

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MINUTES OF MEETING HELD

May 4, 2023

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

TRUSTEES

Dave Merrell, Chair
Brian Walker, Secretary
Elizabeth Fugler
Jeff Stefaniak
Julian Cover

OTHERS

Scott Baur + Sarah Vandergon, Administrator (Resource Centers)
Bonni Jensen, Attorney
(Klausner Kaufman Jensen & Levinson)
Brendon Vavrica, Investment Consultant (AndCo)
Amanda Long + Keith Howell, Investment Manager (Newton)
Christin Bay + Eliot Zelovsky, Investment Manager (DFA)
Matt McCue, Financial News

2. **APPROVAL OF MINUTES**

The Board deferred approval of April 6, 2023 meeting minutes.

3. **REPORTS**

Investment Manager: DFA (Christin Bay + Eliot Zelovsky)

Christin Bay introduced DFA. The investment manager has 41 years of asset management experience based on Modern Portfolio Theory. The firm currently manages \$614 billion in assets with 14 offices in 10 countries.

Eliot Zelovsky explained the investment process for the international equity portfolio. The international value equity strategy has a 30-year history and olds about 500 securities. The portfolio over weights mid-cap and deeper value securities for companies with higher profit margins. Dimensional runs a very disciplined and transparent quantitative approach. The manager also keeps trading costs low. Dimensional generates additional income for the strategy through securities lending. The manager adds value through stewardship and corporate actions to enhance shareholder value.

Elizabeth Fugler clarified details related to historical performance. Prospectively DFA sees greater opportunities now in the international markets with more attractive valuations available.

The Board discussed the DFA strategy. The firm has very low fees for an active international manager due to the quant approach, and a strong long-term reputation as a manager with a consistent and repeatable process. Although the manager did not present well in the meeting, the trustees evaluated the strategy based on the reputation of the management firm and the historical track record for the portfolio. Brendon Vavrica recommended splitting the international growth equity portfolio in half to fund the international value equity strategy.

- Elizabeth Fugler made a motion to move \$10 million from the EuroPacific Growth Fund to the DFA international value equity strategy. The motion received a second from Brian Walker, approved by the Trustees 5-0.

Investment Manager: Newton (Amanda Long + Keith Howell)

Amanda Long introduced Keith Howell, portfolio manager for the large cap value equity strategy. The portfolio outperformed the benchmark in 2022 across all sectors by way of strong securities selection. The manager also underweights and overweights market sectors, and within sectors such as financial holdings, the manager may overweight insurance and diversified financial companies while underweighting bank holdings. Newton thinks higher inflation and interest rates will persist due to continued tight employment. In the near term, the manager believes the economy the economy will go through a mild recession.

The manager right now focuses on the balance sheets of holdings to identify companies that will remain strong through tougher times. Insurance companies, for example, also offer some downside protection since

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insurance is not a discretionary purchase. The manager also finds attractive opportunities in health care and some medical device holdings, and energy holdings offer a cyclical play. The manager primarily holds true value companies, but Newton does keep a "budget" for some relative value holdings. The manager sells a holding when targets are met, fundamentals deteriorate, or momentum stalls. Brian Ferguson, the lead portfolio manager, has the final say on all portfolio holdings.

The current portfolio has strong value attributes with strong expected earnings growth. Based on historical standards, value issues still have some room to run in the current market. A difficult economy creates more opportunities for Newton to outperform as an active manager. Newton has some concern about the possible risk of stagflation. The manager does not consider ESG criteria when investing assets. The manager has a 25bp base fee with a performance incentive capped at 75 bp.

Investment Consultant: AndCo (Brendon Vavrica)

Brendon Vavrica reported that the S&P 500 market index gained 7.5% in the March 31 quarter, with large cap outperforming small cap issues and growth over value. Falling market interest rates during the quarter further boosted growth stocks, while the treasury yield curve further inverted at the same time. The Pension Fund had total assets of \$280,406,632 as of March 31, 2023. The 8.3% average annual gain for the trailing 10 years ranks in the top 1%. Mr. Vavrica reviewed individual manager performance, reporting strong results. Real estate managers continue to write down property values.

Assets stayed flat for the month of April. The portfolio gained an overall 11.3% return for the current fiscal year to date. Prudential acquired Deerpath, which the Board will continue to monitor and discuss.

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

Bonni Jensen addressed the proposed Contribution Stabilization Reserve Policy. Brad Armstrong, actuary for the Pension Fund, provided some examples.

