

WEST PALM BEACH FIREFIGHTERS' PENSION FUND

MINUTES OF MEETING HELD

September 2, 2021

1. Dave Merrell called an electronic meeting of the Board to order at 1:33 PM. Mr. Baur called roll for the Board. Those persons present included:

TRUSTEES

Dave Merrell, Chair
Brian Walker, Secretary
Elizabeth Fugler
Jeff Stefaniak

OTHERS

Scott Baur, Administrator (Resource Centers)
Brendon Vavrica, Investment Consultant (AndCo)
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson, Electronically)
Casey Finneran & Brian Leach, Investment Manager (PIMCO, Electronically)
Steve Loncar & Brett Barner, Investment Manager (Ceredex)
Daniel DeMonica & Marko Komarynsky, Investment Manager (Integrity)
Rick Dorey, Member

2. APPROVAL OF MINUTES

The Board reviewed the draft minutes for the August 3, 2021 regular meeting. Ms. Jensen noted that the Board decided not to hear from Robbins Geller, a securities monitoring firm, in severing the relationship.

- Elizabeth Fugler made a motion to approve the minutes for the August 3, 2021 meeting as amended. The motion received a second from Jeff Stefaniak, passed by the Trustees 4-0.

3. REPORTS

Investment Manager: PIMCO (Casey Finneran & Brian Leach)

Casey Finneran thanked the Board for their continued trust and support. Brian Leach, a credit strategist for PIMCO, reviewed recent performance for the Diversified Income Fund. The portfolio includes corporate credits, high yield bonds, emerging markets debt, and the best ideas put forth by the PIMCO team. He explained that the holdings do have some interest risk exposure. The manager tactically allocates assets to take advantage of themes in the market based on credit strategies, duration, and currencies.

Mr. Vavrica asked how rising interest rates and possible inflation will impact the holdings. PIMCO sees only transitory inflation; therefore, US rates are not likely to increase substantially with foreign rates so low. The US fundamentally offers a better risk profile, so the portfolio holds 60% of the assets domestically.

Mr. Leach then reviewed the PIMCO Disco III fund, a fully opportunistic strategy. The portfolio gained 26.3% for 2020 and 5.2% for the current year to date through June 30. The Disco III fund took advantage of structured credit and commercial and residential mortgages from unsupported parts of the real estate market, particularly in European domiciled assets. Mr. Leach sees most credit opportunities balanced by strong market fundamentals, so the real opportunities exist primarily in areas of the market that receive little attention. The manager also takes geography into account in the allocation of assets, considering even such criteria as local crime rates and the quality of schools.

Manager Presentation: Ceredex (Steve Loncar & Brett Barner)

Steve Loncar stated that Ceredex is a value shop based in Orlando, Florida, with \$9.5 billion in assets under management and \$1.6 billion in the small cap value strategy. Ceredex is wholly owned by Virtus, a multi-boutique type investment management firm providing corporate services to the investment management team. Ceredex now offers concentrated small- and mid-cap strategies as well.

Brett Barner explained the investment process. Ceredex focuses on dividends as an indicator of strength in the small cap value space, combined with fundamental research. The portfolio construction relies on a bottom-up fundamental analysis of about 500 inexpensive dividend paying companies, looking to identify a catalyst for growth. Investors now have a very short term time horizon, while the manager looks to hold an addition to the portfolio until the value is unlocked over an 18-36 month period. The manager frequently

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MEETING OF SEPTEMBER 2, 2021

uses Orlando conventions to scout and gather insight regarding potential holdings. In situations where the fundamentals deteriorate, the manager unloads the holding. Sometimes the timing to unlock the value also becomes too long for the manager to continue to hold a security. Because so many managers do a poor job selling bad holdings, Ceredex maintains a careful sell discipline. Mr. Barner reviewed the current sector weightings for holdings in the portfolio, which resulted from bottom-up opportunities rather than sector allocation. He also gave examples of holdings and recent merger and acquisition activity impacting some holdings.

The high beta stocks returned 100% more than low beta stocks for the trailing 12-month period, impacting recent performance for the portfolio. Ceredex avoids the volatile holdings. Over longer periods, the manager delivers high alpha (risk adjusted performance) with low beta (volatility) management. Mr. Barner addressed the recent drift in the portfolio to higher market cap holdings as the market gained. The manager closed the portfolio to new assets 3 times over the years. The portfolio gained an additional 1-3% over the benchmark historically before manager fees.

