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

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

I. Call To Order & Roll Call

Meeting called to order at 1:04 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 Caleb Simpson to approve the minutes and accounting report as presented; the motion was seconded by Dennis Childress and passed unanimously.

IV. Old Business

CAP Study & Increase Multiplier – The Plan’s Actuary reviewed the recently refreshed CAP studies previously done in 2018 as well as additional benefit multiplier 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.
- 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.

Patrick walked through each option and the increases to the City or member where applicable. Open discussion took place to clarify all the options and increases. Trustees will use these studies to meet with the membership and union on benefit enhancement options.

V. New Business

Annual Budget - The Plan Administrator offered the proposed Fiscal Year (FY) 2023 budget and presented to the Board for consideration. Open discussion took place regarding the Budget, its' requirements, and relationship to the expenses. Based on the current economics and climate, it is recommended to keep the Budget the same as FY 2022, with an option to increase the Budget if needed throughout the fiscal year. A motion was made by Brian Patterson to approve the FY 2023 Budget the same as FY 2022 Budget; the motion was seconded by Caleb Simpson and passed unanimously.

Foster & Foster Fee Increase – Patrick Donlan of Foster and Foster spoke on a fee increase for actuary services. He stated the company has closely examined the fees they are charging their clients and the particular nuances of each plan. They have also reviewed the current state of professional actuarial fees in the public pension space – both in Florida and nationally. In short, we have not requested a change in our fee structure with the Plan since 2011 with regard to a significant portion of our services. This also includes the issuance of GASB 67/68 and 112.664 reporting requirements – which began in October 2014. Over that time, our internal costs have continued to increase exponentially – with the addition of new professional staff members, systems (including significant technological tools for our clients' benefit), cyber security measures and additional infrastructure. Some discussion ensued on the fee increases and concern was raised on 1) the Annual Benefit Statements (i.e. Green sheets) costs and 2) the annual Consumer Price Index (CPI). The Board would like to keep the Green sheets costs and process as part of the Annual Valuation costs and format as well as not wanting to follow CPI annually. Patrick mentioned the CPI can be capped to be no lower than 2% and no higher than 5%, annually. In addition, Patrick will visit the separate Annual Benefit Statements costs and enhanced process to remain as current process to be included in as part of the Annual Valuation. A motion was made by Brian Patterson to approve the fee increase as presented except for the CPI range of 2% - 5% and the Annual Benefit Statements carrying no additional costs or process. The motion was seconded by Dennis Childress and passed unanimously.

- *ACTION STEP – Plan Administrator to work with Attorney, Actuary, and board to update contract addendum.*

VI. Investment Manager Report

Steve Stack presented the Highland Capital Report for the FY quarter ending Q3. This quarter moved the market squarely into a bear market by declining 16.1%, and leaving us with the worst first half for US equities since 1970. The S&P has declined 21% from its all time high in early January and is now down 20% YTD. In most tough markets bonds serve as the stabilizing segment of a portfolio, but not so in 2022 as bonds also declined in value. In fact, it is so rare for stocks and bonds to decline simultaneously, that April was only the fourth time in the last 50 years that the S&P was down more than 5% with Treasuries also down over 2%. The second quarter marks only the fifth time since 1976 that stocks and bonds were negative for two consecutive quarters! Other than cash and some commodities, there was no place to hide. The decline to stock returns has primarily been due to multiple compression, as the price earnings ratio has declined from 22X to just under 16X today. While we are not at present in a recession, the market pullback at roughly 20% is very close to the average post war recessionary median decline of 24%. In effect, the market is pricing in a great deal of bad news already. If recession is avoided (easier said than done), then there should be some recovery in prices in the second half given the high level of investor pessimism. If a recession does

ensue, then a recovery in prices would likely take longer as this bear market is not quite 6 months old and the average bear market lasts for 20 months.

The Fund beginning quarterly balance of \$8,596,131 and ending quarter balance of \$7,779,605. The quarterly return is (-) 11.93%.

VII. 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. The US economy has been expanding too fast since the recent pandemic period stimulus measures were put in place. President Trump and Congress came to the rescue in providing numerous aid programs that grew the national debt by 22% from \$22.7 trillion in 2019 to \$27.8 trillion in 2020 (Bureau of Economic Analysis), and the figure was over \$30 trillion as of July 11, 2022. Getting back to normal will require a period of economic deceleration, meaning negative growth. Think about piloting a super tanker and slowing it down. Inflation is already slowing down the US economy, since real purchasing power is being diminished each day. The Federal Reserve has begun shifting to a neutral policy, by allowing interest rates to naturally move higher and resetting policy rates closer to a lower targeted inflation rate. This means slower US economic growth over the next 12 months, but not a protracted recession. Getting the inflation rate down to 3.5% from 8.6% could take several years (Federal Reserve survey). The objective is to reduce inflation while avoiding the choking off of real economic growth. As the US economy enters into a slower growth rate, inflation is expected to respond favorably. The dollar should rise further against major foreign currencies, as the Federal Reserve allows interest rates to rise further. This eases inflation as imports become cheaper.

The fund began the quarter at \$11,339,442 and ending balance of \$10,023,528. The quarterly return is (-) 11.2%.

VIII. 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 reminded the Board of the requirement to file their Form 1 by July 1 each year.

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.*

IX. Adjournment/Next Meeting

A motion to adjourn was made by Secretary Patterson. The next regularly scheduled meeting is *October 24, 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.