

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

November 17, 2020

Summarized Minutes of the regular meeting of the City of Fort Pierce Retirement and Benefit System
November 19, 2020 2:00 p.m., in the Commission Chambers at City Hall.

Present:

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

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

Christina Paz

Retirement Clerk

Guest by Conference Call:

Weston Lewis and Cody Chapman
Emerald
Ceredex

Callan Associates
Mark Siegel
Steve Loncar

Absent:

Mayor Linda Hudson

City Commission Member

Recording:

Queen Thompkins

Executive Assistant to the Director of Finance

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

November 17, 2020

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

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 NOVEMBER 19, 2020

Ms. Scott said the next item was the approval of the summarized minutes of November 19, 2020, and the Board asked if there was a motion to approve the minutes. **A motion was made by Mr. Brian Avilla and seconded by Ms. Johnna Morris to approve the summarized minutes of November 19, 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 our Board might recall that earlier this year, there was a complete revision of the City’s Code of Ordinances during the year that necessitated a revision of our handbook so as to update all references to the Code. That served as an occasion for updating the Rules and the Statutes. The second edition of the handbook has now been prepared; I’ll go ahead and hand out copies to those that are present. There is a memory stick in there for those who might prefer to access this electronically. That concludes my report, unless there are any questions or comments.

ITEM NO. 6 ~ PUBLIC HEARINGS ON BENEFIT APPLICATIONS

Ms. Scott opened the public hearing for comments on the request for Retirement (DROP Program) from Alice M. Ladomirak with 25 years of service with the Fort Pierce Utilities Authority. 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 Mr. Javier Cisneros and seconded by Mr. Keith Stephens to approve the request for retirement (DROP Program) from Alice M. Ladomirak.** 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 carried unanimously.**

Ms. Scott opened the public hearing for comments on the request for Retirement (DROP Program) from Patricia L. Gilsinan with 30 years of service with the Fort Pierce Utilities Authority. 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 Ms. Johnna Morris and seconded by Mr. Brian Avilla to approve the request for retirement (DROP Program) from Patricia L.**

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

November 17, 2020

Gilsinan. 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 carried unanimously.**

Ms. Scott opened the public hearing for comments on the request for Retirement from Rae Lynn De Boer with 5 years and 2 months of service with the Fort Pierce Utilities Authority. 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 Mr. Keith Stephens and seconded by Mr. Javier Cisneros to approve the request for retirement from Rae Lynn De Boer.** 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 carried unanimously.**

ITEM NO. 7 ~ OLD BUSINESS

a. CONSIDERATION OF AMENDMENT TO BOARD RULE 17

Mr. Walker said I requested that this be put back on the agenda for consideration. It will be recalled that several months ago, at the Board's request, a draft amendment was prepared for Board Rule 17. The Board had expressed a preference that the methodologies employed in collecting overpayments be incorporated into our rules. A draft order was proposed to that effect by letter dated August 5, 2020 to the Board; a copy of which is in the packet with the proposed amendment. During the course of discussion, interest was also expressed in seeing whether the FPPTA might have any recommended language on the subject. Johnna Morris was kind enough to serve as our intermediary there and she did contact FPPTA. It's my understanding, however, nothing responsive was available from that association. With that in mind, it was requested that the subject be returned to the Board's attention in the form of old business, and I remain entirely at the pleasure of the Board on this matter.

Ms. Morris said the Board wanted to determine the interest rate and those sort of things. I did reach out to FPPTA who informed me that they didn't have anything. It would probably be better for me to reach out to a specific organization to see, because there's nothing they have specifically per say themselves because they don't monitor programs. We're here now and I guess, in order to get something in place, we're going to have to make some kind of decision as to what we collective want.

Mr. Walker said the thoughts were perhaps the interest that would be payable at the first level where there is an agreement by the party to execute a promissory note might be relatively low, and in that fashion, an incentive for voluntary repayment so as to avoid the necessity for formal legal procedures to reduce the judgement. At which point, the rate of interest would be the legal rate of interest. There was that discussion. Another item around which discussion centered was, at what point should collection be pursued. Was there a level below which the amount due was essentially de minimis and could not justify any effort to collect it. I might add, parenthetically, that current collection efforts have been suspended during the ongoing progress of these discussions, so as to assure that procedure follow thereafter was in conformity with any

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

November 17, 2020

preferences to Board might have. Those are two decision points the Board was looking at; the point of De minimis non-recovery and the interest rate to be built into our promissory note. Remember that the procedure envision here, at least in the draft provides for initial contact with the individual and invitation for them to execute a promissory note and only in the event there is a default on that or they refuse to accept and honor the obligation do we go on to suit.

Ms. Scott said it looks like we have two different things to decide on, that the De minimis recovery amount. I feel as if there is a \$75 number thrown out last time; is that being the number we wouldn't go to collection on? Is that correct?

Ms. Morris said it was either \$50 or \$75.

Mr. Cisneros said I think we decided not to identify a dollar value because it was about the premise of not recovering the money and not necessarily the amount but not losing the teeth in the program if I remember correctly.

Mr. Walker said the discussion originally came out of a report which as to one of the accounts was showing, I think, 43¢ or something like that.

Mr. Cisneros said we would leave it to the discretion of the Board to waive those but not identifying an amount that we would automatically waive and we would leave those to the discretion of the Board; the attorney would bring it back and we say we're not going after 44¢.

