

WEST PALM BEACH FIREFIGHTERS' PENSION FUND

MINUTES OF MEETING HELD

JANUARY 11, 2018

Chairman Dave Merrell called the meeting to order at 1:32P.M. in the Conference Room at Station 1, 3rd Floor; 500 North Dixie Highway, West Palm Beach, Florida. Those persons present were:

TRUSTEES

Dave Merrell, Chairman
Guy Montante
Mark Parks (departed 2:54pm)
Ron Frano

OTHERS

Audrey Ross, Resource Centers
Bonni Jensen, KKJ&L
Dan Johnson, And Co. Consulting
Brendon Vavrica, And Co. Consulting
Vinay Nadkarni, ClearBridge Investments
Terence Fennessy, ClearBridge Investments
Jim Haymes, Polen Capital
Dan Davidowitz, Polen Capital
Rick Dorey, Retired Plan Member
Rick Roberts, Retired Plan Member

INVESTMENT CONSULTANT REPORT: ANDCO CONSULTING (PRESENTED BY: DAN JOHNSON & BRENDON VAVRICA)

Mr. Johnson briefly noted that he will not be able to make the next meeting and therefore Mr. Vavrica will be attending. He also noted that he has taken on a director's position within his firm and therefore Mr. Vavrica will continue to help out with this Plan and attend future meetings as well. The Board congratulated Mr. Johnson on his new position.

Mr. Johnson briefly reviewed the December 31, 2017 flash performance report. Started the quarter with \$203.3M in assets and ended in \$218.3M. He noted that this quarter includes the State money as well as the City's contributions paid in full for the fiscal year beginning October 1, 2017. For the quarter they are up 4.1% with a net gain of \$8.4M. The only negative performance during the quarter came from the Templeton Global Bond fund as it remains a tough market place for bonds, but all other managers are doing well. Mr. Johnson explained that the Board will be looking at alternatives today for the Brown account as there are concerns with them as a firm and not just the performance. He explained that Brown's investment returns are not the only reason why his firm is recommending a change but there are also concerns with the firm's strategy changes overall.

INVESTMENT MANAGER INTERVIEWS:

- **ClearBridge Investments – Presented by Vinay Nadkarni & Terence Fennessy**

Mr. Fennessy introduced himself as well as Mr. Vinay. He reviewed their positions within ClearBridge and stated that they are here to review their Large Cap Growth strategy. ClearBridge as a firm manages a total of \$130B in assets with \$25B of those in the Large Cap fund. They have been in business for over 50 years and for the past 6 years in a row now ClearBridge has received an award for the best working place. Mr. Fennessy stated that they do manage money for a lot of other local Florida Firefighter and Police Officer Pension Plans like this one and they have 60 investment professionals with 35 of those portfolio managers. They also have a separate risk security team that is separate from their compliance department which reflects that they are very serious when it comes to security and compliance. Mr. Vinay reviewed the Large Cap Growth fund and stated that they have 2 main portfolio managers as well as himself that are dedicated solely to the Large Cap

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MEETING OF JANUARY 11, 2018

Growth fund. He reviewed ClearBridges's philosophy and investment approach when choosing companies and stocks to put into their portfolio. He explained that their approach to selecting stocks is different from most other managers as well as how they manage risk and their valuations. Mr. Vinay reviewed the investment process and noted that they hold about 40-45 names in their portfolio and those names have to be above mid-cap to get in. They have low turnover at 15-25% and their average stock holding is about 4-7 years. They don't own a position more or less than 5% of their relative benchmarks. Mr. Vinay reviewed the fund's performance and stated that when the markets went down they did not go down as much as the index or the other managers as they offer that downside protection as well. All other time periods and over the long term they have outperformed the index. The standard fee for this account is 65 basis points but the proposed fee for this Plan is 55 basis points for a separately managed account. The Board thanked ClearBridge for their time and stated that they would be in touch with them in the near future when a decision is made.

