

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
MINUTES OF MEETING HELD**

August 20, 2020

Summarized Minutes of the regular meeting of the City of Fort Pierce Retirement and Benefit System August 20, 2020 2:00 p.m., in the Commission Chambers at City Hall.

Present:

Keith Stephens, Chairperson
Caleta Scott, Vice-Chairperson
Johnna Morris
Comm. Tom Perona
Mayor Linda Hudson
Javier Cisneros
Brian Avilla

U.A. General Member
General Member
Director of Finance
City Commission Member
City Commission Member
U.A. Board Appointee
Police Officer Member

Attorney Jim Walker
Christina Paz

Attorney for the Retirement Board, Advisory
Retirement Clerk

Guest by Conference Call:
Weston Lewis and Cody Chapman

Callan Associates

Recording:
Queen Thompkins

Executive Assistant to the Director of Finance

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ITEM NO. 1 & 2 ~ ROLL CALL

Mr. Keith Stephens 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

Mr. Stephens, the next item on the agenda was comments from the public. There were no comments from the public.

ITEM NO. 4 ~ APPROVAL OF SUMMARIZED MINUTES OF JULY 16, 2020

Mr. Stephens said the next item was the approval of the summarized minutes of July 16, 2020, and the Board asked if there was a motion to approve the minutes. **A motion was made by Mr. Javier Cisneros and seconded by Mayor Linda Hudson to approve the summarized minutes of July 16, 2020. 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. 5 ~ ATTORNEY’S REPORT

Mr. Walker said I’m happy to report that there have been no further legal developments affecting the Retirement System that are known to me within the last month except that most everybody here is no doubt aware that the City Code of Ordinances is being recodified and renumbered, and that I think will be seen as occasion to prepare and we are in the process of doing an updated manual for everybody so that it remains current and that will include the updated rules with particular emphasis on from whatever amendment might resolve from today’s deliberations. Otherwise Mr. Chairman, I’m happy to entertain any questions, comments, or concerns.

ITEM NO. 6 ~ PUBLIC HEARINGS ON BENEFIT APPLICATIONS

None

ITEM NO. 7 ~ OLD BUSINESS

None.

ITEM NO. 8 ~ NEW BUSINESS

a. QUARTERLY REVIEW OF PERFORMANCE EVALUATION FROM CALLAN ASSOCIATES

Mr. Cody Chapman thanked Mr. Stephens and said Mr. Weston Lewis is here also. I hope you all are doing well and are managing through the new normal we find ourselves in. Weston and I look forward to the day when we can come back and visit your sunny city. We are still working from home here in Atlanta.

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That will likely be the case for the rest of the year. We appreciate your flexibility to allow us to participate remotely. I want to give a quick update on performance. I'm going to start on page 15; I'm happy to report broadly that the markets were up very strongly in the second quarter. That include through July and the early part of August. The S&P 500 is actually up about 5.6% year to date; very encouraging results there. Nasdaq is up more than 28% year to date. The Nasdaq is more technology driven that's been by far the best performing sector of the market. As you are likely aware, a handful of stocks had dramatic recoveries and very good years in terms of performance. That was the case coming into the year and just as the pandemic has played out, a lot of these technology companies have benefited from some of the shifts the pandemic has caused in terms of workwise, during things remotely via the internet and all the different changes have benefited those technology companies. I think more broadly the stock market has been encouraged by the response from Congress in terms of Stimulus for individuals and businesses, as well as a number of programs that have been put into place by the Federal Reserve to stabilize markets. The Feds continue to keep rates exceptionally low. It's our expectation that's likely to continue for several years to come. If you look at the broader economy is certainly still struggling quite a bit. GDP is estimated to have been down more than 30% in the second quarter, early estimates for the third quarter showing about a 20% rebound. We certainly are starting to see jobs come back as more businesses open and people trying to get back to normal as best as they can. Many are still out of work or under employed. I think Congress still needs to be more intent of Stimulus. It seems there is some agreement that more needs to be done but it has become a political football. No deal as of yet but certainly looks like something that needs to be done at some point this year. The reality is there's still a health crisis. Monetary and physical responses can help bridge the gap while people quarantine, work from home; all those things to help this from becoming a financial crisis but ultimately the way to get on the other side of this is containment in terms of testing, tracing contacts, and then hopefully creating a vaccine at some point. We'll stop there and see if there are any questions about the market before, we talk about your portfolio. Moving to page 17, where your portfolio stood as of June 30th strong rebound in the second quarter as we talked about. Your total fund went from \$187.7 million March 31st to \$212 million as of June 30th. That was an increase of about \$24.5 million just within the second quarter. Just out of curiosity I went back to look at where you all finished out 2019, as of 12/31/2019, you all were at \$215 million, so you just about made all of that lost in the first quarter back. As of June 30, if you fast forwarded with the good results of July and August so are, you are likely ahead of that 215 mark year to date. Moving to page 18, the total fund was up better than 13% in the quarter. That place you all in the 23rd percentile for the quarter which is just slightly ahead of the target. Looking out longer term, you all continue to do quite well. Over the last year, about 1.4% out of your total fund benchmark which puts you in the 15th percentile, and if you look out longer term 5 and 7 year results, well ahead of your benchmark and in the top quartile of peers. You all continue to do a great job managing the portfolio. On page 20, we'll move to the results of a few managers. Emerald on page 20 is your Small Cap Growth manager. They're about 2% ahead of the benchmark for the quarter. They had a reasonable first quarter and bounced back pretty strongly in the second quarter; long term returns relative to the benchmark are very good and continue to rank in mind with peers. Page 21, Ceredex underperformed during the second quarter; about 1.6% relative to the Russell 2000 Value. Ceredex performed very well in the first quarter. They protected nicely on the downside for you all. It's not too surprising that they gave back a little bit as the market bounced back so strongly. When I look at longer term results for Ceredex, they did good relative to the benchmark and relative to peers for just about all the period you see there. They've been working

