performance high level for the managers that are here. Hopefully everyone has the executive summary. Broadly, we see the economic data here in the U.S. continues to be very strong; unemployment remain very low; inflation starting to kit up just a little bit in various areas but generally has remain pretty low; GDP continues to be very strong; consumer spending has been positive; maybe seeing a little bit of a slowdown in housing in some areas but, again overall a very strong economic data. You saw that reflect in the very strong bounce back we had in equity market stream in the first quarter; quite a reversal from what we saw in the 4th quarter. Outside of the U.S., a little bit more mixed picture; continues to be a lot of political uncertainty than Europe; certainly, Brexit comes to mind; some resolution there would be helpful for European markets but also political instability; Italy and a few other places as well; just some questions and signs that maybe things aren't as stable as we'd hope. I think the impact has been mostly towards China than the U.S., but certainly I think you are starting to see some of the impacts of that trade war popup here as well in the form of higher prices and a slowdown in manufactures. Some improvement on that would be welcomed and would be comforting to the markets. You've seen quite a bit of volatility over the past few days related to some of the trade concerns. Moving to page 5; year asset allocation as of March 31, just north of $201 million. That's a nice bounce back from December 31 when we were at $184 million; investment return north of $17 million, and minimal outflow is from your investment managers. It's nice to see a strong bounce back as we talked about earlier. Page 6 just quantify those results in more detail. After the quarter, your fund was up 9.3%. That ranked in the 15 percentile of the peer group; was well ahead of your total fund benchmark at 8.8%; over the last year, a little behind your total fund benchmark, the same thing for the three year number but very competitive results relative to your peers; 5 numbers in the 8th percentile to peer group and the 10 numbers is in the 9th percentile peer group; just ahead of your total fund benchmark; continue to be positive results for you. Over time your managers have added value. You've been patient with them, and you've genuinely been rewarded there. Your 1- and 3-year numbers reflect a little bit of underperformance from your managers but, overall still meeting your objectives relative t that CPI+5 target. Any questions before I call in the money managers?

Comm. Perona said just on allocations, it seems we're off from our target allocations.

Mr. Chapman said I believe there's some rebalancing going on there. I think you planned raised some cash for benefits coming up. You will get back to close back to those targets as you raised some cash and redeploy some assets.

Comm. Perona said I think we're moving toward the international equity more than the domestic

Mr. Chapman said that is right. Moving to page 8, Emerald Advisors is one of your Small Cap Growth managers. You can see very good results from them across the board relative to their trade index; very competitive results relative to their peers; up 21% for the quarter; up 10% for the last year and over the last 10 years, north of 19% per year. This has been a very beneficial allocation for you; Emerald has done a great job. Page 9 is Ceredex, they are the Small Cap Value Managers. Ceredex trail the index modestly for the quarter; strong results over the last year; in the top 15% of their peer group; looking out over the longer term; 3-year numbers are a little bit behind the Russell 2000 Value but, the longer term period is very strong relative to the benchmark and over the last 15 years, ranked in the 9th percentile to peer group. You all have more than 20 years of history with them now and they rank in the 30th percentile to peer group there; more that 3% ahead of the benchmark. Pages 10 and 11 are your passive exposures; Mid Cap and Large Cap. These continue to be aligned with what we expect. Page 13 is Morgan Stanley Developed portfolio; good quarter and good last year for them. They are here today so I will let them speak to what's been diving performance; over the long term this developed market strategy has quite a bit of value. Page 14 is Emerging Market and just a reminder that you all have given me the decision to move on from this fund due to performance. Performance has lagged for the quarter and for the last year. Looking for long term numbers I think we are a big part of your decision. They are here today to talk about the emerging markets portfolio. That transition has not happened yet. We did have them on the agenda to speak to the portfolio but, certainly we can adjust that. I just wanted to make you aware that they are here to speak about the strategy; it's still in your portfolio, so we can get an update from them on that but, I don't believe they've been notified about the transition.