Ms. Morris said just to make a suggestion, I would prefer if the Board had a rule, because then you tie me administratively to whereas, instead of just going to do my job, I got to bring everything back here for approval to whereas whenever we just establish if it's beyond this point, we write it off of our books to not carry this receivable on the books as oppose to having to come back.

Mr. Cisneros said I agree with you. I think I agreed with you when you said it the last time.

Ms. Scott said I think another point is if this the amount that we find if this order comes to us and it's \$48, do we just go ahead and say no or let's say, someone's been paying for 5 years and the next thing you know they stop and it gets down to this amount, is that also the same situation where you would make that call and say let's start collection efforts because they've been paying us this much and now, they've left us with about \$80, we can't find them now, what happens then?

Ms. Morris said my initial thought is, if we're owed \$48, I want the \$48. We will exhaust any means and measure that we can get it but, it gets to a point to even our auditors after so long is going to tell us that legally we can't carry this on our books for a certain length of time. After so long you write it off as a loss. It becomes what our measure means as to recovery. We have to look at them all a little different. This is how I look at it, I look at what the benefit amount is because some person; their retirement benefit might be \$100 or \$150 a month. That's their total pension. If it's two months with them, it's only going to be

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

November 17, 2020

\$300. You got some people; their pension benefit might be \$3,000 or \$4,000 a month and this person then goes for an extreme length of time not letting us know the person has deceased and the amount is far greater. How do we deal with that portion? That's what I'm looking at because to me, it's \$150 you can maybe overlook when you're going through grieving process a couple of months. But \$3,000 or \$4,000 that's in an account, something triggers and say wait minute and for a person to go 6, 7 months to a year without notification, when does it become criminal. What is our process? Do we try recovery first? I think it's the amount that we're looking at as well.

Mr. Stephens said you are the primary person that's going to be dealing with this. Based off that and your experience, how do we treat them equitably? What kind of policy do you recommend, if at all, that we set and how do we go about that where we can be fair and legal? That's why I'm looking to you and Mr. Walker. If we say "X", we got to do "X" every time.

Ms. Morris said I do think a rule is put in place so there is no partiality. If the rule says this, that's my best defense; that I cannot be partial because this person, or I might know this person and not want to. No, if the rule says this, I have to implement the rule.

Mr. Stephens said it's easier to work with the rules. Do we wait for the auditor to tell us? That's why I'm asking because you deal with it on a daily basis.

Ms. Morris said I'm thinking after we've attempted to recover. I don't want to carry it on the books any longer than a year; two at the max. Two is the max that we can carry it on our books with no response.

Mr. Stephens asked when we set up payment plans, what is the maximum length of time do we give these people? What is the biggest number we've had to recover?

Ms. Morris said I think the largest number that we've had to recover was with Mr. Brown; our most recent. That's the largest that we've had to recover. Mr. Walker did a great job working with him and got a portion of that we've received. However, there's an amount that's still owing. I think we stretched out the plan.

Mr. Stephen said you said you don't want to cancel no more than one or two years but yet we carry the three year plan.

Mr. Walker said I think this discussion has morphed a little bit. The original issue was how little does it have to be before we don't bother with it at all. That's the issue. If it's a \$100 overpayment, do we even look at this or do we just write it off; maybe send them a letter and that's it. At what point is this worth following up on? To your immediate comment about how much time is allowable; what the rule says is that once they've expressed agreement to sign a Promissory Note, ultimately the Board has to approve that Note, approve the monthly amount, and the payout schedule. The Board can take into account whatever financial interest evidence it might wish to consider the financial capacity to pay. For instance, how much can he or she can realistic afford to repay a month; over how long a period of time. The rule amendment says the Board shall fix a schedule for repayment and further fix a rate of pre-suited interest. Those are the

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

November 17, 2020

decisions that will ultimately be on a case by case basis to be resolved by the Board upon consideration of the financial circumstances and other factors that the Board might wish to consider. Does that fairly respond to your point?

Mr. Stephens said I understand on the payment plan but it still goes back to how long do we wait. If they're in a plan, that's a separate issue. How long of a time do the two of you need corresponding or trying to contact at a certain dollar amount?

Ms. Morris said like Mr. Walker said; a case by case decision because our first job is to make sure we try and recover. That's the first thing that we do and after we can't recover, it's going to be the amount because it might be an amount Mr. Walker might come before the Board and say this amount is so large, do you want us to send it to the Sheriff's Office or take it to court. It depends on the amount and how much comes in with \$100, it's going to cost us way more trying to recover than going through the process.

Mr. Cisneros said I do have a question about how big of a problem is this. This is a very small problem that we're talking about, right?

Ms. Morris said it's a very small problem, however, just recently we've had a number of instances. It's not something that happens every month or anything like that. It's just that we've had about 4 or 5 here recently all at one time. Some of that is better now because we have a process in place to whereas every 2 years the retiree has sign paperwork notarize to us to let us know they are still living. That process hadn't come into pay and once it did, that's how we found out what had happened in that case. Now every 2 years the retiree has to confirm that they are still living and eligible to continue receiving benefits. It's catchable now.

Mr. Cisneros said I think like Mr. Walker said the first thing is to device is a de minimis amount. We talked about \$50 or \$75, is there a number that staff can recommend? What if the auditor say this is not worth it. I realize the burden of that is on you and I would say you probably know more than I do maybe the auditor can help us with that.

