

# WEST PALM BEACH FIREFIGHTERS' PENSION FUND

## MINUTES OF MEETING HELD

September 3, 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

### OTHERS

Scott Baur, Administrator (Resource Centers)  
Brendon Vavrica & Ben Baldridge, Investment Consultant (AndCo)  
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)  
Rushant Sanathara & Brian Leach, PIMCO  
Claudette Grant & Mark Seamon, Capital Group  
Rick Roberts, Retired Plan Member  
Jeff Stefaniak, Plan Member

## 2. APPROVAL OF MINUTES

The Trustees reviewed the Minutes for the meeting of August 6, 2020.

- Brian Walker made a motion to approve the Minutes for August 6, 2020. The motion received a second from Guy Montante, approved by the Trustees 3-0.

## 3. REPORTS

### Investment Manager: Capital Group (Claudette Grant & Mark Seamon)

Ms. Grant reported that the pandemic has not significantly impacted operations at the Capital Group. The firm has offices internationally, including Beijing and Hong Kong. The manager also experienced minimal outflows during the recent period of market unrest, with \$2 trillion in assets under management. The EuroPacific Growth Strategy has \$160 billion in assets with different managers overseeing sleeves of the portfolio. The managers invest the assets selecting holdings based on fundamental analysis.

Mark Seamon reported no recent changes to the portfolio operations or 11 portfolio managers. The market has consistently gained following the fastest downturn in market history. International markets have not kept pace with the US market during the period after steeper declines and a slower rebound. The EuroPacific Growth portfolio gained 22.77% for the quarter ending June 30 compared to 16.12% for the benchmark, putting the portfolio about 8% of the benchmark for the calendar year to date. Mr. Seamon stated that companies able to transition to a remote work environment fared best, and the tech names contributed most to the performance. The financial holdings, on the other hand, detracted from the results. Mr. Seamon provided examples of current holdings and adjustments to the portfolio during the downturn. The pandemic seems to have accelerated broader market trends. The manager also reduced exposure slightly to Chinese holdings, although the manager holds a very diverse range of Chinese companies.

### Investment Manager Presentation: PIMCO (Rushant Sanathara & Brian Leach)

Mr. Sanathara introduced the diversified global fixed income strategy offered by PIMCO and thanked the Board. PIMCO provides global fixed income management with \$1.92 trillion in assets under management. The diversified income strategy spans the full spectrum of global fixed income holdings, drawing on the overall fixed income team and firm experience with 4 portfolio managers. The strategy seeks higher total returns from fixed income securities rather than returns from yields alone. The strategy also relies on macro inputs to the overall asset allocation and portfolio construction.

The diversified fixed income strategy historically generated returns in line with high yield and emerging market debt with considerably less volatility. The manager takes a "winning by not losing" approach to generating performance. Mr. Leach reviewed the backgrounds for the 4 portfolio managers, but the managers function as a team rather than managers of separate sleeves of the portfolio. The analysts,

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meanwhile, cover bond sectors rather than credit grades. The portfolio currently underweights credit risks. The manager also uses derivatives to mimic exposure to specific areas of the market. Mr. Leach reviewed the broad portfolio diversification.

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

Brendon Vavrica discussed the Templeton Global Bond allocation, particularly recent significant asset losses and possible firm culture issues with the integration of Legg Mason. The consultant remains concerned about the longer-term stability of the strategy. Loomis Sayles offers a more conventional global bond strategy, while PIMCO has a very different approach to global bond management. The Trustees considered the urgency to transition the Templeton allocation to another manager and considered fees. All of the managers considered have mutual fund offerings, so the Board could hold unrated securities through the mutual fund structure. PIMCO does not rely heavily on leverage in the portfolio, but the derivative positions often appear as leverage.