Comm. Perona asked when do we expect the transition to happen?

Mr. Chapman said I believe Johnna has started working on that.

Comm. Perona said he would like to request at the next meeting have Johnna bring us up to date on that transaction.

Mr. Chapman said page 15 is William Blair; they're a growth complement to Morgan Stanley's more valued discipline approach. They're here as well today. You can see for the quarter, very good results; better than 3% ahead of their benchmark; the 1 and 3 numbers modestly behind the benchmark; 3 year number is in the 39 percentile, so doing reasonable well relative to peers but, showing the index is somewhat longer term results are very strong for this fund, and that's relative to both the benchmark and peers. Page 17 is Richmond Capital; they're also here today to give you an update on the bond portfolio that they manage for you; positive quarter for them; up 3% versus the benchmark at 2.94% over the last year; outperformed by 32 bps, making 34th percentile of peer group. You can see very positive results relative to the benchmark. They've consistently added incremental value for you all and it has paid off over the very long history you have with them. Finally, real estate on page 19; for the last year Heitman was up 5.7% versus the benchmark at 6.8%. They've been reassessing the valuation of some of the retail assets. I don't think it comes as a surprise to anyone that retail has had some challenges over the past several years as it moved towards the online world. Amazon is responsible for quite a bit of that. Overall real estate has been valuable for you all. For the last 4½ years that you all have had this exposure, it has return about 8.5% per year; very good results; modestly behind the benchmark over that time period. I think you will see that Heitman has been very conservative with how they market portfolio; how they positioned it; trying to avoid some of the hotter real estate markets. I will stop there. That's a quick overview of your performance. Things continue to be very good.

Mr. Walker said it understood that Treasury is doing a lot of bond selling these days to cover the deficit. I've heard some saying that they are selling Treasuries to the extent that it's competing with private investors from available capital pool and at some point, private investors could get squeezed out. Is there any thought on that?

Mr. Chapman said there have been a lot of issuance. I think so far, it's generally been absorbed well by the market. One of the things we have in our favor in that regards is that, if you look at yields here in the U.S., they are lower by historical stands; fairly high relative to the bulk world;

certainly higher than the majority of Europe when you think about bonds yield in the U.K.; certainly you see higher yields here. I figure demands have been robust, just given that there's been a lot of external demand for higher yields. Even with the currency risk, Japan is another one that comes to mind where yields here are higher enough taking some currency rest for a lot of fixed income investors outside of the U.S.

Mayor Hudson said on the last page there are other funds that say not met and since I'm new to this group; since Morgan Stanley is a not met and we're going to be saying good-by to one of these, what happens with the other Not Mets?

Mr. Chapman said taking these one by one, on the Richmond portfolio one of them is to outperform BC Aggregate over rolling 3-year periods by 50% bases points. If you fast-forward to page 17 for instance, on the 3-year number for Richmond, they outperformed by 42 bps; the goal was 50, so technically it was not met but it was close. The same thing with the second target for Richmond is to be in the top half of the peer group; above medium, so they're in the 55th percentile. Morgan Stanley Developed 3-year target is top performed by 50 bps as well. If you go back to page 13, you can see that the 3-year number for Morgan Stanley is at 7.52% versus the benchmark at 7.27%; again, outperformance but not the 50 bps that we're hoping for. William Blair goal is to outperform over rolling 3-year periods. They are behind for that 3-year period. If you look at the longer 3-year period; the 5-, 10-, and 15, they're ahead. This group has been very diligent about being patient with managers. Generally, the patience has been rewarding with William Blair.

Comm Perona said I was just curious to know what Causeway Capital has been doing as far as the emerging markets.