Ms. Morris said the auditor is going to tell me, looking at what we have to do on a daily basis, what am I going to suggest. I'm going to say anything less than \$50, then we send a letter to try to say, just to be fair because you owe it, we're going to tell you that we want it. However, if it's \$50 or less and it's not paid after a year, we write it off. We're not going to tell them that at all. That's just our internal rule that if it's \$50 or less after we've tried to recoup that. If it's \$50 or less, we write it off.

Mr. Cisneros said like you said in the past, we had 5 of those cases. I'm okay with making a motion.

Ms. Scott said we're having technical difficulties with our dial-in. Please give us a moment. We're connected to our dial-ins. Please give your names.

Mr. Cody Chapman said good after, this is Cody Chapman from Callan.

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

November 17, 2020

Mr. Weston Lewis said this is Weston Lewis from Callan.

Comm. Perona said this is Tom Perona, Retirement Board member.

Ms. Scott said Comm. Perona, we're on Item 7a. "Consideration of Amendment to Board Rule 17" and there's a motion on the floor from Mr. Cisneros.

Mr. Cisneros said before I make that motion Comm. Perona, I don't know if you've been listening, would you like to weigh in on this?

Comm. Perona said we've been on-line but there's been a technical problem; we've been here since the beginning but haven't been able to hear anything but please continue.

Mr. Cisneros said just to recap I think what we're trying to do is to identify de minimis amount where we would write it off and then the amount over a certain period of time and right now what Ms. Morris has said is \$50 over 12 months. I think you may have mentioned something about that the last time Comm. Perona and I don't know if you can recall what it was you had said. Do you remember that conversation?

Comm. Perona said I do. I think we've all agreed on a consensus and I think it's been captured what Mr. Walker has put together. Is that where we're at? I do not have the information in front of me. Please continue.

Mr. Cisneros said what I'm considering making a motion for is that we identify de minimis amount of \$50 over a period of 12 months. If we're not able to collect it, we will write it off. I think that administratively it would be good for staff and the Board. I would like to make that motion.

Ms. Scott said we have a motion on the floor; Attorney Walker.

Mr. Walker said it might be helpful to just briefly outline the procedure that's currently proposed. If the amount of the overpayment is less than \$50, nothing happens. If it's more than \$50, automatically the matter comes before the Board and we give the individual notice so they can be there if they want it, and at that hearing that comes before the Board, the Board has to make two decisions. It will consider the circumstances leading to the overpayment and have to make a decision about whether it wants to make a criminal referral or not. In addition to that, at that point, it will authorize commencement of civil collections efforts and set a proposed repayment schedule, setting out a monthly amount and a period of time within which the individual has to make payment. With that authority, counsel gets together with the individual to effect a voluntary agreement to repay based upon the Board's authorization. That agreement would be in the form of an execution of a Promissory Note. If, However, following that Board's decision making, the individual does not wish to settle the obligation on those terms or continues to contest the obligation, then we would pursue formal suit. There's another provision in the rule that says if after the Promissory Note has been executed, something happens; they can't pay or there's a hardship, they will have the flexibility to come back and ask the Board to revise the terms of the payment plan. There is that option as well. That's

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

November 17, 2020

the basic procedure that's currently envision and set out in the proposed amendment as supplemented with the \$50 threshold.

Comm. Perona said I understand the intentions of trying to keep this as current as we possibly can and not have de minimis amount of money on our account and move forward balancing with the obligation and fiduciary responsibility of this Board to make sure that we collect every dime that we possibility can. I think this is to a point where it's down to a very small amount and normally it ends up spending too much time and money trying to collect that is not in the best interest for the plan, so I would support that but I definitely want the word out that if you owe money to the Fort Pierce Retirement System, you will pay. If you don't pay, they will take action. As long as we can uphold that, I'm good with the amount of \$50 or less.

Mr. Cisneros said that's not necessarily a policy issue, that's an internal control that we can adjust as needed. That's just a policy that we're developing and not necessarily is written in stone in our document that somebody could read. I think Comm. Perona is right. They need to know what they need to pay. Reimburse us for funding. So, this would just be effective internal policy, is that appropriate Mr. Walker?

Mr. Walker said I'm honestly not clear on what your point is. If your point is that there should be not de minimis amount, that's fine and we can bring the 43¢ claim to this Board to take its time and consider that and work through the formal decision making, but if the Board wants to establish a minimal cap below which the matter is not deemed worth pursuing beyond maybe informal letter writing, then we're going to have to bring everything to the Board; the 43¢ matters as well as \$50.

Ms. Morris said it would be captured in our Board rules, correct?

Mr. Walker said yes. If Mr. Cisneros remarks were going to an argument that there shouldn't be any rule base minimal amount, that's what I was going to.

Ms. Scott asked if everybody understood what we're looking to do now. **A motion was rescinded by Mr. Javier Cisneros and a motion was made by Mr. Javier Cisneros and seconded by Mr. Keith Stephens to accept the amended rule and make a de minimis amount of \$50.00 of non-recovery write-off.** 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 carried unanimously.**

Mr. Walker said we will bring this back for a second reading.

Ms. Scott said thank you.

