

WEST PALM BEACH FIREFIGHTERS' PENSION FUND

MINUTES OF MEETING HELD

February 3, 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
Brian Walker, Secretary
Elizabeth Fugler
Sophia Loren-Taylor
Jeff Stefaniak

OTHERS PHYSICALLY

Scott Baur, Administrator (Resource Centers)
Brendon Vavrica, Investment Consultant (AndCo)
Rick Dorey, Retired Member

OTHERS ELECTRONICALLY

Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)
Claudette Grant, Ronan Burke, & Mark Seaman, Investment Manager
(Capital Group)
Matt McCue (Financial News)

2. APPROVAL OF MINUTES

The Chair reordered business appearing on the Agenda.

Attorney Bonni Jensen reported that her office provided an updated Special Tax Notice. The agreement for new securities monitor Bleichmar was signed. The Pension Fund also has batches of new hires for Dr. Zahn, Medical Director for the Board, to review. Finally, she advised that the hardship distribution request by retired member Bill Henderson meets the requirements of the Board Policy to allow such distributions.

The Trustees reviewed the minutes for the January 6, 2022 regular meeting.

- **Brian Walker made a motion to approve the minutes for the January 6, 2022 regular meeting as presented. The motion received a second from Elizabeth Fugler, passed by the Trustees 5-0.**

3. REPORTS

Manager Presentation: Capital Group (Claudette Grant, Ronan Burke, and Mark Seaman)

Ronan Burke introduced the Capital Group team. The Capital Group manages \$2.7 trillion in assets, \$2.2 trillion in equity strategies. The firm is privately held since 1931. Claudette Grant highlighted the manager's fixed income capabilities.

Mark Seaman, Equity Investment Director, stated that the manager takes a fundamental approach to stock selection using a multi-manager approach. Mr. Seaman reviewed the "capital system" for the team management approach which creates greater continuity over time in process and results. The EuroPacific Growth Fund invests in equities outside the US for long-term growth in assets. Domestic equities outperformed international equities in 2021, and Mr. Seaman that currency movements also impacted performance since the manager does not hedge currencies. The strategy gained 2.84% compared to 7.12% for the benchmark during calendar year 2021, whereas the portfolio gained 25.27% compared to the benchmark return of 10.65% in 2020. Mr. Seaman reviewed the results in detail by sector. Mr. Seaman also reviewed market trends and individual holdings that performed well for the manager, as well as detractors from overall performance. The manager believes that increased volatility in the markets will continue in 2022 with multiple risks, so the firm has only modest expectations for performance in the coming year.

Claudette Grant thanked the Board.

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Investment Consultant: AndCo (Brendon Vavrica)

Brandon Vavrica reviewed updates for AndCo. The firm recently expanded the partnership and now has 87 employees with \$123 billion in assets to advise. AndCo remains 100% employee owned.

Mr. Vavrica then reviewed recent changes to interest rates and the yield curve, pricing interest rate increases and slower future growth. The Pension Fund assets gained 4.58% for the December 31, 2021 quarter compared to 6.04% for the benchmark, and 15.88% for calendar year 2021 compared to a gain of 16.35% for the benchmark. The 5-year average annual gain of 13.03% ranks in the top 4% of the public plan universe. Mr. Vavrica further reviewed individual manager results, noting that Polien performed under their benchmark due to a concentration of companies that make up the benchmark index. Real estate holdings also gained 22.01% for calendar year 2021. Since December 31, the assets had modest market losses with returns of -0.6%. Mr. Vavrica explained historical market sector performance with the periodic table of investment returns.

Mr. Vavrica discussed direct lending as a possible additional asset class for investment, particularly as the PIMCO Disco Fund releases committed capital. Ben Baldrige for AndCo presented results for a senior direct lending manager search. He set expectations for direct lending performance and overall further diversification of the portfolio. Direct lending strategies have less liquidity typically with capital committed for longer periods. Many direct lending strategies also use leverage which increases risk. Leverage also creates an additional expense drag on the portfolio. Mr. Baldrige separated the consideration of portfolio loan quality from the use of leverage by the manager. The total market commitment to direct lending strategies remains in line with current market valuations.

Mr. Baldrige presented 3 manager candidates for a direct senior lending portfolio, and he differentiated between the 3 strategies based on loan size, credit quality and yield, and use of leverage. The managers tend to lend to established smaller and mid-size companies with less access to borrow in the public markets. The 3 manager candidates also have nuanced differences in process. The portfolios close after an initial investment period, so the Board must choose a new manager or portfolio when committing new capital. The Board considered the use of leverage to amplify results, both before and after fees. The Trustees discussed at length the risks compared to the return expectations. The Board also reviewed the historical results for the 3 managers. Mr. Vavrica recommended allocating capital from the current fixed income assets given the likelihood that interest rates will rise for some time.

- **Brian Walker made a motion to commit \$3 million to the Deerpath leveraged direct lending portfolio. The motion received a second from Jeff Stefaniak, approved by the Trustees 5-0.**

Administrator Report: Resource Centers (Scott Baur)

The Board confirmed the March 3, 2022 date for the next regular meeting.

4. PLAN FINANCIAL REPORTS

The Board received and reviewed the interim financial statement through December 31, 2021. The Trustees then reviewed the warrants for payment of expenses.

- ***Brian Walker made a motion to approve the Warrants dated February 3, 2022, for paid and pending invoices. The motion received a second from Elizabeth Fugler, approved by the Trustees 5-0.***

5. BENEFIT APPROVALS

The Board reviewed and deferred approval of the benefits.

Bonni Jensen previously recommended that the Board grant to hardship withdrawal request by Bill Henderson.

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- Brian Walker made a motion to approve the hardship distribution for Mr. Henderson. The motion received a second from Elizabeth Fugler, approved by the Trustees 5-0.

6. OTHER BUSINESS

Sophia Taylor reported that she accepted another position with a private accounting firm. She therefore will resign as a Trustee once the City appoints her replacement. The Board thanked Ms. Taylor, for she contributed substantially during her brief tenure on the Board.

Mr. Walker reported that he is working out the details for the next retirement dinner with Chief Dianna Matty.

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, March 3, 2022 @ 1:30 P.M., the Chair adjourned the meeting at 3:51 PM.

Brian Walker, Secretary