

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
May 6, 2022

An electronic meeting was held beginning at 9:07 A.M. Those persons present were:

TRUSTEES

Rich Seamon
Barry Ruf
Valerie Hurley

OTHERS

Margie Adcock, Administrator
Adam Levinson, Attorney
Brad Hess, Investment Monitor

PUBLIC COMMENTS

There were no public comments.

ADDITIONS AND DELETIONS

There were no additions or deletions.

MINUTES

The Trustees reviewed the minutes of the meeting of February 24, 2022. A motion was made, seconded, and carried 3-0 to accept the minutes of the meeting of February 24, 2022.

INVESTMENT MONITOR REPORT

Brad Hess appeared before the Board. He discussed the market environment for the quarter ending March 31, 2022. He stated that it is a changed world since March 31, 2021. He advised that he would like to potentially diversify the international equity portion of the portfolio to add a value component. For the quarter, there was no where to hide in the traditional asset classes. Everything went down at least 5%. Interest rates went up significantly during the quarter. At the end of the year the Fed announced that it was going to reverse its policy of providing financial stimulus and would begin to raise rates. Then there was the Russian invasion which caused market volatility. At the end of the quarter there was a rally which has since reversed itself following the Fed raising rates by 50 basis points. Mr. Hess stated that besides inflation, the economy is on decent footing. Employment is very strong. Growth is going to slow this year but it is still growing. In general, corporate profitability is still okay. It is not as strong as last year but it is okay. The market is anticipatory. It is looking forward. Given what the Fed is doing, being tight with money and raising rates, it is believed a recession might occur in the next two years. He thinks the likelihood is high, being about 90%. How severe it will be is unknown. It will be determined by how aggressive the Fed gets. Mr. Hess stated that the Fed raised rates 50 basis points on Wednesday. The market is volatile. This is what a bear market feels like. There is a lot of pessimism and not a lot of optimism.

Mr. Hess stated that they will position the portfolio in a manner that will always be focused on the long term. When interest rates go up, that is not good for growth stocks. He thinks it is a good idea to introduce an international value manager to complement

Euro Pacific. He recommended taking half of Euro Pacific's portfolio and putting it with an international value manager to help smooth the ride in international. He stated that he was looking to reallocate international, not take money away from international. He stated that the market has changed since the last quarter so he would like to discuss doing an international manager search today if the Board was interested.

Mr. Hess reviewed the performance as of March 31, 2022. The total market value as of March 31, 2022 was \$58,971,510. He reviewed the asset allocation. The Fund was down 4.86% net of fees for the quarter while the benchmark was down 3.95%. Mr. Hess reviewed the individual managers. He stated that all of the managers performed in line with expectations. He had no recommended changes except for adding international value. The only sectors that were positive in the quarter were energy and utilities. Every other sector was negative. He thinks value is set to do a little bit better than growth coming up. Adding international value will help minimize volatility in the international portfolio and will also provide some nice diversification. Mr. Hess reviewed the compliance checklist.

Mr. Hess provided an International Value Equity Manager Analysis as of March 31, 2022. He stated that currently the Fund's international portfolio is all in the growth area. He would like to introduce a manager in the value bucket to help balance the portfolio. He reviewed four candidates: Causeway Capital Management; Dodge & Cox; Pear Tree Advisors; and Transamerica Asset Management. He stated that all candidates are well established, large funds. They are long term businesses that have been around for a while in different markets. He reviewed each candidate. He reviewed their fees. He reviewed the composition of the portfolios, characteristics, sectors and market capitalization. He reviewed performance noting that all have done a great job of outperforming the index over a ten year period. He stated that Pear Tre is a little more midcap and takes a little more risk. Transamerica is more of a core bias so it does not complement the international growth as well as the others. Dodge & Cox is more diversified and has done better than the index. He stated that they complement the current manager with lower fees. He thinks they would provide the whole package. There was a lengthy discussion. A motion was made, seconded and carried 3-0 to follow the Investment Monitor's recommendation and take half of the assets from Euro Pacific and allocate the funds to Dodge & Cox. A motion was made, seconded and carried 3-0 to accept the Investment Monitor Report.

ADMINISTRATIVE REPORT

The Board was presented with a list of benefit approvals which included DROP distributions. A motion was made, seconded and carried 3-0 to approve the benefit approvals.

The Board reviewed the financial statements for the period ending March 31, 2022.

The Board was presented with disbursements, including the investment manager disbursements. A motion was made, seconded and carried 3-0 to pay the listed disbursements.

Ms. Adcock provided the Board with a Memorandum Regarding Death Search & Verification Process Dated April 18, 2022. It was noted that the verification process done last year was manual and took a lot of time. Ms. Adcock stated that her office is moving to an enhanced process offered by PBI. This process will cost less and provide a timelier

notification of possible deaths. She stated that the cost was an annual fee that would be broken down monthly. The Board agreed that this enhanced process would be more cost effective and provide a timelier notification of possible deaths.

Ms. Adcock provided the Board with a Memorandum Regarding Office Lease Rollover Example Dated April 14, 2022. She stated that it was an example what is happening in the real estate market as the lease for their office space is due to renew this summer. She stated that her office thought the Board might find this interesting in terms of what is happening in the office sector space.

ATTORNEY REPORT

Mr. Levinson discussed a Memorandum Regarding Required Minimum Distributions (RMD) Proposed Regulations and Cryptocurrencies Guidance dated April 2022 that his office prepared. He reviewed the information. He noted that there was an increase in the RMD age to 72. The regulations clarify the definition of eligible designated beneficiaries. With respect to cryptocurrency, while the DOL is not a governing authority over public pension plans, such plans do look to the DOL for guidance. The DOL has stated that cryptocurrencies are not a prudent investment.

Mr. Levinson discussed the status of the proposed Ordinance regarding the firefighter cancer presumption and the SECURE Act. He stated that there was no urgency to move forward with any of the amendments.

Mr. Levinson reminded the Trustees to file their Form 1 Financial Disclosure by July 1st.

OTHER BUSINESS

There was discussion on Trustee elections. It was noted that an election notice was sent for the member position that was currently held by Rory Kimbrell as his term is up at the end of May. No one responded so another notice will need to be sent. It was noted that Mr. Kimbrell will hold over until replaced.

It was noted that there is still a vacant City Trustee position. Additionally, Valerie Hurley's position is due to expire at the end of July. The City has advised that they will be holding interviews on a Saturday during the summer for all appointments. Ms. Hurley has already informed the City that she will be out of town on the date are looking to have the interviews. The Board asked the Administrator to send communication to the City to advise them that the Board would like the City to reappoint Ms. Hurley to the Board.

There was discussion on the next meeting. The Board expressed a desire to meeting electronically if that was allowed. Mr. Levinson stated that he had no issue with the Board meeting electronically.

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

Respectfully submitted,

Barry Ruf, Chair