- **Polen Capital – Presented by Jim Haymes & Dan Davidowitz**

Mr. Haymes introduced himself and Mr. Davidowitz. Mr. Davidowitz has been with Polen Capital for 10 years and is a portfolio manager on the strategy they are here to discuss today. He noted that Polen was founded in 1979 with the Large Cap strategy being released in 1989. They currently have 51 employees and all the employees are invested in the same strategy alongside their clients. They have a total of \$16.2B in assets with \$5.8B of those in the Large Cap fund. Mr. Haymes briefly reviewed their client list noting their other Fire and Police Florida clients. Mr. Davidowitz reviewed the Large Cap strategy and explained that they run a concentrated portfolio with only 15-35 companies; currently there are 20. These companies have great risk control and are debt free with strong growth and earnings. Mr. Davidowitz stated that they are also long term holders as they have only owned a total of 100 companies since the inception of this fund. He reviewed their stock selection process as well as when they would sell off a stock and noted that by sticking to their philosophy has proved good results with less risk. He reviewed the funds' performance and noted for the calendar year they are up 27% but still slightly trailing the index which is mostly due to the market environment and not their individual stocks. This fund offers downside protection as well and reviewed some examples of historic down markets where they did not drop as much as the index and they recovered faster as well. Mr. Davidowitz compared their product to the index and noted that they are able to preserve more capital than the index and their historic performance reflects that. The standard fee for this account is 75 basis points but they are willing to go to 60 basis points and may consider a performance base fee at some point. The Board thanked them for their time and told them they would be in touch with them once a decision has been made.

Board discussion:

The Trustees had a lengthy discussion on the two presentations and if even switching firms is what they want to do at the moment. Mr. Johnson stated that AndCo is not recommending to terminate Brown but rather review the account as there are some concerns about their firm and their process change. Then the Board can make the most fit decision based off the information they were provided with. The Trustees discussed the active management versus indexing and splitting into both as they think downside protection is very important at this time. The Trustees tabled this discussion until a future meeting when all Trustees are available and they have more time to review the information they were provided with today.

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MEETING OF JANUARY 11, 2018

MINUTES

The Board reviewed the minutes of the November 2, 2017 meeting and the December 7, 2017 meeting. Ms. Jensen had a revision to the December 7, 2017 minutes.

- ***A motion was made by Ron Frano to approve the minutes of the November 2, 2017 meeting as presented and to approve the minutes of the December 7, 2017 meeting as revised. The motion received a second from Guy Montante and carried 3-0.***

DISBURSEMENTS

The Board reviewed the disbursements presented for approval by the Administrator.

- ***A motion was made by Ron Frano to approve the disbursements presented by the Administrator. The motion received a second from Guy Montante and carried 3-0.***

BENEFIT APPROVALS

The Board reviewed the benefit approval list presented by the Administrator dated January 11, 2018 (1 application for a DROP loan).

- ***A motion was made by Ron Frano to approve the 1 application for a DROP loan. The motion received a second from Guy Montante and carried 3-0.***

FINANCIAL STATEMENTS

The Board reviewed the interim balance sheet and income and expense through November 2017.

- ***The Trustees received and filed the interim balance sheet and income and expense through November 2018.***

ATTORNEY'S REPORT: KKJ&L (PRESENTED BY: BONNI JENSEN)

Ms. Jensen notified the Board that 21 new hires recently started and they are in the process of collecting all the medical records.

Ms. Jensen briefly reviewed the Saxena White memo regarding the filing through the SEC and she reminded the Board that they will be reviewing some security monitoring firms at their next meeting.

Ms. Jensen commented that her office responded to the September 30, 2017 audit request that was just recently received.

Ms. Jensen stated that her office received a letter from BLBG regarding the Rent-A-Center case that started months ago. Their office received the requested books and records from Rent-A-Center, but not the Chairman and some other parties have resigned from the Rent-A-Center Board and therefore BLBG is now recommending to this Board that they close their case at this point on this one. The Trustees discussed and concurred with the recommendation to close the case on Rent-A-Center.

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MEETING OF JANUARY 11, 2018

Lastly Ms. Jensen briefly updated the Board on some Legislative Bills that are being proposed. There has not been anything filed yet directly impacting defined benefit Plan's, but there are some other Bill's that are being proposed in SB 980 that can have an overall affect. She commented that she will keep the Board updated as more information comes along.

ADMINISTRATOR REPORT: RESOURCE CENTERS (PRESENTED BY: AUDREY ROSS)

Ms. Ross stated that the Plan needs to renew their Fiduciary Liability Insurance for 2018. She confirmed with Ms. Jensen on some endorsement changes that were fine. The premium increased \$118 this year for a total of \$12,581.

- ***A motion was made by Ron Frano authorized to bind the Plan's 2018 Fiduciary Liability Insurance. The motion received a second from Guy Montante and carried 3-0.***

OTHER BUSINESS

Ms. Jensen reminded the Board that they discussed putting on some educational seminars for the members after this quarter end. Ms. Ross stated that she will work on getting those set up for the spring.

PUBLIC COMMENTS

N/A

There being no further business and the next Pension Board meeting having been previously rescheduled for Thursday, February 1, 2018 @ 1:30 P.M., the meeting adjourned at 3:25 P.M.

Brian Walker, Secretary