

**East Lake Fire Rescue-Pension Fund Quarterly Meeting
Summary of Minutes January 18, 2023**

Roll Call: Mr. Prior called the meeting of the Board of Trustees of the East Lake Fire Rescue Pension Plan to order at 7:30 a.m. at 3375 Tarpon Lake Blvd. Palm Harbor, FL 34685.

Trustees Present: Chairman Doug Stryjewski, Michael Handoga, Sharon Bonnem, Jeff Jackson and JD Cattel.

Others Present via Zoom: Attorney Adam Levinson of Klausner, Kaufman ETAL, John Thinnies of AndCo Consulting, Administrators Pete Prior and Livia Giuliani of Benefits USA, Inc.

Approval of Minutes

October 19, 2022 Meeting

Chairman Stryjewski asked if there were any changes or corrections to the minutes. Hearing and seeing none, the Chairman said he would entertain a motion. Trustee Handoga moved to approve the minutes as presented and Trustee Bonnem seconded the motion and it passed.

Public Comments:

The Chairman opened public comments. Seeing and hearing none, public comments were closed.

Unfinished Business:

There was no Unfinished Business discussed.

New Business:

2022 Financial Statements

Mr. Landers reported on page one that the financial statements presented fairly in all material respects, the information regarding the net fiduciary position and the changes in the net fiduciary position as of September 30, 2022 and 2021 a clean opinion was issued. The financial statements were audited using the auditing standards generally accepted in the United States and they are required to be an independent auditor of the Plan to meet their ethical responsibilities relating to the audit.

Mr. Landers reported that the net position at the beginning of 2022 was \$23,180,015 and \$19,182,877 at fiscal year-end 9/30/22 represents the district's net pension liability of \$7,957,551 or 70.69%. A portion of the Plan's net position (\$952,686) is designated for DROP and share plan benefits (\$339,860 and \$612,826 respectively). The net pension liability is calculated using the discount rate of 1% higher and 1% lower. If the net pension liability was calculated using 1% lower (6.25%), the liability would increase to \$11,161,112 and if calculated using 1% higher (8.25%), the liability would decrease to \$5,288,697.

Finally, Mr. Landers reported on the administrative expenses as follows: Actuary-\$21,711; Administrator-\$19,276; auditing-\$14,000; liability insurance-\$3,291; dues and education \$18,130 for a total of \$76,508 represents a decreased from last year of \$85,531.

The Chairman asked the Attorney if the Board could approve the financial statements pending the completion of the bond issue? Attorney Levinson noted that he has no problem with a motion to approve pending additional information. Attorney Levinson also questioned internal controls asking if there were any issues and did, they get full co-operation from the vendors. Mr. Landers noted that there were no internal control issues and they received full co-operation. That being said, Trustee Handoga moved to approve the audit. Trustee Jackson seconded the motion and it motion passed.

2022 Actuarial Valuation

Mr. Donlan reviewed the 10/1/2022 valuation noting that the required contribution for fiscal year 9/30/2023 is 41.1% of annual payroll and for 9/30/2024 the contribution will be 42.9% of annual payroll. The state contribution was \$335,632. This amount represents the distribution that was received in 2022. All state monies received for calendar year 2021 and after will be used to offset the district's required contribution. If the fund has a funded ratio of less than 75% then all monies received from the State in excess of \$258,650 will be allocated to a Share Plan. The required contribution from the District and the State for September 30, 2024 will be 35.9% of actual payroll realized in that year.

Mr. Donlan reported that the normal cost of the Plan for 2023 is 23.4% an increase from 2022 of 22.7%. The amortization of the unfunded liability for 2023 is 14.4% and will increase to 17.5% for 2024. The fund had an actuarial gain of \$881,766 for fiscal year ending 2022.