ITEM NO. 8 ~ NEW BUSINESS

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

November 17, 2020

a. REVIEW OF PERFORMANCE EVALUATION FROM CONSULTANT – CALLAN ASSOCIATES

Mr. Chapman said I want to start off by wishing you all a happy holiday upcoming. We wish we were there to wish you all in person but hopefully looking forward to seeing you again next year once we get on the other side of this pandemic. Just want to give you a quick update on performance. You have a couple of your investment managers waiting to join. We'll try to keep our performance remarks brief. You can stop me if you have any questions. I will start on page 141 of the PDF. As you all are likely aware, the global economy continue to recover very strongly in the third quarter; in the second quarter, the final number where GDP fell more than 31% in the second quarter and advance estimate for the third quarter are coming in around 33% for the rebound in the third quarter. When you do the math after the decline in 31%, a rebound of 33% does not quite get you back to where you were pre-pandemic but certainly, we're on that trajectory. It will take several more quarter to kind of reach the high water marks we saw previously but you're certainly on the right trajectory as to the economy; has reopen and certainly you've seen that better global stock and bond markets have responded totally to that. We think that the outlook continues to point towards recovery but there's certainly risks. As you are likely aware, COVID cases have been spiking across much of the U.S.; much of Europe as well. A number of countries have gone back into lockdowns; the UK and some of Europe talked of it. Here in the U.S. as well, certainly you see school districts shutting down. That's been the case here in Atlanta. So there are some risks to recovery. That's something we're keeping an eye on. Unemployment has come down but it's been a bumpy ride for a number of industries as you're likely aware. With all that being said equity markets had a very strong third quarter. You can see the S&P 500 was up almost 9% for the quarter. That's a large cap benchmark; Russell 2000 was up about 5% for the quarter and that's the small cap benchmark. Looking out over the last year, you can see the S&P 500 has strongly outpaced the Russell 2000. A handful of large technology companies with the S&P 500 have really driven the majority of that return. Without the top five performers the S&P 500 would be fairly close to 5 for the year. A fairly narrow rebound and certainly a lot of industries are much more challenged than what we've seen in the technology space. Outside the U.S., really good results as well. You can see that World ex USA is about 5%; that's developed market outside of the U.S. The MSCI Emerging Markets is up almost 9.6% relatively driven by non-performance out of China. Looking at fixed income, Barclays Aggregate was up about 60 bps for the quarter, fairly behind the quarter for fixed income but almost 7% over last year and that's largely driven by steeply declining interest rates from the start of the year. Finally, your last asset class exposure is real estate. You can see that private real estate was up not far for the quarter, but your portfolio was up slightly during the quarter and we'll talk about that in a little more detail in just a minute. If you don't have any questions about the broad market, we can move to page 143 of the agenda packet. About \$212.6 million as of September 30th. That was slightly higher than you were as of June 30th. You had strong investment returns; \$11.1 million but you also had a good bit of cash going out during the third quarter. About \$10.6 million came out in the third quarter; that was under Johnna's direction to fund benefit payments for 2020 and even into 2021 I believe. So, just a modest increase over the quarter, a fairly good investment returns. Moving to page 144, your Total Fund results; about 5.3%; positive return for the quarter. That put you all in the 35th percentile of the peer group, so good results in Public Funds. That also put you a good bit ahead of your total fund benchmark at 4.7%; about 50 bps ahead of the quarter and looking out over the last year 9.8% for your total fund versus the benchmark at 8%. That put you in the top

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

November 17, 2020

9% of peers; very good relative results for you all against your benchmark. You see a similar story for the last 5 and 10 years as well; top quartile results relative to other public fund and very good results relative to your total fund; benchmark ahead for both 5 and 7-year period. The big picture, things continue to be very good for you all. Moving to page 146, this is Emerald. This is your Small Cap Growth manager. Emerald is going to be your first presenter for today, so I don't want to spend too much time on their results. They had a good quarter and a good year. You can see they're well ahead of the Russell 2000 Growth for all the periods that you see here and competitive relative to your peers. No concerns while they continue to do a good job for you all. Next is page 147, which is Ceredex. Ceredex is also going to be presenting to you all later today. Ceredex is your small cap value complement to Emerald, focusing on that small segment of the market. They underperformed about 2.75%, a little bit behind over the last year. If you look out over the long term, the results continue to be very good for Ceredex. You look at those 10-year results, well ahead of the value index; just modestly behind the peer group median, but even those 15-20 since inception numbers are very good. Ceredex has had a little bit of performance headwind over the last year but broadly continue to do a good job and we will let them talk you through what's been going on in their portfolio in just a few minutes. The next two pages, page 148 is your Mid Cap Index and page 149 is the Large Cap Index. These continue to be exactly what we expect. Moving to page 151, we'll talk about your international equity portfolio. Morgan Stanley International portfolio up 3.9% versus the EAFE Index about 4.8%. If you look out over the last year, very good results for Morgan Stanley; almost 6% versus the EAFE up about 50 bps. Their strategy generally does better when more incentive factors are in favor. If you look a full cycle, you can see very good results over the last year; 3-year results very good as well, even 5 and 10 years. Good relative results there. You did have one bit of news with Morgan Stanley, Dirk Hoffmann-Becking, one of the PM on the strategy, announced he's going to be retiring effective March 31st of next year and he plan to leave the industry. This happens over time; you have a successful strategy and you all have been with Morgan Stanley for about 29 years now. Over time you are going to have portfolio managers make this decision to retire and that's certainly understandable. The good news here is that there are 9 portfolio managers on the strategy. It's a multi PM approach. The portfolio managers are also researchers, so there's a lot of cross coverage. It should not have an impact on the strategy and doesn't give us any concern as of now. It's very likely over time Morgan Stanley will promote someone into this gentleman's role but no person has been named as of yet. That's something we'll keep an eye on. We'll certain inform you if any change or any other departures from the team. The next page is Causeway Emerging Markets Strategy. A little bit of a track record here. The strategy really only has a year of life performance with you all. It has also been in line with the emerging markets; benchmark slightly behind for the last quarter and a little bit behind over the last year. This may be due to some negative stock selection. Underperformance was due to negative stock selection in Russia, particularly Oil and Gas Service companies. They've been beaten up by the lack of the financial oil and in related products the global economy has slowed down a bit. A little bit of underperformance there but still no concern from us. The last international strategy is William Blair International Growth Strategy, a growth relative to Morgan Stanley; very good results for the strategy for the quarter; up almost 13%. That was more than double the ACWI ex US return of 6.25% and last year the strategy was up 26% versus the benchmark up 3%, excellent results for the strategies. There has been very strong stock selection across just about all of the sectors that William Blair covers. They've also very strongly benefited from a tailwind towards growth. Growth has been a strong performer outside of the US and here in the US relative to value. Think about techs like Technology, Consumer