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with you all for more than 20 years and have a very good track record of results during that period. The next two pages, 22 and 23 is your index fund so I'll just skip over those. Those continue to do exactly what we would expect. Page 25 is Morgan Stanley. They are your developed markets manager; a very good quarter for them; more than 3.6% ahead of the benchmark which put them in the top quartile of peers. They were ahead in the first quarter as well, so they protected very well on the downside for you all. It's nice to see them keep up in a very strong market, for international market as well. Another manager that has done very well relative to their benchmark and peers of the long run; you can see most of those periods well ahead of the benchmark and above median or even top quartile relative to peers; better than 28 years this strategy has been in place. Causeway, on page 26, your emerging markets manager; they are a relative newcomer to the portfolio, modestly behind in the second quarter; about 1.75%. The last three quarters since you all hired them, slightly behind in the emerging market benchmark and right in line with peers. Some of their stock selections have been a little bit challenged in Asia, China, and in South Korea. A little bit of a slow start for them but overall, no concerns so far. China is about 40% of the emerging market index now. A lot of managers are hesitant to put that much of their portfolio in a single country. A lot of the emerging markets managers had large allocations to China but likely not as large as the benchmark so that has been a bit of a headwind for a lot of managers including Causeway.

Mr. Stephens asked is this where we start putting more of our allocation in the emerging market, isn't this what we talked about? I know we had concerns about China but do you think because of the virus, do you think there's going to be some serious trepidation in people going back to China. How do you feel about it because of the virus?

Mr. Chapman said one of the interesting things about the virus it made its way around the world kind of on a staggered basis. China really started to deal with this December, January timeframe, started dealing with this a good bit earlier than the rest of the world, so the Chinese markets soared off much earlier than the rest of the world and actually bounced back pretty strongly. Any volatility from China, you've kind of written that out already. I think we all have heard stories about questioning data coming out of China and data you should always question. I think more broadly it seems like they've largely gotten the virus under control. I don't necessarily have any concerns about investments in China at the moment. More broadly within your international equity portfolio, you're at about \$50.5 million with the international portfolio and the emerging market piece is only about 4.8% of that, so less than 10%.

Mr. Stephens said he didn't ask the question right. I didn't mean more about the virus, but the perception and the realization that everybody has always known, there's a lot of eggs in that basket than China with manufacturing and things like that, what their economy is built on; the exports coming out of there; people coming back home. Europe is talking about that, so that's why I'm just wondering. Right now, you don't see that big change happening; if it does, it will be slow over years, correct?

Mr. Chapman said I think their economy is evolving, to your point. Manufacturing has started to become diversification there to your point. Companies are saying do we need some diversification here geographically. One of the biggest parts of the Chinese market is the tech box. If you look at the Index, quite a bit of the Chinese exposure is a lot of these tech names. That's become a big piece of it. There's

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some effort there to diversify some manufacturing. To your point, I would say that's likely to be a process that occurs every several years. To your point, I think it would be a gradual process.

Mr. Stephens said thank you very much. I appreciate it.

