

# WEST PALM BEACH FIREFIGHTERS' PENSION FUND

## MINUTES OF MEETING HELD

December 5, 2019

Dave Merrell called the meeting to order at 1:30 PM in the Third Floor Conference Room at Fire Station 1, 500 N. Dixie Highway, West Palm Beach, Florida. Those persons present included:

### TRUSTEES

Dave Merrill  
Brian Walker  
Ron Frano  
Guy Montante

### OTHERS

Scott Baur, Administrator (Resource Centers)  
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)  
Brendon Vavrica and Julie (AndCo)  
Claudette Green & Mark Seamen (Capital Group)  
Jayson French  
Jeff Stefani

The Board briefly reviewed the terms of current trustees, noting that the next election would take place in October 2020.

### INVESTMENT MANAGEMENT REPORT: CAPITAL GROUP (CLAUDETTE GREEN & MARK SEAMEN)

Claudette Green stated that the Capital Group, started in 1931, now has \$1.7 Trillion in assets under management. The manager runs the American Funds EuroPacific Fund using a multi-manager approach to manage "sleeves" of the overall portfolio.

Mark Seamen reviewed the fund objective to seek long term growth of capital outside of the US. The fund does keep a slightly higher allocation to emerging markets than the typical peer manager. The Capital Group uses a bottom-up process to portfolio construction based on fundamental analysis of companies. The manager of each portfolio sleeve then exercises a great deal of autonomy over their portion of the portfolio. The portfolio currently has 9 managers and 71 analysts. The Capital Group recently terminated one long-term portfolio sleeve manager for an ethics violation, but otherwise the management team has very little turnover of personnel.

Claudette Green explained the issues with the terminated manager in greater detail. The manager had an undisclosed personal account, which the Capital Group would typically monitor very carefully for any conflicts of interest. Once the firm became aware of this other account, the Capital Group moved very quickly to terminate the manager. Ms. Green emphasized the change had a very limited impact on the overall management of the portfolio, since the manager had oversight of only about 9% of the overall portfolio.

Mark Seamen reported that technology holdings in the portfolio dominated the returns for quite some time, so sector allocation becomes important to overall performance. The portfolio has consistently performed better than the benchmark over all trailing periods, with results driven by individual stock selection. Mr. Seamen reviewed some of the recent holdings contributing to and detracting from performance. He also reviewed the top holdings in the portfolio. He then compared the portfolio sector weightings to the benchmark, with an underweight to financial issues and an overweight to technology as previously noted. Mr. Seamen stated that the portfolio has the lowest ever allocation to holdings in European countries, as the analysts find more compelling investments in other parts of the world. The portfolio allocates 32% of assets to emerging markets compared to 26% for the benchmark. With a bottom-up approach to portfolio construction, the actual geographic and sector weightings become secondary. The manager also gives greater consideration to where companies do business than where the company is domiciled.

### INVESTMENT CONSULTANT: ANDCO CONSULTING (BRENDON VAVRICA)

Brendon Vavrica reported that the asset allocation remained within Investment Policy guideline target ranges. The portfolio had total assets of \$231,124,277 as of September 30, 2019. The Pension Fund had

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assets of \$15,608,510 in April 1988, just a bit more than 30 years prior. The Pension Fund now pays out more in benefits than the plan receives by way of contributions. Mr. Vavrica reviewed cash flows for the quarter ending September 30, 2019. The assets gained 0.84% gross/0.75% net for the quarter compared to a gain of 1.07% for the benchmark. For fiscal year 2019, the assets gained 4.35% gross/3.99% net compared to 5.0% for the benchmark. The 8.26% gross average annual return for the trailing 5-year period ranks in the top 1% of the peer manager universe. Mr. Vavrica briefly reviewed the individual managers and asset classes.

For the fiscal year to date, the assets gained 3.2% as of November 30 to \$244,423,865. Mr. Vavrica reviewed a historical chart of market expansions since World War II, noting that the current market expansion was both the longest and the weakest on record.

