

WEST PALM BEACH FIREFIGHTERS' PENSION FUND

MINUTES OF MEETING HELD

February 1, 2024

1. Brian Walker called a Quarterly Meeting of the Board to order at 1:30 PM. Those persons present included:

TRUSTEES

Brian Walker, Secretary
Elizabeth Fugler
Jeff Stefaniak

OTHERS

Bonni Jensen, Board Counsel (Klausner, Kaufman, Jensen & Levinson)
Scott Baur, Administrator (Resource Centers)
Katie Hammond (Electronically), Larry Ostel (Electronically), Ann Hull (Electronically) and Josh Hammert, Investment Manager (JP Morgan)
Brendon Vavrica, Investment Consultant (AndCo)
Rick Dorey, Plan Member
Rick McConnell, Plan Member
Additional Members Public

PUBLIC COMMENT

Pension Fund Member Rick McConnell addressed the Board. He asked the Board to consider supporting additional options to give members for accumulated leave payments at retirement. Currently, the Pension Fund receives the full value of any accumulated leave time due to the member under the terms of the Special Act. Some members would prefer to direct the payment to the post-retirement VEBA plan or a deferred compensation account.

Ms. Jensen advised that according to a legal opinion previously received by the Board, the payment for accumulated leave time must be uniform and non-discretionary for members to avoid constructive receipt of the funds. If the member does have constructive receipt of the payment for accumulated leave time, the amount becomes taxable to the member. The Board discussed the possible options available to Pension Fund members if the language in the Special Act were to change.

2. APPROVAL OF MINUTES

The Board noted that the meeting room location might need to change for the March 7, August 1, and November 7 meeting dates.

The Trustees reviewed the draft minutes for the December 7, 2023 and January 11, 2024 meetings.

- Elizabeth Fugler made a motion to approve the minutes for December 7, 2023 as amended. The motion received a second from Jeff Stefaniak, approved by the Trustees 3-0.
- Elizabeth Fugler made a motion to approve the minutes for January 11, 2024 as presented. The motion received a second from Jeff Stefaniak, approved by the Trustees 3-0.

3. REPORTS

Investment Manager: JP Morgan (Katie Hammond and Josh Hammert)

Mr. Hammert provided a review of the JP Morgan Income Builder strategy. He stated that the strategy provides compelling current income and longer-term capital appreciation. JP Morgan started the strategy in 2007. The portfolio has a current yield of 7% before fees and a 10% gain for 2023 including appreciation of capital. JP Morgan now believes that the economy has achieved a soft landing with continued growth and moderating inflation, noting that wage growth now exceeds inflation. The manager therefore holds 45% of the portfolio currently in domestic equities.

Larry Ostel, a portfolio manager, reviewed the Strategic Property Fund. Core real estate achieved historic gains followed by a correction starting in 2022. The Property Fund had a -23.7% leveraged and -18% unleveraged return compared to a return of -18% for the ODCE Index. Mr. Ostel reported that rent growth helped moderate declines in retail and industrial holdings. Office holdings continue to struggle even though JP Morgan holds only the strongest

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office properties. Mr. Ostel then reviewed the current position and property sector allocations for the portfolio, which saw an increase to industrial holdings and a decrease in office and retail properties. The portfolio currently includes 30% leverage, but 83% of mortgages have fixed or hedged interest rates.

Ann Hull reviewed the Special Situations Property Fund, which declined -32.1% from the portfolio peak and a net -11.5% return for the December 31 quarter. The Special Situations Property Fund uses higher leverage amounts, now at 55%, which amplifies gains and losses in the portfolio. Ms. Hull reviewed the challenges faced by office holdings. The manager reduces the risk from debt exposure by fixing or hedging 63% of mortgages on properties. Debt ratios on properties increased as values declined. The strategy has a \$928 million redemption queue. Ms. Hull also reviewed recent changes to the holdings and projects in the pipeline. Elizabeth Fugler asked about typical holding periods for properties. JP Morgan underwrites properties for 10 years. The Special Situations Property Fund has a shorter hold, typically 3 – 7 years.

Brendon Vavrica noted that the management team had some recent changes, but the Board has already requested a redemption from the holdings. While communication with the management team at JP Morgan has improved, overall performance continues to lag. Mr. Vavrica reviewed similar investment funds in direct real estate holdings for comparison to JP Morgan. The Board discussed the pending redemption and possible alternatives to JP Morgan.

