

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MINUTES OF MEETING HELD

February 6, 2020

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 were:

TRUSTEES

Dave Merrell
Brian Walker
Ron Frano
Mark Park (until 2:50 PM)

OTHERS

Scott Baur & Michael Burr, Administrator (Resource Centers)
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)
Brendon Vavrica (AndCo)
Trey Smith & Dan Coppins (Blackrock)
Jeanine Bittinger & Richard Cristini (Saltmarsh)
Visitors

AUDIT: SALTMARSH (JEANINE BITTINGER & RICHARD CRISTINI)

Richard Cristini presented the audited financial statement for the fiscal year ending September 30, 2019. He explained that the audit notes reference a change in the audit firm as required by GAAP (Generally Accepted Accounting Principles) but the audit team itself did not change, having moved from Davidson, Jamieson, & Cristini to Saltmarsh in 2019.

Mr. Cristini reported Net Assets increased from \$227,717,241 in 2018 to \$233,874,933 in 2019. He reviewed the changes in plan assets, noting a modest increase in contributions. The Pension Fund also had lower investment gains in 2019 than 2018, resulting from the overall market environment for the period. The designated assets for Share and DROP Accounts increased to \$104,997,448, while undesignated assets to meet future pension obligations increased of \$128,877,485 as of September 30, 2019. The Pension Fund also had a GASB funded ratio of 74.62% at year end based on market value of assets. Mr. Cristini then provided a schedule of investment returns for the prior 6 years, noting the dollar weighted return method used in the audit report differs somewhat from the time weighted returns reported by the investment consultant. The administrative expenses decreased from 8 bp to 7 bp with 40 bp to investment expenses, making the overall cost for running the Pension Fund very lean and efficient.

Ms. Jensen provided an update to a note regarding the Special Act amendment.

- *Ron Frano made a motion to approve the audited financial statement as amended for the notes. Brian Walker seconded the motion, approved by the Trustees 4-0.*

INVESTMENT MANAGEMENT REPORT: BLACKROCK (TREY SMITH & DAN COPPINS)

Dan Coppins provided introductory remarks and stated the objective for the multi-asset income fund, which pulls from about 15 asset classes to generate an attractive risk adjusted income return. The portfolio keeps risk within the equivalent of a 50/50 equity/fixed income mix. Right now the portfolio has less risk than this mix as the manager does not find as many attractive opportunities for investment. Historically the strategy generates about 4-5% income on average. The strategy gained 13.86% for the 2019 calendar year, but the returns will typically trail equity returns in strong equity markets. Mr. Coppins explained that Blackrock is very tactical in the daily allocation of assets in the portfolio to different asset classes. The manager actively protects assets against any perceived market risks, and over longer periods, the majority of gains result from dividend distributions rather than price appreciation.

The manager right now sees high market valuations with monetary policy as a headwind. Easing trade conflicts and a rebound in manufacturing may give the market a boost. Blackrock therefore remains somewhat optimistic, with possible issues such as coronavirus still an unknown. Overall Blackrock expects greater volatility from the market and has the portfolio positioned more conservatively as a result. The manager also adopted a "barbell" approach to the fixed income durations in the portfolio with overweights to both short and long duration securities. The portfolio also tilts to higher quality investments.

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MEETING OF FEBRUARY 6, 2020

Mr. Coppins explained covered calls as an additional strategy used within the portfolio to manager equity assets while limiting risk exposure.

INVESTMENT CONSULTANT: ANDCO CONSULTING (BRENDON VAVRICA)

Brendon Vavrica provide an update regarding AndCo, now with 89 employees and \$92 Billion in assets overseen to become the 10th largest consulting firm in the country. The firm added 2 additional partners bringing the total to 9 partners. He reviewed an organizational chart for AndCo.

Mr. Vavrica reported strong results from the market during the first fiscal quarter as well as the 2019 calendar year. With a trade deal mostly in place, the bond yield curve also steepened. More recently the yield curve did invert again briefly with the spread of coronavirus.

The Pension Fund had total assets of \$251,136,971 as of December 31, 2019. Mr. Vavrica reported the asset allocation remains very close to Policy targets. The assets gained 6.1% gross and 6.01% net for the quarter ending December 31, 2019 compared to 6.02% for the benchmark, to finish in the top 16th percentile of the peer manager comparison universe. For the calendar year the assets gained 21.41% gross/ 2.96% net compared to a gain of 21.33% for the benchmark. The 10-year average annual gain of 9.97% ranks in the top 1%. Brendon Vavrica then reviewed the individual performance for each manager of the portfolio. He also reviewed the market gains for 2019 in light of historical market performance, providing a "periodic table" of investment returns for various asset classes. Finally, Mr. Vavrica provided an update on performance through January 31 and February 5, 2020.