Mr. Chapman said very quickly on page 27 William Blair had a really strong quarter; did want to highlight that. They're your international growth manager, pairing with Morgan Stanley; good quarter for William Blair. Over the last year, they are about 15% ahead of that ACWI ex US benchmark; really been doing a great job for you all relative to that benchmark as well as peers. They really benefited from a good bit of technology exposure, strong stock selection, and growth being in favor in international markets relative to value has also helped. Moving to fixed income on page 29, Richmond Capital is your sole manger here. You can see they had a very good quarter; 4.5% versus the benchmark at 2.9%. Richmond had a little bit of a challenge in the first quarter as did many fixed income managers, but they bounced back very strongly in the second quarter. Richmond historically has bought a lot of corporate bonds, generally relatively high quality; in the second quarter corporate bonds did get beat up quite a bit, particularly in March. Good to see those bounced back in the second quarter as market participant decided to take on more risk, corporate bonds were very much back in favor during the second quarter. Richmond continues to post good results over the long term relative to the benchmark as well as to peers. Finally, on page 31 we have Heitman. You can see that Heitman had a bit of a challenging quarter in line with the benchmark; down about 1.5% for the quarter. That put them in the 68th percentile of the peer group. You see over the last year they are down about 3.41% net of all fees while the benchmark is up about 1.7%. That puts them near the bottom of their peer group. This fund has really been challenged by their retail portfolio and some of their office holdings. We've been keeping an eye on Heitman for several quarters now. The COVID epidemic has been a challenging environment for just about all real estate managers. Certainly, office occupancy is dramatically lower than it was the start of the year. Many retails have been closed quite a bit of the year. Those trends have put pressure on rental income and that has been a bit of a headwind for Heitman. They've also written down their retail properties pretty significantly over the past couple of quarters. You all know this was the theme in later 2019 as well; adjusting some of those evaluations to reflect market conditions and certainly the first half of 2020 has really only exasperated those trends.

Ms. Thompkins asked Mr. Chapman to repeat a few things he just said.

Mr. Stephens asked Mr. Chapman to start at Heitman; **(we just had a small power outage).**

Mr. Chapman said I won't repeat all of it; maybe I'll just hit the high points that are likely to be much relevant for the meeting. Heitman had performance that was in line with the benchmark for the quarter. They did trail peers somewhat, making the 68th percentile of the peer group. Longer term, their performance has been relatively challenged against the benchmark and peers. For the last year, down about 4% net of all fees versus the benchmark being up about 1.7%. If you look at longer term results, they have trailed the benchmark as well as their peers. The primary driver for that has been a challenging performance from their retail and office portfolios. As you all are aware, they have been looking and valuations and adjusting those downward, many of their retail properties back in 2019. The challenges of COVID have only

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exasperated some of those challenges in retail and offices have also been challenged as a result from the work from home environment that most of the country is facing. As a result, this challenge performance and potentially this more of a shift away from real estate for some investors, Heitman has a redemption que that's about \$1 billion. So that means they've had investors request that Heitman send them funds back as you all know. A real estate portfolio is not particularly liquid, so in challenging transaction markets like what we've seen over the last couple of quarters, you can have what is called a redemption que brought up, which is essentially investors waiting for Heitman to send them their capital back. They are working through those redemption request as quickly as they can, but the reality is that COVID-19 limits on travel and just a lot more uncertainty around cash flow for properties and that's valuations. There's just not a lot of transactions going on right now. Heitman is estimating that it will likely take until the end of 2021 for them to work through the current redemptions. The challenge for you all as long term investors is, how do you manage the need to take action with the manager or also wanting to be patient with them longer term when you know that it may take some time for you all to get your money out of the fund if you wanted to do so down the line. The question for you all is if you go ahead and request a redemption request now, knowing it may take several quarters so that down the line if Heitman performance doesn't improve, you all will already have a redemption request in place and are starting to get some of the funds back that can be reallocated, or you can continue to be patient and wait to see how this plays out.

Mr. Chapman said let me stop there to see if you have any questions.

Comm. Perona said I appreciate that. A little chill went down my spine. Normally you ask us to be patient and these are normal environments that we are in, but I didn't get that on this manager. When you're talking about \$1 billion of redemption over the next year and a half, I keep thinking a real estate manager has a portfolio and in trying to make these redemptions, one would think they would go after the low hanging fruit, the easier, marketable assets. I'm thinking if we hang in there the long term, are we going to be affected by a portfolio that is skewed. I'm just thinking of all the things that can't sell is going to be stuck in this portfolio. Maybe I'm over-simplifying it but it does give me some concern.

Mr. Chapman said that's a very good question. They do have a diversified portfolio. I'm working in the background to pull the number of properties from one of the documents they sent. I think they have enough diversification that they can work through your redemption request and you can use it as an opportunity to also to reposition the portfolio in other areas. You do bring up a good point which is that other investors are going to be looking and saying Heitman is the seller here; will they accept a lower bid knowing that Heitman needs liquidity; to your point did it sell the most liquid assets. I think they can still manage it. The question for us is trying to manage risk here for like of a better term. When we see that a manager has been underperforming the last several years and then there's also que building up, the prudent thing to us would be to look at trying to reduce some of your exposure here. You certainly hope that performance bounces back and, in that case, you can resend a redemption request. Knowing that the que may take until 2021 to clear, it seems prudent to think about submitting a redemption request in this scenario where performance doesn't improve, and you all want to move away from Heitman as a manager.

