

# WEST PALM BEACH FIREFIGHTERS' PENSION FUND

## MINUTES OF MEETING HELD

March 4, 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 & Alison Lichter, Administrator (Resource Centers)  
Brendon Vavrica, Investment Consultant (AndCo)  
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)  
Richard Cristini & Jeanine Bittinger, Auditor (Saltmarsh)  
Brian Smith & Brian Power, Investment Manager (Polen Capital)  
Rick Dorey, Plan Member  
Jeff Stefaniak, 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: Polen Capital (Brian Smith and Brian Power)

Brian Smith reported that Polen Capital adapted quickly to the pandemic environment. Polen preserves and grows client capital. The firm employs 120 persons total, with 30 of the employees owning 70% of the company. Polen now manages \$59.3 billion in total assets. Mr. Smith reviewed the management team for the focused growth strategy, reporting the addition of one new analyst to the team.

Polen runs a concentrated long-term growth portfolio. The portfolio gained 34.13% net compared to 38.49% for the R1000 Growth Index in 2020. Mr. Smith explained that the higher quality companies held in the Polen portfolio typically fare better than lower quality companies in a difficult environment. The holdings in the concentrated Polen portfolio has less than 20% annual turnover. Mr. Smith reviewed recent acquisitions and sales in the portfolio. Brendan Vavrica asked about the valuations of the holdings in light of recent market gains. Mr. Powers explained within the concentrated portfolio the manager has more latitude to take current valuations into consideration. Polen expects the holdings to grow faster than those valuations.

### Audited Financial Statement: September 30, 2020 (Jeanine Bittinger & Richard Cristini, Saltmarsh)

Mr. Cristini reviewed the audit process and different parties involved. He presented an unqualified opinion regarding the financial statement for the fiscal year ending September 30, 2020. He reported that the Pension Fund had total assets of \$252,230,683 as of September 30, 2020, up from \$233,874,933 in 2019. He then reviewed the changes to net plan assets. Contributions and investment gains both increased from the prior year, while benefit payments and distributions also increased modestly. The Pension Fund pays a total of 39.5 bp to investment expenses and 7.8 bp to administrative expenses, evidence that the plan runs very efficiently.

Mr. Cristini reviewed the notes to the financial statement, the census for retired members, and members with a Back-DROP Account. The notes describing subsequent events included a description of possible impacts to the Pension Fund resulting from the pandemic. Retired members had a total balance of \$111,421,763 in DROP Accounts and loans of \$343,402 as of the fiscal year end.

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- **Brian Walker made a motion to approve the audited financial statements as of September 30, 2021. The motion received a second from Guy Montante, approved by the Trustees 3-0.**

Mr. Cristini addressed problems encountered at the custodian during the audit process. Following a system conversion, Salem Trust provided two consolidated statements to cover the entire fiscal year. His office completed 20 hours of additional testing of transactions as a result. He proposed \$750 in additional fees for the testing required by the audit standards. He reported that his office addressed the cost for additional testing to the custodian already. Brendon Vavrica explained some of the system related issues in further detail, which included pricing of securities and recording income. Dave Merrill requested that Salem Trust be asked to pay the additional fees.

- **Guy Montante made a motion to authorize the Chair to sign the audit management representation letter. The motion received a second from Brian Walker, approved by the Trustees 3-0.**

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

Brendon Vavrica reported that the Pension Fund now has assets of \$289 million as of February 28, 2021, gaining 14.2% for the current fiscal year through February 28. Value stocks more recently outperformed growth stocks following a long period where value under performed.

Brian Walker expressed concerns about the real estate holdings as companies give up commercial office space as more people work remotely. The rate at which companies give up space or renegotiate leases depends on the leases rolling over. In some cases, individual employees may require more workspace to socially distance. Companies also find some productivity loss, while working remotely does not promote "company culture". Industrial and residential holdings, meanwhile, gain as retail and office holdings potentially lose value. The Board will continue to monitor the performance of the real estate holdings before making any portfolio decisions.

Mr. Vavrica reviewed historical annual market returns with and without the best and worst market days. Omitting the best and worst market days substantially impacts long-term results.

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

Ms. Jensen provided the Board with an updated Policy for Investment Management Agreements, with a clean copy for execution.

- **Brian Walker made a motion to approve the updated Policy for Investment Management Agreements. The motion received a second from Guy Montante, approved by the Trustees 3-0.**

Ms. Jensen then addressed the definition of service in the Special Act. A member retiring from service had several months where he received no pay prior to his official termination date from the City. The Board considered the details of the service credit for the member, initially denied compensation through Worker's Comp prior to taking a leave of absence rather than working in a light duty position. The member continued to accrue sick and vacation time during the periods where he did not receive other compensation, further evidence that he continued his employment relationship with the City during this time. Brian Walker referenced the definitions of employment and termination from the City handbook. The Pension Fund, meanwhile, credits the member with service based on employment and not compensation. Ms. Jensen will inquire further through the Fire Department to clarify his status during the period in question where the member did not receive compensation other than continued accruals of sick and vacation time.

Ms. Jensen provided a memo describing best practices established by the Department of Labor to find missing or lost participants due benefits from the plan. The Administrator is in the process to subscribe to a new service used by many law enforcement agencies to locate persons.

The IRS mileage reimbursement rate increased to \$0.56 per mile.

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Ms. Jensen reported that Jeff Barndt, a pending disability applicant, completed his IME (Independent Medical Exam). Guy Montante stated that he will abstain from the decision to grant a disability benefit due to his involvement through the Fire Department to address personnel issues related to the applicant. Chief Montante also questioned if a member would qualify for a disability pension with an arbitration against the City in progress to seek reinstatement of employment. Bonni Jensen advised that the Board could in fact weigh such circumstances in making the decision to approve a disability pension.

Ms. Jensen stated that TSW sold GCI Liberty from the portfolio, so the court replace the Pension Fund as lead plaintiff in the pending class action. The Board considered the reasons why TSW failed to continue to hold the shares during the litigation. A change to the status of the pending lawsuit also changed the holding requirements.

**4. PLAN FINANCIAL REPORTS**

The Board received the interim financial statement through January 31, 2021.

The Board reviewed the Warrants for paid and pending invoices as of March 4, 2021.

- *Brian Walker made a motion to approve the Warrants dated March 4, 2021, for paid and pending invoices. The motion received a second from Guy Montante, approved by the Trustees 3-0.*

**5. BENEFIT APPROVALS**

The Board considered the approval to a member for the return of accumulated leave time. The Administrator treated the application for a refund of the specific value of the leave time transferred to the Pension Fund by the City in the same manner as other members separating from service prior to reaching eligibility for retirement.

- *Brian Walker made a motion to approve the refund of excess contributions to Nick Perry . The motion received a second from Guy Montante, approved by the Trustees 3-0.*

**6. OTHER BUSINESS**

The Board further discussed the request to Salem Trust to pay the additional fees invoiced by the auditor.

**7. ADDITIONAL REPORTS**

The Trustees received additional reports for investment managers TSW and Garcia Hamilton.

**8. PUBLIC COMMENTS**

No members of the public had any comment.

**9. ADJOURNMENT**

There being no further business and the Board having previously scheduled the next regular meeting for Thursday, April 1, 2021 @ 1:30 P.M., the meeting adjourned at 3:56 PM.

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Brian Walker, Secretary