Mr. Donlan reported on the changes that were adopted on January 24, 2022, which include the benefit accrual for service increased from 3% to 4% of average final compensation for each year of credited service and service prior to February 1, 2022 would receive the 3% benefit accrual rate. The member contributions increased from 5% to 7% of salary, however if the funded ratio drops below 75%, then the member contribution rate will revert back to 5% and the assumption rate was lowered to 7.25% from 7.50% net of investment expenses in the 2021 report. The Unfunded Actuarial Accrued Liability as of 10/1/2022 was \$5,505,625 and the funded ratio is 80.2%. Mr. Donlan reporting on the 5-year smoothing method noting that in the 1st year 20% of gain or loss is recognized and 20% each year until the 5th year then the full 100% gain or loss is recognized.

Finally, Mr. Donlan reported on the Plan membership noting that there are a total of 70 members; 37 are active, there are 19 retirees collecting a benefit, 2 DROP retirees, 1 beneficiary, 3 disabilities and 7 vested terminated employees. That concluded Mr. Donlan's report. The Attorney noted that a motion was in order to accept the 10/1/2022 actuarial valuation as presented. Trustee Bonnem moved to approve the valuation and Trustee Cattel seconded the motion and it passed. The Attorney noted that a second motion was in order to set the rate of return for this year, next year and the long term.

Mr. Thinnes said he recommends the assumption rate of 7.25% for this year, next year and the long term. That being said, Trustee Sharon moved to approve the current rate of return of 7.25%. Trustee Jackson seconded the motion and the motion passed.

Detail of Administrative Expenses

The Administrator reported that the expenses for the fiscal year ending 2022 were \$103,508 and did not exceed the budget of \$136,308.

Fiduciary Liability Application

The Administrator reported that the insurance renewal is in progress and she is waiting for the audit and the valuation after this meeting to send it to the broker.

Consent Agenda:

For Approval: Warrant #217

Dana Investment Advisors (Q4-2022 Mgmt Fee-LC Inv #96090 1/3/2023)	\$7,079.52
Dana Investment Advisors (Q4-2022 Mgmt Fee-FX Inv #96079 dated 1/3/2023)	\$1,750.88
KKJ&L (Legal Fees; Bill #32009 dated 12/31/2022)	\$667.80
Total	\$9,498.20

For Ratification: Warrants #215-216

Benefits USA, Inc (Flat Monthly Fee for November 2022)	\$1,600.00
Benefits USA, Inc (Flat Monthly Fee for December 2022 plus UPS charges)	\$1,633.91
FPPTA (2023 Membership Renewal)	\$750.00
FPPTA (2023 Re-Certification fee for Sharon Bonnem)	\$31.00
FPPTA (WTS 2023 Registration for Sharon Bonnem)	\$850.00
KKJ&L (Legal Fees; Bill #31660 dated 10/31/2022)	\$2,957.40
KKJ&L (Legal Fees; Bill #31833 dated 11/30/2022)	\$667.80
Total	\$8,490.11
AndCo (Q4-2022 Consulting Fee-Invoice #42909 dated 12/30/2022)	\$5,000.00
Benefits USA, Inc. (Flat Monthly Fee for January 2023)	\$1,600.00
Foster & Foster (Services Rendered; Invoice #25645 dated 12/29/2022)	\$19,612.00
Saltmarsh ETAL (Progress billing for 9/30/22 audit; Inv #718591 dtd 11/22/22)	\$5,500.00
Total	\$31,712.00

Trustee Jackson moved to approve the Consent Agenda and Trustee Bonnem seconded the motion passed.

Investment Report: Q/E 12/31/2022

AndCo

Mr. Thinnes addressed the board noting the plan did well for the quarter but surprisingly, the consumer is still spending and maxing out their credit cards. Inflation is coming down but it is still high and the Federal reserve is continuing to increase rates. The fund earned 6.58% for the quarter and ranked in the first percentile. The equity fund returned 10.30% vs. the policy of 9.03%. Domestic equity returned 8.58% vs. the policy of 7.18%. Parmassus the new fund earned 9.64% ranking in the 28th percentile and Dana returned 10.52% outperforming the S&P index of 7.56%. Vanguard returned 5.11% vs. the S&P completion index of 5.07%. International equity returned 16.11% vs. the international policy of 14.37% and Euro Pacific returned 13.78%. Pear Tree returned 17.72% and Transamerica returned 19.72% outperforming the EAFE index of 17.40%. The fixed income returned 2.29% vs. the fixed income policy of 1.87% and Dana fixed income returned 1.82% vs. 1.72%. Dodge and Cox returned 2.76% vs. 1.87%. There real estate was not yet available as of the quarter ending 12/31/2022. Mr. Thinnes reported that the Fund did well for the quarter and he did not have any recommendations for the plan at this time.