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

Ms. Jensen provided a USERRA memo to address continuation of benefits for members called to active military duty. She emphasized the importance to not mark members called to active military service as terminated members. Jayson French stated that the Department had 3 active members currently deployed in the military.

**MINUTES**

Mr. Baur made substantial changes to the draft Minutes for October 3, 2019.

- *Brian Walker made a motion to table approval of the minutes for the October 3, 2019 meeting. Guy Montante seconded the motion, approved by the Trustees 4-0.*

**ADMINISTRATOR REPORT: RESOURCE CENTERS (SCOTT BAUR)**

The Board discussed the scheduling of the next monthly meeting, set for Thursday January 2, 2020 at 1:30 PM. The Board moved the time for the meeting to Friday, January 3 at 9:00 AM.

The Trustees then discussed current arrangements for the Retirement Dinner. The Local will accept credit card payments. Other arrangements for the event remain on track.

Mr. Baur stated that he would prepare the 2019 allocation of Chapter 175 premium tax receipts for review at the January 2020 meeting. He then reviewed a member detailing the Resource Centers SOC 1 Audit and cyber security safeguards implemented by his firm. He addressed recent ransomware attacks against some local public entities in Florida, as well as other cyber breaches such as fraudulent invoices. He attended a recent briefing hosted by the FBI and Secret Service for local police departments with Sergio Giron, Partner and CIO for the Resource Centers. He reported that even the website that his firm maintains for the client plans logs about 1,200 intrusion attempts per week from such places as Iran, China, Ukraine, and Russia. He provided a general overview of measures taken by his firm to safeguard both the systems and the data maintained for the Pension Fund. He also reviewed the types and limits for standalone cyber coverage maintained by his firm. He discussed the many ways to easily compromise a network. His firm has gone to such lengths as to subject the firm's network to outside intrusion testing, in addition to internally safeguarding systems against attacks. The annual SOC 1 audit process tests the systems and networks of the firm as well. The Resource Centers has completed the annual SOC 1 audit now for 10 years without any exceptions or weaknesses observed to the controls and procedures in place at the firm.

Mr. Baur reviewed the current travel reimbursement rates in advance of the 2020 FPPTA Winter Trustee School.

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**DISBURSEMENTS AND FINANCIAL STATEMENTS**

The Board reviewed the interim financial statement for the fiscal year ending September 30, 2019, as well as the current fiscal year to date through October 31, 2019. Mr. Baur reported that Saltmarsh was completing the field work at his office for the annual audit engagement.

The Board then reviewed the Warrant for paid invoices and the Warrant for paid and pending invoices dated November 7, 2019 and December 5, 2019.

- *Ron Frano made a motion to approve the Warrants dated November 7, 2019 and December 5, 2019, for paid and pending invoices. The motion received a second from Brian Walker, approved by the Trustees 4-0.*

**BENEFIT APPROVALS**

The Board reviewed the benefit approvals presented by the Administrator dated November 7, 2019 and December 5, 2019.

- *Brian Walker made a motion to approve the benefits for November 7, 2019 and December 5, 2019. The motion received a second from Ron Frano, approved by the Trustees 3-0.*

Trustee Dave Merrell was not present in the room for the vote on the motion.

**OTHER BUSINESS**

Mr. Baur reviewed comments provided by the Division of Retirement with the annual State Acceptance Letter. Ms. Jensen recommended that the actuary address the specific comments and observations in the letter when presenting the annual actuarial valuation. Mr. Baur also provided a class action litigation update report provided by Board class action counsel Saxena White.

Brian Walker requested advance approval for the payment to the florist for the Retirement Dinner. He indicated that arrangements for the axes, DJ, photographer, and food were all complete.

- *Ron Frano made a motion to approve the center pieces for 25 tables at \$40 per arrangement. The motion received a second from Guy Montante, approved by the Trustees 3-0.*

**PUBLIC COMMENTS**

Jayson French, present at the meeting for the Local, thanked the Board and the Trustees for their service.

**ADJOURNMENT**

There being no further business and the next Pension Board meeting having been previously scheduled for Friday, January 3, 2020 @ 9:00 AM., the meeting adjourned at 3:30 PM.

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Brian Walker, Secretary