

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MINUTES OF MEETING HELD

June 4, 2020

1. Dave Merrell called an electronic meeting of the Board to order at 1:31 PM. Mr. Baur called roll for the Board. Those persons present included:

TRUSTEES

Dave Merrell, Chair
Brian Walker, Secretary
Ron Frano
Guy Montante
Mark Parks

OTHERS

Scott Baur, Administrator (Resource Centers)
Brendon Vavrica & Ben Baldridge, Investment Consultant (AndCo)
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)
Tracy Musser and Matt Soule, Investment Manager (TSW)
Rick Roberts, Retired Plan Member
Jeff Stefaniak, Plan Member
Manny Garcia, Plan Member
Michael Almailda, Plan Member

2. **APPROVAL OF MINUTES**

The Trustees reviewed the Minutes for the meeting of May 7, 2020.

- **Brian Walker made a motion to approve the Minutes for May 7, 2020. The motion received a second from Mark Parks, approved by the Trustees 5-0.**

3. **REPORTS**

Manager: TSW (Tracy Musser and Matt Soule)

Tracy Musser introduced Matt Soule, a portfolio specialist for TSW. The firm now manages a total of \$15.2 billion as of March 31, 2020, a decrease in assets under management recently as the market declined. The manager reported no client loss from the small-mid cap strategy. The firm also had no personnel changes. Staff made the transition to a remote working environment in a mostly seamless manner. A skeleton crew still works from the firm offices.

Ms. Musser reported that growth continues to outperform value, but until recently valuations and fundamentals still mattered. Ms. Musser compared the recent period to the run in tech issues in the late 1990s. Historically the most expensive companies also declined the most in a bear market, but not in this current period; instead, the most expensive stocks out-performed the least expensive names by 70%. Large cap stocks also significantly outperformed small cap stocks. The manager remains true to style. Up to 2016 when valuations ceased to matter, the portfolio stayed close to the top 10% of the peer manager universe for long-term performance. For the quarter ending March 31, 2020, the portfolio declined -35.33% compared to -34.64% for the Russell 2500 Value Index benchmark.

Matt Soule discussed how the manager reacted during the market decline. The manager identified many good opportunities for investment without any significant changes to portfolio sector weightings. Brendon Vavrica asked how the strategy fared in April and May. Matt Soule explained that the manager can be ahead or behind the benchmark on any given day. TSW does not try to manage based on the macro environment, looking instead for catalyst driven names.

Investment Consultant: AndCo (Brendon Vavrica)

Brendon Vavrica provided a brief update on performance through May 31, 2020, reporting assets increased to \$235,150,296. The portfolio now has a gain of 0.9% for the fiscal year to date, As equities rebounded the portfolio now has a slight overweight to equities, although the consultant uses cash inflows and outflows to keep asset weightings in line with Policy targets.

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MEETING OF JUNE 4, 2020

The new PIMCO Disco III TALF Fund has a very narrow investment with an anticipated June 30 close date. Ben Baldridge address the Board to provide details for the latest iteration of the PIMCO TALF strategy. The Disco III Fund seeks to target a return of 10-14% overall. The Board previously invested in the Disco I and the Disco II Funds. The Board must submit a commitment with documents by June 17. The fund expects to use leverage at twice the equity, with an upper limit of 3x leverage to equity. Brendon Vavrica provided updated asset allocation studies. The current portfolio based on assumptions has a 7.11% expected return with a standard deviation of 10.41 and Sharpe Ratio of 0.68. The model alternatives that include the PIMCO Disco III Fund increase the expected returns with lower risk. PIMCO has a \$5 million minimum investment for the product. The Board must commit a dollar amount to invest.

