

WEST PALM BEACH FIREFIGHTERS' PENSION FUND

MINUTES OF MEETING HELD

October 1, 2020

1. Dave Merrell called a meeting of the Board to order at 1:32 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 & Jeff Karansky, Investment Consultant (AndCo)
Cassandra Harvey, Attorney (Klausner Kaufman Jensen & Levinson)
Brad Lucas, Kate Hurley, & Josh Hemmert (JP Morgan)
Rick Dorey, Plan Member
Mike Almeda, Plan Member
Rick Roberts, Plan Member

2. EXIGENT CIRCUMSTANCES FOR TRUSTEES JOINING ELECTRONICALLY

The Board had no Trustees joining electronically.

3. APPROVAL OF MINUTES

The Trustees reviewed the Minutes for the meeting of September 3, 2020.

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

4. REPORTS

Investment Manager: JP Morgan (Brad Lucas & Kate Hurley)

Brad Lucas reported that JP Morgan had the 3 portfolios managed for the Pension Fund conservatively positioned. Kate Hurley thanked the Board, and Josh Hemmert provided the update on the Income Builder Fund. Kate Hurley stated that JP Morgan now has \$2.1T of assets under management, an increase during the pandemic period. New York employees started working remotely in March, although limited work schedules are beginning to return to the office.

Brad Lucas reviewed the Strategic Property Fund and the Special Situation Property Fund. The Strategic Property Fund invests in core holdings consisting of leased and well-established properties with modest capital appreciation, and some limited development opportunities. The Special Situation Fund is more opportunistic. Through June 30, 2020, the Strategic Property Fund returned -2%, but the portfolio continues to hold up well through September 30. The manager appraised the properties in real time to reflect rental adjustments to the extent possible, immediately recognized any losses. The properties in the portfolio remain 95.5% leased. Retail properties depreciated the most for the June 30 quarter. The fund has \$40.8B in assets, with no exposure to non-core property holdings.

The Strategic Property Fund includes strong retail properties, including 4 of the top 20 malls in the country. The manager reduced the exposure to retail holdings prior to the onset of the pandemic. Rent collections on retail, however, dropped to 60%. The Fund has a reserve in the portfolio against uncollected rents, immediately writing down the value of the holdings. Mr. Lucas reviewed the residential holdings in the portfolio, with weakness on the multifamily housing properties. Suburban residential properties fared better than urban properties. JP Morgan does not see a material impact to the portfolio from work-at-home trends during the pandemic, since offices retain space for "surge" capacity. The manager is also increasing industrial exposure primarily through infill properties.

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The Special Situation Fund has as bias to primary and strong secondary markets with a more opportunistic approach. More than 40% of the properties in the portfolio are less than 4 years old. About 75% of the portfolio, meanwhile, is stable and well-leased. The portfolio currently holds 46.7% office and 32% residential properties. The manager gradually expects to increase industrial holdings. Brian Walker inquired about the leverage, now at 48% of assets. Mr. Lucas explained that the fund targets 40-50% leverage, driven less by interest rates and more by liquidity and flexibility for acquisitions. The Special Situation Fund returned -1.2% net for the quarter ending June 30, 2020. Mr. Lucas reviewed development opportunities within the portfolio in greater detail. JP Morgan reported that the portfolio has a lower risk profile, well positioned going forward.

Josh Hammert reviewed the Income Builder Fund, a new allocation in the portfolio. He reviewed adjustments to the holding during the pandemic, including shorter duration holdings with a temporary increase to cash. The pandemic appears to have ushered the shortest recession and the fastest recovery on record. The markets received substantial support from both stimulus and policy measures, with improving economic data as a result. The equity exposure in the income builder fund is also increasing, while the strategy has lower volatility than a typical balanced portfolio with a greater income component.

Investment Consultant: TSW Review (Jeff Karansky, AndCo)

Mr. Karansky reviewed the small cap value manager alternatives to TSW. He compared 6 alternate managers to the portfolio benchmark. The smallest companies in the micro-cap space fared the worst, but these same companies may perform best in a market rebound. He reviewed manager, style, market cap, and portfolio characteristics. The value managers that fared better than TSW leaned toward core holdings with a higher Beta or volatility in the portfolio. TSW historically protects values better in down markets. The Board briefly considered offerings by DRZ, at one time a small cap value manager for the Pension Fund. Since many managers have a difficult time beating the R2500 Value Index, Brian Walker inquired why the Board did not just purchase an index holding to replace TSW. In the meantime, AndCo continues to keep TSW on a watch list. David Merrell considered the possibility of greater volatility resulting from the pending election, a reason to keep the portfolio more defensive. The Board decided to continue to monitor performance by TSW.

Mr. Vavrica reviewed preliminary fiscal year performance, estimating a gain of 8.6% for the year ending September 30. He will provide recommendations to allocate the expected deposit of employer contributions and Chapter 175 premium tax receipts.

Attorney Report: Klausner Kaufman Jensen & Levinson (Cassandra Harvey)

The Board previously approved the engagement by Gray Robinson to provide a tax opinion regarding the transfer of accumulated leave time upon separation from service by an active member. She also noted that the Board may not receive an extension of Executive Order 20-246, suspending the requirement that the Board must have a physical quorum to meet, in advance of the next regularly scheduled meeting.

Federal benefits for COVID deaths are now available for 1st 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.

Administrator Report: Resource Centers (Scott Baur)

Mr. Baur briefly reported that the Division of Management Services approved the 2019 Annual Report. He noted that the Pension Fund will receive lump sum contributions from the deposit of Chapter 175 premium tax receipts and employer contributions. AndCo will advise on the allocation of the assets.

Mr. Baur reported that the annual earnings election period for Share and DROP Accounts was now complete as well.

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5. PLAN FINANCIAL REPORTS

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

The Board then reviewed the Warrants for paid and pending invoices dated October 1, 2020. The Trustees also inquired about the retrieval of the tablet allocated to Ron Frano. Mr. Baur will look into the tablet.

- *Brian Walker made a motion to approve the Warrants dated October 1, 2020, for paid and pending invoices. The motion received a second from Guy Montante, approved by the Trustees 3-0.*

6. BENEFIT APPROVALS

The Board reviewed the benefits pending approval and noted a typographic error on the distribution to Ken Gressinger.

- *Brian Walker made a motion to approve the October 1, 2020 benefit approvals. The motion received a second from Guy Montante, approved by the Trustees 3-0.*

7. OTHER BUSINESS

The Board had no other business for discussion.

8. PUBLIC COMMENTS

Rick Roberts thanked the Board for continuing to allow electronic participation in the meeting, and he acknowledged the effort to include the members in the process.

He made additional comments regarding the performance by TSW, since he has less patience with the underperforming manager than the Board. He also inquired about the reporting of deferred and collected rent by JP Morgan. While JP Morgan aggressively wrote off uncollected rent, the manager did not make clearly classify rent deferrals as uncollected amounts. If JP Morgan does indeed write off both deferred and uncollected rent amounts, then the manager should perform better in the near term than other real estate managers holding receivables.

9. ADJOURNMENT

There being no further business and the Board having previously scheduled the next regular meeting for Thursday, November 5, 2020 @ 1:30 P.M., the meeting adjourned at 3:12 PM.

Brian Walker, Secretary