Mr. Chapman said year to date they are up 10.1%; the benchmark is up 12.3%; good start of the year but behind the benchmark. I will bring in William Blair to start the managers presentations.

b. <u>WILLIAM BLAIR MONEY MANAGERS REPORT</u>

Mr. Cliff Kalish said a lot has happened since William Blair was here a year ago. Looking on page 4, the firm currently has $55 billion under management. As you might imagine, you took a hit in the 4th quarter; we took a hit in our assets due to the market depreciation in October and December, but we've recouped a good deal of that at the end of March and April. It's come back a little bit in May. What you need to take away is the firm remains stable. Going to page 9, your international strategy that is closed to new investors, but we retain capacity for existing new investors such as yourselves; there's $13.8 billion in the strategy. Again, that's at the end of March; it's more like $14 billion or a little over now. Since then there's about $4 billion in mutual fund that you're invested in. On page 10 is the investment team. Under China Generalists we have two analysts focusing on China. One of them, Richard Reznick is based now in Shanghai. The other analysts are constantly visiting companies. Under International Growth the two portfolio managers are Simon Fennel and Ken McAtamney. Simon is based in London and Ken is based in Chicago. Most of the team is based in Chicago but we do have a few traders in London. Moving over to page 16, looking at Return Equity, the companies we invest in is 20.1%; the index is only 14%. When you look at some of these metrics, return equity is a good one to focus on. We also believe in growth. If you look at the long-term growth; 12.3 versus 10%, so both of those are at a premium.

In order to do that, a lot of times we have to pay up, meaning like companies with a higher PE multiple. If you look under valuation, our PE is higher; 20.5 versus 13.5. The way to think about that is, we'll pay up for companies that have consistent earnings growth. In the 4th quarter of last year, that worked against us. We have a higher valuation sensitivity. Usually in down markets quality holds up better. That wasn't the case in the 4th quarter; it was the opposite. The value companies held up better. Our international counterpart that you have, which is more value probably held up better than we did in the 4th quarter. In the 1st quarter we seen a flip of that where growth has mattered; quality has mattered. In big up markets we may lag the benchmark a little. Usually in down markets we hold up better. Another thing I want to tell you is that the number of holdings is still high; it's 184, but over the past couple of years, that's come down a good deal. It's come down about 15-20 holdings in the past 2 years. Let's go through market performance on page 19. This is global market performance; this is the index; this is not a William Blair specific. It puts things in perspective. What I want to show the tale of two time periods or perception between the quarter to date; the first three months of this year, and then 2018. In 2018 those numbers are driven by the 4th quarter; October and December specifically. You can see it's just a reversal. Everything was down and now everything is up. If you go to the bottom of the chart to Styles, under growth, it's positive 3.0 this year and it was negative 3.8 last year. When that number is negative, that's a bad environment for growth investors such as what we are doing. Another thing to look at was valuation, which was 4.7 last year, so that's not good for us. Now this year it's negative which would be good for us. How this relates to you specifically, on page 20 you can see our 2018 number in the middle. These are net of fees because it's the mutual fund, so we were down 17.5% last year. So far this year we are up 17.31%. These numbers are through April. So far in May we've had a little pull back; some of the scares; the tension; the short-term noise is what I would call it around the trade wars. In the down market we should hold up better; that's what we've seen so far in May. Very short timeframe, but in the longer term we're going to hold up better in the down market; we're going to protect because of the home base that we've invested in and the consistently of the earnings. We were average against our peers last year and we're almost in the top quartile so far this year, even in just the four months. Over the 2018 impacts are the one year is just okay; the three years just okay, but if you look out over the longer timeframes, we've added value around the relative bases. On page 21, in 2003 the initial investment was over 410 million and today it's worth $14,348,057. You've made $4 million in that time but, you've taken in almost $15 million, then you paid another $2 million in fees; some of that is the management and some other fees as well, so that's basically $17 million coming out and we're still at $14 million today. You have to take money; that's the nature of the game, so it's our job to make sure you are able to do that and still grow the assets. On page 27 shows the changes we've made from year end. In terms of what we've added, we've added some to Europe ex-UK. We've also added our emerging market weight; it's gone up a little bit; we're about 19%. All those additions come from emerging market within Asia; specifically, China.

