

WEST PALM BEACH FIREFIGHTERS' PENSION FUND

MINUTES OF MEETING HELD

October 12, 2023

1. Dave Merrell called a regular meeting of the Board to order at 1:32 PM. Those persons present included:

TRUSTEES

Dave Merrell, Chair
Brian Walker, Secretary (1:40 PM)
Julian Cover
Jeff Stefaniak

OTHERS

Scott Baur, Administrator (Resource Centers)
Bonni Jensen, Attorney (Klausner Kaufman Jensen & Levinson)
Brendon Vavrica, Investment Consultant (AndCo)
Kurt Wood & Nate Rusbosin, Investment Manager (DRZ)
Financial News
Additional Plan Members

2. APPROVAL OF MINUTES

The Trustees reviewed the draft minutes for the September 7, 2023 Regular Meeting of the Board, and noted a spelling error.

- Jeff Stefaniak made a motion to approve the minutes for the September 7, 2023 meeting as amended. The motion received a second from Julian Cover, approved by the Trustees 3-0.

3. REPORTS

Investment Manager: DePrince, Race, and Zollo (Kurt Wood & Nate Rusbosin)

Nate Rusbosin provided a brief firm update. The manager now has \$4.5 B in assets under management with \$480 M in the smid (small and mid-cap) strategy. The firm is 100% employee owned. The smid strategy returned -4.05% for the September 30 quarter compared to -3.66% for the R2500 Value Index benchmark and 16.85% for fiscal year 2023 compared to a gain of 11.35% for the benchmark.

Kurt Woods reviewed the strategy, which looks for consistent dividends of at least 1% from historically undervalued companies with an imminent catalyst to generate superior returns. He compared the current portfolio statistics for holdings to the benchmark. The portfolio benefited from energy holdings during the quarter. Mr. Woods further reviewed specific holdings in the portfolio. Trustee Julian Cover asked how dividend yielding equities might react to a rising interest rate environment, while Mr. Vavrica asked how the current portfolio valuation compares to both historical and current markets. Mr. Woods explained that the manager remains true to the value discipline with somewhat less expensive holdings than the benchmark. He noted that in historical terms value companies are cheap, particularly for smaller cap companies. DRZ typically holds a stock for 18-24 months.

Investment Consultant: AndCo (Brendon Vavrica)

Mr. Vavrica reported a preliminary gain of 10.6% for the fiscal year ending September 30, 2023, with total invested assets of \$272,044,343. The Pension Fund received small distributions from the JP Morgan property fund redemptions. Real estate holdings have not been so illiquid since 2008-09. The Board can rescind the redemption requests if circumstances warrant.

The consultant has Garcia Hamilton scheduled to present to the Board in November. The fixed income portfolio had greater losses than the benchmark recently on expectations of an imminent recession and falling interest rates. Mr. Vavrica reviewed the ongoing 2/10 year yield curve inversion and a histogram of annual S&P 500 market index returns. The S&P 500 has a 10.1% average annual gain over 97 years, but significant variance in returns from year to year.

Mr. Vavrica reviewed distressed debt opportunities. He explained the priority for repayment of debt and noted that the asset class historically has average returns of about 10% per year. He presented 2 managers screened by the AndCo team, Marathon and SVP. Marathon offers a contingent capital or "trigger" event to call more than 50% of committed capital. The Board considers the possible opportunities and the kinds of debt purchased by the managers. The strategies seek a 15-20% Internal Rate of Return (IRR) or 1.75 times the Total Value Paid In (TVPI). Investors get 100% of the first 8% gain after management fees. The managers share in gains above the 8% threshold.

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The Trustees discussed the liquidity of current Pension Fund assets to confirm adequate liquidity for expected outflows. Mr. Vavrica recommended the Board consider a relatively modest allocation to distressed debt of \$10 - \$12 million. Trustee Julian Cover asked the consultant to bring more options representing senior debt opportunities.

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

Ms. Jensen provided an update on the guidance issued for the required HB 3 compliance reports. The state issued very vague guidance, so counsel is working to identify the documents that the Pension Fund should ultimately submit.

Brian Walker noted that West Palm Beach had another hire class of about 20 possible new members to the Pension Fund.

Administrator: Resource Centers (Scott Baur)

Mr. Baur provided the Board with an updated schedule of upcoming educational opportunities and conferences. He reported that his office was engaged in fiscal year reporting.

4. PLAN FINANCIAL REPORTS

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

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

5. BENEFIT APPROVALS

The Board reviewed the regular benefits for approval.

- Julian Cover made a motion to approve the benefits as corrected for Jeff Kachman. The motion received a second from Jeff Stefaniak, approved by the Trustees 3-0.

Mr. Baur reported that Trampas Manor was still gathering the additional documentation requested by the Board related to his application for a non-duty disability pension benefit.

6. OTHER BUSINESS

The Board had no other business for discussion.

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, November 2, 2023 @ 1:30 PM in the Training Room at Station 5, the meeting adjourned at 3:50 PM.

Brian Walker, Secretary