

WEST PALM BEACH FIREFIGHTERS' PENSION FUND

MINUTES OF MEETING HELD

August 6, 2020

1. Dave Merrell called an electronic meeting of the Board to order at 1:30 PM. Mr. Baur called roll for the Board. Those persons present included:

TRUSTEES

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

OTHERS

Scott Baur, Administrator (Resource Centers)
Brendon Vavrica & Ben Baldridge, Investment Consultant (AndCo)
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)
Jim Haynes and Brian Powers, Investment Manager (Polen Capital)
Lauren Albanese and Jim Haynes, Investment Manager
Rick Roberts, Retired Plan Member
Jeff Stefaniak, Plan Member

2. BOARD UPDATES

Scott Baur received the formal resignation by Ron Frano after the last meeting. The City has not yet appointed a replacement Trustee to the Board.

3. APPROVAL OF MINUTES

The Trustees reviewed the Minutes for the meeting of June 4, 2020.

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

4. REPORTS

Manager: Polen Capital (Jim Haynes and Brian Powers)

Jim Haynes reported that Polen Capital remains strong, and the manager made a seamless transition to a remote work environment. The firm provides babysitting and other assistance to employees wherever possible. The firm also added to staff and established a London office. The main office for Polen Capital is located in Boca Raton, with an office in Boston as well. Polen now manages \$47 billion in assets. Mr. Haynes reviewed the 10 person team that manages the 3 growth equity strategies at Polen.

Brian Powers reviewed the growth equity strategy in greater detail. Polen invests in a long-term concentrated portfolio of quality growth stocks representing the "best ideas" of the firm. The manager also looks for companies with strong balance sheets with an emphasis on preservation of capital. The portfolio includes both defensive and high growth names. The strategy gained 27.66% gross and 27.48% net of fees compared to 27.83% for the benchmark for the quarter ending June 30, 2020. Mr. Powers reviewed the holdings contributing most to performance over the past year, as well as companies detracting from performance. One holding in the portfolio now for 5 years, the pharmaceutical company Regeneron, got a boost from the pandemic. The manager believes that the portfolio is positioned well going forward.

Investment Consultant: AndCo (Brendon Vavrica)

Brendon Vavrica reported that the market staged a phenomenal comeback from a terrible quarter, with gains across all the major asset classes. Emerging markets and some value sectors, however, still had losses over the trailing 12 months. Mr. Vavrica reviewed the current allocation, with assets at \$237,994,507 as of June 30, 2020. Mr. Vavrica reported that assets since increased further to about \$240 million. Current allocations remain in line with the Investment Policy targets.

The portfolio gained 14.26% for the quarter ending June 30 compared to 13.77% for the benchmark to finish in the top 26th percentile for the quarter. The assets gained 3.08% for the fiscal year to date compared to

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

5.19% for the benchmark, while the 9.9% average gain over the trailing 10 years ranks in the top 1% of the comparison manager universe. Mr. Vavrica then reviewed individual manager performance, noting that the fixed income allocations improved remarkably as corporate credits recovered during the quarter. The Templeton Global Bond allocation, however, continues to struggle, and for the first time in the last 11 years, real estate assets had losses for the quarter. As of the end of July the portfolio had a 6.7% return for the fiscal year to date, close to the actuarial assumed rate.

Mr. Vavrica reviewed updates to the Investment Policy for the PIMCO Disco III Fund, decreasing domestic equity and fixed income targets while increased the allocation to alternative strategies. PIMCO called \$500,000 of committed capital in July.

- **Guy Montante made a motion to approve the updates to the Investment Policy The motion received a second from Brian Walker, approved by the Trustees 4-0.**

Mr. Vavrica then addressed the Templeton Global Bond Fund, which takes a very contrarian approach to managing assets that does not correlate well to the benchmark. Templeton has begun to integrate with Legg Mason, precipitating some departures from the firm internally and increasing concerns about longer term continuity. Mr. Vavrica reviewed historical performance for 3 other global bond funds managed by Brandywine, PIMCO, and Loomis Sayles. Mr. Vavrica explained that PIMCO now has a more diversified management team than during the Bill Gross era at the firm. He reviewed performance for the alternative managers during both up and down markets, noting that Templeton has negative up- and down- capture ratios that correlate more to equities than bonds. As a result, the allocation no longer provides the kind of diversification desired from the bond allocation. The Board considered a change to the Templeton strategy, considering both the timing and possible presentations by some of the managers reviewed by the consultant. Legg Mason is also in the process of integrating manager Brandywine, in addition to Templeton. Accordingly, the Board asked the consultant to schedule presentations by PIMCO and Loomis Sayles.

The Board also briefly discussed a firm managing real estate investments locally in South Florida. The result is a very focused offering with a high allocation to workforce housing.

