

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MINUTES OF MEETING HELD

January 12, 2023

1. Dave Merrell called a regular meeting of the Board to order at 1:39 PM. Those persons present included:

TRUSTEES

Dave Merrell, Chair
Jeff Stefaniak
Elizabeth Fugler

OTHERS

Scott Baur, Administrator (Resource Centers)
Bonni Jensen & Lindsey Garber, Attorney
(Klausner Kaufman Jensen & Levinson)
Brendon Vavrica, Investment Consultant (AndCo)
Matt Damon, Aaron Foresman, & Terry Miller, Investment
Manager (Crawford)
Jason Smith & Mila Yankova, Investment Manager
(Capital Group)
Rick Dorey, Plan Member

2. **APPROVAL OF MINUTES**

The Board reviewed the draft minutes for the December 1, 2022 meeting.

- Jeff Stefaniak made a motion to approve the Minutes for the meeting of December 1, 2022. The motion received a second from Elizabeth Fugler, approved by the Trustees 3-0.

3. **REPORTS**

Investment Manager: Capital Group (Jason Smith & Mila Yankova)

Jason Smith introduced the presenters for Capital Group with the reasons to invest in foreign securities; the growth strategy goals, objectives, and team for the EuroPacific Growth Strategy; and the results and expectations for the portfolio. Mila Yankova reviewed the global footprint for the investment management firm, now with 113 portfolio managers and 242 analysts worldwide. She stated the inflation and increasing interest rates, Chinese holdings, and the Ukrainian conflict all impacted results for the growth strategy in 2022. In 2023 the Capital Group expects modest additional rate increases with a recession in the US. While China abruptly ended their zero tolerance COVID policy, the manager expects a rebound in China to take time. The Ukrainian conflict, meanwhile, does not appear headed for a quick resolution. The European economy, meanwhile, appears more resilient than anticipated.

The EuroPacific Growth strategy seeks long-term growth of capital by way of a bottom-up fundamental research process. The portfolio has 11 managers that oversee separate tranches with additional allocations to the research time and to the investment director. Almost all sectors produced negative returns in 2022 with the exception of energy. The strategy returned -32.09% for 2022 compared to a return of -25.17% for the benchmark. Ms. Yankova reviewed the portfolio attribution by holdings and geographic allocation; the highest growth issues suffered the deepest losses.

Investment Manager: Crawford (Terry Miller, Aaron Foresman, & Matt Damon)

Terry Miller provided a brief overview of the investment management firm, now in business for 40 years with \$7 billion in assets under management. The manager still manages assets for the first client of the firm. Clients include high net worth and institutional investors. Mr. Miller then introduced the management team.

Aaron Foresman explained that the manager seeks total return with 5-7% income over full market cycles through a variety of fixed income instruments. Assets include dividend stocks, preferred equity, real estate investment trusts, energy infrastructure, and corporate bonds from issuers with balance sheet strength. The portfolio typically has 40-45 holdings with low tracking error to the Nasdaq US multi-asset diversified income index benchmark. The manager uses an internal risk model to assess market equity risk, interest risk, energy price risk, and credit risk. Portfolio returns have no correlation to interest rate moves. The manager does not

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make tactical allocation bets and remains sector neutral, constructing the portfolio bottom-up from individual issues.

Matt Damon reviewed historic performance for the strategy. The portfolio has 93.26% upside capture and only 75.6% down market capture. As of September 30, 2022, the portfolio returned -5.4% gross and -6.19% net for the trailing 12 months compared to -5.8% for the benchmark. Over the trailing 5 years the strategy gained 3.26% gross and 2.44% net of investment management fees compared to a return of 0.84% for the benchmark. The firm has 18 institutional clients with 4 in Florida. Crawford currently finds opportunities for investment in fixed income preferred issues and real estate. Mr. Damon proposed a 50 bp fee on the first \$20 million invested in the strategy. The Crawford team departed the meeting.

