

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
June 15, 2020

An electronic meeting was held beginning at 9:11 A.M. Those persons present were:

TRUSTEES

Rich Seamon
Barry Ruf
Rory Kimbrell
Valerie Hurley

OTHERS

Margie Adcock, Administrator
Adam Levinson, Attorney
Tim Nash, Investment Monitor

APPROVAL OF ADMINISTRATIVE POLICY

Mr. Levinson provided the Board with a draft Administrative Policy Governing the Use of Audio-Video Conferencing or Teleconferencing to Conduct Virtual Public Board of Trustee Meetings. It was noted that the Policy governs the use of video conference meetings. The Board has to meet in the Sunshine and have the meetings open to the public so members of the public can attend. When the pandemic started, the Governor adopted an Executive Order to suspend the Sunshine Law's requirement to meet in person. The Policy governs how the Board will have virtual meetings. It was noted that the Executive Order is due to expire on July 7 unless it is extended. A motion was made, seconded and carried 4-0 to adopt the Administrative Policy Governing the Use of Audio-Video Conferencing or Teleconferencing to Conduct Virtual Public Board of Trustee Meetings.

ADDITIONS AND DELETIONS

There were no additions or deletions.

MINUTES

The Trustees reviewed the minutes of the meeting of February 13, 2020. A motion was made, seconded, and carried 4-0 to accept the minutes of the meeting of February 13, 2020.

INVESTMENT MONITOR REPORT

Tim Nash appeared before the Board. He discussed the market environment as of March 31, 2020. He stated that the market was at a record high in February and then there was a global shutdown with the onset of COVID. The markets reacted very violently with a 33% decrease in 23 days. It was the fastest drop in history. April and May have brought significant rebounds. The market has been volatile the last couple of days. Mr. Nash stated that he expects to see the market go down again moving into September. There is concern with COVID cases on the rise; a spike in the South and West; and China has had a bit of a spike.

Mr. Nash stated that last year was one of the best years in the stock market. There was a lot of exuberance in the market. He stated that it would not have been a surprise pre-COVID to see a little bit of an adjustment. Since COVID, the government stimulus was

huge. He noted that two days before the stimulus they had trouble selling bonds without taking a 13% hit. Mr. Nash stated that the stimulus is an important component of what is going on in the market. He noted that not all of the stimulus has been distributed yet so that is why there have been ebbs and flows in the marketplace. He noted that office space is a concern. He stated that 40% of the overall portfolio in American Realty is in office space. The other concern is multi-family and the issue of the ability of individuals to pay rent. For April, 8% of the rent was uncollected. In May it was more, with close to 12% of unpaid rents. He stated that American Realty is looking at two things. The first is that as the stimulus money is rolled out they think rents might catch up. The other is that have been working with people to extend leases.

Mr. Nash reviewed the performance as of March 31, 2020. He stated that the Fund has a lot of active managers that the Board wants to outperform when the market it up. However, more importantly is wanting them protect on the downside. All of the managers protected the Fund on this downside. It was a tough quarter. The Fund dropped about \$8 million in the quarter. It was a significant drop. There was a 14.25% drop during the month of March. There is a lot of fear in the market. High yield bonds were down 12% while US Treasuries were up 8.2%. If anyone owned anything but US Treasuries then performance dragged. Performance has improved in April and May with the government stimulus. Mr. Nash reviewed the fees on an annual basis. He stated that the overall fee is 63 basis points for all of the investment managers or about \$213,000. He stated that the investment program has a pretty low fee structure. He stated that even though the Fund paid manager fees, the fees were more than offset by their performance. Mr. Nash stated that the preliminary performance number for May is a total market value of about \$44.8 million compared to \$40.1 million as of March 31, 2020. There has been a nice rebound. Equities are clearly the driver of return. All managers had some strong outperformance. It was noted that there were about \$3 million in distributions so the Fund is about back to where it was.

Mr. Nash stated that the queue for American Realty is almost \$1 million which is not huge relatively speaking. And some of it is a function of asset allocation. It was noted that they have a large line of credit if needed. He stated that he is comfortable with the liquidity of American Realty. Where there will be an adjustment period in the June and September quarters, he is recommending to clients that are underweight in real estate to wait during June and September but add to real estate near the end of the year. Mr. Levinson inquired as to whether it made sense to get in the queue even if the money is not needed in order to have some flexibility. Mr. Nash stated that American Realty is only about 10% of the portfolio. He noted that 90% of the Fund's portfolio is valued on a daily basis and liquid on a daily basis. From a liquidity standpoint, 10% of the portfolio does not encumber the rest of the portfolio. He recommended staying the course. He still likes real estate for the long term. Mr. Nash did not recommend putting in a redemption request because if American Realty raises the money the Fund has to take it back and wait to put it back in. Mr. Nash stated that he thinks the portfolio is well positioned. He stated that there is a lot of uncertainty right now. There was discussion on the hospitality industry, airlines, cruises, and the oil sector.

