

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
August 29, 2023

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

TRUSTEES

Rich Seamon
Valerie Hurley
Theodore McMorrough
Barry Ruf
Kevin Carson

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 May 10, 2023. A motion was made, seconded, and carried 5-0 to accept the minutes of the meeting of May 10, 2023.

INVESTMENT MONITOR REPORT

Brad Hess appeared before the Board. He discussed the market environment for the quarter ending June 30, 2023. He stated that it was another good quarter for the Plan. The domestic equity market was strong. The last fiscal year ending September 30, 2022 was tough. It was the worst year going back to 2008. Bonds were low. There was a negative equity market. The S&P sold off over 26% from January 2022 to October 2022. Since then the market has seen about a 30% recovery. There have been multiple quarters in a row of positive GDP growth. There has been a significant decrease in inflation from 9% to 3%. The economy is much more resilient than what the stock market predicted last year. The Fund has had a nice bounce back even with some of the risk that was taken off the table. All in all, there are signs the economy is holding in there. Unemployment is at 50-year lows. There is a strong labor market supporting the economy, stronger than anticipated. It was noted that the market is being driven by 7 stocks.

Mr. Hess reviewed the performance as of June 30, 2023. He reviewed the asset allocation. He stated that the Fund is on top of the targets for all asset classes so no rebalance is needed. He noted that two changes were recently made. The Alger mutual fund was transferred to a separate account to obtain significant cost savings. Additionally,

the Brandywine ETF was transferred to a separate account to obtain significant cost savings. He stated that Addendums to the IPS needed to be set up for both managers.

Mr. Hess stated that there was a good solid return for the quarter. The long term results continue to be very strong. Overall, all of the managers performed in line with expectations. He stated that he had no concerns and no recommendations for any changes. Mr. Hess advised that Mr. Garcia from GHA has declared his candidacy and is running for Mayor of Houston, the fourth largest city in the US. According to the polling he is only at 3%. Since he is a critical member of the investment team, if he was to win the election, Mr. Hess stated that they would need to dig in and see if they still have confidence in GHA going forward. It was noted that Mr. Garcia has built a tremendous team but he is still an integral part of the team. It is not illegal for him to be Mayor and hold a job, but they are not sure he could do both effectively. Mr. Hess stated that he would continue to monitor the situation. There was a discussion on real estate. Mr. Hess stated that he thinks long term a 10% allocation in real estate is good. Right now, real estate is a little under the target. He thinks American Reality is a good manager. They are doing the right things to navigate a tough market.

Mr. Hess provided a Revised Investment Policy Statement. He stated that House Bill 3 went into effect on July 1, 2023. It impacts public pension plans by requiring the boards and managers to only use pecuniary factors when making investment decisions. He stated that neither this Board nor his firm has ever taken anything but pecuniary factors into consideration when making investment decisions. The new law will not impact the way the Fund operates. He stated that in working with the various attorneys, they believe that in order to comply with the new law there needs to be language in the IPS. Mr. Levinson agreed. He stated that the language is taken right from the statute and the revised IPS includes the statute sections. He noted that the new law also requires that proxies be voted based on only pecuniary factors as well. Mr. Levinson recommended the Board adopt the revised IPS as presented. A motion was made, seconded and carried 5-0 to approve the revised Investment Policy Statement as presented. Mr. Hess also presented an Addendum to the IPS Alger since they went from a mutual fund to a separate account. A motion was made, seconded and carried 5-0 to adopt the Addendum to the IPS for Alger as presented. Mr. Hess noted that an Addendum to the IPS for Brandywine was signed by the Chair in between meetings, with Mr. Levinson's approval, because Brandywine would not start managing the account in July without the Addendum. Mr. Hess presented the signed Addendum to the IPS for Brandywine for ratification. A motion was made, seconded and carried 5-0 to ratify the adoption of the Addendum to the IPS for Brandywine that was previously signed by the Chair.

The Board was provided with a Cybersecurity Notice from Garcia Hamilton dated May 26, 2023. Mr. Hess stated that there was an incident that occurred on April 14, 2023. He stated that there was a breach in their software system. It did not involve the investment side of GHA. It did not impact any holdings of the Fund and there was no personal identifiable information that was accessed.

ADMINISTRATIVE REPORT

The Board was presented with a list of benefit approvals which included DROP distributions. A motion was made, seconded and carried 5-0 to approve the benefit approvals.

The Board reviewed the financial statements for the period ending July 31, 2023.

The Board was presented with disbursements, including the investment manager disbursements. A motion was made, seconded and carried 5-0 to pay the listed disbursements.

Ms. Adcock presented a draft administrative expense budget for fiscal year 2024 that is required by Section 175.061(8)(a)2, Florida Statutes. The Board reviewed the draft budget. There was a lengthy discussion. A motion was made, seconded and carried 5-0 to adopt the administrative expense budget and provide the budget to the City in compliance with Section 175.061(8)(a)2, Florida Statutes.

The Board was presented with the engagement letter for the audit for the fiscal year ending September 30, 2023. A motion was made, seconded and carried 5-0 to approve the engagement letter for the audit for the fiscal year ending September 30, 2023.

It was noted that the 2022 Annual Report was approved by the State.

ATTORNEY REPORT

Mr. Levinson advised that the 175 premium tax monies to be received by Division II increased 46% from last year, He stated that the 175 premium tax monies for fire plans across the board increased.

Mr. Levinson discussed the maximum DROP Period. He stated that the current maximum DROP period for the Fund is 7 years. He noted that FRS has increased their maximum DROP period to 8 years. He stated that he received an email from the Attorney for the Union advising that the Union is interested in expanding the maximum DROP period so all members have the same DROP period. He stated that an Ordinance amendment would be necessary to extend the DROP period to 8 years. Mr. Levinson stated that he had no objection to this change. He stated that there was no reason to not allow that same equity to members of this Plan. He stated that the County is good with the change and so is the Union. The Fund will just need to amend the Ordinance and obtain an impact statement from the Actuary. He expected this change would result in zero to a minimal impact. There was discussion on whether this request could possibly allow the City to potentially open up contract negotiations. Mr. Levinson stated that he did not have a concern about this. Mr. Levinson stated that he had no objection to applying the change prospectively, as well as to existing members in the DROP. A motion was made, seconded and carried 5-0 to authorize the Attorney to prepare the Ordinance amendment to increase the maximum DROP period from 7 to 8 years.

The Board was provided with communication from the Division of Retirement regarding a requirement that the cancer presumption be specifically in the Ordinance. Mr. Levinson stated that the State wants an Ordinance in place regarding the cancer presumption. He stated that he previously took the position that such an amendment was not necessary. He stated that it makes sense now to move forward with the cancer presumption amendment and the DROP amendment at the same time. He stated that he had already drafted an amendment previously for the cancer presumption and had also obtained an impact statement for it as well. He stated that no action was required. He will move forward with the amendment.

There was discussion on continuing to meet remotely. Mr. Levinson stated that things are working effectively and efficiently. It is also saving the Fund money by meeting remotely. He stated that he had no problem with continuing to meet remotely.

OTHER BUSINESS

It was noted that the term of the 5th Trustee held by Rich Seamon is set to expire on September 30, 2023. A motion was made, seconded and passed 4-0 to reappoint Rich Seamon as the 5th Trustee.

There was discussion on Trustee elections. It was noted that an election needed to be done for the member position currently held by Barry Ruf as his term was up

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

Respectfully submitted,

Rich Seamon, Secretary