

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

April 4, 2024

1. Brian Walker called a Quarterly Meeting of the Board to order at 1:34 PM in the Training Room at Fire Station 5. Those persons present included:

TRUSTEES

Dave Merrell, Chair (Electronically)
Brian Walker, Secretary
Julian Cover (1:39 PM)
Elizabeth Fugler
Jeff Stefaniak

OTHERS

Bonni Jensen, Board Counsel (Klausner, Kaufman, Jensen & Levinson)
Scott Baur & Sarah Cody, Administrator (Resource Centers)
Anthony Xuereb & Rana Pritanjali,
Investment Manager (Polen Capital)
Brendon Vavrica, Investment Consultant (AndCo)
Brad Armstrong, Actuary (GRS)
Rick Dorey, Plan Member
Rick Roberts, Plan Member

- Jeff Stefaniak made a motion to allow Dave Merrell to participate electronically due to exigent circumstances. The motion received a second from Elizabeth Fugler, approved by the Trustees 3-0.

2. **APPROVAL OF MINUTES**

The Trustees deferred approval of the minutes for the March 7, 2024 regular meeting to the May meeting agenda.

3. **REPORTS**

Actuary: GRS (Brad Armstrong)

Brad Armstrong presented the 2023 annual valuation report. He stated that the Pension Fund had a gain for the 2023 fiscal year due to positive investment results, but the smoothed losses from 2022 resulted in a net experience loss for 2023. The Pension Fund had a smoothed return Of -1.1% for 2023.

Mr. Armstrong then reviewed the cumulative experience loss for payment of the supplemental distribution. The Pension Fund also had a demographic experience loss on mortality, since member who passed received relatively smaller pension payments. He explained how the higher number of members created further negative experience for the Pension Fund. The resulting negative experience amortized over 20 years added \$1,097,897 to the City contribution, representing an increase of 4.03% of covered pay. The contribution stabilization reserve, meanwhile, has grown but has a 10-year funding period with a current balance of only \$1.2 million. The overall City contribution increased to \$10,355,264 for fiscal year 2025 from \$8,976,731 in 2024, an increase of 3.34% to 39.37% of covered pay. With the available offset from the reserve, the City must actually contribute \$9,172,082 for fiscal year 2025 if paid in full at the start of the fiscal year.

Julian Cover asked if the contribution is sufficient to fund the pension payments. Brad Armstrong explained that the contribution determined is the right amount for the required contribution based on current and future expected liabilities. Mr. Armstrong compared the \$248,207,110 in liabilities and \$361,106,419 required for asset matching. He reported that the funded ration decreased from 82.4% in 2022 to 79% in 2023.

- Elizabeth Fugler made a motion to accept the 2023 annual valuation report. The motion received a second from Julian Cover, approved 4-0 by the Trustees. Trustee Jeff Stefaniak was not present for the vote.
- Based on the advice of the investment consultant, Elizabeth Fugler made a motion affirming that the Board expected to achieve a 7.5% return on investments for the next year, the next several years, and for the long term thereafter. The motion received a second from Jeff Stefaniak, approved 4-0 by the Trustees.

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Investment Manager: Polen Capital (Anthony Xuereb and Rana Pritanjali)

Anthony Xuereb provided a brief for the firm. Polen manages \$66 billion in assets with 243 employees. The firm is dominantly employee owned, with \$57.5 billion in the growth equity strategy. The management team includes 3 portfolio managers to oversee the strategy in a collaborative process. Elizabeth Fugler questioned recent changes to the management team. Polen has managed the growth strategy now for 33 years.

Mr. Xuereb addressed recent performance under the benchmark. With a concentration of stocks driving benchmark gains, the stocks not owned by Polen account for most of the difference in returns. The manager hopes to consistently deliver returns, however, that average 15% over time. The manager has remained true to the investment process despite the recent under performance. Polen focuses on earnings growth. Ms. Pritanjali explained why Polen does not own Apple or Nvidia, big detractors from relative performance. She noted that volume growth more reliably predicts long term results over price growth. Polen does not believe that Apple can sustain revenue growth without a corresponding increase in sales volume, since new products have yet to contribute to revenue growth. Ms. Pritanjali reviewed other holdings in the portfolio with considerable promise.

Julian Cover addressed the recent under performance relative to both the Russell 1000 Growth Index and the S&P 500 Index. Mr. Xuereb explained the unusual market environment both during and after COVID. Mr. Cover questioned the service orientation that dominates current portfolio holdings. Polen performed most under benchmarks in 2022. While the portfolio does not cap any single portfolio holding, the manager typically does not hold more than 10% of any single issue in the portfolio.

Investment Consultant: AndCo (Brendon Vavrica)

Brendon Vavrica reported updates from Newton that do not affect the management of the large cap value portfolio. He reported a preliminary 4.1% gain for the March 31 quarter and 12% for the current fiscal year to date through March 31. He then reviewed recent manager performance. Fixed income and real estate holdings posted slight declines. He noted that market has mixed reactions to expectations related to interest rate moves. He reviewed continued market results in the current bull market. He may recommend that the Board rebalance the equities in the portfolio if equities continue to out perform other asset classes.

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

Ms. Jensen provided an update on HB 1073 that passed during the current legislative session. The changes to premium tax collections should not affect monies that the state allocates to the Pension Fund, with premium tax reductions offset by general revenue.

Ms. Jensen stated that Trampa Manor has not provided any further documentation to support his disability claim in the last 6 months. She recommended that the Board set a formal hearing date.

- **Elizabeth Fugler made motion to set the continuation of the disability hearing for Trampas Manor for June 13 at 1:00 PM. The motion received a second from Jeff Stefaniak, approved by the Trustees 5-0.**

Ms. Jensen reviewed the statutes that cover forfeitures for specified offenses. A member must be terminated for an offense committed during the course of employment. She further reviewed the specified offenses identified by the statute. All of the offenses require a link to the employment of the member. Trustee Brian Walker asked if the Pension Fund must comply with an order by the court to garnish payments, which rarely actually happens. Ms. Jensen outlined the process that the Board must follow to forfeit a benefit to a member.

Lindsey Garber will attend the May meeting on behalf of Ms. Jensen.

Administrator: Resource Centers (Scott Baur)

Mr. Baur updated the Board on pending real estate redemptions.

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4. PLAN FINANCIAL REPORTS

The Board received and reviewed the interim financial statement through February 29, 2024. The Trustees then reviewed the warrant for payment of plan expenses.

- Elizabeth Fugler made a motion to approve the Warrant dated April 4, 2024, for payment of invoices. The motion received a second from Julian Cover, approved by the Trustees 5-0.

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 Julian Cover, approved by the Trustees 5-0.

6. OTHER BUSINESS

Rick Dorey offered to assist with preparation for the next retirement dinner. Rick Roberts asked further about the contribution stabilization reserve, suggesting that the City may not want to use the current reserve value all at once. The Board discussed the reserve and its use. Brad Armstrong recommended that the Trustees follow the Funding Policy previously adopted by the Board.

7. ADDITIONAL REPORTS

The Trustees received additional investment manager reports.

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, May 2, 2024 @ 1:30 PM, the Brian Walker adjourned the meeting at 3:59 PM.

Brian Walker, Secretary