Comm. Perona asked how does it affect you all trying to get out of this year.

Mr. Kalish said what it makes you do is go back and focus the process. You can only predict so much. We have a top down team that tries to predict, and they haven't been doing so well over the past few years. You focus on what you can control and do that well. You identify great companies to invest in and you focus on the long term.

Mr. Chapman said the U.K. weight; you've been adding to it for a couple of years, let's talk about Brexit there.

Mr. Kalish said it's still overweight; it's a little bit less than it was before; still constructive; not too focus on the Brexit news itself. It was two years ago when it happened, and no one thought the U.K. would pull out. That's an example of why we don't position based off of that; bottom line focus on investing within that. The weight varies over time, but it has been somewhat stable.

c. ***<u>MORGAN STANLEY MONEY MANAGER REPORT</u>***

Mr. Sean McDermott introduced himself to the Board. Going to page 7, we look to generate superior long-term performance through bottom-up stock picking in two ways; we invest in two types of companies. This particular portfolio has a high-quality bias. We invest in high quality compounders; companies with improving fundamentals, cyclicals, or where stable fundamentals are not reflected in the price; value opportunities; sustainable high returns on capital due to intangible assets; low volatility and cyclicality; management dedicated to preserving returns on capital. The component to the portfolio is what we call value opportunities; reasonable to improving returns on capital due to management actions or cyclical tailwinds; low probability of failure; management looking to improve returns on capital, if poor, and preserve returns on capital if good. Looking at page 9, we shift between the high-quality component and the value opportunity and it's based on price and prospects. Moving to page 1l, you can see we are about 50% of the portfolio in Consumer Staples and Healthcare. Just a reminder of what you can expect from this portfolio; page 10; looking at the left-hand chart, this is a symmetric product. Look at the blue darts; this chart is the quarterly returns that are all in 3-year basis. The diagonal line represents the market. Most of the darts are above the market. In sharp momentum markets, that's where you see us lag. That's noted on the far right of the chart where you see some of the darts drift below the market. You see the power of compounding on the right-hand side; the portfolio delivers at a compound rate of double the market.

Mr. Chapman said we generally talk about the strategy being defensive; as you said in negative market but, when the market goes straight up, that's not your bread and butter.

Mr. McDermott said to put it simpler, we win in the long term but not losing. I do want to give some updates on the team. We had two changes I want to bring up on page 16. At the end of the year, Vlad Demine is still with the team but, what we did was repurpose him. He is now head of ESG Research. This first quarter we added a junior analyst, Fei Tang. He has six years of experience; coming from Berenberg. Jumping ahead to performance on page 19; we had a good, strong first quarter, both absolute and relative in a market that was up strongly. We haven't really experienced a bear market in about 10 years or so. You've had some blips along the way but, you really haven't had an earnings event. When that happens, that's when the asymmetry of the portfolio should carry through because our earnings are higher quality. Here you see the one-year number as of March 31, roughly about 200; since the inception of the portfolio, just over 400 bps. Page 24 gives you an overview of why the portfolio performed the way it did in the first quarter. You can see our top selection contributing about 80 bps, and allocation doing quite well; about 60 bps total performance. At the top of that, you can see financials selections; 71 bps; IT, which is Constellation Software did very well in the first quarter; with Staples also one of the sectors that performed very well. British American Tobacco, which has been a long-term holding in this portfolio has been striking over time as our tobacco exposure over time; with that, after experiencing a rough 2018, had some strong performances to start the year. Looking at the bottom five detractors, you can see Henkel, which is a Consumer Staples company; why this company struggled in the first quarter is they noted that they were under invested in Consumer Staples side mand knew they had to put more money into that.

Mr. Chapman said your financials have been pretty beat up. Obviously, you have found a way to do okay there; tell us about that.

Mr. McDermott said within financials we are positioned. We're very underweight index and overweight insurers and that's what helped. Specifically, AIA and Prudential on the insurance side; that's where are overweight is most positioned; our overweight insurers.