Trustee Cattel asked Mr. Thinnes if the income and contributions are sustainable going forward. Mr. Thinnes stated that there will always be contributions from the members and the investments augment the funding of the plan.

Dana Investment Advisors

Mr. Peters addressed the board noting that there is good news this quarter. He reported that Dana equity fund returned 10.51% vs. outperforming the S&P 500 of 7.56%. The Dana fixed income fund returned 1.67% vs. the Bloomberg Intermediate Aggregate of 1.76%. Mr. Peters noted that during the quarter, the Fed continued raising interest rates to 4.5% as inflation continues to rise. The Chairman of the Federal Reserve reported that interest rates will continue to rise until the recession recedes to 2-2.5% even if it leads to a recession. Index returns were positive for the quarter as value outperformed growth. The Russell 1000 value returned 12.42% vs. the Russell 1000 Growth of 2.2%. The S&P returned 7.56% for the quarter and -18.11% for the year to date. Small cap returned 6.23% for the quarter and continue lagging large cap during the quarter. Developed foreign and emerging markets returned double digits for the quarter while the developed foreign markets outperformed domestic markets for the year to date.

Mr. Peters reported that over the past 71 years (73%) the S&P 500 posted positive returns compared to 26 years or (27%) of negative returns for a average annual return of 10.12%. Consumer Discretionary, Information Technology and Communication services had strong returns for the quarter and energy, financials and materials lagged during the quarter. Mr. Peters noted that Dana has significantly outperformed many of the US large cap indices since inception and experienced lower volatility compared to the S&P 500.

Finally, Mr. Peters reported on the market update noting that the GDP increased to 1.1% for the quarter compared to 0.70% in the previous quarter. For the full year, the GDP projected to increase 1.9% but is expected to slow to 0.30% in 2023. Mr. Peters thanked the Board for the opportunity to present.

Miscellaneous Correspondence

No Action Required

REPORTS:

Attorney:

Mr. Levinson reviewed the memo dated November 2022 regarding proxy voting. He noted that the SEC adopted a rule to make proxy voting more transparent to investors. Mr. Peters explained what his firm does and will review the stock they have and report back to the board at the next meeting. Mr. Levinson suggested that this item be discussed at future meetings.

Mr. Levinson also reported on the amended Secure Act 2.0 for public safety officers. Currently, there is a \$3,000 exclusion for a distribution from the Plan for public safety officers to pay their health insurance premiums. This exclusion requires that the premiums must be deducted from the retiree's pension payments and paid directly to the insurance company. The 2.0 act now repeals this requirement. Effective for amounts received in taxable years beginning 12/31/2026, the 2.0 act permits first responders to exclude service incurred disability payments from gross income after reaching retirement age. Currently, the 10% penalty for early distributions does not apply to public safety officers who are 50 years of age. The 2.0 act extends this exemption to public safety officers with 25 years of service. This amended act also expands the definition of public safety officers to include correction officers.

Required Mandatory Distributions

Currently, the age to take required mandatory distributions is age 72; however, this act increases the age to 73 beginning 1/1/2023 to age 75 beginning January 1, 2033 and finally for defined benefit plans, the act extends the ability of an employer to use funds from an overfunded pension plan to pay retiree health and life insurance benefits from December 31, 2025 to December 31, 2032.

Administrator:

The Administrator had nothing further to report.

Trustees


The Trustees had nothing to report.

NEXT MEETING DATE:

Mr. Prior reported that the next meeting is April 19, 2023 @ 7:30 am.

ADJOURNMENT:

Trustee moved to adjourn and Trustee seconded the motion. The meeting was adjourned at 10:00 a.m.



Chairman or Secretary