Comm. Perona said following up, is there a loss in our investment by doing so usually?

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Mr. Chapman said you all share transaction cost with all the investors in the fund. There's not really any cost to you all. As I've mentioned, you can submit a partial redemption request. You can submit a forward redemption request or something in between. Heitman is willing to let you all resend the request. If you redeem \$10 million of your \$20 million investment and Heitman sent you \$5 million at the end of the year, and then early next year performance has turned around, you all could resend your redemption request for that remaining amount and Heitman would accept that.

Comm. Perona asked in all that, is there somewhat of a recommendation from you, from Callan?

Mr. Chapman said we like real estate as a diversifier for you all. Many of you were around when we were initially thinking about this allocation and it was very thoughtful put in place with a lot of discussion from some Board members at the time. We still think real estate has a role in your portfolio. The question is how do we get it back? One option would be to look at potentially conducting a search for a second manager so we could bring a search book to you all at the November meeting and give you some candidates. The goal would be there's potential in Heitman. They continue to be on the portfolio but, they may not if performance does not turn around. I think we would want to identify a manager that could potentially work in hand with Heitman but also could potentially be a good stand-alone manager. That way if you had a second manager, you could redeem some capital from Heitman at a minimum; reduce some of the exposure there and use that to fund a second real estate manager allocation. That would give you some diversification from Heitman, and if you did need to terminate Heitman down the line, you would have a quick and ready place to move those funds.

Comm. Perona said thank you.

Mr. Stephens said like you said, they're diversified. We're not just talking office buildings, we're not just talking malls, we're talking commercial properties out there; everything, because with this virus, I think there's going to be a percentage that don't ever return back to buildings. I think some companies are going to say it's cheaper for them to work from home and give them a stipend of whatever it is. It's cheaper than maintaining a building for our company if the infrastructure for the internet is out there for them so they can work from home. We done it to a certain degree. That's going to limit that side of it. We already know what's happening to malls. That leaves us with some commercial properties. I realize we have rentals and that's based off the housing market. I don't know; that's why I'm asking you.

Mr. Weston Lewis said if he could add a couple of comments on Heitman as well and their portfolio going forward. I would say that they are pretty underweight to office. Where they do have office, they have a pretty large overweight to medical office, which is very different from office exposure, like New York City for example. We would agree with you that, that's actually been a trend going on for years prior to COVID. It's more and more telecommuting, more and more working from home being the norm. This is certainly accelerated that trend and they recognize that and have been underweight to that type of office for some time. I would put that in the advantage category for Heitman going forward. I just want to make sure that everyone understands this. We're not entirely giving up on Heitman. This is a risk control; managing risk recommendation and to the extent that something does continue to escalate and not in your favor, we want

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to be on the record, we did something to manage that potential risk. Right now, we would probably argue that it's low. Heitman still has a yield advantage relative to their peers and relative to the Index to where they are collecting more in terms of cash coming back. They have a younger or newer kind of portfolio than do their peers. It's not all bad at Heitman but certainly the sins of the past have been that retail exposure which they are actively pairing down. We are still urging patience here. This is not a recommendation to fully terminate Heitman assisted to manage that risk to them right now.

Comm Perona asked when do we expect Heitman to come back and talk to us. Were they here in the Spring?

Ms. Morris said we did have them in May, but they can come back if the Board wishes in November

Comm. Perona said this is large and they are one of our newest strategy managers. I would really like to hear from them and see what their outlook is. Is that reasonable to ask them to participate in a future meeting where they can tell us how they are responding to these issues. We're the sloths of the retirement industry and it has paid for us to do it that way. Knee jerk reactions, things like that, that happens a lot of times in government has cost a lot of the retirement plans a lot of money. We have confidence in Callan. We have confidence in our managers and when we lose confidence over a long period of time, we make a change. I just got a feeling that it's harder to make these decisions, even if it's just a strategy for us to limit our risk. I like taking a look at it, getting a feel. I'd like for the companies themselves to be able to tell us what they are doing to offset these issues and sell me on the idea that some day the sky is going to open up and things are going to be great and they're going to be at the top of the game. That's important to me before I make any major decision like this and if we can schedule that sooner than later, I'd appreciate that.

Mr. Stephens asked if there was a time limit. You said there's \$1 billion. If we don't do that, what is the possibility of us asking for some of our money back. Does that mean three months from now there may not be \$1 billion; it may already be allocated to other people that have asked for their money back?