Investment Manager: Integrity (Daniel DeMonica & Marko Komarynsky)

Mr. Komarynsky introduced the manager, owned by Victory and spun off from KeyBank in 2013. He discussed the culture of the company, which includes a focused management team with long tenure. He emphasized both service and performance delivered by the firm. Mr. DeMonica reported that the team has never had any departures.

The portfolio outperformed the benchmark in many market environments over rolling 3- and 5-year periods. Integrity looks for the right company at the right price at the right time in an efficient decision-making process. The manager holds a company typically for 3 to 5 years with about 60-70% average annual portfolio turnover. Mr. DeMonica reviewed the portfolio construction and constraints, selling when the catalyst for a holding changes, negative fundamentals develop, or the market for a holding realizes the inherent value. Mr. DeMonica further reviewed the current portfolio characteristics, sector weightings, and top holdings. He reviewed performance in further detail for different historical periods.

Investment Consultant: AndCo (Brendon Vavrica and Dan Johnson)

The Trustees briefly discussed the manager presentations, noting the differences between Integrity and Ceredex.

Mr. Vavrica then reported that the assets gained 26.6% for the current fiscal year to date, an increase of \$67,023,502 to \$313,336,762. He reviewed the asset rebalancing during the current fiscal year that contributed to performance. He recommended that the Board leave the Chapter 175 premium tax receipts in the local checking account to fund payments and distributions over the next quarter.

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

Ms. Jensen updated the Board on the status of the Zymergen class action. She advised that the Board does not need to continue to hold the security during the pending litigation period.

Jeff Barndt also received the process on the order issued by the Board denying his application for a disability retirement at the June informal hearing. Her office received the last medical records for Marcus Anderson as well. Mr. Anderson will go to the Board retained physician next for an Independent Medical Exam (IME). Ms. Jensen explained in detail the time required to process an application for disability retirement, difficulties gathering medical records and finding a doctor to perform the IME, and additional challenges during the COVID pandemic. Not only does the process take a long time to complete, but appeals can be lengthy as well. A member ultimately can appeal the Board decision to circuit court typically after a formal hearing before the Board. The formal hearing process requires the Board to further engage an advocate to defend the position or prior decision by the Board, since Ms. Jensen and her firm represent the Trustees. \

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MEETING OF SEPTEMBER 2, 2021

Chair Dave Merrell previously executed the Addendum to the agreement for Berman Tobacco, another firm that monitors securities in the portfolio for potential class action litigation.

Mr. Jensen provided an Addendum to the PIMCO Agreement resulting from updates to the side letter executed by the Board. Finally, she reported that the Summary Plan Description should be ready for distribution to the members.

Administrator Report: Resource Centers (Scott Baur)

Mr. Baur provided the Board with an update on the verification letter process, with 2 payments remaining suspended. He briefly discussed possible alternative service that his office may ultimately recommend to the Board in place of an annual "alive and well" letter.

4. PLAN FINANCIAL REPORTS

The Board received the interim financial statement through July 31, 2021. The Trustees then reviewed the warrants for payment of expenses. The invoices included an expense for a fire member joining the police SWAT team. The Trustees considered whether the Firefighters Pension Fund or the Police Officers Pension Fund should pay the expense.

- *Brian Walker made a motion to approve the Warrants dated September 2, 2021, for paid and pending invoices as presented. The motion received a second from Jeff Stefaniak, approved by the Trustees 4-0.*

5. BENEFIT APPROVALS

The Board reviewed the benefits for approval.

- *Brian Walker made a motion to approve the benefits. The motion received a second from Elizabeth Fugler, approved by the Trustees 4-0.*

6. OTHER BUSINESS

The Board confirmed that all 4 Trustees planned to attend the upcoming fall FPPTA Trustee School. The Board discussed login to the FPPTA and tablets for the new Trustees serving on the Board.

7. ADDITIONAL REPORTS

The Trustees received additional investment manager reports.

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, October 7, 2021 @ 1:30 P.M., the meeting adjourned at 4:28 PM.

Brian Walker, Secretary