Mr. Chapman said thank you.

Mr. McDermott said 2018 gives you a snapshot of the performance there. We outperformed about 100 bps in 2018. That's it on performance. On page 28, the shape of the portfolio hasn't changed much. I will note the two biggest overweight sectors; Consumer Staples and Health Care which I mentioned earlier; this portfolio is bottom up stock. Bottom up stock selection process is geared toward the high-quality component that we invest in; about 60% in the compound right now; very underweight financials, Consumer Discretionary, Materials; gives you an idea of how this portfolio is positioned right now. Going to page 38, it dissects the sectors and tells what name we're in. Page 38 gives you our listed exposure and our exposure by revenue, and that's what we think is more important; where the companies are doing their business; where they are generating their revenue. We are overweight based on our indirect exposure; our revenue exposure to emerging markets. We have 33% based on revenue exposure versus 26% for the market. We think that's a good thing, given the consumer with emerging markets. These large multi-national companies that we invest in have strong business and strong footprints within the emerging markets. From a listed perspective, it looks like we are overweight in the U.K. If you look at it from more of a revenue perspective, we're underweight in the U.K. by 5% versus 7%. So, that gives you a snapshot perspective of where the portfolio is positioned based on geography. Page 40, I mentioned markets are very expensive. It's tough to find new ideas because things are expensive. That's why you see the turnover within the first quarter is pretty low and we had one new addition, which was Ashtead, which was a switch. We sold to Greco, which is a tower business company. Ashtead is a construction leasing business that had B rated and had better valuations; well-run company. Page 41 gives you a snapshot of what you are getting in this portfolio. On the left-hand side, the quality metrics. You're getting almost double in the return capital employ; much higher gross margin with less capital intensity and less debt. On the right, the valuation ratio is not having too much for the quality of the earnings that you are getting in this portfolio. That's about it. I hope I wasn't talking too fast; just trying to get everything in.

Mr. David Bernard introduced himself to the Board. I plan to give a quick refresher on team and processes. As a refresher, our investment team on page 6, we've been investing in this asset class in Morgan Stanley since 1986; one of the original investment teams at the firm. We current manage about $16 billion. On page 7, the biggest pool of assets is in our flagship core, global emerging strategy; the white center of that pie chart and that is the strategy you all are invested in as well.

