West Palm Beach Police Pension Fund

2100 North Florida Mango Road

West Palm Beach, Florida 33409

Minutes

May 13, 2022

8:30 AM

CALL THE MEETING TO ORDER

Mr. Frost called to order the West Palm Beach Police Pension Fund Meeting on May 13, 2022 at 8:30 AM, in the main conference room of the Ernest George Building of the Palm Beach County Police Benevolent Association.

Present at the meeting: Jonathan Frost, Board Chairman; Dana Fragakis[1], Board Trustee; Joseph Ahern, Board Trustee and Sean Williams, Board Trustee.

Also present: Ernest George, retired plan member; Joseph Caligiuri[2] & Michael Cervi[3] – Champlain Investment Partners; Trisha Amrose & Jeffrey Amrose, Board Actuary - GRS Retirement Consultants; Brendon Vavrica, AndCo Consulting; Bonni Jensen, Board Attorney - Klausner, Kaufman, Jensen & Levinson; and Dave Williams, Plan Administrator.

APPROVAL OF THE MINUTES

After noting his comments, Mr. Frost asked if there were any additional changes required to the minutes of April 8, 2022. Mrs. Ahern made the motion to approve the minutes as noted, which was seconded by Mr. Sean Williams. All Trustees voted yes, and the motion was passed 4-0.

NEW BUSINESS

- **2022/2023 Administrative Budget**

Mr. Williams presented the administrative budget pursuant to Senate Bill 172. Mr. Williams indicated the 2022/2023 administrative expense budget prepared is based on the actual administrative expenses for the fiscal year that ended September 30, 2021.

Mr. Williams advised that unlike other governmental entities that develop budgets, our goal is not to meet or exceed the budgeted amount. It is not a situation where we use or lose it, simply an exercise on paper required by legislation. At 14 basis points, the expenses are extremely reasonable.

Mr. Frost sought and received input from all parties present, who were provided a copy. A motion was made by Mr. Ahern to approve the 2022/23 administrative budget, which was seconded by Mr. Sean Williams. All Trustees voted yes, and the motion was passed 4-0.

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[1] Attended Remotely.

[2] https://cipvt.com/team/joseph-m-caligiuri-cfa/

[3] https://cipvt.com/team/michael-a-cervi/

- **Robert Williams – Determination of Death**

Mrs. Jensen reviewed the independent medical report of Dr. Elise Zahn in the matter of Robert Williams' death.

After an extensive review of Robert Williams' medical records from LA Medical Center, UC Health Pourde Valley, and lastly, UC Health Anschutz Medical Center, it was evident that the cause of death was severe acidosis associated with multi organ failure due to COVID-19 infection. The death certificate was included in the medical record for review.

1. Based on the August 14, 2020, "Safeguarding America's First Responders Act of 2020," Robert Williams was considered a line-of-duty death, as he meets the following criteria:

a. No other competent medical evidence exists to suggest that Robert Williams' death was directly and proximately caused by something other than COVID-19. This is clear in the medical description provided above;

b. Robert Williams was engaged in a line-of-duty action or activity between January 1, 2020, and December 31, 2021;

c. Based on the detailed sequence of events noted above, it is clear that Robert Williams received a diagnosis of COVID-19 during the 45 day period beginning on his last day of duty.

d. The evidence indicates that Robert Williams died as a result of complications of COVID-19.

Mrs. Jensen outlined that the "Safeguarding America's First Responders Act of 2020" (the "Act") provides presumptive line-of-duty death and disability benefits to qualifying police officers and firefighters. For the purpose of death and disability benefits, the Act creates a general presumption that a public safety officer who dies from COVID-19 or related complications sustains a personal injury in the line-of-duty as long as no other medical evidence exists to suggest the officer's death was directly and proximately caused by something other than COVID-19. Under the Act, a public safety officer must meet the following three criteria for a line-of-duty death benefit:

The public safety officer was engaged in a line-of-duty action or activity during the period beginning on January 1, 2020, and the earlier of the date on which the COVID-19 public health emergency declared by the Secretary of Health and Human Services expires and December 31, 2023;

The public safety officer received a diagnosis of COVID-19 (or evidence indicates that the officer had COVID-19) during the 45-day period beginning on his last day of duty; and

Evidence indicates that the public safety officer had COVID-19 (or complications therefrom) at the time of his death.