Brendon Vavrica explained that the Crawford strategy has some similarities to the JP Morgan Income Builder fund and the Blackrock Multi-Asset strategy, but Crawford invests only in US securities. Crawford seeks a higher yield with a portfolio that may also have greater short-term volatility. He expects the portfolio to provide higher returns than the current multi-asset strategies with less correlation to the equity market. He reviewed the likely diversification that Crawford will likely add to the overall assets. Crawford manages a separate account. Mr. Vavrica recommended that the Board allocate a portion of assets currently invested with JP Morgan and Blackrock to Crawford. If the West Palm Beach Firefighters and Police Pension Funds both hire Crawford, the manager will aggregate assets to determine fees.

- **Elizabeth Fugler made a motion to fund \$10 million to Crawford while equalizing remaining assets invested in the JP Morgan Income Builder and Blackrock Multi-Asset portfolios. The motion received a second from Jeff Stefaniak, approved by the Trustees 3-0.**
- **Elizabeth Fugler made a motion to authorize Dave Merrell as Board Chair and Brendon Vavrica to further negotiate fees with Crawford. The motion received a second from Jeff Stefaniak, approved by the Trustees 3-0.**

Investment Consultant: AndCo (Brendon Vavrica)

Mr. Vavrica provided a general market update as of December 31, 2022. Fixed income investments had the worst return since 1926, and fixed assets declined less than 5% during the only other year with negative returns for the asset class. Stock and bond asset allocation portfolios, meanwhile, had their worst year on record. In other years where equities posted losses, bonds gained.

The Pension Fund assets gained about 6.3% for the first fiscal year quarter. The real estate managers have queues on redemptions from the real estate portfolios.

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

Ms. Jensen addressed internal controls. An administrator embezzled funds from a Miami area plan by continuing payments to deceased plan members. She reviewed appropriate segregation of duties, periodic death checks, audit testing, and signature authorizations. Mr. Baur discussed fraud measures in place at his firm, which completes an annual SOC 1 Type 2 audit to document and review internal controls in place. He also reviewed current fraud trends, noting that fraud attempts against the local checking account had increased. His firm recently added additional controls for members updating contact and account information due to a recent increase in fraud attempts related to member identity. Members wanting to update contact or deposit account information must now contact the administrator office, since the forms no longer reside online. The administrator added a notary requirement to the forms, and his office automatically performs a callback to the last known contact information on file to verify any such changes.

Ms. Jensen provided a preliminary review of the provisions of Secure Act 2.0. The updated Act allows retired members to claim the \$3,000 annual exemption for health insurance premiums from income without a deduction from the pension payment. Distributions to members retiring prior to age 50 with at least 25 years of service will also be considered normal distributions for reporting purposes. The age for Minimum

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Required Distributions (MRD) will rise to age 75 by 2033, with reduced penalties for failure to take the Minimum Required Distributions timely.

Ms. Jensen had no update on the appeal filed by Rick Curtis.

Administrator Report: Resource Centers (Scott Baur)

Mr. Baur reported that Brigitte Souffrant was not a resident of West Palm Beach. The City is now looking to appoint a replacement trustee to the Board.

4. PLAN FINANCIAL REPORTS

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

- Jeff Stefaniak made a motion to approve the Warrant dated January 12, 2023, for payment of invoices. The motion received a second from Elizabeth Fugler, approved by the Trustees 3-0.

5. BENEFIT APPROVALS

The Board had no benefits for approval.

6. OTHER BUSINESS

The Board reviewed the status and expenses for the April 15 retirement dinner. The Trustees also discussed how to accept electronic payments from active and retired members planning to attend the event. Such payments would need to identify the choice of meals for those persons attending.

- Jeff Stefaniak made a motion to authorize payment for the actual expense of the retirement dinner and approve the order of the retirement axes. The motion received a second from Elizabeth Fugler, approved by the Trustees 3-0.
- Jeff Stefaniak made a motion to allow the Local to assist with the acceptance of electronic payments. The motion received a second from Elizabeth Fugler, approved by the Trustees 3-0.

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 2, 2023 @ 1:30 PM, the Chair adjourned the meeting at 3:39 PM.

Brian Walker, Secretary