

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MINUTES OF QUARTERLY MEETING HELD
SEPTEMBER 12, 2024

1. Brian Walker called a Quarterly Meeting of the Board to order at 1:30 PM in the Training Room at Fire Station 5. Those persons present included:

TRUSTEES

Brian Walker, Secretary
Julian Cover
Elizabeth Fugler
Jeff Stefaniak

OTHERS

Bonni Jensen, Board Counsel (Klausner, Kaufman, Jensen & Levinson)
Scott Baur & Sarah Vandergon, Administrator (Resource Centers)
Brendon Vavrica, Investment Consultant (AndCo)
Gilbert Garcia, Karen Tuss & Connie Davis, Investment Manager (Garcia, Hamilton, & Associates)
James Kirby & Alyssa Brookner, Investment Manager (Deerpath)
Rick Roberts, Member
Matt McCue, Financial News

2. **APPROVAL OF MINUTES**

The Trustees reviewed the draft minutes the August 1, 2024 regular board meeting.

- Elizabeth Fugler made a motion to approve the minutes for regular meeting on August 1, 2024. The motion received a second from Jeff Stefaniak, approved 4-0 by the Trustees.

3. **REPORTS**

Investment Manager: Deerpath (James Kirby & Alyssa Brookner)

James Kirby came before the board to introduce their team and portfolio. Deerpath invests or lends in only the safest companies and senior loans, which are paid before any other obligations. The manager prioritizes safety, predictability, and current income over excess returns, aiming for modest returns with a focus on stability. Mr. Kirby reviewed the lending process and due diligence that is involved in issuing loans. Deerpath has a 17-year history in lending, managing approximately \$11.2 billion in assets.

Deerpath evaluates around 2,000 loan opportunities annually, focusing on borrowers backed by private equity funds which enhance loan resources. Since inception in 2009, the portfolio has maintained an 11.3% annualized asset yield. Mr. Kirby compared Deerpath's loans to those held by middle market collateralized loan obligation providers and discussed the "Levered US Master" portfolio, which manages approximately \$3 billion in assets and 282 companies. The West Palm Beach Firefighters' Pension Fund is currently invested in Fund 6B, achieving a 12.82% net internal rate of return since inception. He then reviewed the Evergreen product.

Brendon Vavrica asked Mr. Kirby to differentiate between different close-end funds raising capital and the Evergreen product. Fund 6B has now drawn 80% in capital, with Fund 7B now raising capital. Brian Walker asked Mr. Kirby if Deerpath has the capability to step in if a company is not performing well. Mr. Kirby answered, stating they can review, negotiate or make a loan due immediately if they do not see the expected performance and a loan can go into default even while making timely payments.

Investment Manager: Garcia, Hamilton & Associates (Gilbert Garcia, Connie Davis and Karen Tuss)

Connie Davis introduced the team and Gilbert Garcia began by explaining his background. Since 1990 he has managed assets, joining Garcia, Hamilton & Associates in 2002 and becoming a partner in 2008. When Mr. Garcia began, the firm had \$200 million in fixed income assets, it has since grown to over \$19 billion in assets under management. The manager holds only A or better higher quality securities. Noting that the firm has very little turnover, Mr. Garcia also announced to the board that Janna Hamilton and Beth McWilliams have recently retired.

Mr. Garcia also reported that the manager was early on the expectation of rate cuts; however, since the market has begun to adjust, they have recovered previous performance loss in a short period of time.

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The manager noted that some borrowers are taking on debt to maintain their standard of living and that the current sentiment related to housing is at an all-time low. Houston, Texas for example is facing a 30% downtown vacancy rate. Mr. Garcia expressed concerns related to the economy, predicting expectations of more significant rate cuts and a deeper, longer recession.

Mr. Garcia reviewed the yield curve, housing demand, excess savings, and rising credit defaults. The manager has shifted to a longer duration strategy while being underweight in credit and overweight in mortgage-backed securities which are currently trading at historically low prices. The manager likes prepayments related to events like death, divorce, relocation etc. as these can reset loan values back to par. The middle of the curve does best as the yield curve returns to normal.

Elizabeth Fugler asked about the source of recent gains. Mr. Garcia responded that it begins with the duration, noting that gains from corporate bond spreads should follow, along with more gains from duration. If the market falls and equities take a turn down, then the fixed income strategy provides a safe haven asset and a source of liquidity to the Pension Fund. Julian Cover raised questions about misreported unemployment rates. The manager anticipates that unemployment rates could rise to 5% or higher. He acknowledged ongoing inflationary pressures and stated that increased tariffs would have a negative effect, emphasizing that job losses are a more serious concern than inflation. Mr. Garcia believes the Federal Reserve was late to cut rates.

Investment Consultant: Mariner (Brendon Vavrica)

The board considered the Deerpath presentation. Mariner expressed a preference for the Evergreen product due to ease of administration. Brendon Vavrica provided further differentiation between the investment vehicles. Deerpath provides loans to companies with slightly smaller market capitalizations compared to firms like Carlyle. The funds will come from the current multi-asset funds. The Trustees also discussed the timing for repositioning the assets and the stability of the asset allocation. The Board will revisit when all Trustees are present.

Mr. Vavrica addressed Garcia, Hamilton & Associates. The Board took no action. Mr. Vavrica reviewed 3 options for Core plus Real Estate to replace JP Morgan, discussing fees, holdings, leverage and allocation of assets. The Board discussed trends, housing, and possible shifts in the market. Mr. Vavrica selected the companies to provide some variety and diversification from existing assets.

Mr. Vavrica reported returns of 16.1% Fiscal Year to Date through August 31 with \$310,766.151 in total assets.

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

Bonnie Jensen provided final Pennant Park documents for signature. In collective bargaining the city wants to increase benefits but delay the cost. Local 727 will rate on a 3.2% multiplier retro to 2012. Ms. Jensen explained the process of amending the Special Act.

Ms. Jensen reported that Rick Curtis filed a response to the Board, so the court appears ready to make a decision.

Ms. Jensen also reported that Saltmarsh, Cleaveland & Gund will be destroying old records. The Resource Centers will be accept the records from them or alert the state that they will be destroyed.

Ms. Jensen reviewed the updated Mariner Agreement, noting that 2 provisions were added. Mariner agreed to a fiduciary relationship to the Pension Board.

- **Elizabeth Fugler made a motion to formally approve and execute the Mariner Agreement. The motion received a second from Julian Cover, approved by the Trustees 4-0.**

Administrator: Resource Centers (Scott Baur)

Scott Baur reported on Generative AI and objectives. Bonni Jensen reviewed the policy. The Board has decided to review when all Trustees are present. Mr. Baur also reported on the Chapter 175 Premium Tax Receipts.

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4. PLAN FINANCIAL REPORTS

The Board received and reviewed the interim financial statement through July 31, 2024. The Trustees then reviewed the warrant for payment of plan expenses.

- Jeff Stefaniak made a motion to approve the Warrant dated September 12, 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.

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

6. OTHER BUSINESS

The Board had do other business for discussion.

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, October 10, 2024 @ 1:30 PM, Brian Walker adjourned the meeting at 4:42 PM.

Brian Walker, Secretary