

**THE CITY OF WEST PALM BEACH RESTATED EMPLOYEES'
DEFINED BENEFIT RETIREMENT SYSTEM**

**MINUTES OF MEETING HELD
August 24, 2021**

1. CALL TO ORDER

A regular meeting of the Board of Trustees was called to order at 1:39pm by Chairman Benny Rodgers in the Flagler Gallery meeting room of City Hall.

Trustees present were:

Benny Rodgers, Chairman
Jose-Luis Rodriguez, Trustee
Christopher T. Harrison, Trustee
Leon Pinder, Trustee
Stephen Hunter, Trustee

Also present were:

Denise McNeill (Scott Baur & Albert Lovingood online), Administrators – Resource Centers
Stacey Weinger & Arlene Franconero, Attorney – City of West Palm Beach
John McCann & Brendan Vavrica, Investment Consultant – AndCo Consulting
Jennifer Chripczuk – Human Resources – City of West Palm Beach (online)
John Monroe, Plan member
Three employees from City Procurement staff

3. PUBLIC COMMENTS

There were no public comments.

5. REPORTS

a. CLARKSTON CAPITAL PRESENTATION (PRESENTED BY: KURT TERRIN)

Mr. Terrin appeared before the Board to present the report for the quarter ending June 30, 2021. He provided an update of the company noting they have \$6.9B under assets. Mr. Terrin reviewed their investment philosophy noting they look for quality first and value second. They are looking for quality companies with a competitive advantage. He reviewed their typical investment process in detail. They spend time evaluating what could go wrong, then work with the management teams to understand their outlook of three and five years. He explained there is no shortage of great, quality companies and they are seeing consistent buying opportunities; however they are willing to hold cash when the feel there are not good buying opportunities present. They have a concentrated portfolio, currently with 23 holdings, and they will not always hold the same sectors as the index.

John McCann reminded the Trustees he had invited three large cap value managers to present to the Board. He would like the Board to consider adding the asset class to the Plan now that they have reached the \$50M level.

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b. MELLON LARGE CAP GROWTH PRESENTATION (PRESENTED BY: AMANDA LONG AND BILL ADAMS)

Ms. Long and Mr. Adams appeared before the Board to present information regarding their company and the large cap growth asset strategy. Ms. Long noted that she would be their relationship manager if hired. They have three other clients in Florida and 16 in the US and they are currently transitioning the strategy and team internally. Mr. Adams explained they have a long tenured investment team that has been through many market cycles, a deep research team and they are a value strong fund with an integrated risk management program. He reviewed their investment philosophy and strategy in detail noting they had a risk management approach with daily, weekly and monthly meetings. Their team stayed the course in January 2020, even when the market favored otherwise. Mr. Adams reviewed their portfolio characteristics and responded to specific questions from the trustees and investment consultant. Mr. McCann explained he had asked each manager a specific list of questions and Mellon reported the following: They are a large cap growth and core (split); 52% value, they have 79 stocks, their standard deviation the past five years was 21% versus 16% for the index and their turnover is 82%. The fee is 25 basis points (bps), the performance fee based on a tiered structure and capped at 100 bps or they offered a flat fee of 45 bps.

c. ARISTOTLE LARGE CAP GROWTH PRESENTATION (PRESENTED BY: KERI HEPBURN AND AYLON BEN-SCHLOMO)

Ms. Hepburn and Mr. Ben-Schlomo appeared before the Board to present information regarding their company and the large cap growth asset strategy. Ms. Hepburn explained they would be the team on the account if hired. She reviewed information about their company noting they are 100% employee owned. Mr. Ben-Schlomo reviewed the investment team, all are either on track or are currently equity owners of the company. They are a value firm and the quality review begins with the "who cares" test; if that company went away tomorrow, does the customer care? When Aristotle purchases the company, they tend to own the company for five to seven years. Ms. Hepburn reviewed their returns with the Trustees. Mr. McCann explained he had asked each manager a specific list of questions and Aristotle reported the following: They are a true large cap value manager with 47% value and 47% large cap, the fee for the value equity is 49 bps, they have 43 stocks, 13.7% five year standard deviation and their turnover is 14%. They are an investment trust with daily liquidity and their primary index bench is R1000. They are open to doing a performance based fee if the Board prefers. Mr. Ben-Schlomo responded to additional questions from the Trustees.

d. SEIZERT LARGE CAP GROWTH PRESENTATION (PRESENTED BY: CHRIS HEATLEY AND TOM KENNY)

Mr. Heatley and Mr. Kenny appeared before the Board to present information regarding their company and the large cap growth asset strategy. Mr. Heatley