- **Brian Walker made a motion to approve the Contribution Stabilization Reserve Policy. The motion received a second from Elizabeth Fugler, approved by the Trustees 5-0.**

The Board has numerous pending class action matters. PG&E offered a settlement of \$450. RKS, securities litigation counsel for the matter, recommended that the Board reject the offer.

- **Elizabeth Fugler made a motion to reject the proposed settlement. The motion received a second from Brian Walker, approved by the Trustees 5-0.**

The Zymergen litigation will go to mediation, and Dave Merrell will have a June deposition scheduled if mediation is not successful. Ms. Jensen also provided updates on the Wells Fargo litigation.

Ms. Jensen reminded the Trustees to file the annual Form 1 financial disclosure form, which Trustees can now email to the Supervisor of Elections for the county in which the Trustee resides. She provided a brief review of the Rick Curtis appeal. The Board will provide Mr. Curtis with a notice of hearing. Mr. Curtis reports that he is continuing to seek legal counsel in the matter. He last appeared before the Board in September 2022. Ms. Jensen therefore suggested September or October 2023 as an appropriate time frame for the Board to hold a formal hearing for the appeal.

- **Brian Walker made a motion to schedule a formal hearing for the Rick Curtis appeal for the September 7, 2023 meeting of the Board. The motion received a second from Elizabeth Fugler, approved by the Trustees 5-0.**

Mr. Baur addressed circumstances with a member considering filing an application for a disability pension. The member has an accrued benefit greater than 65% of the final average salary. The Back-DROP provisions, meanwhile, allow a member to participate in the Back-DROP at age 53 with 18 years of service. The member

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already meets the requirements to Back-DROP with a normal retirement. By comparison, a forward DROP does not allow a disabled member to participate. The asked the Board to clarify whether the provisions of the Special Act would allow a member applying for a disability pension benefit to receive the accrued benefit if greater than 65% of the final average salary and participate in the Back-DROP. No provision of the Special Act describing the Back-DROP references a disability pension benefit for a member that might otherwise qualify for the benefit.

- **Brian Walker made a motion to clarify that the duty disability benefit provisions of the Special Act indicate that a member should receive 65% of the final average salary, and the Pension Fund has no provisions for an alternative benefit for a disability pension. The motion received a second from Elizabeth Fugler, approved by the Trustees 5-0.**

Administrator: Resource Centers (Scott Baur & Sarah Vandergon)

The Board considered a proposed engagement letter for GRS to provide an updated experience study. Ms. Jensen recommended that the Board consider the economic assumptions as part of the engagement.

- **Brian Walker made a motion to engage GRS to provide an experience study that includes a review of the economic assumptions. The motion received a second from Elizabeth Fugler, approved by the Trustees 5-0.**

The Board considered the administrative expense report for fiscal year 2022, along with the administrative expense budget for fiscal year 2024. The budget addressed the possible costs of an appeal by a member, as well as the possibility of additional reporting requirements that might result from action in the current legislative session related to HB 3.

- **Brian Walker made a motion to approve the fiscal year 2024 budget with an allocation of \$75,000 for legal fees. The motion receive a second from Elizabeth Fugler, approved by the Trustees 5-0.**

4. PLAN FINANCIAL REPORTS

The Board received and reviewed the interim financial statement through March 31, 2023. The Trustees then reviewed the warrants for payment of plan expenses.

- **Brian Walker made a motion to approve the Warrant dated May 4, 2023, for payment of invoices. The motion received a second from Elizabeth Fugler, approved by the Trustees 5-0.**

5. BENEFIT APPROVALS

The Board had no benefits for approval.

6. OTHER BUSINESS

Dave Merrell stated that the retirement committee and members organizing the recent retirement dinner should invoice for the considerable amount of time and expenses invested in organizing the event.

Brian Walker addressed the Board. He stated that the committee may choose not to submit an invoice. He did recommend that the Board engage a professional planner for the next such event. Mr. Walker stepped out of the room momentarily.

- **Jeff Stefaniak made a motion to request the committee to submit an invoice for services. The motion received a second from Julian Cover, approved by the Trustees 4-0.**

Mr. Cover reported that he would attend the June annual FPPTA Conference.

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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, June 8, 2023 @ 1:30 PM, the Chair adjourned the meeting at 4:00 PM.

Brian Walker, Secretary