

WEST PALM BEACH FIREFIGHTERS' PENSION FUND

MINUTES OF MEETING HELD

January 3, 2020

Brian Walker called the meeting to order at 9:03 AM. in the Third Floor Conference Room at Fire Station 1, 500 N. Dixie Highway, West Palm Beach, Florida. Those persons present were:

TRUSTEES

Brian Walker
Ron Frano
Guy Montante
Mark Park

OTHERS

Scott Baur, Administrator (Resource Centers)
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)
Brendon Vavrica (AndCo)
Brad Lucas & Kate Hurley (JP Morgan)

MINUTES

The Board reviewed the minutes of the meeting on October 3, 2019.

- *Ron Frano made a motion to approve the minutes of the October 3, 2019 meeting. Guy Montante seconded the motion, approved by the Trustees 4-0.*

INVESTMENT MANAGEMENT REPORT: JP MORGAN (BRAD LUCAS & KATE HURLEY)

Kate Hurley made introductory comments and provided the Board with an update on JP Morgan operations in Florida. JP Morgan now has 42 public fund clients with approximately \$2.6B of assets invested locally through various portfolios. Brad Lucas stated that there were no material changes to either the investment team or to the mandate managed for the West Palm Beach Firefighters Pension Fund. JP Morgan added 2 associate managers to the investment team as the investment portfolio in the real estate strategy continues to grow.

The value of the Pension Fund assets in the Strategic Property Fund increased to \$18,779,774 in core real estate holdings as of September 30, 2019. The portfolio gained 0.4% for the quarter ending September 30, 2019, and 4.0% for the fiscal year, compared to gross ODCE benchmark returns of 1.3% and 5.6%. The Special Situation Fund included \$7,177,699 in Pension Fund assets as of September 30, a 2.7% gain for the quarter and 7.6% for the fiscal year. Brad Lucas reviewed holdings in the portfolio, addressing recent performance under the benchmark in the Strategic Property Fund core portfolio. The Special Situations Fund, on the other hand, targets a return of the core ODCE benchmark + 200 bp over a full market cycle. The two property funds invest in 4 key sectors: residential, retail, industrial, and office properties.

The retail holdings target major regional high-end destination shopping centers, but the manager took a write-down on some less dominant malls still held in the portfolio. The manager also sold 4 malls, which provided a better indication of the real value for the similar properties remaining in the portfolio. Mr. Lucas reported that the remaining properties continue to have strong sales per square foot, a basic measure for retail property performance. The Strategic Property Fund has an 8% overweight to retail holdings compared to the ODCE benchmark, but the manager expects to bring the 23.8% current allocation as of September 30 several percent lower over time. The manager has more concern for the quality of the remaining holdings rather than the weight of the holdings in the overall portfolio. The holdings consist of 11 super regional and regional malls. As the current market matures, the manager has focused on income driven by flagship assets.

The Special Situation Fund turns properties over more rapidly, focusing on value creation or value-added holdings. The Special Situation Fund currently overweights heavily to office and residential properties. The office holdings cater to the demand for more creative and flexible office space. The "buy and stabilize" market for industrial space has become so pricey that the manager primarily focuses on new infill industrial space near high density population centers. Industrial space for retail fulfillment requires higher ceiling space to accommodate automated systems. The manager sees improving performance, particularly for the core Strategic Property Fund.

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Kate Hurley briefly reviewed the Income Builder Fund performance. JP Morgan does not see a near term recession looming, but the manager has reduced equity exposure with a preference for US assets. The manager also increased the quality and shortened the duration of fixed income assets to reduce overall risk in the portfolio. The fund over 10 years has less volatility than a 60/40 equity/fixed income allocation, higher yield, and top quintile returns. The fund gained 9.96% for the 12 months ending September 30, 2019 and maintains a 4-star Morningstar ranking.

INVESTMENT CONSULTANT: ANDCO CONSULTING (BRENDON VAVRICA)

Brendon Vavrica provided a preliminary performance report as of December 31, 2019, estimating a 5.8% gain for the quarter. The equities in particular had strong gains for the quarter. The Pension Fund finished the quarter with \$250,563,811 of total assets. Mr. Vavrica reviewed various charts noting that long bull markets often follow more difficult market periods. He also provided an update on market draw downs which charted the time to recover. He noted that election year markets tend to be flat while uncertainty remains regarding the outcome.

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

Ms. Jensen reported that audit related inquiries consumed most of her time since the last meeting.

ADMINISTRATOR REPORT: RESOURCE CENTERS (SCOTT BAUR)

Mr. Baur provided the Board with the preliminary Chapter 175 premium tax receipt (Share Account) allocation for 2019. He reviewed pay periods for members not receiving a full allocation, including new hires, terminations, forfeiture reallocations, and retirements. He then directed attention to those members with less than 26 pay periods in the allocation without a status change, neither newly hired nor retired. The Board noted one such member had active military service during the 2018 calendar year period under review.

Mr. Baur spoke extensively on the process currently used to identify deceased members receiving payments. Many years ago, Boards sent annual "Still Alive" verification letters and forms to members, but with the advent of electronic database searches, mostly abandoned the more time consuming and manual letter process. The database searches rely heavily on data that feeds through the Social Security Administration. In more recent years, the Social Security Administration stopped reporting death information received from states due to differences between state and federal privacy laws. As a result, the electronic database verifications are no longer as effective. Mr. Baur now recommends that Boards must use a combination of methods to identify deceased members receiving payments, the annual verification letters in combination with the automated database death searches. He will bring back a specific process and additional details that his office will use for the retired members of the plan. The Board will pay the actual cost for the process, estimated in the \$3 range per retired member including postage.

The Board noted that the hotel registration for the FPPTA Winter Trustee School was closing.

The Board discussed the retirement dinner and available methods for active and retired plan members to register and pay for the event. Mr. Baur reviewed the count of members to date responding and paying through his office. He sent an email invitation to "guests" of the Board, including elected officials of the City, the City Administrator, and the Fire Chief and their guests. He will send an additional email invitation to Board contracted service providers.

The Board reviewed the renewal for the Fiduciary Liability Insurance Policy with Markel. Mr. Baur reported the annual premium increased by \$204 to \$12,843 in proportion to the Pension Fund assets.

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- *Ron Frano made a motion to approve the renewal of the fiduciary liability insurance policy with Markel for 2020. Guy Montante seconded the motion, approved by the Trustees 4-0.*

DISBURSEMENTS AND FINANCIAL STATEMENTS

The Board reviewed the interim financial statement through November 30, 2019.

The Board then reviewed the Warrant for paid invoices and the Warrant for pending invoices dated January 3, 2020. The Trustees questioned the Income Deduction Order payments for certain members on the approval. Because those payments must go through as an accounts payable disbursement rather than a benefit payment, all such disbursements get included on the Warrant for sequence continuity and audit purposes.

- *Ron Frano made a motion to approve the Warrants dated January 3, 2020, for paid and pending invoices. The motion received a second from Guy Montante, approved by the Trustees 4-0.*

BENEFIT APPROVALS

The Board reviewed the benefit approvals presented by the Administrator dated January 3, 2020 and noted a correction for the retirement date for Linton Ellison. The Board tabled the approval for the Linton Ellison retirement.

- *Ron Frano made a motion to approve the benefit approval for the Jamie Fabben retirement. The motion received a second from Guy Montante, approved by the Trustees 4-0.*

OTHER BUSINESS

The Board had no other business for discussion.

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, February 6, 2020 @ 1:30 P.M., the meeting adjourned at 10:44 AM.

Brian Walker, Secretary