

WEST PALM BEACH FIREFIGHTERS' PENSION FUND

MINUTES OF MEETING HELD

April 2, 2020

Dave Merrell called an electronic meeting of the Board to order at 1:35 PM. Those persons present included:

TRUSTEES

Dave Merrell, Chair
Brian Walker, Secretary
Guy Montante
Mark Parks
Ron Frano (2:30 PM)

OTHERS

Scott Baur, Administrator (Resource Centers)
Brendon Vavrica, Investment Consultant (AndCo)
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)
Brad Armstrong, Actuary (GRS)
Jerry Navarette, Bill Adams, Amand Long, and Brian
Ferguson, Investment Manager (Mellon)
Rick Roberts, Retired Plan Member
Visitors

2. VIRTUAL MEETING POLICY

Ms. Jensen reviewed a Board Policy for virtual meetings, explaining the allowance for such meetings by Executive Order of Governor DeSantis. The electronic meeting allows for maximum public participation, but the Chair retains the right to maintain an orderly process. The Meeting Notice also provides for ADA Compliance. If we cannot maintain electronic support, then the Meeting will end. The Policy remains in effect until May 8 when the Declaration of Emergency ends, unless extended by the Governor.

Mr. Baur reminded those present that his office records the electronic meetings in the entirety and all comments during the meeting will become part of the public record. The public comment section also appears at the end of the Agenda so any written public comments received by email during the meeting can be read into the record as well.

- **Brian Walker made a motion to approve the Virtual Meeting Policy. Guy Montante seconded the motion, approved by the Trustees 4-0.**

4. REPORTS

INVESTMENT MANAGEMENT REPORT: BOSTON COMPANY (MELLON)

Jerry Navarette, leading the Client Service Team for Mellon, provided a brief review of the Investment Manager. Mellon began managing assets for the Pension Fund as Boston Company 20 years ago.

Brian Ferguson highlighted the responsibilities of his investment management team, overseeing a large cap value mandate for the plan. Boston Company also runs similar dividend driven equity income large cap value portfolios as well. The investment team had no changes. He reviewed the growth of a dollar in the portfolio since the 2000 portfolio inception, with 225 bp of excess return over the benchmark on average over the period. He reported the portfolio had no changes to process or management philosophy since inception. The manager looks for attractive valuations, strong fundamentals, and a catalyst while constructing the portfolio from the bottom up. The manager also integrated social and environmental considerations into the process, particularly with respect to proxy voting, to achieve better investment outcomes over the long term. Ultimately the manager wants to own both great companies and great stocks. Brian Ferguson then reviewed sector attribution for recent investment results.

Mr. Ferguson commented on current markets. Coming into the year, global economies remained strong as trade concerns faded. Jobless claims were at record lows with strong consumer sentiment. Now the objective has changed to shutting down the economy to manage spread of the virus. By comparison the 2008 recession took 20 months to generate 6 million in jobless claims. The portfolio lagged fiscal year to date, and value issues under performed the broader market. The manager can now find attractive

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valuations, but the environment creates a lot of uncertainty. Companies began this crisis stronger than they began the recession in 2008.

Brian Ferguson stated the portfolio currently holds about 80 companies. Chair Dave Merrill asked if the manager finds more compelling opportunities or chooses to ride out the period with current holdings. Mr. Ferguson explained the market volatility creates different risk-reward situations. For example, Kellogg had a 50% increase in sales in March which will count against future demand. Goldman Sachs, on the other hand, has a tremendous book value and now provides a greater future opportunity. Brendon Vavrica asked how the market priced a pause in the economy. Mellon believes the market already priced a 3 month pause, already in progress. Companies and management, on the other hand, have prepared for a possible longer pause.

INVESTMENT CONSULTANT: ANDCO CONSULTING (BRENDON VAVRICA)

Brendon Vavrica reviewed a historical market draw down and recovery comparison. AndCo as a company has 99.5% remote working capability and remains 100% operational as a firm. The incredibly steep 32% market decline in 2 weeks from coronavirus represents a demand issue rather than a market breakdown. A bear market often lasts about 16 months, though no comparison exists for this kind of rapid decline.

Mr. Vavrica reviewed performance through March 31, 2020. He reported the portfolio holds \$200,231,000 in assets, down about 15.5% for the quarter. Growth and large cap issues both outperformed during the decline. Fixed income now has only about a 2% overweight to policy target allocations, so the overall asset allocation remains in balance. Brad Armstrong indicated that he believes, with markets down, a 7.5% long term future market return on assets appears reasonable.