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

Ms. Jensen reviewed legislation pending in the current session. One bill provides an expansion of the ability for the Pension Fund to collect premium tax receipts for any areas where the Fire Department provides services. Ms. Jensen reported on a change in the IRS mileage reimbursement rate for 2020. She then provided the Board with an update on the Secure Act, which raises the age for Minimum Required Distributions (MRD) from age 70-1/2 to age 72. Non-spousal beneficiaries must now take distribution from inherited accounts within 10 years.

Ms. Jensen stated notary laws changed to provide for remote online notarization. The notary block on all forms requiring a notary must change as a result. Finally, proposed SB 1270 requires local officers to have a fiduciary duty to the governmental entity, potentially in conflict with the obligation that Trustees also have to members of the plan. The bill also requires each Trustee to have 5 hours of education on governance each term.

MINUTES

The Board reviewed the minutes of the meetings of December 5, 2019 and January 3, 2020.

- *Brian Walker made a motion to approve the minutes of the December 5, 2019 meeting. Ron Frano seconded the motion, approved by the Trustees 3-0.*
- *Brian Walker made a motion to approve the minutes of the January 3, 2020 meeting. Ron Frano seconded the motion, approved by the Trustees 3-0.*

ADMINISTRATOR REPORT: RESOURCE CENTERS (SCOTT BAUR)

Mr. Baur provided a copy of the GASB 67 report to the Board received from the actuary.

Mr. Baur again reviewed the proposed process to send annual verification letters to all retired members receiving payments to identify any deceased members. In years past Boards sent annual "Still Alive"

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MEETING OF FEBRUARY 6, 2020

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 the Social Security Master File used to track deaths, but 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. Each retired member will potentially receive up to 3 letters prior to stopping a pension benefit: the first letter, with a verification form and deadline; a second letter to members not responding or returning forms without a notary; and a final letter notifying members failing to respond of the date that pension payments will stop. Mr. Baur estimates that the entire process will take close to six months to complete, and 10% of retired members will fail to respond in the first year. He also estimates that potentially 1% of members receiving payments are already deceased. His office will begin the mailings around the end of March to the beginning of April.

Mr. Baur provided the Board with a copy of the current tax-exempt certificate, and also with a copy of the current fiduciary liability policy.

Finally, Mr. Baur reviewed a transition notice received from Salem Trust outlining a pending system conversion that includes a blackout period on trading activity. Salem indicated that account numbers assigned to managers will also change in the conversion, but reports and report formats will remain the same.

DISBURSEMENTS AND FINANCIAL STATEMENTS

The Board reviewed the interim financial statement through December 31, 2019. The Board then reviewed the Warrants for paid and pending invoices dated January 3, 2020.

- ***Ron Frano made a motion to approve the Warrants dated February 6, 2020, for paid and pending invoices. Brian Walker seconded the motion, approved by the Trustees 3-0.***

BENEFIT APPROVALS

The Board reviewed the benefit approvals presented by the Administrator dated February 6, 2020 with questions regarding the service and retirement dates for Jamie Fabben and Linton Ellison. Mr. Baur will review the supporting documents and bring the retirement approvals back to the Board.

- ***Brian Walker made a motion to approve the DROP Loan for the Wil Stephen. Ron Frano seconded the motion approved by the Trustees 3-0.***

OTHER BUSINESS

Brian Walker reported that the Union would be returning some funds paid for the retirement dinner back to the Pension Fund.

Retired member Rick Dorey addressed the Board. He stated that he gets asked often about the 13th & 14th checks by other retired members. The Board briefly considered the thresholds that the Pension Fund must meet before paying the supplemental distribution, including positive experience in the last year and positive cumulative experience from inception of the benefit. Charles Slavin at the Division of Retirement imposed the requirement for the Pension Fund to have positive cumulative experience from inception of the benefit. Currently the Pension Fund still has a \$43 million experience deficit still to make up from the market downturn from 2008-9. The Board decided to request the actuary provide a brief presentation explaining the requirements for the Pension Fund to pay a supplemental distribution to the retired members. The Trustees also considered the meeting location, since retired members would presumably attend the meeting at the same time the actuary presents the annual valuation.

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MEETING OF FEBRUARY 6, 2020

- *Brian Walker made a motion to request the actuary to prepare a "brief" to explain the supplemental distribution. Ron Frano seconded the motion approved by the Trustees 3-0.*

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, March 5, 2020 @ 1:30 P.M., the meeting adjourned at 3:41 PM.

Brian Walker, Secretary