

WEST PALM BEACH FIREFIGHTERS' PENSION FUND

MINUTES OF MEETING HELD

January 7, 2021

1. Dave Merrell called an electronic 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
Guy Montante
Brian Walker

OTHERS

Scott Baur, Administrator (Resource Centers)
Brendon Vavrica, Investment Consultant (AndCo)
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)
Bill Adams & Amanda Long, Investment Manager (BNY Mellon)
Rick Dorey, Plan Member

2. APPROVAL OF MINUTES

The Trustees reviewed the Minutes for the meeting of December 3, 2020, with a correction to the wording under the Benefit Approval discussion.

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

3. REPORTS

Investment Manager: BNY Mellon (Bill Adams & Amanda Long)

Amanda Long provided an update on operations at Mellon. Employees continue to work remotely during the pandemic. The firm now has \$594 billion of assets under management.

Bill Adams reviewed performance for the large cap value equity portfolio managed by Mellon. The portfolio gained 15.25% year to date in 2020 through November 30 compared to 11.96% for the benchmark, with preliminary returns of 20.8% compared to 16.3% for the benchmark for the quarter ending December 31. For the full calendar year the portfolio outperformed the benchmark by about 170 bp. Mr. Adams reviewed the performance attribution by sector, with gains from materials, IT, and financial holdings. Real estate, consumer staples, and communication services detracted most from performance. Mr. Adams stated that holdings in manufacturers of HVAC equipment gained from the pandemic, as did materials like copy benefiting from battery production. He then compared current market valuations to historical valuations, noting the extremely high current relative valuations. Such valuations often precede a recession, followed by strong out performance from value stocks.

Mellon constructs the portfolio using a bottom-up process to securities selection. The current portfolio has a substantial price discount compared to the index.

Investment Consultant: AndCo (Brendon Vavrika)

Brendon Vavrica compared TSW and Baron performance together to a blended small-cap benchmark. He concluded that the two portfolios balance and complement each other over time.

He then compared the market index for the last 5 years to prior 5-year periods. The best and worst performers from prior periods did not predict the performance for the period that followed, but rather indicated a reversion to the mean for performance of asset classes. The history also supports periodic rebalancing of assets to target weightings.

Preliminary performance results for December 31, 2020 show an 11.6% gain for the current fiscal year to date. The market continues to gain on expectations of further stimulus.

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

Ms. Jensen addressed the new E-verify law. Pension boards, which meet the definition of a public employer by contracting services, must comply with the requirements. New contracts by the Board must require contractors to verify new hires using the system after January 1. Existing service providers to the Board must also comply with the requirements, and private employers transacting, hiring, and registered to do business in Florida must as well. Ms. Jensen produced a checklist for the Board. The Board must also register. Some questions still remain regarding the new requirements.

Ms. Jensen provided an update on cyber coverage maintained by Saltmarsh, the Pension Fund auditor, and Salem Trust, custodian of the Pension Fund assets. She reported that the class action against GCI continues to move forward. GCI agreed to change the voting rights for stock shares, so the Board filed a second amended complaint on damages.

Administrator Report: Resource Centers (Scott Baur)

Mr. Baur reviewed the current SOC 1 Type 2 audit report for the Resource Centers. The auditor did not find any exceptions to the stated controls and procedures in place at the plan administrator, which allows both auditors and plan administration clients of the firm to rely on accuracy of those controls and procedures. Mr. Baur explained the difference between a Type 1 SOC audit report, which states but does not test the controls and procedures, and a Type 2 SOC audit report, which fully tests all the internal controls in place. His firm has completed a Type 2 SOC audit now for 13 years.

Mr. Baur also reported that the Fiduciary Liability Insurance renewed with ULICO. The final policy had a nominal premium increase due to the change in plan assets. The Board previously approved the renewal at the December Board meeting.

4. PLAN FINANCIAL REPORTS

Due to the current audit in progress, the administrator did not provide an updated interim financial statement.

The Board then reviewed the Warrants for paid and pending invoices dated January 7, 2021, for payment of expenses, which included payment of the retainer fee to Gray Robinson for a tax opinion on the transfer of accumulated leave time for members leaving employment at the City of West Palm Beach. Ms. Jensen reviewed the opinion, which confirmed that the Pension Fund could accept transfers of leave time payouts at retirement without constructive receipt by the member. The Pension Fund, if the Board updates the current Special Act language, does not have to receive transfers of accumulated leave time payouts for all members leaving employment, including those members not vested or separating prior to retirement.

The Board discussed payments to the Florida Disbursement Unit for a member that appeared along with the payment of regular expenses. Mr. Baur explained that all payments from the Pension Fund, including payments to an alternate payee on behalf of a member, will show on the approval of expenses.

- *Brian Walker made a motion to approve the Warrant dated January 7, 2021. The motion received a second from Guy Montante, approved by the Trustees 3-0.*

5. BENEFIT APPROVALS

The Board reviewed the special distributions and regular benefits pending approval.

- *Brian Walker made a motion to approve the benefits for January 7, 2021. The motion received a second from Guy Montante, approved by the Trustees 3-0.*

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6. OTHER BUSINESS

The Board reviewed the progress on new hire physicals, since Guy Montante reported that the Department hired 40 new firefighters. Guy Montante will review the status of the new hires, since the Department still has a substantial number of pending offers.

Ms. Jensen advised that GRS will update the current Summary Plan Description, last updated in October 2017. Brian Walker asked if the SPD could include information regarding the payment of medical expenses for the new cancer presumptions, even if not directly related to the Pension Fund provisions. He also requested additional details regarding refunds to former members, especially with the transfer of accumulated leave time for those members to the Pension Fund.

The Board considered the next retirement dinner, which would typically take place in 2022. Due to the unknowns in the current pandemic, the Board deferred decisions regarding the scheduling of the bi-annual dinner to a later date.

7. PUBLIC COMMENTS

No 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, February 4, 2021 @ 1:30 P.M., the meeting adjourned at 2:45 PM.

Brian Walker, Secretary