Investment Consultant: AndCo (Brendon Vavrica)

Mr. Vavrica reported that the assets gained 7.57% for the December 31, 2023 quarter as some equity managers performed under benchmarks and real estate holdings posted losses. Fixed income holdings rebounded sharply during the quarter on the expectation of future interest rate cuts. The assets have since declined by -0.3% in January. As of January 31, the Pension Fund had total investment assets of \$296,102,429.

Brendon Vavrica announced that AndCo will merge with another consulting firm called Mariner. Mike Welker will continue as head of the institution consulting team. AndCo will gain defined contribution consulting capabilities through the merger with access to additional opportunities for growth. Ms. Jensen advised that the Board will require an addendum with some mandated additions by Florida to the agreement. She also has an addendum to the agreement with Salem Trust-TMI Holdings, recently acquired by Argent.

Mr. Vavrica reviewed the current asset allocation and reviewed opportunities in private lending strategies. The Special Act still contains many limits on investments of Pension Fund assets by the Board.

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

Ms. Jensen provide an update on the PG&E litigation. Salem Trust used a class action attorney to represent the Board in the matter. PG7E increased the prior offer to settle for \$450, rejected by the Board, to \$600. Ms. Jensen recommended that the Board follow the recommendation of counsel and decline the \$600 settlement offer.

- **Jeff Stefaniak made a motion to authorize counsel to reject the offered settlement and move forward with the litigation. The motion received a second from Elizabeth Fugler, approved by the Trustees 3-0.**

Ms. Jensen provide the final order to reject the claim for a benefit made by Mr. Rick Curtis. She advised that much of the case presented by Mr. Curtis addressed consequences of the decision by the City not to rehire him, rather than the Board determination that he is not eligible for any further benefit from the Pension Fund. Mr. Curtis has 30 days to appeal the Board decision following the order. Counsel for Mr. Curtis did not make a transcript of the proceedings.

- **Jeff Stefaniak made a motion to execute the order. The motion received a second from Elizabeth Fugler, approved by the Trustees 3-0.**

Ms. Jensen noted that additional updates need to be made to the Special Act if other changes or updates result from the current bargaining session.

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Administrator: Resource Centers (Scott Baur)

Mr. Baur reported that the Resource Centers completed the 2023 SOC 1 Type 2 audit report, a process audit of the internal controls in place at the administrator. His firm has completed the Type 2 audit now for 16 years without any exceptions, while many other entities have more recently included exceptions or switched to a Type 1 report that includes no testing of controls. The process helps ensure the integrity of transactions completed by the administrator on behalf of the Board and the members of the West Palm Beach Firefighters Pension Fund.

Mr. Baur also reported on a recent process to update the delivery instructions for Salem Trust used by PIMCO. Chair Dave Merrell completed an interview for PIMCO to process the routine update.

4. PLAN FINANCIAL REPORTS

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

- Elizabeth Fugler made a motion to approve the Warrant dated February 1, 2024, 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.

- Elizabeth Fugler made a motion to approve the benefits. The motion received a second from Jeff Stefaniak, approved by the Trustees 3-0.

The Trustees reviewed the final worksheet for the 2024 allocation of Chapter 175 premium tax receipts to eligible Pension Fund members. Mr. Baur also reported that Trampas Manor may continue to pursue the application that he made for a non-duty disability pension benefit. The Board previously requested additional information from Mr. Manor. Ms. Jensen advised that the Board should consider rescheduling the hearing at the March meeting.

The Trustees considered a hardship request for a DROP Account distribution made by retired member Don Widing.

- Jeff Stefaniak made a motion to approve the hardship distribution requested by Don Widing. The motion received a second from Elizabeth Fugler, approved by the Trustees 3-0.

6. OTHER BUSINESS

Mr. Walker discussed details for the next retirement dinner. After some discussion, the Board agreed to schedule the next event for 2025. Mr. Walker will confer with Chief Matthey on the timing.

- Jeff Stefaniak made a motion to approve the planning process for the next retirement dinner, including payment of any necessary deposits for the event. The motion received a second from Elizabeth Fugler, approved by the Trustees 3-0.

The Board previously authorized the union and the City to use the Board actuary for any pension requests during the current contract negotiations. Ms. Jensen noted that parties to bargaining would typically pay for any studies completed by the actuary and copy the Board once negotiations ended.

7. ADDITIONAL REPORTS

The Trustees received additional investment manager reports.

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8. PUBLIC COMMENTS

No members of the public had any further comment.

9. ADJOURNMENT

There being no further business and the Board having previously scheduled the next regular meeting for Thursday, February 1, 2024 @ 1:30 PM, the Brian Walker adjourned the meeting at 4:08 PM. The next meeting will likely take place at Station 2.

Brian Walker, Secretary