

WEST PALM BEACH FIREFIGHTERS' PENSION FUND

MINUTES OF MEETING HELD

August 4, 2022

1. Dave Merrell called a quarterly meeting of the Board to order at 1:35 PM. Mr. Baur called roll for the Board. Those persons present included:

TRUSTEES

Dave Merrell, Chair
Elizabeth Fugler
Jeff Stefaniak

OTHERS PHYSICALLY

Scott Baur, Administrator (Resource Centers)
Brendon Vavrica, Investment Consultant (AndCo)
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)
David Kaplan, Investment Manager (Baron)
Rick Dorey, Plan Member

OTHERS ELECTRONICALLY

None

2. APPROVAL ITEMS

The Board reviewed the minutes for the June 9, 2022 regular meeting.

- Jeff Stefaniak made a motion to approve the minutes for the meeting on June 9, 2022. The motion received a second from Elizabeth Fugler, approved by the Trustees 3-0.

3. REPORTS

Investment Manager: Baron Capital Management (David Kaplan)

Mr. Kaplan reported that Baron manages \$38 billion in assets with 181 employees. The manager looks for long-term growth opportunities with a sustainable competitive advantage and exceptional management. Baron does extensive due diligence on a company before adding a holding to the portfolio. The portfolio has a value or "growth at a reasonable price" orientation. The management team at Baron has low turnover, and the actual portfolio holdings have very low turnover with long holding periods.

For the 2021 calendar year the portfolio gained 16.39% compared to a gain of 2.38% for the R2000 Growth benchmark. For the trailing 10 calendar years, the portfolio grew 12.27% on average compared to 9.3% for the benchmark. For the 2022 calendar year to date the portfolio returned -31.81% compared to -29.45% for the benchmark through June 30, but the portfolio has since recovered 13.1%. Mr. Kaplan reviewed the biggest contributors to and detractors from performance for 2022. The manager trims positions on holdings that increase in market capitalization to reinvest the proceeds in smaller companies.

Mr. Kaplan reviewed the characteristics of the portfolio compared to the benchmark index.

Investment Consultant: AndCo (Brendon Vavrica)

Mr. Vavrica reported that AndCo received a Greenwich Quality Leader Award.

All market sectors posted losses for the June 30 quarter, but value holdings are now performing better than growth issues. The fixed income yield curve also flattened and inverted in 2022. Mr. Vavrica reviewed the current asset allocation, with an overweight to real estate holdings due to recent performance. The overall portfolio returned -10.85% for the June 30 quarter compared to -11.2% for the benchmark. The 9.16% 10-year average annual return ranks in the top 2% of the public pension universe. The assets gained 5.8% in July, so the Pension Fund now has a -5.8% return for the current fiscal year to date. Real estate holdings, meanwhile, gained 28% for the trailing 12 months through June 30. Mr. Vavrica discussed the real estate property types and replacement costs. Real estate holdings also typically lag the market with gains and losses.

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The consultant has only modest expectations from real estate going forward after the recent outside gains. Mr. Vavrica recommended that the Board rebalance \$8 million from the real estate managers. He will recommend where to reallocate the proceeds once the real estate managers process the redemption requests.

- Elizabeth Fugler made a motion to redeem \$6 million from the JP Morgan Strategic Property Fund and \$2 million from the JP Morgan Special Situations Property Fund. The motion received a second from Jeff Stefaniak, approved by the Trustees 3-0.

The Board briefly discussed additional alternative investment managers. Mr. Vavrica also reviewed recent increases to the CPI inflation.

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

Ms. Jensen addressed the contribution stabilization reserve policy. She reviewed additions to the proposed 2014 actuarial funding policy. The contribution stabilization reserve will partially offset City contributions in any given year. The Trustees discussed the proposed policy.

Ms. Jensen then reported that the federal mileage reimbursement rate increased to 62.5 cents per mile on July 1. She also reviewed the windfall elimination provisions for Social Security. The Board considered the details for the offsets in Social Security benefits.

Administrator Report: Resource Centers (Scott Baur)

Mr. Baur provided the Board with an update on the processing of the supplemental distribution and the Supplemental Distribution Q&A developed by Brian Walker. His office provided the Q&A to all members receiving a distribution.

4. PLAN FINANCIAL REPORTS

The Board received and reviewed the interim financial statement through June 30, 2022. The Trustees then reviewed the warrants for payment of plan expenses.

- *Jeff Stefaniak made a motion to approve the Warrants dated August 4, 2022, for paid and pending invoices. The motion received a second from Elizabeth Fugler, approved by the Trustees 3-0.*

5. BENEFIT APPROVALS

The Board reviewed the benefits for approval.

- Elizabeth Fugler made a motion to approve the benefits. The motion received a second from Jeff Stefaniak, approved by the Trustees 3-0.

6. OTHER BUSINESS

Mr. Baur made note of all the records available to the Board to review related to the Retirement Application submitted by former Pension Fund member Rick Curtis. The Board decided to begin the September meeting at 1:30 PM with the first half hour allocated to the hearing for Rick Curtis.

The Trustees discussed the tablets previously used by current and former Board members. The Board also discussed parking at Station 1 for the upcoming meetings.

7. ADDITIONAL REPORTS

The Trustees received additional investment manager reports.

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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, September 9, 2022 @ 1:30 PM, the Chair adjourned the meeting at 3:33 PM.

Brian Walker, Secretary