Based on the totality of circumstances a determination of line-of-duty would be reasonable and prudent.

After considering the independent medical report and the law applicable to the case, Mr. Ahern made a motion to grant line-of-duty death benefit; that Officer Williams was engaged in a line-of-duty activity during the required time period, he received a diagnosis of COVID-19 within 45 days of his last day on duty, and the evidence indicates he died as a result of complications of COVID-19. Additionally, that no other competent evidence exists to suggest Officer Williams' death was the direct and proximate cause by something other than COVID-19. The foregoing motion was seconded by Mr. Sean Williams. All Trustees voted yes, and the motion was passed 4-0. A formal order will follow.

Knowing Mrs. Williams was attending the National Police Memorial[4], on behalf of the Board, Mr. Frost provided his heartfelt sympathy to the Williams Family.

OLD BUSINESS

- **ACTUARIAL VALUATION PRESENTATION – SEPTEMBER 30, 2021**

Mr. Jeffrey Amrose presented his final actuarial valuation as of September 30, 2021. The purposes of the valuation are to measure the Plan's funding progress, to determine the employer contribution rate for the fiscal year ending September 30, 2023, and to determine the actuarial information for GASB Statement No. 67 for the fiscal year ending September 30, 2021.

The contribution rate in this report is determined using the actuarial assumptions and methods disclosed in Section B[5] of this report. This report includes risk metrics in Section A but does not include a more robust assessment of the risks of future experience not meeting the actuarial assumptions. Additional assessment of risks was outside the scope of this assignment.

This valuation assumed the continuing ability of the plan sponsor to make the contributions necessary to fund this plan. A determination regarding whether or not the plan sponsor is actually able to do so is outside our scope of expertise and was not performed.

This report was prepared using certain assumptions approved by the Board as authorized under Florida Statutes and prescribed by the Florida Statutes as described in the section of this report entitled Actuarial Assumptions and Methods. The investment return assumption was prescribed by the Board and the assumed mortality rates detailed in the Actuarial Assumptions and Methods section were prescribed by the Florida Statutes in accordance with Chapter 112.63, Florida Statutes. All actuarial assumptions used in this report are reasonable for purposes of this valuation.

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[4] https://youtu.be/tKDK1khLW6Y

[5] http://www.wpbppf.com/docs_state/ActuarialValuation/West%20Palm%20Beach%20Police%20-%209-30-21%20Valuation%20Report.pdf#zoom=100

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the Pension Fund as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

Mr. Jeffrey Amrose and Mrs. Trisha Amrose are members of the American Academy of Actuaries. These actuaries meet the Academy's Qualification Standards to render the actuarial opinions contained herein.

Funding Objective

The funding objective for the defined benefit provisions of the Pension Fund is to establish and receive contributions, expressed as percentages of active member payroll, which will remain approximately level from year to year and will not have to be increased for future generations of citizens in the absence of benefit changes. This objective is stated in the Pension Fund special act and meets the requirements of Part VII, Chapter 112, Florida Statutes and Chapter 185 Florida Statutes.

Contributions Rates

The defined benefit provisions of the Pension Fund are supported by member contributions, City contributions, Chapter 185 revenue (for fiscal years beginning October 1, 2011, October 1, 2012, and October 1, 2014), and investment income from Pension Fund assets.

The Share Accounts are supported by Chapter 185 receipts and investment income. No Share Plan allocations were made for fiscal years ending September 30, 2011, September 30, 2012, and September 30, 2014. Individual Share and DROP Accounts may accept accumulated leave paid out at termination up to the amount permitted by law.