- **Guy Montante made a motion to move the Templeton Global Bond allocation to the PIMCO diversified global fixed income strategy. The motion received a second from Brian Walker, approved by the Trustees 3-0.**

Brendon Vavrica reported that the PIMCO Disco III Fund called the next \$500k of the capital committed by the Board. The overall portfolio, meanwhile, continues to rebound, adding another estimated 8% for an overall return of 11.4% for the fiscal year to date. He has used Polen and Vanguard equities recently to provide cash flow for payments of regular benefits and invoices. The Board also expects to receive contributions from both the City and the Chapter 175 premium tax receipts from Florida.

TSW had a good quarter but continues to trail for the year. Guy Montante questioned the value that the manager has added to overall performance, although AndCo continues to have confidence in the manager. Brendon Vavrica will consider alternatives for the TSW allocation next.

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

Ms. Jensen reported that the Board may not be able to meet electronically on October 1.

Federal benefits for COVID deaths are now available for 1<sup>st</sup> responders presumed to have contracted the virus in the line of duty but not at home. Guy Montante and Brian Walker reported that 4 members of the department so far tested positive, so far without serious complications.

A St Pete firefighter denied health insurance benefits provided the first test case for the new cancer presumptions. The person already had cancer when the new presumptions passed. Retired firefighters now diagnosed within 10 years of retirement may pursue a claim if that person continues to maintain insurance with the City. Ms. Jensen discussed the differences between the City benefit requirements and the Pension Fund responsibilities for a member meeting the cancer presumptions.

Ms. Jensen provided the monthly meeting dates for 2021. She also reported the Chapter 175 insurance premium tax receipts allocated to the Pension Fund increased by \$50,000 from 2018.

Gray Robinson offered to provide a tax opinion letter for \$7,500 on the transfer of accumulated sick and vacation time for members leaving employment at the City. The Board considered the history of payments transferred to the Pension Fund of accumulated leave banks. Ms. Jensen also noted similar provisions in other local plans that might offer a precedent. The Trustees discussed the need for the tax opinion letter and considered the cost. In previous situations, the Pension Fund split the cost for tax opinions with the City.

- **Guy Montante made a motion to authorize the tax opinion letter by Gray Robinson. The motion received a second from Brian Walker, approved by the Trustees 3-0.**

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BLBG asked for authorization to make a demand on GCI Liberty in a class action matter previously authorized by the Board. Ms. Jensen reviewed the specific details for the action and the request by class action counsel. She stated that the Board should continue to hold shares of GCI Liberty from the TSW portfolio if the Board terminates the manager while the class action continues.

- **Brian Walker made a motion to authorize the demand letter in the GCI Liberty action. The motion received a second from Guy Montante, approved by the Trustees 3-0.**

Ms. Jensen reported that she will be on vacation for the scheduled October 1 meeting. A motion to require her to reschedule her vacation died for lack of a second. Cassandra Harvey will attend the October 1, 2020 meeting in place of Ms. Jensen.

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

Mr. Baur reported that a City appointment to replace Ron Frano was still pending. He also provided an update on the annual earnings election period for October 1. His office provided forms to the members that did not require a notary.

**4. PLAN FINANCIAL REPORTS**

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

The Board then reviewed the Warrants for paid and pending invoices dated September 3, 2020.

- *Brian Walker made a motion to approve the Warrants dated September 3, 2020, for paid and pending invoices. The motion received a second from Guy Montante, approved by the Trustees 3-0.*

**5. BENEFIT APPROVALS**

The Board reviewed the benefits pending approval. Mr. Baur explained the holdback on full distributions of Share and DROP Account balances.

- *Brian Walker made a motion to approve the September 3, 2020 benefit approvals, correcting the date of birth for Phil Dudley Jr. The motion received a second from Guy Montante, approved by the Trustees 4-0.*

**6. OTHER BUSINESS**

Brian Walker reported that the plaque in appreciation of the service by former Trustee Ron Frano cost \$80.

- *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.*

**7. PUBLIC COMMENTS**

Retired member Rick Roberts noted that he received his mailed account statements. The Board received no other public comment.

**8. ADJOURNMENT**

There being no further business and the Board having previously scheduled the next regular meeting for Thursday, October 1, 2020 @ 1:30 P.M., the meeting adjourned at 3:13 PM.

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Brian Walker, Secretary