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

November 17, 2020

Group; provided a lot of value for you all over the majority of the peers that you see. Moving to page 155 and that's Richmond Capital, your fixed income manager. They were modestly ahead of the benchmark for the quarter; 76 bps relative to the benchmark at 62 over the last year. They had some volatility around some of their corporate bond allocations earlier in the year as they sold off the end of the first quarter but they've bounced back very strongly and have added a nice bit of value for you all. Nice and consistent performance for all the peers that you see here. They've exceeded their benchmark. They provide a very consistent exposure to fixed income. Your last asset class is real estate. You all likely recall that we've had a recent number of discussion about Heitman, talking about their performance as a manager but also just a bad drop for real estate as well. I know we've gone over this for the last two months I don't want to spend too much time on this because I think we've adequately discussed the issues but I want to make sure that we leave the opportunity for you to ask questions. Heitman did have a nice bit of a bounce back in the third quarter. They were up 1.3% gross and fee interest versus the ODCE benchmark; up 0.37%. That put them into the top quartile of peers. Good results for Heitman. They did have some valuation increases in industrial and storage sectors. Those stabilized and that's was partially set by some continued write down in the retail and office sectors. Let's be clear, this was a good quarter for Heitman but certainly they do have work to do. Over these longer-term periods, you can see they have trailed their ODCE benchmark to reasons we've discussed a number of times. Nice to see Heitman bounce back. We'll continue to be patient with them. We definitely need to see more quarters this one. Let me stop there and see what questions you may have about performance.

Ms. Scott asked the Board if there were any questions.

Comm. Perona said my biggest concern with Heitman but we have gone over that several times over a long period of time and I want to thank Callan for that because I was getting a little heighten in my concern and they allayed most of my issues with the fact that they are out in front of this. I do expect performances most like we saw last quarter as we go forward. Again, I think we all need to be very mindful of this and watch it and talk about it at least every other meeting to make sure that all our managers are doing exactly what we're supposed to do. If they start trending off the path, we need to find out beforehand and at least get some answers why. Other than that, I'm all good.

Mr. Chapman asked if there any other questions, if not that will conclude my comments and feel free to move forward with the agenda.

b. REPORT FROM EMERALD ADVISERS, INC.

Ms. Scott said next we have Mr. Mark Siegel from Emerald Advisers. Welcome.

Mr. Mark Siegel said thank you very much. I will jump right into it as I know you've got a lot to cover. I will be brief but happy to take any questions at the end. I will point out a few places in the presentation as well. I will start with the firm update, which is an easy one and quick one. No changes. We were about \$4.8 billion in assets under management. That's up slightly since the end of the third quarter. We're little more than \$5 billion in assets. No personnel changes, no major client changes. We've been operating since

