

**West Palm Beach Police Pension Fund
2100 North Florida Mango Road
West Palm Beach, Florida 33409**

Minutes

**June 10, 2022
8:30 AM**

CALL THE MEETING TO ORDER

Mr. Frost called to order the West Palm Beach Police Pension Fund Meeting on June 11, 2021, 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; Troy Marchese, Board Secretary; Joseph Ahern, Board Trustee, Sean Williams, Board Trustee & Dana Fragakis, Board Trustee.

Also present: Kenneth Crawford, Plan Member; Mark Guariglia, Jeffrey Marano & Sophia Mullen, EnTrust Global; Clay Lindsey, Eagle Asset Mgt.; Brendon Vavrica, AndCo Consulting; Bonni Jensen, Board Attorney - Klausner, Kaufman, Jensen & Levinson; Dave Williams, Plan Administrator & Michael Williams, Assistant to the Plan Administrator.

PUBLIC COMMENTS

No Comments.

APPROVAL OF THE MINUTES

Mr. Frost asked if there were any additional changes required to the minutes of May 13, 2022. Mrs. Fragakis made the motion to approve the minutes as presented, which was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 5-0.

NEW BUSINESS

• **Informal Disability Hearing – Kenneth Crawford**

Mrs. Jensen reviewed the independent medical report by Dr. Alex Chernobelsky regarding the “Claimant” Mr. Kenneth Crawford. This report was supplemented by records, medical and otherwise, that were provided individually to each Trustee in advance of this meeting.

At the conclusion of the presentation and an exchange amongst the Trustees and the claimant¹, the following was placed in the form of a motion by Mr. Ahern:

Claimant is wholly prevented from performing the duties of a police officer to which he was assigned and is likely to remain so permanently and continuously.

Given the Claimant’s medical condition, the City of West Palm Beach does not have a position for the Claimant as a certified police officer; therefore he is unable to render useful and efficient service as a police officer to the City².

¹ Mr. Marchese reflected that there was chatter at the police department about a possible pre-existing condition, which delayed Mr. Crawford’s hiring. Mr. Crawford denied any such condition and claim the delay was related to his police certification being received by the department.

² City of West Palm Beach terminated the Claimant on October 15, 2021 due to his condition.

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With the exception of _____, which is a congenital condition, Dr. Chernobelsky opined that there was no evidence of any non-work-related causes for these conditions. Dr. Chernobelsky opined that these conditions became disabling on August 23, 2018, when the Claimant was hospitalized. Additionally, there was no evidence of either of the conditions on the Claimant's pre-employment physical. As a result, Claimant's condition will be considered work-related as provided by Section 112.18, Florida Statutes, known as the "Heart Bill."

Per Section 16 (15) of the Special Act of the Board of Trustees find, that Claimant Kenneth Crawford is entitled to a duty disability pension. The disability pension shall be payable as of October 15, 2021. Payment will begin on the first day of the first month following Board determination of eligibility.

The foregoing motion was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 5-0.

The Board of Trustees thanked Mr. Crawford for his service to the residents of the City of West Palm Beach.

- **Entrust – ETG CO-INVEST OPPORTUNITIES FUND II**

Mr. Mark Guariglia, Mr. Jeffrey Marano & Mrs. Sophia Mullen of EnTrust Global spoke to the Board about a new fund on the horizon, similar to the existing ETG Fund I. The Board has adopted a laddering investment approach³ and felt ETG Fund II would be a prudent investment, acknowledging the duration of the investment. Mrs. Mullen spoke to a recent due diligence meeting with the management of AndCo Consulting (the Plan's Investment Consultant) about this product.

Mr. Frost spoke about building on to the existing investment with ETG Fund II and meetings such as the one conducted by AndCo Consulting will only enhance the new account and its parameters.

Mrs. Mullen spoke about the Entrust Global Summit in October 2022.

Giving the foregoing Mr. Ahern made a motion to allocate 10 million dollars for ETG Fund II, which was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 5-0.

OLD BUSINESS

AndCo Consulting Performance Review – Continued from May 13, 2022.

Mr. Vavrica noted that AndCo has served the City of West Palm Beach Police Pension Fund under the current contract for over five years. Through open and on-going communication and reporting AndCo has assisted the Board in prudently reviewing and restructuring the portfolio. Mr. Vavrica highlighted a few of the changes to the investment program:

- Working with the Board to update the asset allocation and revising the investment policy statement for consistency with the investment portfolio objectives and goals.

³ Supported & endorsed by AndCo Consultant – Mr. Brendon Vavrica.