Mr. Chapman said Heitman handles their que pro rata. What that means is they look at the funds they are able to disperse, they look at what's been requested, and then they show that evenly across. So, it's done pro rata. If you all submitted a redemption request, keep in mind for Heitman, you have to give them 90 days' notice and they pay liquidity quarterly to receive a redemption as of 12/31 you all would have to submit a redemption request by September 30. Otherwise, after that date, it will not be process until March 31. The challenge I think that Weston hit on is you're still comfortable with Heitman right now but given the lag in redemptions and then also with the que knowing that if you all submitted a full redemption request, you would only get that back over the next several quarters. We think it's prudent to be thinking about how we want to manage this into 2021 and knowing action may be needed sooner rather than later to be able to take action down the line. To Comm. Perona's point, we can certainly have them come in for a meeting. We can have them at the November meeting. If you would like them, and us as well, to show up at the September, we're certainly happy to do that.

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Mr. Lewis said as Cody mentioned, it's 90 days so it doesn't matter if you don't make the decision today or if you wanted to hear them at the September meeting, you can make the decision then and it's equally the same in terms of how soon you can get in that que.

Mr. Stephens said remember we are not going to be able to look at them. We're going to be hearing the over the phone.

Comm. Perona said this isn't going to be their first rodeo when they talk to us. They've got this thing down pat and they're going to give us deliverables that they expect and we can sit there and gage those deliverables over the next few months, so that if we do have a conversation with them in March or February, or whatever, we can use that to promote them or start talking about getting some of our money back and possibly looking at another manager. I would like to hear from them in September if we could.

Mayor Hudson said in addition to how it affects our portfolio, I think it would be educational for them to know to be able to us across the industry what the industry is predicting beyond our portfolio. It would be good for us to know.

Mr. Stephens said that's a good idea. You guys understand what our expectations are?

Mr. Chapman said yes. Back in July they put together a data that's more than 70 pages that walks through most of the questions you all asked. I think that all the questions you asked are very relevant and they are mind as well. I'm very confident they have the materials you all are looking for based on what we've seen from them very recently. We're happy to facilitate that. We'll work with Johnna and Queen to get them on the agenda for September.

Comm. Perona said that was just my wish. We need to have a consensus. If you could identify the consensus.

Mayor Hudson said September is fine.

Mr. Stephens said that's fine and the other Board members agree.

Mr. Chapman said he will coordinate that with Johnna and Queen. We appreciate your time and patience. That concludes our comments from us.

Mr. Stephens said thank you for taking the time.

b. CONSIDERATION OF BOARD POLICY REGARDING UNAUTHORIZED RECIPIENTS OF BENEFIT

Mr. Walker said it will be recalled from last month's meeting that during a review of currently outstanding collections accounts. There was an expression of interest in perhaps putting a systematic policy in place

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that might structure and guide future collection concerns. At subpoints overarching concerns. There was some questioning about interest that might be imposed on those from whom collection was sought. There were also questions about at what point might the Board that anything less than a certain amount might not be worth following. With those three concerns in mind, I sent correspondence date August 5. Everybody should have that in front of them and what that did was attached several things. There was an exchange of emails between myself and Brad Armstrong on interest and I will return to that soon enough. There was also a suggested policy that the Board might want to look at as an amendment to our rule on the benefited administration which I thought I might offer to the Board as being responsive and what that does; the amendment and if I can start off with overall procedure that's suggested here that would embody a policy to be followed going forward is that, in the event the secretary identifies a problem, someone who is believed to have been collecting benefits without authorization as benefits that were reportedly paid to a retiree, now deceased. The secretary would then report that to the Board if it were over a certain amount and I've left that certain amount entirely blank here, understanding it will be for discussion for sure under this agenda heading. Once she presents that report to the Board, then the Board would determine, #1 whether or not a criminal referral was in order; #2 in any case it would order commencement of civil collection. There would be a motion. I move that we order civil collection against John Smith, Mary Doe, and as part of that motion, it is visualize that the Board would impose an expectation for the lengths of payments in the event a lump sum payment was not forthcoming as well as a proposed interest rate. Brad Armstrong was asked to give what sort of rate that he might have in mind. He didn't give us really a black letter response but he did identify as a threshold matter a consideration of whether an instance of presumed innocence if the circumstances brought forward by the secretary just that the money had been collected mistakenly and that could be taken into account. But if that was manifestly not the case, he suggested that perhaps we go to 6%. Between 0 and 6%, I think would be an expected range, if I'm reading Mr. Armstrong comments correctly. The motion that would be made by the Board upon receipt of the secretary would be, "I move that the individual collection efforts be commenced at 3% over a period in the event that the lump sum of repayment is not voluntarily forthcoming over 24 months." Again, I'm just using arbitrary figures. At that point with authorization, staff, counsel would approach the individual in question and invite lump sum repayment. If that was not forthcoming, then they would be given the option of executing a promissory note in the suggested form, for such note is additionally included here, and that note would incorporate the interest rate and the length of time for repayment that had been ordered by the Board in it's motion. In the event the individual refuses to either make repayment or subsequently defaults on the note, then the amendment now before you would provide that we immediately and automatically proceed towards reducing the amount to judgment. That is the suggested procedure that is sat out in the amendment before you.