- **Brian Walker made a motion, based on the advice of the Investment Consultant, that the Board expects to achieve a 7.5% return for the next year, the next several years, and for the long term thereafter. Mark Parks seconded the motion, approved by the Trustees 4-0.**

Trustee Ron Frano joined the meeting.

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

Bonni Jensen stated that the Board addressed items elsewhere on the Agenda. She will report on the Secure Act and changes to Minimum Required Distributions. The Cares Act will make additional tax relief available. Implementation for members of the Pension Fund will require amendments for compliance by 2024. The Cares Act also increases loan limits up to \$100,000, and members can take an additional year to make repayments. Members taking distributions taken because of coronavirus have three years to put the money back and avoid any distribution penalties. Coronavirus distributions taken this year may also be eligible for a 3-year income tax averaging.

The Board considered what may qualify as a coronavirus related distribution, having to do with a diagnosis, family member, or other adverse financial impact. The Trustees also considered whether the Board must wait for such amendments or action by the City to make relief available to impacted members.

- **Brian Walker made a motion to direct Bonni Jensen to forward details for any recommended changes to the Special Act to the City and the union for consideration. Ron Frano seconded the motion, approved by the Trustees 5-0.**

ADMINISTRATOR REPORT: RESOURCE CENTERS (SCOTT BAUR)

Mr. Baur stated that his firm put the verification letter process, which requires retired members to sign a notarized form, on hold so as not to expose or put older plan members at risk unnecessarily.

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DISBURSEMENTS AND FINANCIAL STATEMENTS

The Board reviewed the interim financial statement through February 28, 2020. The Board received and filed the financial statement.

The Board then reviewed the Warrants for paid and pending invoices dated April 2, 2020.

- *Ron Frano made a motion to approve the Warrants dated April 2, 2020, for paid and pending invoices. Brian Walker seconded the motion, approved by the Trustees 5-0.*

3. MINUTES

The Board reviewed the minutes of the meetings of February 6, 2020.

- *Brian Walker made a motion to approve the minutes of the February 6, 2020 meeting. Ron Frano seconded the motion, approved by the Trustees 3-0.*

6. BENEFIT APPROVALS

The Board reviewed the benefits pending approval for April 2, 2020.

- *Brian Walker made a motion to approve the benefits for April 2, 2020. Ron Frano seconded the motion approved by the Trustees 5-0.*

The Board considered the request by member Stephanie Rosario to rescind the buyback she initiated but did buyback once stopped, but the provisions do not appear to address a request by a member for a refund of additional contributions made. Ms. Jensen will research the matter further. The Board discussed a possible return of the contributions to the 457 Account, the original source of the amounts transferred to the Pension Fund.

7. OTHER BUSINESS

The Trustees reviewed class action matters reported by Saxena White but not requiring any action by the Trustees. The custodian files on behalf of the Pension Fund.

The Board considered a request by retired member Rick Roberts to allow retirees with DROP and Share Accounts to take coronavirus related hardship distributions for the remainder of 2020 outside of the normal quarterly distribution policy adopted by the Board. The Board considered any federally available tax relief in their deliberations. The Board also considered the liquidity of Pension Fund assets and any possible adverse impacts resulting from the request. The Trustees debated whether members should take such distributions on request, recurring monthly amounts, and appropriate limits. Finally, the Trustees also considered appropriate forms, documentation, and notification to retired members of available relief.

Rick Roberts stated that many people had family members and other adverse impacts resulting from the current crisis. He urged the Board to consider the members in their deliberations.

- *Brian Walker made a motion to allow retired members to take special hardship coronavirus related monthly distributions of up to \$12,000 through the end of 2020, separate from the quarterly distributions already allowed by Board Policy. Guy Montante seconded the motion, approved by the Trustees 5-0.*

The Board asked the administrator to include a notice to the retired members with the regular monthly payments for May 2020.

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Mark Parks departed the Meeting.

8. PUBLIC COMMENTS

No other members of the public had any comment.

9. ADJOURNMENT

There being no further business and the next Pension Board meeting having been previously scheduled for Thursday, May 7, 2020 @ 1:30 P.M., the meeting adjourned at 4:08 PM.

Brian Walker, Secretary