

*WEST PALM BEACH FIREFIGHTERS' PENSION FUND*  
**MINUTES OF MEETING HELD**  
**APRIL 1, 2021**

1. Dave Merrell called an electronic meeting of the Board to order at 1:31 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)  
Brad Armstrong, Actuary (GRS Consulting)  
Karen Russo, Custodian (Salem Trust)  
Matt Soule, Investment Manager (TSW)  
Elizabeth Fugler, pending Board appointment  
Jayson French, Plan Member  
Jeff Stefaniak, Plan Member

2. **APPROVAL OF MINUTES**

The Trustees reviewed the Minutes for the meeting of March 4, 2021.

- Brian Walker made a motion to approve the Minutes for March 4, 2021. The motion received a second from Guy Montante, approved by the Trustees 3-0.

3. **REPORTS**

**Custodian: Salem Trust (Karen Russo)**

Karen Russo addressed the system transition by Salem Trust as of March 1, 2020. Salem Trust continued to use the same trust accounting system through the transition for continuity. She reported that Salem Trust completed the transition smoothly, although some managers traded using incorrect delivery instructions. The transition period also included market volatility which increased trading volume by 50%. As a result, some pricing exceptions occurred. Ms. Russo also described an issue with a dividend received for a mutual fund holding not automatically reinvested in additional shares.

Saltmarsh, the Pension Fund auditor, invoices \$700 for additional testing during the audit as the result of the system conversion. Ms. Russo reported that management for Salem Trust is still in the process to review the documentation of the additional testing provided by Saltmarsh in support of the invoice. Mark Rhein, president of Salem Trust, will attend the next meeting to address the Board.

**Actuary: GRS (Brad Armstrong)**

Mr. Armstrong presented the October 1, 2020 Valuation Report. He reported that the annual required contribution dropped by 2.59% after adjusting for compliance with Chapter 112.46(5) Florida Statutes. Recent favorable experience further lowered the contribution requirement from 46.16% of covered pay in the current fiscal year to 40.9% for the next year. In dollar terms, the City must contribute \$8,854,999 of covered payroll for the fiscal year starting October 1, 2021 if deposited at the beginning of the fiscal year.

Mr. Armstrong further reviewed the derivation of the contribution requirements. Previously a decrease in covered payroll forced the City to contribute higher amounts to the Pension Fund, but payroll for the Department is now increasing once again. Brian Walker also noted that the City is starting 35 new firefighters in April. The Pension Fund also benefited from strong investment gains and favorable mortality.

Mr. Armstrong reviewed the member Share Accounts with assets of \$43,155,448. About half the plan assets are dedicated to the member DROP and Share Account balances. He explained the details of the DROP as

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well. He reported that the funded ratio increased from 74.8% to 77.2%; meanwhile, the Pension Fund has negative cash flows as an older and more mature plan. Mr. Armstrong stated that the required contribution rates are the lowest for the Pension Fund in the last 10 years.

- **Brian Walker made a motion to approve the October 1, 2021 valuation. The motion received a second from Guy Montante, approved by the Trustees 3-0.**

Brad Armstrong continues to review updates to the Summary Plan Description, and Brian Walker stated that he had some additions to the document as well. Ms. Jensen then advised the Trustees to set a return expectation.

- **Brian Walker made a motion, based on the advice of the investment consultant, that the Board expects to achieve a 7.5% return for the next year, the next several years, and for the long term thereafter. The motion received a second from Guy Montante, approved by the Trustees 3-0.**

**Investment Manager: TSW (Matt Soule)**

Matt Soule addressed the Board on behalf of TSW. He reported that TSW manages \$22.3 billion in total assets. The "SMID" small-mid cap strategy has \$1.2 billion in assets with a net gain of 28.21% for the quarter ending December 31, 2020, compared to 28.51% for the benchmark. The gain for the R1000 value benchmark was the strongest historic return for the index ever. The smid strategy gained 3.78% compared to 4.88% for the benchmark for the calendar year. The strategy only performed under the benchmark in the most recent years as the priciest stocks in the market gained the most.