Mayor Hudson asked in the event that we would recommend prosecution, do we still go forward and execute the paperwork?

Mr. Walker said I'm presuming we would.

Mayor Hudson said that would almost be an encouragement to settle quickly I would think. Would the court look favorably on that?

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Mr. Walker said that would certainly be taken into account by the prosecutor if there is an immediate contrition on the part of the individual and repayment so as to minimize the damage incurred by the offense and that's taken into account and certainly the original complainant, the Retirement System might express interest in a lack of further prosecution and that would not be binding on the prosecutor but certainly is something that's given great weight.

Mr. Stephens said somebody and doesn't know that done it and that maybe last a couple of months, three months and you get a hold of them, I don't see charging these people interest. The way I look at it, once we notify someone, if it's an honest mistake, they haven't spent that money most likely. That money could come pretty quick. Do we give them three months, and I don't know what that number is; this is for discussion, or do we say we start charging interest once we notify you. If you can't pay after three months, then we start charging it. The reason I like it written down is it's not a judgement call and it can't be construed that we're showing this or that. It's cut and dry. We'll give you three months, no interest. After that we start charging interest, and then we proceed in accordance, depending on the amount. I think whatever de minimis number we come up with, I'm assuming, when you go to court to file something, that's extra money that we pay the lawyer to do that. So that de minimis number is based on how much we are paying him. Is it worth us chasing if we're paying him?

Comm. Perona said I don't care what we pay him. I agree with you that 90 days is good because if it was a mistake, 90 days can cure all. One part that I like is the consistency of this. I don't like us to be able to weigh in on each and every one. Even if it's \$100 or under, I'm okay with it. It's not a big deal to me. I don't care what it cost. I want people out there that are part of the System to say, you don't want to mess with that Retirement Board because they are going to come after you no matter what. It may cost you in that one instance, but it will save you in everyone after that. We're the bully in the playground. What it also says is that we all take the fiduciary responsibility at top order. We don't make exceptions. I wouldn't in my life. If you owed me \$200 and you said you didn't have it, alright, you owe me \$200. In this particular case, we represent all of the retirees, we represent the citizens that pay into this. It is really important that we set this standard that high.

Mr. Stephens said he agrees. In the discussion when we talked about it, I was thinking \$25, \$50.

Comm. Perona said \$1,500, and I know we'll probably burn that just going through it. I don't care, I want to get that on the record. I want to get the judgement, want to move that forward because, somebody comes up and says why aren't you giving us a call, why aren't you doing all of this stuff. We're doing everything we can to make sure that every dime that we get in this is going for our commitment to all the retirees, past and present.

Mr. Stephens said he agrees.

Mr. Walker said I'm construing your thought about three months interest free and then interest as part of a motion.

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Mr. Stephens said its part of a discussion right now. We're not going to make a motion right now.

Mr. Walker said I mean as part of a motion to put it through collection. When someone says, "I move that Mary Smith be put in the collection, and as part of that motion for the first three months, if she executes agreement to pay, then for the first three months would be no interest. After that three months, the total amount of time she has to pay here is 24 months.

Mr. Stephens said I rather it be written down that way and say according to our rules, which is, and we could mention that, but I would rather refer back to rules written down. Is everybody on the same page? Someone could make a different motion someday.

Ms. Morris said a question as to clarity, now are we saying that we want to implement that once we are aware. The normal process is, once we are aware, we start the necessary process of sending letters to make sure that we say, this has come to our attention you owe this amount of money back. We send the letter or try to reach them by phone, but we still send them correspondence to them to let them know that they owe the System. Usually, it's about 30 days to make sure that they send the money back or reach out to us. Are we now saying that once we are aware before we start any recoup process, you want me to bring it to the Board? Some people it's just a month thing; it was a month roll. Anybody that had to bury a love one, those are just some things you don't get right off. We give them enough time to send it back. We try to exhaust the recoup process, then bring it to the Board.

Mr. Stephens said the way I look at it is, once you've contact them and they know, what's the longest it's ever taken you to get ahold of some one?

Ms. Morris said some we're still trying.