TSW continues to perform under the benchmark for that portfolio, but TSW tends to stay true to a deep value approach that has not fared as well in the market recently. Mr. Baur provided some additional updates to the Board regarding changes at TSW.

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

Ms. Jensen reported that the Board completed the documents and began investing in the PIMCO Disco III Fund in July. She also noted that the Board continues to follow the Executive Orders by the governor allowing the Trustees to meet electronically, although some of the extensions to the original emergency order by the governor do not allow much time to meet posting requirements for meetings that follow the expiration date. Mr. Baur discussed briefly the notion of blended meetings, with a physical quorum for the Board and other participants joining electronically even after the extensions come to an end.

Mr. Jensen stated that Stephanie Rosario decided not to appeal the decision by the Board to refund her additional contributions to purchase prior qualifying service credit. She instead began a schedule of payments through payroll to complete the full purchase that she started. The Board considered how purchased service credit counts for benefits if a member becomes disabled.

Administrator Report: Resource Centers (Scott Baur)

Mr. Baur explained the transfer of accumulated leave time by the City of West Palm Beach for non-vested member John Cable. While the Special Act states that all accumulated leave for members should transfer to the Pension at separation based on the original tax opinion received by the Board, the administrator has received only transfers of accumulated leave time for retiring members. Some recent non-vested members may not have had any accumulated leave time at separation. In any case, John Cable urgently desired to

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

receive the monies transferred to the Pension Fund on his behalf. The administrator, after much careful thought, therefore refunded that amount to Mr. Cable as an excess contribution. Mr. Baur believes that a transfer of accumulated leave time at retirement does not give the member constructive receipt, so a clarification to the Special Act might allow non-vested and vested members separating from service prior to eligibility for retirement to receive those amounts directly from the City without a transfer to the Pension Fund. The Board had a similar tax opinion given to another plan and considered whether the need existed to obtain a tax opinion for this plan. The Trustees also contemplated a policy or a change to the Special Act to ultimately clarify the more recent practice.

Mr. Baur provided additional updates on operations and expectations in the midst of the ongoing pandemic. The pandemic has not impacted the function or capabilities of the plan administrator. Mr. Baur then advised that Salem Trust, custodian for the Pension Fund assets, reimbursed a dividend improperly credited to the plan.

5. PLAN FINANCIAL REPORTS

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

The Board then reviewed the Warrants for paid and pending invoices dated August 6, 2020.

- *Brian Walker made a motion to approve the Warrants dated August 6, 2020, for paid and pending invoices. The motion received a second from Guy Montante, approved by the Trustees 4-0.*

Mr. Baur provided an administrative expense report for FY19 and an administrative budget for FY21, as required by FL statute.

- *Brian Walker made a motion to approve the administrative expense budget for FY21. The motion received a second from Guy Montante, approved by the Trustees 4-0.*

6. BENEFIT APPROVALS

The Board reviewed the benefits pending approval.

- *Brian Walker made a motion to approve the August 6, 2020 benefit approvals. The motion received a second from Guy Montante, approved by the Trustees 4-0.*

7. OTHER BUSINESS

Brian Walker requested to send a plaque to former trustee Ron Frano to thank him for his many years of service and dedication to the Pension Fund. He reviewed options and expected costs.

- *Guy Montante made a motion to approve up to \$150 for a plaque in appreciation for the service given by Ron Frano. The motion received a second from Mark Parks, approved by the Trustees 4-0.*

Guy Montante discussed current negotiations and possible furloughs proposed for administrative staff. The Board considered the impact to credited service and the annual Share Account premium tax allocation process based on the proposals.

8. PUBLIC COMMENTS

Rick Roberts advised that he submitted an application for a DROP Account loan. The form that he received did not yet allow for an electronic notary, putting him at possible risk during the pandemic. Ms. Jensen previously provided the necessary updates to the notary language on the forms, but the actual updates to the many forms in use by the Pension Fund are still in progress. The Trustees also considered the annual

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

earnings election period to change the method for credit of earnings to Share and DROP Accounts for vested and retired members prior to October 1. The Board committed to getting the form updates in order so as not to put members unnecessarily at risk.

The Trustees considered a physical meeting location in case the governor did not further extend the current Executive Order allowing the Board to meet electronically without a physical quorum. In the event that the Board must have a physical quorum for the previously scheduled monthly meeting on September 5, the Board will meet at Station 5.

The Trustees also thoughtfully considered the impact the pandemic had already on members of the Department and their families.

9. **ADJOURNMENT**

Ms. Jensen once again reminded the Trustees to file the annual Form 1 financial disclosure if they had not already done so.

There being no further business and the Board having previously scheduled the next regular meeting for Thursday, September 3, 2020 @ 1:30 P.M., the meeting adjourned at 3:45 PM.

Brian Walker, Secretary