

*WEST PALM BEACH FIREFIGHTERS' PENSION FUND*  
**MINUTES OF MEETING HELD**  
**May 7, 2020**

1. 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  
Ron Frano

**OTHERS**

Scott Baur, Administrator (Resource Centers)  
Brendon Vavrica, Investment Consultant (AndCo)  
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)  
Brad Armstrong, Actuary (GRS)  
Gilbert Garcia & Jeff Dettweiler, Investment Manager (Garcia Hamilton)  
Rick Roberts, Retired Plan Member  
Rick Dorey, Retired Plan Member  
Doug Heller, Retired Plan Member  
Jason French, Active Plan Member

2. **APPROVAL OF MINUTES**

The Trustees reviewed the Minutes for the meeting of April 2, 2020.

- **Brian Walker made a motion to approve the Minutes for April 2, 2020. The motion received a second from Guy Montante, approved by the Trustees 4-0.**

3. **REPORTS**

**Actuary Report: GRS (Brad Armstrong)**

Mr. Armstrong presented the revised 2019 Valuation report with updated mortality assumptions. The Board elected to adopt the mandated mortality changes a year earlier than the deadline. The change reduced liabilities by \$4.4 million, lowering contribution requirements by 1.69% of covered payroll. In dollar terms, the change to the mortality assumption lowered the required annual contribution by the City from \$9,750,119 to \$9,405,758. Mr. Armstrong also added some additional detail to notes regarding the fixed interest rate paid to accounts retained by grandfathered members.

- **Brian Walker made a motion to approve the October 1, 2019 Valuation report with the updated mortality assumption. The motion received a second from Ron Frano, approved by the Trustees 4-0.**

Mr. Armstrong advised that his office will address concerns detailed in an October 7, 2019 letter from state actuary Keith Brinkman, as the state reviews and accepts the valuation report.

**Investment Manager: Garcia Hamilton (Gilbert Garcia & Jeff Dettweiler)**

Mr. Garcia addressed the Board regarding the extraordinary market period between March and April 2019. He believes conditions for the economy will improve rapidly as concerns regarding the coronavirus fade. He updated the Board regarding firm operations as well, reporting no changes to operations or staffing during the period. The investment team at Garcia Hamilton continues to meet as normal, and the firm added two new partners in January. Assets under management by the firm increased from \$15 billion on January 1 to \$15.3 billion as of the meeting.

Mr. Garcia compared the recent period to the market after Lehman Brothers became illiquid. In 2009 the government used monetary policy primarily to restore the economy and nearly failed. The coronavirus, by comparison, represented a health crisis. Banks remain very well capitalized, and the Fed uses both monetary policy and fiscal policy creatively. The Federal Reserve Board injected liquidity into corporate credit markets,

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adding to the fiscal stimulus. With all these measures, Mr. Garcia believes the US economy will rapidly recover. Most victims of the coronavirus appear to have other underlying medical issues.

Jeff Dettweiler reviewed the Chinese recovery as a proxy for expectations in the US. While unemployment increased to an estimated 25%, the economy contracted by only 12%. Mr. Dettweiler sees a transition to a delivery economy with new jobs and new opportunities. Lower interest rates and oil prices will provide an added stimulus to the economy. The manager further reviewed details of the Fed balance sheet expansion and increase in money supply, which also increase the velocity of money in the economy. Mr. Garcia further discussed new opportunities, with unprecedented spread even by comparison to Lehman. He finds the best value currently in high quality intermediate duration bonds. The manager avoids purchasing "fallen angels".

Mr. Garcia sees the domestic economy returning to normal function in 2020, expecting we will learn to live with coronavirus like we live with the flu. Some industries and market sectors will gain while others diminish.

**Investment Consultant: AndCo (Brendon Vavrica)**

Mr. Vavrica provided a quick summary of the market as of March 31, 2020, to provide some context for the investment results for the quarter. Normally value stocks outperform growth in a selloff, but growth continues to substantially outperform value in the current market. He reviewed asset allocation as of March 31, 2020, stating that asset weightings remained close to Policy targets. The portfolio returned -15.2% gross of fees for the quarter, under the -12.95% return for the benchmark. The portfolio returned -10.09% for the fiscal year to date, compared to -7.71% for the benchmark. The longer term 4.64% return for the trailing 5 years still ranks in the top 6%, and the 10-year average gain of 7.75% ranks in the top 2%.

Mr. Vavrica reviewed individual manager results, with large cap stocks faring much better than small cap issues. Real estate seems to be holding values so far, though retail and office properties will probably see some decrease in value over the longer term. The Templeton Global Bond Fund continues to finish at the top or the bottom.

