

*WEST PALM BEACH FIREFIGHTERS' PENSION FUND*  
**MINUTES OF MEETING HELD**

**February 2, 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  
Brian Walker, Secretary  
Elizabeth Fugler  
Jeff Stefaniak

**OTHERS**

Scott Baur, Administrator (Resource Centers)  
Bonni Jensen, Attorney  
(Klausner Kaufman Jensen & Levinson)  
Brendon Vavrica, Investment Consultant (AndCo)  
Matt Jaffe & Josh Hemmert, Investment Manager (JP Morgan)  
Rick Dorey, Plan Member

2. **APPROVAL OF MINUTES**

The Board deferred approval of the draft minutes for the January 12, 2023 meeting.

3. **REPORTS**

**Investment Manager: JP Morgan (Matt Jaffe & Josh Hemmert)**

Josh Hemmert reviewed the Income Builder strategy, which seeks an attractive level of current income from a variety of asset classes. Secondly, the strategy seeks long term capital appreciation. JP Morgan outperformed the benchmark by more than 3% in 2022 but finished the calendar year with a -12.8% return. Mr. Hemmert reviewed changes to the portfolio composition in 2022 and set expectations for continued volatility in 2023. The manager recently decreased exposure to equities and increased the allocation to cash. The strategy produced greater income with less volatility while delivering top 20% returns over longer periods compared to a traditional 60/40 stock/bond portfolio.

Matt Jaffe reviewed the Strategic Property Fund and the Special Situations Property Fund. The Strategic Property Fund now has \$70 billion in assets under management overseen by a team of managers. Mr. Jaffe reported that rising debt costs have challenged the commercial real estate market recently causing transactions to slow and values to decline. The rate of real estate transactions have now decreased to near pandemic lows. Historic strong returns marked the first half of 2022, followed by repricing in the second half with property values falling 7.7% on average. The Strategic Property Fund gained 4.6% for the calendar year with a -5% return for the December 31 quarter, in line with the benchmark. The manager continues to add to industrial holdings while decreasing office exposure. The manager now has a redemption queue as investors rebalance assets. JP Morgan expects liquidity in the market to return as markets adjust to the higher interest rates and begin to normalize. JP Morgan has the ability to manage debt maturities for the near term and expects the debt markets to normalize by 2025 when the portfolio has more loans maturing.

Mr. Jaffe then reviewed the Special Situations Property Fund, which seeks to create value by developing core real estate, redeveloping properties, and managing lease-up opportunities. The Special Situations portfolio is broadly diversified. The strategy returned -6.9% for the December 31 quarter and -0.7% for 2022, compared to returns of -5% and 7.5% for the ODCE benchmark. Mr. Jaffe stated that the manager has a strong development pipeline which should continue to drive performance going forward.

Brendon Vavrica noted that JP Morgan tends to write down property values held in the portfolio more quickly than many other managers, reflected in the recent performance.

**Investment Consultant: AndCo (Brendon Vavrica)**

Mr. Vavrica reported that AndCo continues to reinvest 100% of all profits in personnel and systems. The firm added 3 partners in 2022, while one partner retired.

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With losses to both equities and fixed income assets, plans had their worst year on record. Through January 31, however, the assets gained an estimated 12.4% for the fiscal year to date. Mr. Vavrica reviewed long term performance for the Pension Fund all the way back to 1988.

The assets gained 6.04% for the December 31 quarter compared to a gain of 5.41% for the benchmark to finish in the top 5%. The 10-year 8.47% average annual gain ranks in the top 3%. Mr. Vavrica reviewed individual manager performance in further detail. The Board considered the impact of ESG constraints on portfolio management in the current political environment. The Board also reviewed the investment of the recently received annual contribution by the City. The Trustees discussed the Polen allocation, since the growth manager performed under the growth benchmark in the recent market. Chair Dave Merrell recently completed a due diligence visit to the manager. The portfolio now has an overweight to value holdings resulting from recent gains in the BNY Newton portfolio, so the investment consultant recommended that the Board rebalance the large cap equity portfolios.

- **Elizabeth Fugler made a motion to rebalance \$5 million from the BNY Mellon large cap value strategy to Polen. The motion received a second from Jeff Stefaniak, approved by the Trustees 4-0.**

Mr. Vavrica reported that Crawford agreed to a flat 45 bp management fee dropping to 40 bp once combined assets for West Palm Beach plans reach \$20 million. The Board also discussed the current dividend option for the JP Morgan real estate holdings.

- **Elizabeth Fugler made a motion to take dividends in cash from the JP Morgan real estate funds. The motion received a second from Brian Walker, approved by the Trustees 4-0.**

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

Ms. Jensen reported that portfolio monitor Saxena White asked the Board to become an additional plaintiff in the Wells Fargo class action. Wells Fargo is currently under investigation over hiring practices. The company lost \$17 billion in market capitalization as a result of the investigation. The company was also charged with predatory lending practices and other misdeeds.

- **Brian Walker made a motion to seek status as an additional plaintiff on the class action matter. The motion received a second from Elizabeth Fugler, approved by the Trustees 4-0.**

Ms. Jensen then reported that the IRS mileage reimbursement rate increased to 0.65 per mile.

Ms. Jensen said that Mr. Curtis is still seeking legal counsel for his appeal to the Board, although he had a recent death in his family. The Board discussed the possible timetable for the appeal. Ms. Jensen then reviewed the details and time required to process an application for a disability pension from start to finish. Members uncertain whether they will return to regular duty are encouraged to file an application to begin the process, which can often take 6 months or more.

**Administrator Report: Resource Centers (Scott Baur)**

The Board considered a request by small cap manager DePrince, Race, & Zollo for the custodian Salem Trust to provide statement access to Archer, retained to provide some back office operations.

- **Elizabeth Fugler made a motion to approve the request by DePrince, Race, & Zollo to grant Archer access. The motion received a second from Brian Walker, approved by the Trustees 4-0.**

The Board then considered issues connecting the new tablets to Verizon. The administrator resolved issues with Verizon that limited access by the trustees to the account.

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The Board also gave direction to the administrator to forward draft copies of the audit and valuation reports to the City when available.

**4. PLAN FINANCIAL REPORTS**

The Board received and reviewed the interim financial statement through December 31, 2022. The Trustees then reviewed the warrants for payment of plan expenses.

- **Brian Walker made a motion to approve the Warrant dated February 2, 2023, for payment of invoices. The motion received a second from Elizabeth Fugler, approved by the Trustees 4-0.**

**5. BENEFIT APPROVALS**

The Board reviewed the benefits for approval and multiple payments to retired member Froilo Santos. Mr. Santos changed the amount of his distribution request, and one approval included the original amount that he later updated.

- **Brian Walker made a motion to approve the benefits, omitting the approval for the recurring distribution to Froilo Santos in the amount of \$4,375 per month. The motion received a second from Elizabeth Fugler, approved by the Trustees 3-0.**

Chair Dave Merrell was out of the room momentarily for the vote.

**6. OTHER BUSINESS**

The Board reviewed the status and expenses for the April 15 retirement dinner. Brian Walker reviewed the dinner menu, expected ticket cost, valet parking, and drinks. The Board also considered dignitaries and service providers who might attend the event. All payments for the retirement dinner will go through Brian Walker. Mr. Walker then departed the meeting.

The Board considered a request by Mr. Sheppard to allow unlimited distributions from pension accounts. The Trustees also discussed the timing of the statements. The Board thanked Mr. Sheppard for expressing his concerns without taking any action.

**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 9, 2023 @ 1:30 PM, the Chair adjourned the meeting at 4:09 PM.

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Brian Walker, Secretary