Our investment team on page 8, located in New York, Singapore, Hong Kong, and Mumbai. Ruchir Sharma is the head of our team. The people in the center box is responsible for buying up stock selections. Our investment process does combine inactive decision to be overweight or underweight in our country with fundamental bottom up stock selection in each country. We did have a departure at the end of last year within our India group; Gaiti Ali left the firm. It was a personal decision on her part; wanted to take a step back and spend more time with her family. She was replaced by Paul Psaila and Eric Carlson, who are the co-lead portfolio managers. We are doing active macro top down country allocation and combining that with bottom up stock selection. We are a core manager but, we do have a growth and a quality bias. Our portfolio manager is looking to identify quality companies and growth that's under appreciated by the markets. Moving to performance on page 15, it has been a challenging period of performance for us. What's been driving that un-performance over the last several years really goes back beginning on page 17; what we've had during this time period from 2016 to 2018 was a period of historically narrow market leadership; from a sector perspective, a country perspective, and stock perspective. From 2026 to 2018 over half of returns in emerging markets came from one sector; that sector being technology. Not only is this unusual in terms of how high it was but what was more unusual is how prolong this period was. Historically, in the past we've had spikes where one sector really dominated like you saw with energy in 2008, telecom in the early 2000; it normalized very quickly. This has been a 3-year period now; really starting to normalize in the fourth quarter last year. Prior to that technology was driving nearly all of our returns in the sector. From a country standpoint on page 18, this phenomenon is more pronounced. During this time period at its peak, China contributed 60% of returns to emerging markets. Never have we seen China, or any country contribute this much to returns. From a sector standpoint during this time period, we've been underweight technology and from a country standpoint during this time period, we've been underweight China. Addressing technology, we don't actively target from a top down perspective to be underweight or overweight a sector relative to the index. From a country standpoint on page 18, China during much of this time has been our biggest underweight country position. Being underweight China were nearly all over terms from our country standpoint were coming to China; from China was a major detractor to returns. The decision to be underweight China was a very deliberate decision based on our investment process. We've a ten-step framework for analyzing countries. We're looking at things like politics, debt, currency demographics. Page 19, this illustrates from a stock perspective, the dislocation that his narrow market has created. What we plot here is the MSCI equal weighted emerging market index versus the MSCI emerging market Market Cap weighted, which is the standard index. What this is illustrating is not only where returns incredibly concentrated in terms of technology in China. It was also handful of large mega-tech companies that was driving all these returns. From a relative performance standpoint, the equal weight index is standard deviation below the relative trimline of this long-term relative performance. On page 20 we show the contribution of stocks; each year; what percent of the top 10 stocks contributed to index returns. In the last three years it's been the most contribution of top stocks. Each year what percent of the top 10 stocks contributed to index returns. In the last three years its be the most concentrated contribution in the history of emerging markets. So, 35, 26 and 33% comes from a hand full of stocks. On page 21, this is the same chart from a U.S. perspective; U.S. equal weight versus market weighted index. You are nowhere near the same level; much greater graphs in terms of the market in the U.S. where certainly techs have done well but there have been other stocks; other sectors that have been able to keep up on a relative basis. I will pause there. I'm happy to take any questions.

d. __RICHMOND CAPITAL MONEY MANAGER REPORT__

Mr. Paul Lundmark introduced himself to the Board. Just to go over the organization, we're independent; 100% employee owned; we do only fixed income. At the end of 2018; the beginning of 2019 we did lose our largest account; not for performance reasons; it was a matter of they were reducing the number of fixed income managers from 6 to 2, and they were going to have a mandate for 2 managers of $2 billion each. Unfortunately, they felt that was too large for us to manage as a percentage of assets. It wasn't performance based because we are still managing their retirement assets. It was just a matter of they had grown faster than we had grown. It has been no effect on the firm. Looking at page 3, the portfolio review, looking at the left side of the table, you can see as far as fixed income, when you look at where the total return comes from, it's not going to be a change in the market value. It's going to come from the interest and the reinvestment of that interest. As you can see, we've earned in interest $68 million and I think that's important when you look at the contributions and withdrawals here; we've had withdrawals of $63 million. Going to the right side, just two things as far as our duration, and that's the measurement of interest rates sensitivity; we're slightly defensive; about 97% of the index. We feel there might be a buy towards high interest rates but, we're not taking a big bet on that right now. As you look at the yield, we have a higher yield than the index. We have a higher percentage in non-treasury versus the index. We have a high average quality of double lay. On page 4, overall for this quarter, and you look back, going back to the inception, as far as overweight in corporate, and that's in short and intermediate corporates, it was interesting Barclays just did a recent study, looking over a 25-year period, we're the highest risk adjusted returns have come from, incorporates. We'll always be overweight in corporates on a percentage basis but, we have typically underweighted long corporates because we don't feel there are opportunities from time to time. Overall, we feel that risk of adjusted returns are not as good as they are in short and intermediate. We have performed here as far as, over the one quarter, 1 year, 3 years, 5 years, and 10 years. Where we feel we have the most value is overweighting and underweighting sectors. Going to page 5, you see what your portfolio looks like. If you look at the quality distribution, we have a very high quality. If you look at the BBB's, we do have a higher percentage in BBB's; that 17% is in 33 different names. If you look at it by maturity, we're more overweight versus the index in short and intermediate BBB's. Some of the names are Anheuser Busch, Capital One, General Mills, Kellogg's, McDonald's, and Verizon. You are seeing more and more trends towards more BBB's being in the corporate index over time. What you've seen is that, if you are a true financial officer of a corporation, the cost of being more levered and being a BBB versus an A-rated corporate, the cost of capital is such that it really pays to be lower in quality but keeping that investment great rating. Our BBB's are more bias towards the mid to high BBB's. At the bottom of page 5, you can see as far as by sectors, we are underweight treasury. If we don't see a lot of opportunities in corporates, we'll reduce our duration contribution in corporates and put it into treasuries. You can see we have 57% in corporates versus the index of 24%. That 56% represents 87 different insurers. If you go to page 6, this looks at how much of a duration overweight do we have as far as versus the index. As you can see over time, we made big changes as far as our duration overweight versus the index, depending upon where we see opportunity.