Mr. Nash provided a Revised Investment Policy Statement. He stated that he incorporated the new name of the City (Lake Worth Beach); lowered the assumed rate of return from 7% to 6.9%; and revised the Addendum for Garcia Hamilton. Mr. Levinson stated that he reviewed the document and was comfortable with it. A motion was made, seconded and carried 4-0 to adopt the Revised Investment Policy Statement. .

ADMINISTRATIVE REPORT

The Board was presented with disbursements, including the investment manager disbursements. A motion was made, seconded and carried 4-0 to pay the listed disbursements.

The Board reviewed the financial statements for the period ending May 31, 2020.

Ms. Adcock provided a Memorandum dated March 27, 2020 regarding 2020 Payment Verification Letters that were approved at the last meeting. She stated that the letters were originally going to go out in April or May but they have been put on pause due to COVID. It was noted that the verifications would be required to be notarized and they did not want to put the retiree members at any risk during this pandemic. Mr. Levinson stated that the verifications are worthwhile to do but he is in agreement of pausing it temporality.

The Board was provided with a letter from the Division of Retirement dated March 3, 2020 advising that all of the Valuations through October 1, 2019 have been State certified. .

The Board was presented with a list of benefit approvals which included DROP distributions. A motion was made, seconded and carried 4-0 to approve the benefit approvals.

The Board was presented with the engagement letter for the audit for the fiscal year ending September 30, 2020. A motion was made, seconded and carried 4-0 to approve the engagement letter for the audit for the fiscal year ending September 30, 2020.

ATTORNEY REPORT

Mr. Levinson provided a Memorandum dated April 2020 regarding the Annual Form 1 Filing. he noted that the Form is required to be filed by July 1st of every year. He recommended filing it via email to the Supervisor of Elections.

Mr. Levinson provided a Memorandum dated April 27, 2020 regarding Continued Guidance on the Families First Coronavirus Response Act (FFCRA) and the CARES Act. He reviewed the different provisions of the Federal legislation passed regarding COVID and the impacts on the Plan. .

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Mr. Levinson provided an update on the proposed Ordinance that incorporated the firefighter cancer presumption and changing the name of the Fund to reflect the new name of the City as Lake Worth Beach. He stated that he has not yet forwarded it to the City. He stated that he will need to also incorporate the new laws related to the SECURE Act which raises the age to 72 ½ on mandatory distributions. He stated that there was no urgency regarding this Ordinance. He stated that he would rather do all changes at one

time and is waiting to see if a second round of legislation is going to be passed. He stated that he will be in a better position at the next meeting to determine if there will be any further changes that will require an Ordinance amendment.

OTHER BUSINESS

It was noted that the term of the 5th Trustee held by Rich Seamon expired on September 30, 2019. A motion was made, seconded and passed 3-0 to reappoint Rich Seamon as the 5th Trustee.

Rory Kimbrell advised that he is retiring effective September 1, 2020. There was discussion on his position as a Trustee. Mr. Levinson stated that he can complete his term. He stated that a Board can have a Trustee located out of state. However, when the Board is required to meet in person again, it might not be practical. As long as there are three other Trustees present at the meeting location the remaining Trustees could call into the meeting

Rich Seamon inquired about the possibility of looking at a health insurance supplement if Mr. Kimbrell was not looking further into the COLA issue that was discussed at the last meeting. The Board talked about the possibility of changing the Ordinance to eliminate the 13th check language since it appears that will not be payable for a very long time. There was a lengthy discussion There was discussion on the requirements of impact bargaining. Mr. Kimbrell stated that he has not made much headway with this because a lot of it is out of their hands. There is little to no ability to change anything other than providing options. The Board wanted to make sure a plan is in place prior to the possibility of losing the 175 premium tax revenues that are received by Division II. There was discussion about asking if Division II wanted to have a joint meeting at some point in the not too distant future.

PUBLIC COMMENTS

There were no public comments.

There being no further business, the Trustees adjourned the meeting.

Respectfully submitted,

Rory Kimbrell, Secretary