

Mayor Daniel W. Nugent called the meeting to order. In attendance were Trustee Terry Anderson, Pension Attorney Ron Cohen, Trustee John-Paul Ledford, Commissioner Janice D. Mortimer, Mayor Daniel W. Nugent and Brendon Vavrica representing AndCo. Chairman Scott Roberts was absent.

Mayor Nugent asked to add swearing-in Commissioner Mortimer as the newly appointed board member to the agenda. Notary Public Lisa Terry asked Commissioner Mortimer to raise her right hand and repeat after her. "I, Janice D. Mortimer, do solemnly swear that I will support, protect and defend the constitution and government of the United States and the State of Florida, that I am duly qualified to hold office under the constitution of the state and the ordinance of the City of Starke. I will well and faithfully perform the duties of pension trustee of said city on which I am about to enter so help me God." Mayor Nugent welcomed Commissioner Mortimer to the board.

Mayor Nugent entertained a motion to accept the minutes from the July 25, 2018 Meeting. Trustee Anderson made a motion to accept the minutes. It was seconded by Trustee Ledford. The motion passed 4-0.

Mayor Nugent entertained a motion to approve the warrants for July 2018, August 2018 and September 2018. Trustee Ledford made a motion to approve the warrants. It was seconded by Trustee Anderson. The motion passed 4-0.

Mayor Nugent asked if there was any citizen participation. There was none.

Mayor Nugent asked Mr. Vavrica representing AndCo to give the Investment Performance Review. Mr. Vavrica said they had a phenomenal fiscal year. He said this is the most important performance review of the year because these are the numbers the actuary will use for the calculations for cost to the city. Mr. Vavrica said the red bars on page 2 are the international stocks which were flat. He said the blue bars are where the majority of the money is and the S & P was up 7.7 percent and most of the other major indices were in the 7 percent range. Mr. Vavrica said the green bars that represent fixed income had some negative numbers due to the Fed raising rates on the short end. He said on page 3 the blue bars are value stocks and the red bars are growth stocks so in the quarter the growth stocks outperformed the value stocks. Mr. Vavrica said the Treasury Yield Curve on page 9 shows the muted returns on fixed income are beginning to increase. He said the asset allocation is on page 10. We have just under the maximum equity of 75 percent at 74.7 percent, fixed income at 18.8 percent and cash at 6.4 percent. Mr. Vavrica said we ended the fiscal year at \$9,740,449 and started the quarter at \$9,173,995 so there was a very nice increase. Mr. Vavrica said page 15 shows a summary of all the bank statements. He said the top half of the page shows the quarter and the bottom half of the page shows the fiscal year. Mr. Vavrica said we

started the quarter with \$9,173,995 and had contributions of \$159,708 and distributions of \$257,529 with other expenses of \$15,907 and income of \$40,386 and capital gains of \$639,795 for a total of \$9,740,449. Mr. Vavrica said page 16 is where it gets really good. We are at 7.43 percent versus the policy of 3.7 percent. Mr. Vavrica said we placed number 2 beating 98 percent of plans. Mr. Vavrica said for the year we are at 12.88 percent. Mayor Nugent asked where we were at last year. Mr. Vavrica said 16.4 percent. Mayor Nugent entertained a motion to accept the Investment Performance Review. Commissioner Mortimer made a motion to accept the Investment Performance Review. It was seconded by Trustee Ledford. The motion passed 4-0.

Mayor Nugent asked for the Attorney Report. Attorney Cohen welcomed Commissioner Mortimer to the board. He said he wants to remind the board about Florida law and fiduciary duty. Attorney Cohen said they are governed by Sunshine Law. The board members cannot discuss anything that may come before the board except during the board meetings. He asked the board members to never reply all to an email. Attorney Cohen said in Florida pensions are very heavily regulated. He said there is a provision in the constitution saying if you give a benefit to someone you must start funding for it. Attorney Cohen said State Law Chapter 112 Part 7 governs police, fire and general pension plans. It requires pension plans to have an actuarial valuation done at least once every 3 years. Attorney Cohen said we have an actuarial valuation done once a year to determine the funding requirements. He said the actuary determines the assets and the liabilities of the plan. Attorney Cohen said the city is very good about paying into to the plan. He said there are horror stories about pension plans across the country being under funded. Attorney Cohen said the board must make sure that pension benefits are paid to the people who deserve them and not paid to anyone who does not deserve them. He said the trustees are fiduciaries and are held to a high standard at the highest degree of loyalty and honesty to the members of the plan. He said the money is only used to pay benefits and the expenses of running the plan. He said taxes are not paid on the money made by the plan. Attorney Cohen said part of the plan expenses includes educating the trustees. He said the Florida Public Pension Trust is a not-for-profit educational foundation who holds training twice a year and a conference once a year. Attorney Cohen encouraged the trustees to go to educational opportunities. He said fiduciaries are obligated to use care, skill, prudence and diligence in performing their duties. Commissioner Mortimer asked for a copy of the Investment Policy Statement. Mayor Nugent asked if another commissioner could attend the meetings. Attorney Cohen said they could. Mayor Nugent asked if another commissioner could attend the Florida Public Pension Trust training or conference. Attorney Cohen said the city would have to pay for it and they would need to check with the Florida Public Pension Trust because the fee may be different for a non-member.

Attorney Cohen said he wants to talk about Amendment 6 to the Florida Constitution

that will be voted on November 6. It is known as the crime victim's amendment. He said there is something hidden in the amendment regarding judicial deference. Attorney Cohen said in addition to giving rights to crime victims and setting the mandatory retirement age for judges at 75 it has a statement that says when reviewing a statute or a rule courts do not have to give deference to the state agency. He said state agencies have expertise in certain areas so they are given deference. If the amendment passes the courts will no longer defer to the state agencies. Attorney Cohen said some of the pension funds are concerned about this because a special act was used to create their plan and not an ordinance. He said our plan is governed by city law so this will not affect us.

Commissioner Mortimer asked how long employees can remain in the Deferred Retirement Option Program. Mayor Nugent said 5 years. Commissioner Mortimer said she is concerned about how the pension fund is affected by employees in the Deferred Retirement Option Program and receiving their retirement but working and not contributing to the pension fund. Mr. Vavrica said it is not a liability to the plan because there is no more liability for that employee being incurred by the plan.

Mayor Nugent asked for new business. There was none.

The date for the next meeting was set for January 23, 2019 at 9:00 am.

There being no further business Trustee Anderson made a motion to adjourn. The motion was seconded by Commissioner Mortimer. The motion passed 4-0.