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

November 17, 2020

March almost all remotely. No issues from an operational standpoint, trading, portfolio management, client services. We've now gone through free claim reporting periods and those are working as it should be according to our disaster recovery plan. We don't have a set date when we will be back. We're just monitoring that on an as needed basis. As things seem appropriate, then we will go ahead moving forward with moving our folks back to the offices, but right now just having safety first. I'm going to jump into the performance of the portfolio over the quarter. I'll start with the dollar return on pages 2 through 5 in the presentation. Strong performance this year throughout given quite a bit of volatility which we'll talk about in a minute. The portfolio managing team has done a fantastic job navigating that volatility. You can see on the cash flows we started many years ago back in 2004 with about \$4.8 million in your account. In over that 16-year period it's been about \$9.5 million in terms of net withdrawals out of the portfolio and investment earnings of about \$11 million that we've earned for the City over that time. Through all of that, your portfolio as of the end of October was valued at about \$6.9 million. Page 15 will show you the percentage returns for the quarter and you can see almost 10% for the quarter. Strong absolute performance and good performance versus our benchmark that you benchmark us to the Russell 2000 Growth so, over a couple of 100 bps in outperformance there. You can see the 1, 3, 5-year numbers as well as since inception not only from an absolute bases but also from that relative performance bases since inception in 2004. On an unrealized bases we have delivered about 2 percentage points above a little bit more than that than the benchmark measured against. Year to date as I alluded to you are up since the end of the third quarter on a natural bases; another 2% and that puts the portfolio up year to date about 22% versus the benchmark of about 18%. Again, strong absolute performance as well as strong relative performance. I will mention in the last 2 to 3 weeks there had started to be a shift in terms of what the market is looking at and reciprocals and value driven means. We'll talk a little bit about that and kind of those changes in that transition we're starting to see. Let's talk about what's happening not only in the market but also the portfolio. If you look at pages 21 and 22, this is where we show how the rest of the market has performed and a couple of things you may have been talking about in the past but large cap has outperformed small cap and growth has continued to outperform value. I mentioned that you started to see a little bit not in the third quarter, the shift reciprocal type of names which tend to be more value names in term of what the market is rewarding. You start to see a little bit of that in the third quarter. You really starting to see an acceleration of that as you started to the announcement of that change of the last couple of weeks. We will continue to keep an eye on that but typically that has folks focusing on next year and when growth will return and how strong it will be. That I think it's going to be as soon as we talk to you over the next 3 to 6 months as the market figures out what is really your long term and what has tis disruption done given the COVID crisis and how it has affected businesses in GDP and how that's going to flow through the sectors as well as companies. That may be interesting as we look forward over the next 6 months. If you take a look from a sector standpoint on page 27 as we like to point out how your portfolio did from a sector standpoint to what you all are contributing to it, you can see in the third quarter we were strong in Consumer Discretionary, Staples, Energy, Materials, and Durables, so will talk a little bit about that when we talk about the top ten best performances in the portfolio and then you can see interesting enough our healthcare holdings underperformed. A lot of the larger names in the healthcare are focus on coming up with therapeutics and coming up with a vaccine is putting a lot of focus in that part of the market as less focus on some of the areas of orphan drugs. We think once all these things shake out with the vaccines and the bit farmer, then again, the focus will be in those long term growers and higher growers within healthcare and the biotech

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

November 17, 2020

area. That's something to keep in mind. Page 28 is going to be your top 10 contributors. We are funding growth in all sectors. We're not just concentrated in just technology and healthcare and Consumer but we're finding names like Freshpet, which I know Joe has talked to you all about before in the past. We're finding these innovators and disruptors across every sector. Again Freshpet, because it's dog food and you ask how can you have innovators and disruptors in dog food, but it's a great example of not only innovation in terms of fresh dog food that you give your dogs but also disruption in terms of how they're delivering it within the retail channel in that they are controlling the refrigerator cases that they owned, that they put into the pet stores and the PetSmart, and other Walmart's of the world. We have good strong performance in energy sector. This is going to be an integrated provider of natural gas solution, so they have if you think about A&G terminals, liquid type natural gas. They're also a main player in hydrogen. Clean energy was a big driver performance in the third quarter. That's something that was benefited from. You also see some names like Meritage Homes and TopBuild which play off the secular growth that we see happening in the home building market; not enough first time homes for folks that are buying their first homes and there's also a benefit from COVID related issues where people were moving out of the city. It got a little bit of a boost in that area. Then you'll see names like Varon's which I think we've talked to you all in the past, which is your technology security play secular trend technology security that is out there that the team has been following, but it also benefited from what has been happening short term with COVID and benefiting greatly from everyone working from home. Security and the technology sector has been a focus and that's been a thing that we've been following from quite some time. The only other thing I might point out on page 34, I mentioned that a diversified portfolio, that's our top ten by Market Value. In your portfolio you can see Freshpet is on there. Chegg, we've talked about in the past. Something I want to point out again, on this top ten you're seeing out of the nine sectors that Russell has, you're seeing a presentation of six of those in our top ten. As you know from knowing us for 16 years, we do have a diversified portfolio and we're finding growth in all sorts of different sectors which I think is important long term in terms of how the portfolio performs across the market cycles in both good and bad market. With that I'm going to wrap up and take any questions. I just want to thank you for being a long term client. Our average client is about 10 to 13 years and I think we're 16 or 17 years, maybe going on 18 years.

Comm. Perona said I would like to hear a comment of why utilities are underperforming in that sector.

Mr. Siegel said in that sector Russell did a change of sectors in September, so that utilities holdings there you see on page 27, it's more of a telecommunication holdings; I can't remember off the top of my head, but prior to the rebalancing and reshuffling of the sectors, it was something old they were putting into utilities. They didn't have anywhere else to put it. They have shifted their sectors and made a telecommunication sector and have broken that out from utilities. You'll start to see that in the fourth quarter moving forward. We've got a firm in there that is delivering wireless terminals and things out into rural areas. I think that's where that plays. I don't know why that was underperformed. I do know from a sector standpoint how that's played out over the last quarter. Energy was doing very well and when I see utilities, I was trying to link the two and having a problem with it.

Comm. Perona said that explains it. Thank you.

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

November 17, 2020

Mr. Siegel said it was a good move to break it out. It didn't make sense to be in that sector. On page 33 you'll see, they gave you a look at the old sectors ratings and what the new sector ratings would be in the Russell industry classification. You can see there that utilities, we don't have that. Allocation has moved over telecommunication, so we don't have any holdings in that utilities area.

