

WEST PALM BEACH FIREFIGHTERS' PENSION FUND

MINUTES OF MEETING HELD

August 1, 2019

Dave Merrill called the meeting to order at 1:32 P.M. in the Training Room at Fire Station 1, 3rd Floor, 500 N. Dixie Highway, West Palm Beach, Florida. The meeting was called to order in Workshop mode. Those persons present were:

TRUSTEES

Dave Merrill
Brain Walker
Mark Parks (1:36 pm)

OTHERS

Wanda Gordon & Scott Baur, Administrators (Resource Centers)
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)
Janna Hamilton (Garcia Hamilton & Associates)
Jeanine Bittinger (Davidson, Jamieson & Cristini, PL)
Brendon Vavrica (AndCo)
Rick Dorey

Open Workshop:

Janna Hamilton – (Garcia Hamilton & Associates)

Ms. Hamilton began by thanking the Board and acknowledged the recent performance under benchmark (2.29% versus 3.08% bench for quarter ending June 30, 2019) due primarily to shorter duration in portfolio. The manager believes there is much concern over the trade issues and slowing global growth. The market priced in 3-4 rate cuts, but the manager does not foresee an economic downturn. Corporate Bonds had best performance for quarter while the allocation shows an overweight to corporates.

Dave Merrill called the Board meeting to order @1.36 pm.

Ms. Hamilton continues with her report and goes on to say the manager has floating rate bonds which do not move in price when interest rates go down. The manager continues to maintain shorter durations and a barbell on fixed income security durations with exceptions that rates will ultimately increase without a recession, despite political pressure to cut rates. The portfolio ended on June 30, 2019 with total assets of \$23,601,363.58. Money supply growth continues to provide an incentive to the economy by encouraging banks to lend. Ms. Hamilton continued to review positive economic indicators reporting, the Fed may cut rates one more time but the manager does not see any material impact as a result. They do not see any signs of a recession noting the yield curve inversion as a "blip". The manager is not making any significant portfolio adjustments.

Jeanine Bittinger – Auditor (Davidson, Jamieson & Cristini, PL)

Jeanine Bittinger came before the Board to explain the merger of the audit teams with a new firm. The actual team members will not change, but they pick up more back office, IT support and succession planning. The old firm will continue without the audit practice. Saltmarsh is a much larger firm, offering the team new opportunities. The audit work will continue as is.

- ***Brian Walker made a motion to agree to assignment of audit agreement and 2019 engagement. The motion received a second from Mark Parks, approved by the Trustees 3-0.***

INVESTMENT CONSULTANT REPORT: ANDCO CONSULTING (BRENDON VAVRICA)

Mr. Vavrica reported the markets were good at quarter end but the fiscal year to date has been an absolute roller coaster. June reversed May losses. In the last 6 months, the Fed did a complete pivot on interest rates. Growth continued to substantially outperform value. Mr. Vavrica showed recent yield curves for fixed income securities and explained that the plan balanced to target allocation from cash flows. The

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portfolio ended June 30, 2109 with \$231,793,237 in total assets. Mr. Vavrica reviewed the current allocation in greater detail. For the quarter the assets gained 3.61% gross (3.52% net) compared to 3.52% bench. FYTD the portfolio gained 3.48% gross (3.21 % net). The gross 5-year return of 7.94% is in the top 1% of the comparison public fund universe. Mr. Vavrica does not yet foresee a recession, but growth has slowed considerably. Market prices appear reasonable which should keep any downturn very mild. Mr. Vavrica reviewed and commented on individual manager performances especially the fixed income managers but did not recommend any changed to the portfolio. Mr. Vavrica reviewed the update through July, now up 4.3% FYTD with 2 months to go. Polen in particular has continued to strongly outperform their benchmarks.

Mr. Vavrica also reported AndCo has not increased fees since October 2014, when assets were only \$174M. He proposed increasing fees from \$71K to \$80K over the next 3 years, effective October 1, 2019. A discussion ensued between the Board and Mr. Vavrica resulting in Mr. Vavrica offering a 4 year guarantee with no further increases until Oct 2022.

Bonni Jensen will add some language to the AndCo Fee Addendum.

- ***Brian Walker made a motion to approve AndCo's Fee Memo with changes which will include a 4-year guarantee. The motion received a second from Mark Parks, approved by the Trustees 3-0.***

MINUTES

The Board reviewed the minutes of the June 6, 2019 meeting.

- ***Brian Walker made a motion to approve the minutes of the June 6, 2019 meeting. The motion received a second from Mark Parks, approved by the Trustees 3-0.***

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

Ms. Jensen provided a memo offering guidance to divorcing members. The cancer presumption became law on July 1, 2019. Bonni recommends adopting the changes inside the pension so she must start with the legislative delegation in September. She suggested the Board adopt a Policy and incorporate by referencing until the next time the pension fund does another Special Act update. The cancer bill still has many unknowns regarding the implementation. The impact will not come from a higher incidence of cancer but rather more of those cancers being considered duty related.

Ms. Jensen addressed Hazel Grimes with trust as a beneficiary. The Board decided on a policy requiring money to leave. Bonni reviewed the proposed policy, setting forth the limitations. The Board considered the tax implications of distributions, the Estate considerations, and consistency with other Board policies regarding distributions from the plan. We will need an intermediate beneficiary designation for Hazel Grimes, a copy of the Trust, and a final beneficiary designation.

Dave Merrell would like a tax disclaimer added to the proposed trust as beneficiary form. The tax disclaimer would inform the member of the tax implications of taking out any funds. The policy must be reworded. Bonni will revise and bring to next Board meeting.

ADMINISTRATOR REPORT (Wanda Gordon, Resource Centers)

Dave Merrell asked about DROP loan details, and Mr. Baur stated that a member can borrow 50% of his or her DROP Account balance up to \$50,000. A member can only have one loan at any time, and no more than one loan in a year.

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DISBURSEMENTS AND FINANCIAL STATEMENTS

The Board reviewed the Warrants for payments by the Administrator, the Warrants for payments by the custodian, and the Warrants for pending invoice payments dated August 1, 2019.

- *Brian Walker made a motion to approve the Warrants dated August 1, 2019, for paid and pending disbursements. The motion received a second from Mark Parks, approved by the Trustees 3-0.*

The Interim Financial Statements were presented in the packet for review.

BENEFIT APPROVALS

The Board reviewed the benefit approvals presented by Ms. Gordon for August 1, 2019.

- *Brian Walker made a motion to approve the benefit approvals for August 1, 2019. The motion received a second from Mark Parks, approved by the Trustees 3-0.*

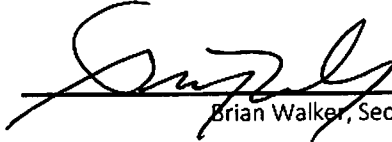
Rick Dorey asked some questions related to medical insurance deductions and VEBA offsets for retired members.

PUBLIC COMMENTS

No members of the public had any comment.

ADJOURNMENT

There being no further business and the next Pension Board meeting having been previously scheduled for Thursday, September 5, 2019 @ 1:30 P.M, the meeting adjourned.



Brian Walker, Secretary