
City of Lake Wales
Firefighters' Plan and Trust Fund
April 25, 2022
MINUTES

Board Members Present	Also Present	Absent / Excused
Roy Wilkinson - Chairman	Pedro Herrera–Attorney (Phone)	Dennis Childress – Trustee
Brian Patterson – Secretary	Caleb Hynson – Plan Administrator	
Michael Costello – Trustee	Frank Mega – Plan Administrator	
Caleb Simpson - Trustee	Frank Wan – Consultant	
	Steve Stack – Investment Manager	
	Andrew Sullivan – SMID Manager	

I. Call To Order & Roll Call

Meeting called to order at 1:06 p.m. by Chairman Wilkinson. Roll call by Plan Administrator. A quorum was in attendance.

II. Open Forum

No members or concerned parties requested to address the Board of Trustees.

III. Minutes /Accounting Report

Minutes and accounting report offered for Board consideration. A motion was made by Brian Patterson to approve the minutes and accounting report as presented; the motion was seconded by Mike Costello and passed unanimously.

IV. New Business

CAP Study & Increase Multiplier – Trustees discussed looking at the previous CAP studies done in 2018 and have them updated in today's costs to have for consideration of benefit enhancements. Those studies include:

- Increase the \$75,000 annual benefit cap to \$80,000 and increase it by 2.0% each year for 10 years to an ultimate cap of \$97,520 for all future Retirees (the cap is based upon the year of retirement and does not increase once retired).
- Increase the \$75,000 annual benefit cap to \$90,000 for all future Retirees.
- Provide that once the \$75,000 annual benefit cap is reached on an individual basis, then that individual will be able to retire with no benefit reduction upon completion of 25 years of service, regardless of age.

Open discussion took place on refreshing this study in addition to performing an increased multiplier study to include:

- Increasing from 3% to 3.25% for all service years. This is to include options to the Member Contributions: 1) No change 2) 1.5% increase 3) 3% increase.

A motion was made by Caleb Simpson to approve refreshing the CAP study from 2018 and well as the increased multiplier study as presented; the motion was seconded by Brian Patterson and passed unanimously.

- *ACTION ITEM: Plan Administrator to work with Actuary on CAP and Increased Multiplier studies to be presented at future meeting.*

V. Investment Manager Report

Small-Mid Cap Portfolio Manager Andrew Sullivan of Highland Capital presented a SMID Cap Core Alpha product to the Trustees. The SMID Cap Core Alpha team utilizes quantitative models to identify high quality companies with favorable return characteristics, delivering long-term capital appreciation. The SMID Cap Attempts to deliver outperformance from broad stock selection and active sector allocation. Average position size initiated at an active 1%. The SMID Cap Universe provides clients an attractive substitute for small cap investing, with numerous benefits over the Russell 2000, while historically providing higher risk adjusted returns. Open discussion took place regarding the products objective and discussed the difference in quantitative vs qualitative approach. A motion was made by Brian Patterson to approve moving 50% of the MID-Cap Fidelity fund to the SMID Cap Core Alpha as discussed; the motion was seconded by Mike Costello and passed unanimously.

- *ACTION ITEM: Plan Administrator to work with Frank Wan and Salem Trust in establishing an account and transition of funds to the new SMID Fund. No IPS changes needed with this change.*

Steve Stack presented the Highland Capital Report for the FY quarter ending Q2. This quarter saw inflation hit levels we have not seen since the early 1980's, Russia invaded Ukraine in an unprovoked war, and the Fed achieved "lift off" as they initiated the first of perhaps several Fed Funds rate increases in the attempt to quell inflation. Following a strong year in 2021 with index returns over 28%, it would not have been surprising to see some level of pull back in the new year and the market obliged. The S&P fell 5% in January, and another 3% in February. The S&P officially reached "correction" status by falling 13% from its January 5th high, before starting to recover in mid March. And while the S&P in aggregate didn't come close to bear market territory (- 20% decline), the average stock in the S&P did decline 20% from its 52 week highs, indicating that the damage beneath the broad market averages was more severe. The NASDAQ didn't fare as well and entered a bear market by dropping over 21% from its November 2021 high, before rebounding almost 14% off its low in Mid-March, to end the quarter down 8.9%. The S&P also closed on a more positive note with markets rallying by 3.7% in March, and the S&P finished with a return of -4.6% for the quarter. Nevertheless, it did mark the worst quarterly performance for the market in two years.

The Fund beginning quarterly balance of \$9,070,521 and ending quarter balance of \$8,596,131, a \$365,906 decrease. The quarterly return is (-) 4.03%.

VI. Consultant Report

Frank Wan from Burgess Chambers spoke on the current market conditions and updated the Trustees on the status of the Plan's portfolio. Market timing has been one of if not the single least successful endeavors by investors in history of markets. Consistently studies such as Brinson, Hood, and

Beebower's "Determinants of Portfolio Performance" have indicated that market timing is one of the least important factors in determining the performance of a portfolio, accounting for less than 2% of the variation of portfolio returns. Furthermore, looking at the 5,036 trading days from 2001 to 2020, if an investor missed just the 10 best days in the market during that period, their annualized return would have been more than halved, down from +7.4% to 3.3%.¹ That is a cumulative return of over +125% an investor would have left on the table being out of the market for just 0.2% of the time. That is why the most prudent and successful investors focus on time in the market and not timing the market.

The fund began the quarter at \$11,787,814 and ending balance of \$11,339,442. For the quarter, the Trust lost 3.5% net.

VII. Attorney Report

Plan Attorney mentioned a bill filed for the January Legislative session that would add COVID-19 and infectious diseases to the list of conditions that, if suffered by an emergency rescue or public safety worker, are presumed to have been contracted while at work for purposes of workers' compensation did not pass.

The Plan Attorney spoke on the continuing education opportunities available through the FPPTA and the State. More information to be provided to Trustees.

- *ACTION ITEM: Plan Administrator to update Board members on educational opportunities.*

VIII. Adjournment/Next Meeting

A motion to adjourn was made adjourn meeting by Secretary Patterson. The next regularly scheduled meeting is *July25, 2022, at 1pm.*

DISABILITY INFORMATION: In accordance with the Americans with Disabilities Act and F.S.S. 286.26, persons with disabilities needing special accommodation to participate in this meeting should contact HYN Consulting, Plan Administrator, within 48 hours subsequent to the proceeding at 727-559-7333 for assistance. If hearing impaired, call the Florida Relay Service Numbers at 800-955-8771 (TDD) or 800-955-8770 (VOICE) for assistance.

APPEAL NOTICE: If a person decides to appeal any decision made by the Board, with respect to any matter considered at such meeting or hearing, that person will need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which appeal is to be based.