Mr. Walker said with all the qualifications you've layered in there doesn't sound like you're ready to make any action on when the next inversion comes along.

Mr. Lundmark said when you look at going from the overnight rates to past 5 years, you do have an inverted yield curve right now. They're saying there's real anxiety; we had almost 10 years of expansion, and people get nervous. It's going to be the longest expansion we've seen. People are nervous as far as tariffs; is there going to be a major tic for tac as far as the U.S. and China going back and forth; you're putting more and more tariffs on. As far as the U.S. economy, it's doing extremely well. If you look at Europe, it's very slow. There's concern worldwide mas far as we may see a global slowdown. U.S. economy is very strong.

e. ***REVIEW OF QUALIFIED DOMESTIC RELATION ORDER FOR VINCENT RICKETTS***

Mr. Walker per form purposes, the QDRO is thought to conform the requirements of the rule. Rule 16a does require that they prepay the actuarial fee. Roughly, six months ago they didn't pay the Actuary and actuarial fees during the initial period of staff review of the QDRO. The order they submitted at that time had not been entered by the court. We didn't hear anymore from them for the next few months. They have now resubmitted a signed order. There were non-material changes for my purposes. Brad Armstrong has a bias because of the passage of time, a fresh actuarial review needs to be undertaken. The attorney has advised to get this entered; the order approved and then we'll pay the fee. I have no views on that; whether that's an issue for the Board, mis up to the Board.

Mr. Avilla asked if they will pay the fee.

Mr. Walker said yes, they will pay the fee. In this case the Firm will be advancing the payment on behalf of the client. They did pay the earlier fee during initial staff review of proposed form.

Comm. Perona asked how much.

Mr. Walker said he thinks it was $300.

Ms. Paz asked if the calculations we are looking at will be recalculated.

Mr. Walker said yes.

Comm. Perona asked if they agreed to pay the new assessment.

Mr. Walker said yes. Any approval of the QDRO would be conditioned upon and subject to the payment.

Mr. Avilla asked if the final decision will be after the new actuarial report is given to us.

Mr. Walker said the approval would come now and assuming they make a payment, it will formally be given to Brad to do his actuarial workup.

A motion was made by Comm. Perona and seconded Mr. Avilla to approve the QDRO for Vincent Ricketts upon payment of the new actuarial assessment.

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 carried unanimously.

ITEM NO. 9 ~ CONSENT AGENDA

Ms. Scott said the next item is the Consent Agenda. **A motion was made by Ms. Nina Penick and seconded by Comm. Tom Perona to approve the refund of member contributions.**

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

ITEM NO. 10 ~ CONSIDERATION OF ABSENCES

Ms. Scott acknowledged the excused absence of Mr. Keith Stephens and Ms. Johnna Morris. **A motion was made by Comm. Tom Perona and seconded by Ms. Nina Penick to approve the excused absence of Mr. Keith Stephens and Ms. Johnna Morris.**

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

ITEM NO. 11 ~ BOARD MEMBER COMMENTS

ITEM NO. 12 ~ ADJOURNMENT

The next item was next month's meeting. The next meeting is scheduled for July 18, 2019 at 2:00 p.m.

The meeting was adjourned the meeting at 2:47 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.