Mr. Chapman said when I look at valuations in the small growth part of the world, they're quite high. I think your portfolio is trading around 60 times. I think that Russell 2000 growth are 80 times earnings or so. Let me just talk about how you navigate these environments where everything in the small growth universe looks; very highly valued and how to be defensive to periods where if a name, liquid earnings; it could be a pretty significant down draft or something like that.

Mr. Siegel said if you look at this transition period from pre-COVID into the COVID world and then post. Part of what the portfolio managers are trying to do is look at as the earnings, because of COVID and some of the shutdowns I used for example in the consumer area, whether it be restaurant or whether it be retail stores or things like that. The challenge for the portfolio managers and the analysts are trying to look at; okay, earnings obviously have been cut and are issued short term. However, has the growth features changed. Why did we buy this stock? Has the growth features changed and why we are owning that stock? It could be because they've going in a different channel; could be that they are delivering a new product. It could be they're manufacturing process. In given what's happened in the short term which points to potentially your valuation comment in question, is it short lived. In some cases if you stop the growth catalyst wasn't there because of what's happened with COVID and what maybe a longer term, so maybe it pushed out or moved to a new channel. It pushed it out further; two years. Are we willing to wait those two years? In that case, if the determination will not, because we're just not going to get enough break in the interim, then we would move out of that. That would be a case where that valuation would concern us. There are some other cases where that valuation would be short lived. We believe that the secular growth is still in tacked and it isn't pushed too far out because of what maybe happening with COVID.

Mr. Chapman said thank you.

c. REPORT FROM CEREDEX VALUE ADVISORS

Mr. Steve Loncar said thanks for the opportunity to present by audio. I do enjoy my moments down in Fort Pierce and I apologize we can't do this in person but I will do my best to relay information and will pause to answer questions as I go along. I will do a couple of housekeeping items and move into the portfolio and investments and investment returns. On page 3 Ceredex continue to be holding of Virtus. Nothing has changed in terms of that arrangement. That's going on almost 3 years now. We're very pleased and happy with that arrangement with Virtus in our partnership. On page 4 a lot of the same status quo here; same 3 investment strategies you see on the page. AUM updated a little bit through the end of September 30th. As of yesterday, the total AUM was \$1.4 billion in dollars and that's between the mutual funds and separate accounts with more of the assets in separate account arena than in the mutual fund at the time. Page 5; let's talk about the team for a moment here. Status quo with the portfolio managers that you see on top for our purposes for today, Brett Barner remains the lead portfolio manager on small cap

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

November 17, 2020

value. There's nothing to report there. He's been on the strategy since 1995. What I do want to update the Board with the little recent change we had with our analyst ranks. There in the bottom left, Nicole Blakley has taken an extended personal leave to attend to personal matters and we wish her well. We welcome her back as soon as things get resolved whenever that may be. In the meantime, we have brought on a new analyst as of November 2nd. His name is Casey Johnson. He's got 17 years of investment experience. We forwarded that information to Callan Consults and we can forward this on to you as well as post this meeting conference call with his bio. He will be covering materials to fill that gap. Other than that, there's no changes to report of the other analysts other than David Maynard. He celebrated his 6 years with us this month as well. Let me pause to see if there's any questions.

Ms. Scott said no questions.

Mr. Loncar said moving to page 6 is just the investment philosophy approach. That's not changed so I won't blaver that. None of those slides have changed in terms of the data. Page 11 is where we'll jump into the investment portfolio that we manage on your behalf. If you see here on this page, you see the market value as of September 30th, that portfolio value was \$4.915 million and fully invested as we've always stated is our main date to be fully invested. We're not looking to be or wanted to manage cash hence you see the cash at 2.5%. We try to keep that below the 5% level; 2 to 3% the normal range. Moving to page 12 is the cash flow statement for the quarter. Not much in terms of activity in terms of contribution withdrawals and you see the requisite dividends realized and unrealized gains and losses for the third quarter of 2020. You get a different view on page 13 from a 12 month look back. You see a little bit of a change in terms of withdrawals. I believe there's a reallocation there. You see the value of \$1.855 million there and then the requisite interest dividend realized and unrealized gains and losses for the period that gets to the \$4,915,259.94 value as of September 30th. On page 14 the chart shows our long term relationship in terms of the original investment with subsequent contribution withdrawals, management fees and then shows a total investment earnings that is the incoming capital appreciation that we've been able to provide for particular relationship, and you see that's a fairly decent number basically offsetting almost all the withdrawals that have experienced through our relationship since 1999. Moving to page 15, the investment returns. Certainly 2020 has been one of many volatile periods. Obviously going from the first quarter that we've dealt with the wonderful COVID-19 virus that remains in place today. Hopefully with some positive news being released from some of the larger cap pharmaceutical companies regarding vaccines. Those are positive items which have certainly matriculated into the marketplace and have caused positive upward bias to the marketplace. As you see on page 15 in terms of investment returns, the third quarter was positive consecutive one from 2Q, 3Q is positive. We slightly lagged a little bit in terms of benchmark, ie., the Russell 2000 Value. What I want to spend some time on is the trailing 12 months which looks a little bit out of place versus some of the medium to longer term numbers which are very competitive versus the benchmark. Again, this is a snapshot in time so during certain snapshots there come be time periods where we don't look very well and this being one of them. If I try to recall the last time we met, certainly meeting that took place this time last year, it was a favorable one where we actually had posted a fairly good results for some benchmark, although they were negative in terms of the comparison of each. The 10 and 12 months was negative but a lesser negative versus a benchmark in terms of the Delta. What is causing most of the dislocation for the trailing 12 months in this period is the fourth quarter 2019 where there was a big