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introduced their company noting they only manage domestic equity portfolios. Mr. Kenny reviewed their company philosophy. The manager is also an analyst, which they feel is critical to their process. He reviewed their principles and favorable investment attributes they seek for their stocks. He reviewed their investment process describing how they identify, analyze and build the portfolio. Mr. Kenny explained they do the research themselves looking for the durability of the company. He explained if both managers do not agree, then they do not purchase the company. Mr. Kenny reviewed their current snapshot explaining they will not hold a sector where they cannot find a good company to own; explaining that is why there are currently four sectors in which they have no holdings. Turnover is typically 25%-30%. Mr. McCann explained he had asked each manager a specific list of questions and Seizert reported the following: They are 51% value and 77% large cap, they are a concentrated portfolio with only 35 stocks, their risk is 16.7% versus the index of 16.2%, turnover averages 31% which equates to one every three years, the fee is 45 bps for the collective trust or 55 bps for a separate account. Mr. Kenny responded to additional questions from the Trustees.

e2. INVESTMENT CONSULTANT REPORT – ANDCO CONSULTING (PRESENTED BY: JOHN MCCANN AND BRENDAN VAVRICA)

Mr. John McCann addressed the presentations made by Mellon, Aristotle and Seizert. He explained all three are good companies and inquired into the Trustees preferences and who they thought they wanted to work with. Mr. McCann recommended 10% (\$5M) investment into this new class; taking \$2M from Argent, \$1.5M from Dana and \$1.5M from Vanguard S&P Index Fund. Lengthy discussion followed regarding the fee structures and management styles. Mr. McCann reviewed the large cap manager analysis. It was noted that Mellon had not done as well in the down market as the other two managers. Mr. Rodgers explained he is not ready to make a decision and would like more time to consider, especially since they do not have a full board present. After further discussion, a poll of each Trustee reflected Aristotle was the first choice and Seizert was the second. The consultant will provide the summary for the next meeting for further discussion.

Due to the possibility of losing a quorum, the Board addressed administrative items next.

f. JOHN MONROQUE DISABILITY CONVERSION

Mr. Monroque appeared before the board to address his disability conversion. Mrs. McNeill explained the member wanted to appeal the conversion since the amount the benefit was converting to was less than his current monthly benefit due to the fact that COLA's had been accumulating on the disability amount. Mrs. McNeill explained that the benefit is converting exactly as the disability order from 1995 stated and as per the Ordinance. The change does not recognize COLA accumulations in that the accumulated COLA does not transfer and instead, the COLA begins anew with the normal benefit. The Trustees were copied on 1995 Resolution clarifying the member's benefit. Mr. Monroque

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explained he had a copy of an income verification letter that had been done for him in the past and that letter stated that his benefit is a lifetime benefit. It was noted that he is receiving a lifetime benefit; however the amount was required to change as per the Ordinance rules. Stacie Weinger will review the information the member has available to see if there is anything else that could be done for him. The administrator explained that income verification letters (AKA awards letters) are often issued for various retirees, typically related to their housing, in order to verify that their income is expected to continue for the rest of their life. Such a letter is completely separate from whether or not a member may have a predetermined benefit change as designed by the Ordinance, as in the case of Mr. Monroe.

h1 ADMINISTRATIVE REPORT – RESOURCE CENTERS (PRESENTED BY: DENISE MCNEILL, SCOTT BAUR AND ALBERT LOVINGOOD)

BENEFIT APPROVALS: The Board reviewed the Benefit Approvals dated August 24, 2021.

A motion was made by Leon Pinder to approve the Benefit Approvals dated August 24, 2021 as presented. The motion received a second by Jose-Luis Rodriguez and was approved 4-0.

4. MINUTES

The Board reviewed the minutes from the regular meeting held on May 25, 2021.

A motion was made by Leon Pinder to approve the minutes from the regular meeting held on May 25, 2021 as presented. The motion received a second by Chris Harrison and was approved 4-0.

6. PLAN FINANCIALS AND MEETING DISBURSEMENTS

The updated financial statements through June 30, 2021 were included in the meeting packets for review along with the current disbursements through August 2021.

A motion was made by Leon Pinder to approve the disbursements for August as presented. The motion received a second by Jose-Luis Rodriguez and was approved 4-0.

5. REPORTS (CONTINUED)

h5. AUDIT ENGAGEMENT

The Board was presented with an audit engagement letter from KSDT for a fee of \$10,700 for the September 30, 2021 audit. Mr. Baur looked up the prior year audit cost and reported the prior year amount had been \$10,200.

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A motion was made by Jose-Luis Rodriguez to approve the audit engagement with KSDT as presented. The motion received a second by Leon Pinder and was approved 4-0.

g2 RFP PLAN ADMINISTRATOR UPDATE

From 3:30 to 3:53 PM the recording was paused. The administrator present at the meeting (Denise McNeill) left the room and the two online (Scott Baur and Albert Lovingood) exited the meeting. All three left to allow the board time for discussion of the RFP process. Three employees from City Procurement staff were in attendance to address the RFP process and to take the necessary notes for the public minutes.

e1. INVESTMENT CONSULTANT REPORT – ANDCO CONSULTING (PRESENTED BY: JOHN MCCANN AND BRENDAN VAVRICA)