Contributions which satisfy the funding objective are determined by the annual actuarial valuation and are sufficient to:

(1) cover the actuarial costs allocated to the current year (normal cost) by the actuarial cost methods described in Section C; and

(2) finance over a period of future years the actuarial costs not covered by present assets and anticipated future normal costs (unfunded actuarial accrued liability).

Contributions needed to Finance Defined Benefits of the Pension Fund

Defined Benefit Contributions for For Fiscal Year Beginning	Contributions Expressed as Percents of UnDROPed Payroll(1) October 1, 2022 After Changes	Before Changes	October 1, 2021
Normal Cost:			
Service pensions	23.20 %	21.85 %	21.74 %
Disability pensions	1.85	1.76	1.76
Survivor pensions			
Pre-retirement	0.30	0.29	0.30
Post-retirement	1.88	1.71	1.71
Termination benefits:			
Deferred service pensions	1.30	1.23	1.23
Refunds of member contributions	0.76	0.77	0.77
Total Normal Cost	29.29	27.61	27.51
Unfunded Actuarial Accrued Liability (UAAL):			
Retired members and beneficiaries	0.00	0.00	0.00
Active and vested terminated members	2.87	0.32	4.45
Total UAAL	2.87	0.32	4.45
Administrative Expenses (net of charges to Share and DROP accounts)	1.16	1.16	0.93
Total Calculated Contribution Requirement	33.32 %	29.09 %	32.89 %
Adjustments to Calculated Contribution Requirement:			
Temporary full funding credit	0.00	0.00	0.00
FS112.64(5) compliance	0.12	0.10	0.49
Total adjustments	0.12	0.10	0.49
Total Adjusted Contribution Requirement:	33.44 %	29.19 %	33.38 %
Member portion	11.00 %	11.00 %	11.00 %
Chapter 185 portion	0.00 %	0.00 %	0.00 %
City portion (3)	22.44 %(2)	18.19 %	22.38 %
Expected Covered Payroll for Contribution Year	24,649,746	24,649,746	24,775,673
City Contribution Requirement Paid Quarterly (3)	5,531,404	4,483,790	5,544,797
City Contribution Requirement Paid at Beginning of Fiscal Year (3)	5,347,410	4,329,588	5,354,106

The above contribution amount of $5,531,404 was calculated on the basis of contributions being made in a manner which is financially equivalent to making one-quarter of the contribution at the mid-point of each calendar quarter. If contributions are made on a later schedule, interest should be added at the rate of 0.57% (.0057) for each month of delay. If 100% of the City's contribution is made on an earlier schedule, the City's contribution requirement may be reduced. For an October 1, 2022 contribution date, the City's contribution requirement is $5,347,410.

This Actuarial Valuation Report as of September 30, 2021 reflects the following changes in actuarial assumptions and methods:

- The investment return assumption was lowered from 7.25% to 7.00% effective in this valuation. We recommend that consideration be given to lowering the investment return assumption below 7.00%. Based on the Plan's asset allocation, an assumed net rate of return of 6.25% to 6.75% would be in line with projected expected returns over the next several years.

- The Funding Value of Assets was set equal to the market value as of September 30, 2021.

- A Supplemental Pension Distribution of $19,516,400 was determined for the fiscal year ending September 30, 2021 based on the Plan's accumulated gain position as of September 30, 2021.

- A Contribution Stabilization Reserve of $15,500,000 was established. This will be used as an offset to future required City contributions.

- The Unfunded Actuarial Accrued Liability (UAAL) amortization bases were combined and offset, in accordance with the methodology described for combining and offsetting amortization bases under Internal Revenue Code Section 412(b). This was done to reduce the volatility of future required City contributions.

The combination of the items described above increased the City Contribution Requirement by $1,047,614 or 4.25% of covered payroll.

