

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MINUTES OF REGULAR MEETING HELD
JUNE 13, 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
Elizabeth Fugler
Jeff Stefaniak

OTHERS

Bonni Jensen, Board Counsel (Klausner, Kaufman, Jensen & Levinson)
Scott Baur & Sarah Vandergon, Administrator (Resource Centers)
Matt Williams (Electronically), Investment Manager (Crawford)
Brendon Vavrica (Electronically), Investment Consultant (AndCo)

2. **APPROVAL OF MINUTES**

The Trustees deferred approval of the minutes for the May 2, 2024 Quarterly Meeting and noted a minor correction.

- **Brian Walker made a motion to approve the minutes for the meeting of May 2, 2024 as amended. The motion received a second from Jeff Stefaniak, approved 4-0 by the Trustees.**

3. **REPORTS**

Investment Manager: Crawford (Matt Williams, Electronically)

Matt Williams apologized that he could not attend the meeting in person. His flight got cancelled.

He reported that the Pension Fund invests in the Crawford managed income strategy. Crawford is an independently owned investment manager based in Atlanta. Crawford manages the multi-asset strategy with a consistent bottom-up process based on yield and cash flow. The manager has 40 years of institutional experience managing assets. The strategy has more than \$400 million in assets currently under management. Mr. Williams stated that the lead portfolio manager was recently promoted to Director of Research at Crawford while he continues to manage the strategy.

Matt Williams reviewed the investment process in further detail. The portfolio currently holds about 250 securities including stocks and bonds that provide yield and reliable cash flow. The manager looks for opportunities that offer attractive yields with potential capital appreciation. The portfolio trails the benchmark for the strategy over the trailing 12-month period. One holding in particular, the New York Community Bank, essentially failed. Mr. Williams noted that markets have also narrowed. Multiple limited partnerships also had strong returns, not held in the portfolio by Crawford, adding to the recent underperformance. The MLP securities, however, historically include substantial volatility in performance.

Mr. Williams stated that the spread between treasuries and high yield securities narrowed as high yield bonds performed much better than other fixed income assets. Mr. Williams further reviewed the sector weights in the portfolio. The manager does not take concentrated bets in the strategy. Mr. Williams also reviewed the current top holdings.

Mr. Vavrica asked how interest rate expectations impact the current portfolio composition. Matt Williams explained that Crawford does not foresee rate cuts in 2024. The portfolio has a 6-9% long-term target return. Elizabeth Fugler asked about constraints on holdings and tracking error relative to the benchmark. The manager builds the portfolio with holding from other strategies at Crawford. The portfolio has a 20% standard deviation compared to the benchmark. The benchmark includes 5 distinct asset classes: dividend paying stocks, REITs, energy infrastructure, preferred equity, and corporate bonds. Crawford will go up to 50% over or under the benchmark weights.

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
REGULAR MEETING OF JUNE 13, 2024

Investment Consultant: AndCo (Brendon Vavrica)

Brendon Vavrica reported that the Pension Fund assets gained 1.5% so far during the current quarter, for a total gain of 10.1% for the fiscal year to date. He briefly reviewed the individual manager results. The Board funded the Crawford strategy from the Blackrock and JP Morgan multi-asset strategies. Mr. Vavrica provided research for possible additional private credit and private equity allocations.

Mr. Vavrica reviewed the direct lending options. Mariner prefers "senior direct lending" strategies rather than subordinated or "junior" debt, putting the Pension Fund in front of the line for payment on debt investments. He presented 6 direct lending opportunities, reviewing the background of each firm. He also reviewed the typical kinds of companies that the managers loan money. The options include evergreen and closed portfolios. Mr. Vavrica reviewed preferred and carried interest, a form of revenue sharing on the earnings. The strategies reviewed all have different inception dates, and all the funds call capital for investment. The evergreen strategies allow for automatic reinvestment of the gains. Lock up periods vary and typically begin following the close date. Mr. Vavrica explained that evergreen funds are easy to administer, so more firms have recently introduced evergreen options. The private credit managers also partner with private equity funds for acquisition opportunities.

The Board considered the choices and discussed the possible advantages of the evergreen options. The Trustees considered 3 firms and 4 strategies, inviting Pennant Park and Carlyle to present at the August 1 meeting. The Board already has a relationship with Deerpath.

Mr. Vavrica reviewed the private equity options, which include secondary offerings to avoid the front "J" curve on holdings. Private equity investments typically require some time to begin producing returns while the Board pays management fees, a period known as the "J curve". The secondary offerings have already progressed beyond that initial period, so the secondary offerings typically produce more immediate returns. The early investors in those strategies, however, receive a greater portion of the earnings in compensation. Mr. Vavrica also explained the co-investments and primaries consisting of funds of funds.

Private equity investments are measured by the "TVPI" total value paid in. The funds typically have a 10-year investment time horizon. The funds of funds focus on small and middle market buyouts. One manager, Constitution, has an expected manager transition. The funds have different fees attached to different years of the life cycle of the investment. The private equity offerings also include evergreen options within the 10+ year investment period. The Board deferred any decisions on the private equity options or possible manager presentations.

Mr. Vavrica advised that any allocation to private equity would come from the current equity holdings. In addition to possible investment constraints in the Special Act, the Special Act also has liquidity constraints. Finally, Mr. Vavrica reported that Newton agreed to a fee concession.

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

Ms. Jensen reported that the Board received another appeal from Rick Curtis. Counsel for Mr. Curtis filed and refiled the appeal. The Board will now wait on the court.

Elizabeth Fugler inquired about the current firms providing portfolio monitoring services for securities and class action litigation matters. The Pension Fund currently engages 6 law firms to provide such services. The Board will invite Cohen & Milstein to make a presentation at the September 12 regular meeting.

Administrator: Resource Centers (Scott Baur)

Mr. Baur presented the Board with the annual 112.664 compliance report provided by the actuary. He also reminded trustees to file the annual Form 1 financial disclosure electronically by July 1.

The Division of Management Services scheduled the annual public safety pension conference for November 13-15 in Daytona Shores. He provided additional updates from the custodian on the Argent acquisition of Salem Trust. Finally,

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
REGULAR MEETING OF JUNE 13, 2024

Mr. Baur provided the Board with updates related to the upcoming annual FPPTA conference and invitations received for the Trustees.

4. PLAN FINANCIAL REPORTS

The Board received and reviewed the interim financial statement through April 30, 2024. The Trustees then reviewed the warrant for payment of plan expenses.

- **Brian Walker made a motion to approve the Warrant dated June 13, 2024, for payment of invoices. The motion received a second from Elizabeth Fugler, approved by the Trustees 4-0.**

5. BENEFIT APPROVALS

The Board reviewed the benefits for approval. The Trustees asked for clarification on approvals for Mitch Bomford, who cancelled a recurring account distribution, and the reported "retirement date" for Marina Harmon taking distribution of an account as the beneficiary.

- **Jeff Stefaniak made a motion to approve the benefits. The motion received a second from Brian Walker, approved by the Trustees 4-0.**

6. OTHER BUSINESS

Mr. Merrell reported on discussion at the recent NCPERs conference related to adoption of a board AI policy for acceptable use. The trustees considered the possibility that board retained service providers could present reports generated by AI rather than the specific expertise and services engaged by the trustees. The rise of generative AI creates possible future issues requiring board oversight.

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, August 1, 2024 @ 1:30 PM, Dave Merrell adjourned the meeting at 3:20 PM.

Brian Walker, Secretary