Ms. Jensen noted the challenge to fully review, advise, and revise subscription agreements by June 17 presented a challenge. Brendon Vavrica indicated that other similar funds do exist, similar but not the same as the PIMCO Disco III strategy, with more time before closing. The Trustees considered the allocation. The prior TALF funds managed by PIMCO took advantage of greater market dislocations and relied less on leverage in the portfolio. Both Brendon Vavrica and Ben Baldridge emphasized the differences between the current market from the prior opportunities. The Disco III Fund has a 3-4 year lock up period. The asset allocation studies, however, provide some likelihood that the allocation will both increase returns and reduce overall risk in the portfolio. Brendon Vavrica recommended funding the allocation from large cap equity and fixed income assets. The actual allocation decisions will depend on allocations at the time of the capital call.

- **Brian Walker made a motion to allocate \$5 million to the PIMCO Disco III Fund subject to review of documents by Board counsel. The motion received a second from Ron Frano, approved by the Trustees 5-0.**

The Board further considered recent TSW performance. While some other managers had better recent performance, Brendon Vavrica advised that TSW remains true to their discipline. He recommended that the Board give the manager more time before considering a change.

Trustee Mark Parks departed the meeting.

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

Bonni Jensen provide the updated Back-DROP Policy, removing the Minimum Required Distributions (MRD) from the limitations on distributions. The Board previously approved the Policy as amended.

Class action counsel BLBG requested the Board consider asking to become lead plaintiff against assisted living facility operator Brookdale, a holding in the TSW portfolio. Brookdale had a high number of resident deaths as a result of COVID-19, resulting in a \$74,000 investment loss to the Pension Fund. The action cites "chronically insufficient staffing" and lack of adequate care. The Board considered the potential commitment of resources.

- **Ron Frano made a motion to authorize BLBG to seek lead plaintiff status on behalf of the Pension Fund. The motion received a second from Brian Walker, approved by the Trustees 4-0.**

Member Stephanie Rosario indicated that she wished to appeal the decision by the Board not to refund the purchase of prior qualifying service credit that she partially completed. The Board must still provide Ms. Rosario with a formal notice of the Board decision, allowing her additional time to initiate her appeal. Ms. Jensen advised that the Board will have a special hearing for the appeal. Ms. Rosario may provide additional evidence. The Board may also choose additional counsel to function as an advocate while Ms. Jensen serves as counsel to the Board.

Mr. Baur stated that he had no separate administrator Report, since the Agenda covered all other pending matters.

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MEETING OF JUNE 4, 2020

4. PLAN FINANCIAL REPORTS

The Board reviewed the interim financial statement through April 30, 2020. The Board received and filed the financial statement.

The Board then reviewed the Warrants for paid and pending invoices dated June 4, 2020.

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

5. BENEFIT APPROVALS

The Board reviewed the benefits pending approval.

- *Ron Frano made a motion to approve the May 7, 2020 and June 4, 2020 benefit approvals. The motion received a second from Brian Walker, approved by the Trustees 4-0.*

6. OTHER BUSINESS

Brian Walker addressed a couple of complaints that he received from members on return phone calls. The issues in part related to communication with Jackie Taylor, as some member questions referred over to Scott Baur. Members in these situations did not always receive timely responses. The Board considered these concerns, since the administrator addressed member concerns expressed in the past. The Trustees also inquired about the most recent quarterly DROP and Share Account Statements, not yet received by the members.

7. PUBLIC COMMENTS

Rick Roberts addressed the Board. He shares concerns expressed by the Trustees regarding recent TSW performance. The report notes a substantial overlap between the manager portfolio and the value index. The manager appears to hold much of the index yet continues to perform under the benchmark. Brendon Vavrica clarified that the portfolio overlaps with the Russell sectors and not the individual securities held in the portfolio. TSW did not perform under the benchmark until recently, which affects performance measured for trailing periods. Mr. Vavrica stressed that TSW remains true to their discipline.

Chair Dave Merrill thanked Ron Frano for his many years of service to the Pension Fund. Trustee Ron Frano will move to Port St Lucie, so he cannot seek reappointment.

8. ADJOURNMENT

There being no further business and the Board having previously scheduled the next regular meeting for Thursday, August 6, 2020 @ 1:30 P.M., the meeting adjourned at 4:15 PM.

Brian Walker, Secretary