The activities of the Pension Fund and its members generated an experience gain of $12,320,907 during the plan year ended September 30, 2021. In addition, the Funding Value of Assets was set equal to the market value as of September 30, 2021 which resulted in the immediate recognition of unrecognized deferred investment gains of $40,650,800. Due to the Plan's accumulated gains as of September 30, 2021, a Supplemental Pension Distribution of $19,516,400 was determined for the fiscal year ending September 30, 2021.

A potential area of variability has to do with the annual payment on the unfunded accrued liability (UAL). This payment is computed as a level percent of covered payroll under the assumption that covered payroll will rise by 2.5% per year. According to the Florida Statutes, this payroll growth assumption may not exceed the average growth over the last ten years which is 1.89%. Amortizing the UAL as a level percent of payroll using a 1.89% payroll growth assumption instead of a 2.5% payroll growth assumption caused the required contribution to increase by approximately $63,000. If the covered payroll remains level next year, the 10-year average payroll growth would increase to approximately 3.4%.

At the conclusion of the presentation Mr. George and Mr. Amrose discussed the smooth value of assets, and its effect of the supplemental distribution. Mr. George stated that the supplemental distribution pre-dates the smoothing process. Mr. Amrose opined that a change in the current actuarial practice would require an amendment in the special act. Mr. George made it clear that he opposed the smoothing effect when considering the supplemental distribution. The Board thanked Mr. George for his compassion in this matter. His institutional knowledge is a benefit to the Plan and ultimately to the membership.

Mr. Ahern made a motion to accept and approve the actuarial valuation of September 30, 2021. Motion seconded by Mr. Sean Williams. All Trustees voted yes, and the motion was passed 4-0.

Statement of Rate of Return

The Board then considered the assumed rate of return for the Plan. Mr. Ahern made a motion that although market fluctuations may evolve, it has been determined that the total expected annual rate of return for the next year, several years and the long term will be 7.0%. This motion was seconded by Mr. Sean Williams. All Trustees voted yes, and the motion was passed 4-0.

Discussion ensued about establishing the reserve account. Mrs. Jensen indicated the city learned of the reserve being established at the fire pension meeting. This matter will continue at a future meeting.

INVESTMENT REPORT

Champlain Investment Partners – Mid Cap Equity

Mr. Joseph Caligiuri & Michael Cervi of Champlain Investment Partners presented a portfolio review. After a brief firm review, the representatives outlined the firms current position(s).

- Bias for relatively higher margins and returns, moderate debt, and consistent growth remains intact.
- Consistent with history, rebalanced capital away from degrading fundamentals and/or skinny discounts toward improving fundamentals and/or bigger discounts.
- Remain overweight technology with a focus on cloud-native software platforms able to support modern workloads at scale.
- Remain meaningfully overweight health care equipment & supplies with a focus on those companies with products that improve outcomes, including quality of life, and/or lower overall costs.
- The overweight of consumer staples is due to investment process related bias for the reliability of relevant brands and categories while current relative and absolute valuations are attractive.
- Remain focused on problem solving and innovative industrials that demonstrate efficient capital allocation.
- Remain reluctant to expose capital in the energy sector where cashflows cannot be reliably forecasted. The investment process also keeps us out of energy intensive industries.

Risks and Rewards were also noted as follows:

Seen as rewards -

- Problem solving and innovative industrials will continue to drive non-GDP related sales as they listen to the voice of their strategic customers.
- Demographics and COVID-related deferrals still bode well for health care demand while improved technology and materials enable meaningful medical device and life science innovation.

- Cloud-native software platforms remain well-positioned to support various deployment mediums as new workplace paradigms emerge.
- Post COVID-19 M&A may accelerate as companies weigh buy versus build to extend their competitive advantage, protect growth, and/or remain relevant.