As of April 30, the portfolio increased back to \$226,542,353 from about \$210 million on March 31, leaving the Pension Fund with an estimated -2.8% return for the fiscal year to date as of April 30. Mr. Vavrica advised that new troubled asset loan facility funds are becoming available, and one such fund opened by PIMCO will close in June. The Board considered liquidity for the TALF funds and the possible source of dollars to invest from existing assets. The funds have an expected return between 5 – 13% annually depending on holdings and risk. AndCo will present the details for these funds at the previously scheduled June meeting of the Board.

**Attorney Report: Klausner Kaufman Jensen & Levinson (Bonni Jensen)**

Ms. Jensen reported that the governor extended the current declaration of emergency, allowing the Board to meet electronically, indefinitely. She discussed social distancing in the context of Board meetings. She also provided an updated DROP & Share Distribution Policy, which included the change to age 72 for members to initiate Minimum Required Distributions. The Board considered the 10% holdback for distributions from accounts credited with the market return on plan assets. The Board also considered at length the possible impact on the administration of plan assets for any situations where a larger group of retired members might withdraw larger amounts of money. The Board considered the kinds of investments held in the portfolio and limitations on liquidity, concluding that the Pension Fund maintains a very high degree of liquidity that far exceeds amounts that retired members might collectively request at any given time. The Distribution Policy gives the Board additional flexibility, allowing for time to raise cash as necessary. In this context, Mr. Baur provided the Trustees with an overview of the COVID related distributions allowed by the Board at the previous meeting. To date his office received 6 requests for a total of \$56,000 in member withdrawals.

- **Brian Walker made a motion to approve the updated BackDROP & Share Account Distribution Policy. The motion received a second from Ron Frano.**

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In discussion on the motion, retired member Rick Roberts addressed the Board. He expressed concern that the Policy limits on individual and total account distributions might effectively result in an unneeded distribution queue. Some retired members now have substantial account balances remaining in the Pension Fund, and the distribution limits might unnecessarily restrict those members from taking Minimum Required Distributions commencing at age 70-1/2 or age 72 in a timely manner. He requested that the Board exempt member MRD amounts from the limits established by the updated Distribution Policy. The Board further considered those limits, and the pro-rata method to apportion the distribution amounts when requested distributions exceeded the Policy thresholds. Mr. Roberts further advised that the Board gave themselves broad leeway to interpret an "extreme trading environment", so he suggested that the Board consider more objective standards to define those extremes.

The Trustees concluded that the Board should define "extreme trading environments" in consultation with their hired professional advisors. The Board also reached a consensus to remove any Minimum Required Distribution amounts from other Policy thresholds whereby the Board might process distributions in a queue.

- **Brian Walker amended his motion for the proposed language changes, and Trustee Ron Frano agreed to the amendment to the motion. The motion then passed as amended on a 4-0 vote.**

Attorney Bonnie Jensen reminded the Trustees to file their annual Form 1 financial disclosure by July 1 with the Supervisor of Elections for the county in which each Trustee resides.

**Administrator Report: Resource Centers (Scott Baur)**

Mr. Baur reported that JP Morgan will need signature authorization updates. This will become a follow-up items for the Board, possibly when the Board meets next in a physical location.

Mr. Baur previously provided the Board with an update on the authorized COVID BackDROP and Share Account distributions during the discussion on the updated BackDROP & Share Account Distribution Policy. The Board authorized the special distributions at the prior meeting on April 2, 2020.

**4. PLAN FINANCIAL REPORTS**

The Board reviewed the interim financial statement through March 31, 2020. The Board received and filed the financial statement.

The Board then reviewed the Warrants for paid and pending invoices dated May 7, 2020.

- ***Ron Frano made a motion to approve the Warrants dated May 7, 2020, for paid and pending invoices. The motion received a second from Guy Montante, approved by the Trustees 4-0.***

**5. BENEFIT APPROVALS**

The Board deferred the regular benefit approvals to the June 4, 2020 monthly meeting.

The Board again considered the request by member Stephanie Rosario to rescind the buyback she initiated. Attorney Bonni Jensen reviewed the current Buyback Policy previously adopted by the Board, accrediting members who stop a buyback with the service already purchased based on the value of payments. The administrator confirmed with Ms. Rosario that she continued to maintain a deferred compensation account with the City, the original source of the funds that she used to purchase the additional qualifying service credit. The Board considered the possible ramifications to both the member and the Pension Fund for issuing a refund of contributions from a partially completed service purchase request.

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- *Brian Walker made a motion to adhere to the current Buyback Policy and deny the request by member Stephanie Rosario for a refund of the contributions that she already applied to the service purchase. The motion received a second from Ron Frano, approved by the Trustees 4-0.*

Ms. Jensen will notify the member of the Board decision, with the possibility that the member might appeal.

6. OTHER BUSINESS

The Trustees received additional reports under Other Business.

7. PUBLIC COMMENTS

No other members of the public had any comment.

8. ADJOURNMENT

There being no further business and the Board having previously scheduled the next regular meeting for Thursday, June 4, 2020 @ 1:30 P.M., the meeting adjourned at 3:30 PM.

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Brian Walker, Secretary