TSW looks for stocks mispriced with a catalyst. Elizabeth Fugler asked Matt Soule to explain the relative under performance for the strategy compared to the R1000 value index. Matt Soule explained that TSW is a deep value manager with securities discounted even lower than the value index, creating a greater headwind in the recent growth-oriented market. Mr. Soule reviewed the performance by TSW in bear markets where the manager performed better than the benchmark. Mr. Soule compared the recent market to the growth and tech bubble of the late 1990s, when the most unprofitable companies had the greatest returns. TSW consistently outperformed the benchmark on all metrics until 2016. The manager remains true to the investment process. Mr. Soule also reviewed the current sector underweights and overweights in the portfolio resulting from individual securities selection.

Mr. Vavrica asked how infrastructure spending might impact the portfolio. Mr. Soule stated that the new administration did not bring any real surprises. TSW believes that the current market has surpassed the tech bubble of 1999.

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

Mr. Vavrica reviewed the market performance by sector during and after the COVID bottom of March 2020, with initial out performance by growth issues and a later shift to value and small cap stocks. As of March 31, 2021, the assets gained 15.9% for the fiscal year to date with 3.7% in the quarter ending March 31. The gain amounts to \$10,501,706 in additional assets. Value has continued to perform better than growth stocks over the last 6 months.

Brendon Vavrica discussed liquidity in the portfolio. The Pension Fund currently allocates only about 20% of total assets to alternative strategies, and only \$28 million of the total assets have any liquidity constraints. In spite of the recent market gains, assets remain in line with Policy targets.

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

Ms. Jensen addressed the termination of Jeff Walk as of February 20, 2021. Based on the definition of service contained in the Special Act, she advised the Mr. Walk should receive service credit through his final day of employment at the City. The Special Act credits service by employment rather than pay. Mr.

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Armstrong noted that the final average salary for Mr. Walk did shift further back to the period when he received pay.

Ms. Jensen reported that Mellon will transfer its asset management to "Newton Investment Management of North America" with a consent to assignment. The management team itself will not change or move. Mr. Vavrica recommended that the Board consent to the assignment.

- **Brian Walker made a motion to consent to the assignment of the current agreement to "Newton Investment Management of North America". The motion received a second from Guy Montante, approved by the Trustees 3-0.**

Ms. Jensen stated that her office received the IME (Independent Medical Exam) for Jeff Barndt in preparation for the disability hearing. After some discussion the Trustees decided to look for a date in May to hold the initial or informal disability hearing for Mr. Barndt. Ms. Jensen also advised that she continues to work through the documentation for the recent new hires by the Department, allowing members to appeal findings during the pre-hire physical process.

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

The Board discussed the timing of quarterly DROP and Share statements mailed to members. Mr. Walker expressed concerns that members continue to receive the mailed statements late. The Trustees also discussed the online access to the accounts available to the members and noted the consistency in payments and other services provided by the administrator. Mr. Baur committed to address the timing of the statements.

**4. PLAN FINANCIAL REPORTS**

The Board received the interim financial statement through February 28, 2021. The Trustees then reviewed the warrants for payment of expenses.

- ***Guy Montante made a motion to approve the Warrants dated April 1, 2021, for paid and pending invoices. The motion received a second from Brian Walker, approved by the Trustees 3-0.***

**5. BENEFIT APPROVALS**

The Board reviewed the benefit approvals which included a correction to the approval for Nick Perry from the March 4 meeting.

- ***Brian Walker made a motion to approve the March 4 and April 1 benefit approvals with the exception of the DROP distribution to Dave Merrell. The motion received a second from Guy Montante, approved by the Trustees 3-0.***

**6. OTHER BUSINESS**

The Pension Fund received a \$500,000 capital call for PIMCO, leaving \$3 million of remaining committed capital. The Trustees discussed the possibility that the Board will resume physical meetings.

**7. ADDITIONAL REPORTS**

The Trustees received additional investment manager reports.

**8. PUBLIC COMMENTS**

No members of the public had any comment.

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9. ADJOURNMENT

There being no further business and the Board having previously scheduled the next regular meeting for Thursday, May 6, 2021 @ 1:30 P.M., the meeting adjourned at 3:51PM.

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Brian Walker, Secretary