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

November 17, 2020

move by equities gross lead the space but we trailed by value benchmark in that period by only 600 bps which is causing a lot of this dislocation or the Delta of 291 bps for the trailing 12 months. A lot of that was due to a lot of high price low quality high beta stocks. Again, that not our real house where we focus on dividend paying companies which tend to be more high quality, sustainable cash flow earnings. When that time period occurs coupled with some bad stock picks such and Children's Place, which was subsequently sold in the period, US Cilica which is the same energy company in oil service space where we're having a very difficult time period, and then American Eagle which is a retailer which was experiencing some difficulties at that time. Those stocks coupled in that current environment did not bold well for our strategy in the fourth quarter which certainly being exhibited in the trailing 12 month number that you see there. Just to kind of give you a bit of comparison, the year to date number that is from December to October of this year were actually doing far better than the benchmark, although in a negative capacity. We were able to provide with a negative 16.61 versus the Russell 2000 benchmark having a negative 18.74. Although negative, we are 200+ bps better than the represented benchmark in the represented time period of October 31, 2020. Again, we were able to cover most of the downside in the first quarter due to COVID concerns. We were still down but not as much as represented benchmark. We were able to post favorable results in the March quarter as I mentioned, and also some favorable results in the June quarter; trailed a little again as those stocks were beamed down very hard bounced; some of those low quality. We trailed a bit, and then we had a subsequent good start to the fourth quarter with month of October. I just want to summarize this where there is a lot of micro movements in 2020. I mentioned COVID, the lockdowns, vaccine news. Election certainly have caused a bit of dislocation in the marketplace, positive or negative, and not to mentioned China tension as well. We try not to look at things in a short term manner. We tend to have a longer term time horizon. That's 18 to 36 months. Sometime that not longer with names. I think that exhibit in terms of our five year plus inception to date numbers which are offer competitive returns versus the benchmark. Some of that is exhibit in the following pages in terms of pages 16 and 17 which are attributions which there're a lot of number here but again just to point out a few numbers or certain areas. Areas that helped us in the quarter were industrials, real estate, and financials. Areas that hurt us was healthcare, Consumer Staples, and materials, particularly healthcare. We're unable to participate in some of the high flying type of pharmaceutical biotech names. One area that is a big draw for the quarter was Consumer Discretionary. A lot of names in the third quarter bounced off the bottom. Some of those names did not pay dividends, so hence, our upside was lower than that of the benchmark in the third quarter which caused a bit of a delta in terms of being underweight in that sector for the third quarter. Some names that worked in the period was Quanta Power, which was a great stock for us. We actually sold that in the current period. It has reached predetermined price targets. Pentair, which is a pump manufacturer for pools that's done quite well. Richie Brothers, which is an auctioneer has done well. SLM which is a student loan provider has done quite well. The names that hurts was Kemper Insurance, Bank of Hawaii, First Hawaiian, WR Grace, and Hill-Rom Corp. which basically is a hospital bed maker; has done fairly well from a year to date perspective but trailed in the third quarter as more other vaccine type biotech related names, the market tends to gravitate to versus the old defensive that makers such as Hill-Rom. Page 16 and 17 is just the annualized version of this for the trailing 12 months. Some of the same dynamic areas that work for Financials and Consumer Services. Areas that hurt where Consumer Discretionary, healthcare and tech. Tech particularly was hurt by some of the exposure we had with a company call Saber Corp., which was an online reservation entity that partnership with a lot of

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

November 17, 2020

airlines, cruise lines, and hotels. They were devastated by the COVID issues and lockdowns and subsequently had to eliminate their dividend which in turn caused us to eliminate stock and we experienced a little bit of dislocation with that security. What worked for the annualized portion was Quanta Services and Pentair. So, there's the sector concentration top ten changes. One I want to mention is Quanta Services. We sold that. It was one of the top holdings. As it reach it price target levels, we sold that and the stock has done very well for us. The other names remain in the portfolio. Those are my prepared remarks. Are there any questions?

Ms. Scott asked the Board if there were any questions. There were none.

Mr. Loncar said thank you and I appreciate your time to allow me to present to the Board.

ITEM NO. 9 ~ CONSENT AGENDA

None.

ITEM NO. 10 ~ CONSIDERATION OF ABSENCES

Ms. Scott acknowledged the excused absence of Mayor Linda Hudson. **A motion was made by Mr. Keith Stephens and seconded by Mr. Javier Cisneros to approve the excused absence of Mayor Linda Hudson. 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. 11 ~ BOARD MEMBER COMMENTS

Mr. Cisneros said happy holidays and see you next month.

Mr. Stephens sad happy holidays.

Comm. Perona said the City did make a decision today we are going to suspend the Christmas parade this year, the sights and sounds; at least the way we have done it in the past. I know that the Mainstreet and the Kiwanis Club are working on possibly ding some other form, but just to know that the city is looking at special event permits as we go forward in this COVID crisis. It's at a spike right now and we really anticipate a bigger spike after the Thanksgiving holidays. It's coming upon us to be very careful of how we approach our own families. I expect December to be one of the most challenging months that we have as far as the disease as well as how we operate in this government.

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 3:37 p.m.

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

November 17, 2020

ATTEST:

Secretary/Treasurer

Chairperson

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