Mr. McCann introduced Brendan Vavrica who will be handling the account going forward now that John is retiring and this will be his last meeting. Mr. Vavrica has been working with West Palm Beach Firefighters Pension for the past five years so he will handle this Plan as well. Mr. McCann asked if the Board will agree to change their next meeting time from 1:30 to 2:30 to ensure the consultant can make it to the meeting on time as they have a morning commitment much further south on that day. The Trustees agreed to have the November 16th meeting at 2:30 PM to accommodate accordingly. Mr. Vavrica presented the Investment Report for the quarter ending June 30, 2021. The Plan was up 4.2% at quarter end. He noted the market has been volatile but the plan is looking good overall. He reviewed each manager noting all are doing well. The Plan was rebalanced the prior quarter as per the Board instruction. Mr. McCann thanked the board for their patience with the manager presentations. Mr. Rodgers inquired if the end of the year would be a good time to make the manager change and Mr. McCann confirmed the timing should be fine. He noted the plan is in the top 5% of his client base.

h2 COLA ADJUSTMENTS

Mrs. McNeill provided an update from the actuary on the COLA process. There were six people that AIG did not have in their system and should be slightly less than the 2% so their adjustments, as previously discussed, will be offset against the 2022 COLA. The group of members who were due more money has been paid the retro and their monthly amounts increased accordingly.

h3 PAYMENT VERIFICATION UPDATE

Mrs. McNeill provided an update on the list of members who have not responded to the Alive and Well mailer. Mr. Baur explained that the electronic reporting was quite effective for many years; however the databases used to identify deceased members are no longer as effective due to differences between state privacy laws that impact how the Social Security Death Master File reports deaths. The change has required for a manual process to be added back to the

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role which is a person by person manual audit. We are currently completing the process and have a list of pending suspensions. There are ten people on the list who have not responded and he asked if the Trustees know any of these and if there is any indication that they are still alive, we would hold off on suspending their payments. We will turn off the direct deposit for the unresponsive members but will issue a paper check and will wait for the member to respond. If the member calls in to inquire about their payment and can verify all pertinent information to validate, then the physical check will be mailed to them and their direct deposit will be reestablished. Mr. Baur expects, with the size of this Plan and what has been experienced in other pension plans, it is possible they will find that one or two are actually deceased.

Mrs. McNeill addressed an odd situation that has arisen with a member, Mr. Dockswell. They had received a signed response; however they then received odd inquiries from other people saying they are inquiring into his benefit. Mr. Lovingood explained the off inquiries and his attempt to follow up on the validity. The concern is that someone else may be receiving the money and that it may not be going to the benefit of the member. Lengthy discussion followed regarding the matter. It was confirmed that the member had complied with the mailer; however now questions have arisen that cause concern of potential fraud. The City Attorney recommended waiting until the end of the year, sending another letter and then turning off the benefit at that time if it is not responded to. She noted they could send a letter certified receipt to the nursing home to confirm who is handling communication and authorization on the member's behalf if he is incapacitated and unable to do so himself. Discussion continued regarding whether or not there may be fraud involved. The administrator was instructed to keep the member actively paid at the moment, then 1) look into the notary and see if there are any known complaints against them on the Governor's Notary page, 2) look into the administrator of the Nursing Home and see if there are any complaints with the State, 3) Send another letter at the end of the year and see how that is responded to.

h4 TRUSTEE ELECTION AND SECRETARY SEAT

Mrs. McNeill reported that Leon Pinder's seat is pending election. It was also noted that Mark Parks is no longer employed with the City so his seat will be filled by the City accordingly.

h6 2022 BOARD MEETING SCHEDULE

They are currently meeting in the Flagler Room due to Covid. The next meeting was confirmed for November 16, 2021.

h7 2021-2022 CONFERENCE LIST

The 2021-2022 Conference list was in the meeting for Trustee information.

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h8 RESOURCE CENTERS SOC-1 TYPE 2 AUDIT

A notice of the Resource Centers SOC-1 audit report was presented in their packets. Mrs. McNeill explained that the audit is important to the clients and their auditors since the audit reviews the internal controls and procedures of the Resource Centers and ensures that they are following their internal rules and processes as promised. They are the only administrator here in Florida with their extensive level of client services that have been doing SOC audits for several years now.

8 DISABILITY VERIFICATION REVIEW

Mr. Rodgers had inquired into the disability review. Discussion followed regarding the details and while there is a concern that the City is not interested in rehiring those out on disability; the Board is still required to periodically review. The Trustees explained they had arranged with the Resource Centers a few years back for them to set up a provider to arrange for any pending reviews. The administrator will follow up on that process, determine who may be pending for review and address accordingly.

5. REPORTS (CONTINUED)

g. ATTORNEY REPORT (CONTINUED) PRESENTED BY STACIE WEINGER

There were no further items to report on at this time.

9. PUBLIC COMMENTS

There were no public comments received via email during the meeting.

11. ADJOURN

There being no other business, and the next regular meeting having been scheduled for November 16, 2021 at 2:30 P.M., the meeting was adjourned at 4:42 P.M.