

WEST PALM BEACH FIREFIGHTERS' PENSION FUND

MINUTES OF MEETING HELD

April 6, 2023

1. Dave Merrell called a regular meeting of the Board to order at 1:30 PM. Those persons present included:

TRUSTEES

Dave Merrell, Chair
Brian Walker, Secretary
Elizabeth Fugler
Jeff Stefaniak
Julian Cover (Pending Appointment)

OTHERS

Scott Baur, Administrator (Resource Centers)
Bonni Jensen, Attorney
(Klausner Kaufman Jensen & Levinson)
Brendon Vavrica, Investment Consultant (AndCo)
Trey Smith & Daniel Coppins, Investment Manager (Blackrock)
Brad Armstrong, Actuary (Gabriel Roeder)
Matt McCue, Financial News

2. APPROVAL OF MINUTES

The Board reviewed the draft minutes for the March 9 regular meeting.

- Brian Walker made a motion to approve the March 9 minutes as presented. The motion received a second from Elizabeth Fugler, approved by the Trustees 4-0.

3. REPORTS

Actuary: Gabriel Roeder (Brad Armstrong)

Brad Armstrong presented the 2022 Annual Valuation Report. He reviewed the derivation of the City required contribution for fiscal year 2024. The benefits have a 21.59% normal cost and a 27.03% unfunded liability. The Pension Fund has a total contribution requirement of 49.13% of covered pay, net to the City of 36.03% after the 13.1% member contribution. As a dollar amount, the City must contribute a \$7,807,443 at the start of fiscal year 2024. Mr. Armstrong recommended the City make an actual lump sum contribution of \$8,094,929 to account for expected payroll growth during the year. The City contributed \$7,446,383 in fiscal year 2022.

The valuation actually anticipates a City contribution of \$8,976,731 for fiscal year 2024, offset by \$1,169,288 from the new contribution stabilization reserve. Mr. Armstrong reported that the plan had an experience loss for 2022 due primarily to negative investment results but pay increased more than expected as well. He noted that the Board had not completed an experience study now for 10 years, so he also recommended the Board review the current assumptions. He will submit a proposal for an updated experience study. Mr. Armstrong then reviewed the smoothing of investment gains and losses. The funded ratio for the Pension Fund decreased from 86.8% to 82.4%.

The Pension Fund must make up a \$71,592,226 experience deficit before paying the next supplemental distribution.

- Elizabeth Fugler made a motion to approve the annual valuation report. The motion received a second from Jeff Stefaniak, approved by the Trustees 4-0.
- Brian Walker made a motion, based on the advice of the Investment Consultant, that the Board expects to achieve a 7.5% return on investments for the next year, the next several years, and the long term thereafter. The motion received a second from Elizabeth Fugler, approved by the Trustees 4-0.

Bonni Jensen reviewed the draft funding policy which Brad Armstrong adjusted for wage inflation. She will bring an updated version to the next meeting for further review.

Investment Manager: Blackrock (Trey Smith and Danial Coppins)

Trey Smith and Daniel Coppins joined the meeting to review the multi-asset income fund managed by Blackrock. Daniel Coppins addressed a pending change to the management team; the lead portfolio manager

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MEETING OF APRIL 6, 2023

plans to step down in May. Income securities have become more attractive, making for better timing for the transition. Portfolio managers Alex Shingler and Justin Christofel will assume management responsibilities. The team also added additional research and analyst resources.

The multi-asset income strategy takes a risk-first approach to generate income from an unconstrained investment universe by way of a tactical investment process. Mr. Coppins compared the 50/50 risk benchmark to the volatility of the multi-asset fund. As yields in the market increased, the gap between the fund yield and corporate yields narrowed. Blackrock now has a 5.7% yield with additional opportunities for price appreciation. Daniel reviewed historical performance in periods of rising interest rates. The manager protected assets well, capturing less of the market downside. He also updated the Board on expectations for the current market and possible impacts to the portfolio. Growth is slowing and the likelihood of a recession is increasing.

In periods after large market drawdowns, the fund historically captured substantial gains from the equity exposure. Overall the strategy captures higher yields and higher returns with less risk than the 50/50 benchmark. Brendon Vavrica stated that AndCo already met with Blackrock to scrutinize the pending manager changes.

Investment Consultant: AndCo (Brendon Vavrica)

Mr. Vavrica reported that the portfolio gained a preliminary return of 4.4% for the March 31 quarter and 10.7% for the fiscal year to date. Polen on the growth equity side had particularly strong gains after a painful period of underperformance. The real estate holdings, meanwhile, continue to struggle. The Pension Fund still has a redemption pending from the real estate assets to rebalance the portfolio closer to target allocations. Brendon Vavrica compared market drawdowns over the past 15 years. The market so far has reversed about half of the losses in 2022.

Mr. Vavrica presented the international value equity manager search results. He reviewed the manager style and style drift, comparing the performance history for the listed managers. Dimensional runs a quant approach with less volatility and better diversification compared the current EuroPacific Growth holding. He recommended the Board reallocate \$10-\$12 million from EuroPacific Growth to an international value equity manager for further portfolio diversification. All the managers presented offer mutual fund vehicles for investment. The Board invited DFA to make a presentation at the next meeting.

The trustees discussed the possible impacts of currency changes on the portfolio. Brendon Vavrica expects the dollar to remain the accepted reserve currency in the world markets. The trustees also discussed the recent bank failures. The Board had no significant exposure or impacts resulting from the banks.

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

Ms. Jensen reported that the Wells Fargo class action matter appears to be moving forward, the Zymergen class action is in the discovery phase, and Saxena White filed the Moelis action.

She also reported that HB 3 will likely pass the current legislative session, which would prohibit the Board from considering non-pecuniary factors such as ESG issues when investing the Pension Fund assets. The Bill, if passed, will require the Pension Fund to file new reports with the Division of Management Services. She will provide further updates if the legislation passes.

4. PLAN FINANCIAL REPORTS

The Board received and reviewed the interim financial statement through February 28, 2023. The Trustees then reviewed the warrants for payment of plan expenses.

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MEETING OF APRIL 6, 2023

- Brian Walker made a motion to approve the Warrant dated April 6, 2023, for payment of invoices. The motion received a second from Jeff Stefaniak, approved by the Trustees 4-0.

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 Brian Walker, approved by the Trustees 4-0.

6. OTHER BUSINESS

Brian Walker reported that the Retirement Dinner now has about 220 who purchased tickets. He expects the event to sell out. He will provide checks written by members for payment to the administrator.

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, May 4, 2023 @ 1:30 PM, the Chair adjourned the meeting at 3:30 PM.

Brian Walker, Secretary