Comm. Perona said the way I envision it is that staff will do whatever they have to do to go through the process. You send out whatever letter you want, you try to get the money back within 30 days. From the time that you wrote that letter, 90 days is when I think it starts triggering interest, no matter what. I'd like to see it in front of us; not that we're going to change anything, so we all understand what we have as far as outstanding in the issues that we have because we need to be aware of that. You can put it on a consent agenda; you can do whatever you want with it. We could go ahead as a Board ordain that as an issue that we have to deal with. If you can handle it before that 90 days is over with, staff can handle it before the 90 days. It's not an issue that we have to deal with. That's pretty much what you are doing right now.

Ms. Morris said yes.

Comm. Perona said you could say I don't have it this month. You have 90 days to collect that. If not, say I can't all the money here in 90 days, so you want to put it over a 12-month period. We've already set the interest rate and it's pretty much a done deal coming from this Board. We know we have this on the books and it's a receivable that we have, but I don't want to deal with it for the first 90 days. I'd rather staff handle that all they can. Does that make sense?

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Mr. Walker said what you're suggesting perhaps is they be a proviso in here that before the secretary brings this to the Board, there be up to 90 days within which the secretary makes a good faith effort to collect it. After that, it would then come before the Board.

Comm. Perona said right, that's how he envisioned it.

Mr. Walker asked in the manner provided for in this amendment.

Comm. Perona said yes.

Mr. Stephens asked that's one thing, now, 0-6%?

Ms. Morris said 6%. Generally, it would be 6% because that's what we would be earning if it were sitting in our investment.

Mr. Stephens asked the Board if we have a consensus. We could make the motion at the end.

Ms. Scott said I would like to go back to receiving a report at least, each month so we know that action has taken place. I don't want to wait until the 90 days to see if we're going to take action. We have this case; we reached out; we'll keep you posted.

Mayor Hudson said a status report.

Ms. Morris said after the first 30 days.

Mr. Stephens said yes, even the ones after 90 day all the open ones to be included.

Ms. Scott said the most important thing is the standardization of the process. I think in reference to the amount what we should do is to determine the timeframe. I don't know how large these sums we're talking about.

Ms. Morris said what we need to consider too is that sums will be different. It's based on how much the retiree was given. I think that's something that's going to have to be weighed in after those 90 days as to how we handle it. Are we going to making it where it's collectible or it's criminal, because there are some retirees that might have been getting \$150 a month and they've been collecting it for 5 or 6 years? Now that we've got the 2 year in place where we audit every 2 years and they have to verify that the retiree is still living. We catch it a lot quicker than we had been but, there might be one retiree that for 2 years collecting.

Mr. Stephens asked if the criminal part was separated from the collection part.

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Mr. Walker said it is discretionary to be decided by the Board based upon the facts that are brought to it after the 90 days.

Mr. Cisneros asked if we determined if it is a criminal act. There's not a dollar amount that determines if it's a misdemeanor or a felony.

Mr. Walker said that's going to be part of the report I would imagine. The Board will understand the promissory note is going to be sent to this individual with request that it be executed based upon the of 6% and whatever period of time the Board thinks is appropriate for that particular instance; 6 months, 24 months, or whatever. I will point as the Board may have noticed, that in the event the person signs the note but feels either then or later that the payback period cannot be accommodated in light of that person's circumstances and it constitute a hardship, the individual would have the ability to comeback to the Board and ask the Board to stretch the payment period.

Mr. Stephens said I understand what you're saying, every circumstance and amount is different. That's different from the de minimis about. There're two different things. We still won't have to do anything for the first 90 days you were talking about.

Comm Perona said the person who this benefits, is deceased. Normally it's the retiree that ends up with the money, but that person is deceased. Does that create a problem as far as identifying the person responsible for paying it back? I know you're going to tell me it's part of a trust, they're in charge of the trust, they've made withdrawals from the trust. Is that a grey area we have to define in this process?

Mr. Walker said it's certainly a grey area. When this matter has been referred to me as counsel, traditionally in the past, we always by then had a target in sight. However, presumably, if this turned out it was the wrong person either when they were approached by the secretary during the initial 90 days or by counsel sending them the promissory note and asking them to pay, presumably, they'd come forward and say I'm not your guy because I was living in American Samoa at the time all this occurred and this person has the same name as mine. Different social security and different birthdate and everything else. At that point we come back to the Board and identify the problem.

Comm. Perona said I just had that detach. I got all the way down to the end and figured out the person who this benefits are no longer living. The way easy banking is now, I have banking right now where I can set things and move them all over the place. They don't know who I am. I just have the right numbers. I'm wondering if that's going to be a problem being able to identify that person who is ultimately responsible for paying that money back.

Mr. Walker said if we thought that, your attorney certainly would not want to proceed directly into suit knowing there is a substantial question about the defendant. One thing it wouldn't make your lawyer look very good if he lost the case.

