

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MINUTES OF MEETING HELD

October 3, 2019

Dave Merrill called the meeting to order at 1:31 P.M. in the Training Room at Fire Station 1, 3rd Floor, 500 N. Dixie Highway, West Palm Beach, Florida. Those persons present were:

TRUSTEES

Dave Merrill
Brian Walker (1:51 pm)
Guy Montante
Ron Frano

OTHERS

Scott Baur, Administrators (Resource Centers)
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)
Brendon Vavrica (AndCo)
Tracy Musser (TSW)

INVESTMENT MANAGEMENT REPORT: TSW (TRACY MUSSER)

Ms. Musser gave a brief firm update stating TSW is now up to \$20.9B in assets with 74 associates. The fund was up 1.64% (gross) / 1.52% (net) versus the index of 1.31% for the quarter ending September 30, 2019. For the year to date they are negative -3.22% (gross) / -3.66% (net) versus the index of -4.35%. Ms. Musser went on to report the fund is outperforming the benchmark net of fees for the quarter. She reviewed the Plan's sector allocation and noted that consumer discretionary and financial sectors were favorable during the quarter, but utilities, materials, and processing detracted from the performance. Ms. Musser reported the least expensive stocks underperformed the most expensive stocks. She further noted even the best value holdings did not perform as well as the growth issues. TSW does not invest in the expensive growth stocks. Mr. Merrill posed a question to Ms. Musser, asking why value has underperformed growth for so long. Ms. Musser explained that value stocks remain out of favor in the market and have not seen the cash flows as stocks in the S&P 500. Cash flows continue to drive the top performers in the index, so while the value stocks are less expensive, the market still fails to reward the higher quality names. Eventually the market will rotate back to the value stocks.

A brief discussion ensued regarding the difference in value stocks. Mr. Vavrica explained the deviation or risk in different classifications of stocks. The TSW portfolio should protect capital more in a down market. While Ms. Musser would not promise the manager will always out perform in a down market, the manager believes the portfolio is positioned well at the moment for the longer term. Mr. Vavrica stated that TSW has performed in the manner expected based on the market and the particular mandate for that manager.

INVESTMENT CONSULTANT REPORT: ANDCO CONSULTING (BRENDON VAVRICA)

Mr. Vavrica reviewed the fiscal year-to-date performance reporting the Pension Fund assets gained 4.1% through September 30, 2019. He also noted the last valuation recognized the last year of the 2% year in the smoothing of investment returns. Ms. Jensen asked if the Pension Fund was fully invested in real estate and whether the Board should consider increasing the allocation to the asset class. Mr. Vavrica stated that cap rates have come down, reducing expectations from real estate going forward, so he is comfortable with the current allocation. Mr. Vavrica reported on the fiscal year to date returns stating, the fund had better returns from the growth managers Polen and Baron. TSW and BNY Mellon on the value side underperformed the market as expected, as growth stocks continued to outperform value. Mr. Vavrica also reported the City made the annual employer contribution to the Pension Fund. Mr. Vavrica discussed his recommendations to rebalance assets. Mr. Vavrica then provided the Board with a preliminary performance update through the end of September 2019. He stated these numbers were thru the close of business on Monday, October 2, 2019. The assets gained slightly from June 30 with positive returns for the fiscal year, but the Pension Fund will not meet the target return assumption used by the annual valuation. The market did not close out the quarter on a high note, but still managed to finish within a few percent of the all-time market high.

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ATTORNEY'S REPORT: KLAUSNER KAUFMAN JENSEN & LEVINSON (BONNI JENSEN)

Ms. Jensen presented the Board with a proposed Policy to implement the new cancer presumptions from the last legislative session. She explained the eligibility requirements in order to be entitled to this benefit. The legislation left some matters ambiguous. She noted that for the duty disability and death benefits, the legislation did not provide specific eligibility criteria. A brief discussion ensued regarding the eligibility requirements. The Board then made a motion.

- *Ron Frano made a motion to accept the Cancer Presumption Policy. The motion received a second from Brian Walker, approved by the Trustees 4-0.*

Ms. Jensen provided the Board with two cyber insurance certificates, one is from Salem Trust Company the other from AndCo. AndCo has \$5M in cyber insurance, but Salem Trust appears to have only \$2M currently in cyber coverage. Ms. Jensen then provided the fee addendum to update the Agreement for AndCo.

- *Brian Walker made a motion to approve the Fee Addendum for AndCo. The motion received a second from Ron Frano, approved by the Trustees 4-0.*

ADMINISTRATOR REPORT: RESOURCE CENTERS (SCOTT BAUR)

Ms. Gordon presented the Proposed Meeting dates for 2020.

DISBURSEMENTS AND FINANCIAL STATEMENTS

The Board reviewed the Warrant for invoices paid by the Administrator, the Warrant for payments by the custodian, and the Warrant for pending invoice payments, all dated October 3, 2019.

- *Brian Walker made a motion to approve the Warrants dated October 3, 2019, for paid and pending invoices. The motion received a second from Ron Frano, approved by the Trustees 4-0.*

The Board reviewed the interim financial statement.

BENEFIT APPROVALS

The Board reviewed the benefit approvals presented by the Administrator dated October 3, 2019.

- *Brian Walker made a motion to approve the benefit approvals for October 3, 2019. The motion received a second from Ron Frano, approved by the Trustees 4-0.*

Three payments in September were not included on the Benefit Approval. The three payments will be added to the Benefit Approval for the next Board meeting.

- *Brian Walker made a motion to approve the three payments that were missing from the September 5, 2019 benefit approval. The motion received a second from Ron Frano, approved by the Trustees 4-0.*

MINUTES

The Board reviewed the minutes of the September 5, 2019 meeting.

- *Brian Walker made a motion to approve the minutes of the September 5, 2019 meeting. The motion received a second from Ron Frano, approved by the Trustees 4-0.*

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OTHER BUSINESS

Brian Walker had two topics to discuss. He will need to hire a photographer and DJ for the annual Retirement Dinner. The photographer and DJ he selected are both the same ones used for the last dinner, charging the same fees as last time, \$650 each. He will need approval to request these payments.

- *Ron Frano made a motion to approve the payments to the photographer and DJ for the Retirement Dinner. The motion received a second from Guy Montante, approved by the Trustees 4-0.*

Mr. Walker will also need approval to purchase the axes and plaques that will be presented at the Retirement Dinner. Again he will use the same company and with no change to the fee for the axes at \$450 per ax. There will be a charge for shipping of the axes and plaques. He is unsure of the total cost for the plaques and shipping until the items actually ship.

- *Ron Frano made a motion to approve the cost of the 7 axes and plaques, plus the shipping and handling charges. The motion received a second from Guy Montante, approved by the Trustees 4-0.*

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, November 7, 2019 @ 1:30 P.M., the meeting adjourned.

Brian Walker, Secretary