Seen as risks –

- High levels of sovereign debt for developed economies, real estate debt for emerging economies, margin debt for HFs and other investors.
- Border conflicts and/or unintended consequences related to trade, tax, fiscal, and monetary policies.
- Historically large wealth and income disparities in the U.S. and other countries.
- Centralized and compromised nature of the cybersphere.
- Unknown long-term impacts on society from COVID-19 pandemic and the related policy responses.
- Capital intensive, labor intensive, energy intensive, and/or low return businesses will likely suffer more from any inflationary "tapeworm."

Portfolio Returns through March 31, 2022 -

Annualized Returns (%)			
	Net Return	Gross Return	Russell Midcap
Quarter to Date	-10.86	-10.67	-5.68
Year to Date	-10.86	-10.67	-5.68
1 Year	7.37	8.28	6.92
Inception to Date - Annualized	15.96	16.95	14.09
Inception to Date - Cumulative	50.05	53.58	43.49

Note: Performance Inception Date 07.08.19

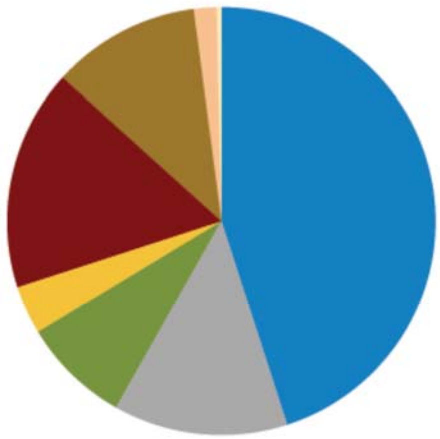
Mr. Frost reminded the representatives about the Board's interest in firm's employment diversity progress.

ANDCO – INVESTMENT CONSULTANT

As of March 31, 2022, the total assets were valued at $481,268,071 which is a decline from $506,799,822 as of December 31, 2021. For the quarter, the total fund returned -3.75% vs. -3.94% compared to the target index. For the fiscal year, the total fund returned 0.62% vs. 0.54% compared to the target index. On a one, three and five-year basis, the Plan returned 6.66%, 11.21% & 9.67% respectively.

Asset Allocation by Sector & Manager was provided -

Asset Allocation By Segment as of March 31, 2022 : $481,268,071



Allocation

Segments	Market Value	Allocation
Domestic Equity	216,771,722	45.0
International Equity	63,152,751	13.1
Domestic Fixed Income	39,239,230	8.2
Emerging Fixed Income	17,735,663	3.7
Real Estate	80,358,184	16.7
Private Equity	53,954,124	11.2
Cash Equivalent	8,259,386	1.7
Global Other	1,797,011	0.4

Asset Allocation By Manager as of March 31, 2022 : $481,268,071

Allocation

	Market Value	Allocation
Intercontinental	52,390,795	10.9
RhumbLine Equity S&P 500	47,712,112	9.9
Garcia Hamilton Fixed Income	41,846,221	8.7
J.P. Morgan	27,967,389	5.8
Champlain MC Equity	27,045,327	5.6
Barrow Hanley SCV	25,425,327	5.3
Anchor Equity	25,359,778	5.3
Eagle Equity	25,229,223	5.2
RhumbLine International Equity	24,840,873	5.2
RhumbLine S&P Mid Cap 400	24,621,947	5.1
Vanguard Intl Equity (VTRIX)	24,241,193	5.0
SSGA Small-Mid Cap Equity (SSMKX)	22,425,536	4.7
ETG Co-Invest Opportunities Fund LP	14,836,081	3.1
Invesco Emerging Markets Equity	14,070,685	2.9
RhumbLine R1000 Value	12,373,449	2.6
Aberdeen U.S. P.E. VII	12,051,589	2.5
JP Morgan Global P.E. VII	11,274,225	2.3
RhumbLine R1000 Growth	10,969,949	2.3
PGIM Emerging Market Debt	8,911,035	1.9
Lazard Emerging Markets Debt Blend Fund L.P.	8,824,628	1.8
JP Morgan Global P.E. IX	5,421,941	1.1
Aberdeen U.S. P.E. IX	4,623,057	1.0
Taurus Private Markets Fund, LP	3,253,585	0.7
Affiliated Housing Impact Fund LP	2,493,646	0.5
Blackrock Multi-Asset Income Fund	1,806,821	0.4
R&D Cash	1,244,974	0.3
Mutual Fund Cash	6,685	0.0

