

WEST PALM BEACH FIREFIGHTERS' PENSION FUND

MINUTES OF MEETING HELD

January 6, 2022

1. Dave Merrell called a regular meeting of the Board to order at 1:36 PM. Mr. Baur called roll for the Board. Those persons present included:

TRUSTEES

Dave Merrell, Chair
Elizabeth Fugler
Sophia Loren-Taylor
Jeff Stefaniak

OTHERS

Scott Baur, Administrator (Resource Centers)
Brendon Vavrica, Investment Consultant (AndCo)
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)
Stephen Atkins & Anthony Xuereb, Investment Manager (Polen Capital)
Matt McCue (Financial News)

2. APPROVAL OF MINUTES

The Trustees reviewed the minutes for the December 2, 2021 regular and special meetings.

- Jeff Stefaniak made a motion to approve the minutes for the December 2, 2021 regular and special meetings as presented. The motion received a second from Sophia Taylor, passed by the Trustees 4-0.

3. REPORTS

Manager Presentation: Polen Capital (Anthony Xuereb & Stephen Atkins)

Anthony Xuereb presented on behalf of Polen Capital, a large cap equity manager for the Pension Fund since 2018. He reported that employee ownership increased to 72% as the firm acquired another 1% from the Polen Family Trust. The firm, based in Boca Raton, now manages \$83 billion in various mandates with over 35 employees in total. Polen also recently acquired a high yield fixed income manager. Mr. Xuereb reviewed the current investment management team. Polen will make a donation to the local Make-A-Wish Foundation on behalf of the West Palm Beach Firefighters Pension Fund, since the Board reached a 3-year milestone in their relationship with the manager.

Stephen Atkins reviewed the investment process, a very concentrated large cap growth equity portfolio consisting of 20-30 exceptional high-quality companies. The manager looks for long-term double-digit earnings growth from holdings. The strategy has also protected capital historically in down markets. As of September 30, the portfolio gained 2.64% net for the quarter and 25.02% for the trailing 12-months, compared to gains of 1.11% and 22.49% for the corresponding R1000 growth benchmark. Mr. Xuereb explained the portfolio gained 5-6% for the 4th calendar quarter compared to 11% for the benchmark, but the portfolio still finished ahead of the benchmark for the full calendar year. The top 5 holdings in the R1000 growth index account for 40% of the benchmark returns, so the manager has a harder time tracking the benchmark returns without holdings such as Apple, Tesla, or Nvidia.

Mr. Vavrica asked about the impact of rising interest rates on expectations for the portfolio. Polen does have some holding more sensitive to interest rate increases, but the manager avoids companies with high leverage or debt on the balance sheet.

Investment Consultant: AndCo (Brendon Vavrica)

Brendon Vavrica reported that the TSW to DRZ manager transition is now complete with trades settling in the new portfolio. Since TSW would typically report to the Board at the February meeting, Mr. Vavrica will move DRZ on the manager schedule.

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MEETING OF JANUARY 6, 2022

Mr. Vavrica then reported that the Pension Fund started the quarter with total assets of \$306 million increasing to \$325 by December 31, a gain of about 3.9% on investments. The current asset allocation remains in line with Policy targets. Growth and value management styles, meanwhile, have vacillated back and forth in terms of performance since November 2020.

Mr. Vavrica discussed direct lending as a possible asset class addition for the investment portfolio, particularly since the PIMCO Disco fund did not call additional capital and released part of the original commitment. Direct lending holdings tend to be less sensitive to rising interest rates. The asset class also has less volatility than equities, more like real estate holdings. The funds typically hold senior debt in line before equities in distressed situations. While more investors increased allocations to direct lending, valuations for private equity borrowers also increased proportionately. Mr. Vavrica provided 3 sample portfolios of funds with expected terms of 6-12 years. He would complete an asset allocation study but recommended the Board allocate assets to direct lending from both equities and fixed income holdings, starting with a commitment of about \$2 - \$2.5 million increased to \$7 - \$8 million. The Board requested a more detailed presentation on the asset class.

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

Ms. Jensen provided the disability order for Marcus Andrews, and she received the securities monitoring agreement from Bleichmar for review.

Administrator Report: Resource Centers (Scott Baur)

Mr. Baur reported on the Board fiduciary liability insurance renewal with Markel. Markel offered a 2-year renewal depending on claims with a \$38 annual increase in the premium from the prior year. The Board received a quote from Hudson, an alternate insurer, offering slightly broader coverage. The Hudson quote, however, did not offer the premium guarantees.

- **Elizabeth Fugler made a motion to renew the fiduciary liability insurance policy with Markel. The motion received a second from Sophia Loren, passed by the Trustees 4-0.**

The Board considered changing the meeting dates for the March, June, and September regular meetings.

- **Elizabeth Fugler made a motion to change the date for the June 2022 meeting to June 9, and the September meeting to September 8. The motion received a second from Sophia Loren, passed by the Trustees 4-0.**

4. PLAN FINANCIAL REPORTS

The Board received and reviewed the interim financial statement through November 30, 2021. The Trustees then reviewed the warrants for payment of expenses.

- ***Elizabeth Fugler made a motion to approve the Warrants dated January 6, 2022, for paid and pending invoices. The motion received a second from Sophia Taylor, approved by the Trustees 4-0.***

5. BENEFIT APPROVALS

The Board reviewed the regular benefits for approval.

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

The Board then reviewed in detail the pending allocation of Chapter 175 premium tax receipts to active members of the plan, noting some corrections or updates in the status for some members.

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MEETING OF JANUARY 6, 2022

6. OTHER BUSINESS

The Board expects to continue to meet physically and electronically in a blended meeting format. Jeff Stefaniak reported that he could not attend the next meeting due to a work assessment.

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, February 3, 2022 @ 1:30 P.M., the Chair adjourned the meeting at 2:49 PM.

Brian Walker, Secretary