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Mayor Hudson said a lot of times when people get old, you have another name on the checking account. You have a joint checking account because maybe they're ill, have dementia or whatever. Somebody is taking care of them. So, that money is coming into the account with that joint signature. I know they just go on spending. I think that could easily happen.

Mr. Stephens said we've settled most of this. What I recommend, we need to nail down what you all think the de minimis is. I don't think we need to make any motion. We will vote on the written policy when you bring it back to us next month. Is that the best way to do it Mr. Walker?

Mr. Walker said that would be satisfactory Mr. Chairman.

Mayor Hudson asked Ms. Morris if she had any suggestion for de minimis.

Ms. Morris said I was thinking anything less than \$50. Sometimes it's a lot that we've gone through and get to the last little bit and anything less we'll still try to recoup it. In the event that they don't, we'll go ahead and write this off.

Mr. Stephens asked after you've sent it out, should we put a time limit on it where it drops off your radar. If it's below \$50, what would that time limit be?

Mayor Hudson said to Ms. Morris I thought you decided that.

Ms. Morris said if we don't have policy in place as to our writ-off, we'll just keep it on the books. I love policy and rules. It makes my life very easy.

Mr. Stephens asked Mr. Walker if he has everything he needs.

Comm. Perona said we need to make motion don't we.

Mr. Stephens said no he has to get back to us with the policy.

c. CONSIDERATION OF COLLECTION STATUS REGARDING UNAUTHORIZED BENEFIT RECIPIENTS, RICHARD BROWN; CALVIN COLLINS; GENEVA DAVIS MALONE; AND REGINA SMITH

Mr. Walker said I asked to have that agenda item put there in case the Board wanted to take a look at those in light of a policy. Right now, we don't have a policy in place. We'll be drafting something to come back with at the end of the month. I'm happy to talk about those if the Board wishes. Information on the status of each account was provided at the last meeting. Otherwise I'm happy to bring it back next month when hopefully when there will be a completed policy in the Board's mind.

Mayor Hudson asked if Mr. Collins owe \$0.72. So, I think you could write that off, right?

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Ms. Morris said yes.

Comm. Perona said I got feeling there're policies out there that other communities have done over the years. There might be something good in all that. It's unfortunate we can't go to the FPPTA and that be a good question to ask. We've learned more from those sessions. There's got to be a way we can find out quicker. With the federal government when my father passed away, everything just stopped the next day.

Mr. Stephens said the mayor asked a question before she was on the Board, she asked a question of the Retirement Board and I sent an email to the FPPTA and got you an answer. I don't know if we could have someone administratively maybe ask that question. Are there policies out there. If you ask the FPPTA specifically, they will get back with you and they are very thorough.

Comm. Perona said there might be one little element in that, that we didn't think about; might answer some of this.

ITEM NO. 9 ~ CONSENT AGENDA

Mr. Stephens said the next item is the Consent Agenda. **A motion was made by Ms. Johnna Morris 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 was no opposition and the motion carried unanimously.**

ITEM NO. 10 ~ CONSIDERATION OF ABSENCES

None.

ITEM NO. 11 ~ BOARD MEMBER COMMENTS

Mr. Cisneros said he does have one comment and it got me thinking about what Comm. Perona said when Callan was on the phone. With the retail market being less than stellar would be, I'd like to see if there's some feedback from Callan or whoever we need to get it from about how the retail market is being revived. I've read some stuff about, like the Sears. They're closing Sears and JC Penney; that they are going to be filled with grocery stores and Amazon warehouses. That will revitalize that market. It would be interesting to see how that affects the retirement portfolio. I think that's pretty important. If you go to a grocery store in a mall, that's going to attract quite a bit of traffic, maybe revitalize some of the empty stores.

Comm. Perona said I expect you're going to hear that from Heitman when they come in September.

Ms. Morris said she wanted to let everybody know we have the election process going on for our two general members, Keith and Caleta's position. Those results are being tallied pretty soon. We'll know at the October meeting if they remain in the position or we have new people on the Board. That is underway. Also, I did send emails to everybody to let you know the FPPTA virtual conference that will be going on. If you plan on attending, let Christine know. I sent the email yesterday.

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Mr. Stephens said he wants to verify this with everyone, as long as we went in January, we won't have to go back until next January, February whenever they have it. So, we're good until then.

Mr. Cisneros said I have to get mine done because I got the letter from them. That's why I have to attend.

ITEM NO. 12 ~ ADJOURNMENT

The next item was next month's meeting. The next meeting is scheduled for September 17, 2020 at 2:00 p.m.

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

The meeting was adjourned at 3:20 p.m.

ATTEST:

Secretary/Treasurer

Chairperson

Note: These minutes are not verbatim, only important issues and 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.