Direct Lending

Mr. Vavrica prepared a presentation for the Board to consider for Direct Lending. Mr. Frost interjected and he was opposed to bringing on anymore managers at this juncture. Mr. Frost felt the Board could take this opportunity to use current managers. Mr. Frost asked for Mr. Vavrica to invite Entrust to the June meeting to discuss their new fund. The Board was in consensus with Mr. Frost. Mr. Vavrica will proceed according.

Capital Calls

Mr. Vavrica noted recent capital calls that essentially deleted the Blackrock Fund that was established to draw capital calls from. Future obligations were also noted. At the conclusion of the discussion, Mr. Ahern made a motion to make redemption requests from Intercontinental Real Estate for 10 million dollars and JP Morgan for 5 million dollars. Further to provide authority to Mr. Vavrica to identify an additional 6 million dollars (Approximately $3.1M for the capital call, with the remainder to deposit into the Blackrock Fund). Mr. Sean Williams seconded the motion. All Trustees voted yes, and the motion was passed 4-0.

Investment Monitor Review

Mr. Frost reflected that the Board on a regular basis reviews the performance of the team. Mr. Frost felt it was the appropriate time to review Mr. Vavrica and that of AndCo. Mr. Frost indicated that the Plan was very fortunate to have Mr. Vavrica at the investment helm. Mr. Frost reflected he is pleased with the work product and the effort of Mr. Vavrica. Mr. Frost acknowledged the contractual cost of living adjustment built into the contract in 2017, but felt the Board added many new managers over recent years which is not reflected in the current fee. Mr. Vavrica thanked the Board for the kind words and support. It was very meaningful to him. Mr. Vavrica will review this matter with his office and have a response at the June 2022 meeting.

ATTORNEY'S REPORT

Mrs. Jensen confirmed that Governor DeSantis signed the special act into law. This may be viewed at:

http://www.wpbppf.com/docs/announcements/HB%20929%202022%20Legislative%20session%20changes%20per%20CBA-Enrolled.PDF#zoom=100

Mrs. Jensen reminded members to complete their Form 1 forms.

Mrs. Jensen noted a notice of breach of information. It was reviewed and it is a non-issue for the Board to concern themselves about.

Mrs. Jensen noted pending federal legislation related to required minimum distributions. Further will follow as warranted. Within the same memo Mrs. Jensen cites U.S. Department of Labor information regarding investments in cryptocurrencies in ERISA Plans.

The IRS Mileage Rate was reported by Mrs. Jensen to be 58.5 cents per mile for 2022.

APPROVAL OF DISTRIBUTIONS

New Warrants were presented for review and execution. Warrants approved at the last meeting were presented to the Board in spreadsheet format by Mr. Williams. A formal administrative report was also provided for consideration. After Mr. Williams detailed the report, Mr. Ahen made the motion to approve all items, which was seconded by Mr. Sean Williams. All Trustees voted yes, and the motion was passed 4-0.

ADMINISTRATOR'S REPORT

Mr. Williams provided the Compilation Report for March 31, 2022, from Saltmarsh.

OPEN DISCUSSION

Mr. Frost noted the Saxena White - First Annual Diversity Investing Symposium. Held in Delray Beach, FL, on May 5th, 2022. Job Well Done.

ADJOURNMENT

Being there was no other business; the meeting was adjourned by motion at 11:43 AM. Next meeting is scheduled for June 10, 2022 at 8:30 AM.

Troy Marchese, Board Secretary