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- Reduced costs through indexing part of the core equity component (added the Rhumblin Index funds) complementing the actively managed separate accounts in the domestic equity asset class.
- Monitor and replace managers as needed.
- Assisted in plan diversification (10 new portfolios) with the following assets classes and managers:
 - Emerging Market Equity (Invesco)
 - Emerging Market Debt (PGIM, Lazard)
 - Real Estate (Affiliated)
 - Alternatives (ETG Co-Invest)
 - Private Equity (Aberdeen VII & IX, JPM VII & IX & X, Taurus I & II)

Mr. Vavrica cited the firm provides institutional consulting services on a hard dollar, full retainer, flat-fee basis for 100% of our clients. While this request represents an increase to our current hard dollar fee, this new proposal still reflects a reduction in the proposed rate for our services. Our retainer fee would include all components of our consulting services and *we would guarantee this proposed fee for 3 years.*

Existing Fee Contract

Annual Retainer Total Fee: \$93,942⁵

Proposed Fee Contract⁴

Annual Retainer Total Fee: \$111,000

The Board cited the formal performance review at the May 13, 2022 meeting and all the additional work undertaken by AndCo as a result of the investment diversification added to the Plan. Mr. Ahern⁶ made a motion to accept and approve the proposed fee, which was seconded by Mrs. Fragakis. All Trustees voted yes, and the motion was passed 5-0. This concludes the Investment Consultant review.

ATTORNEY'S REPORT

Mrs. Jensen cited that Governor DeSantis signed HB929 into law on May 6, 2022. The law may be viewed at: <http://wpbpf.com/docs/announcements/HB%20929%202022%20Legislative%20session%20changes%20per%20CBA-Enrolled.PDF#zoom=100>

Mrs. Jensen presented a draft copy of Contribution Stabilization Reserve for informational purposes.

Mrs. Jensen affirmed the Order was fully executed for the Robert Williams Matter.

A draft copy of the Summary Plan Description was provided by Mrs. Jensen to the Board for input. Mr. Frost offered his comments which were duly noted. Updated version will follow.

Mr. Marchese cited the FOP is negotiating with the city to extend the DROP to 8 years. Further, to potentially change the rate of return earned by the DROP & Share Accounts.

Mr. Frost asked about the status of Scott & Scott (Security litigation firm which represents our Plan). Mrs. Jensen advised she continues to receive filing reports, which are handled by the Plan's Custodian.

⁴ Proposed fee effective July 1, 2022.

⁵ Represents the new fee adjusted with the COLA on July 1, 2022.

⁶ Noted current fee is based on 2.73 bps and the proposed fee is reduced to 2.44 bps.

Mr. Williams acknowledged the efforts of Klausner, Kaufman, Jensen & Levinson assisting in the filing on behalf of the widows who are entitled to federal death benefits and doing so at no cost to the Plan or the affected widow. Job well done!

INVESTMENT PRESENTATION

Eagle Asset: Mr. Clay Lindsey presented the first quarter 2022 investment report to the Trustees.

Mr. Lindsey cited that for the quarter ending March 31, 2022, the account was valued at \$25,174,729.00. The initial contributions were valued at \$11,578,871.00⁷.

For the quarter, the account net return was -13.37% in comparison to the -12.63% return for the Russell 2000 Growth Index. On the fiscal year basis, the account net return was reported at -11.38% vs. -14.33% for the same benchmark cited. The portfolio return was 10.20% for the last three years, compared to the benchmark return of 9.88%. On a five-year basis the portfolio return was 12.06%, compared to the benchmark return of 10.33%.

MARKET OUTLOOK⁸ - There is currently much to worry about with the first quarter of 2022 now behind us.

- Leading the list is the now-hawkish U.S. Federal Reserve (Fed), which recently raised the federal funds rate 25 basis points, with perhaps up to seven increases to follow. Will these rate increases, coupled with the Fed's efforts to shrink its balance sheet, precipitate a recession as the yield curve is currently nearing inversion?
- Fueling the Fed's hawkish stance is raging inflation, which at the moment is running over 7% with the prospect of headline inflation approaching 10% in the near future. These numbers have been pushed higher by persistent supply chain issues and sharply higher wage rates.
- There is a major war in Ukraine that, coupled with a post-COVID recovery, has pushed oil prices to well over \$100 a barrel. These sky-high oil prices augur for an economic slowdown.
- Upcoming year-over-year comparisons also will be negatively impacted by the absence of massive stimulus programs.
- Improvements in supply chain issues have certainly been slowed by the war in Ukraine as well as by further COVID-related lockdowns in China.

Somewhat offsetting the negative macroeconomic factors is the correction in high-multiple growth stocks that has recently taken place.

The S&P 500® Index is now trading at a fair level of 20x forward earnings estimates.

Investor sentiment is also negative at the moment, which can generally be viewed as a positive for the market.

With fixed income markets treacherous as rates rise and inflation soars, equities may prove to be the best investment alternative.

⁷ Inception Date: May 24, 2011.

⁸ As of March 31, 2021.

AndCo Consulting: Mr. Vavrica presented a private equity pricing study⁹ to illustrate to the Board liquid and illiquid funds as well as future investment considerations.

ADMINISTRATOR’S REPORT

Mr. Williams confirmed the annual state report has been filed by GRS Consulting.

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. Marchese made the motion to approve all items except for line item 2, which was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 5-0.

Mr. Marchese then made the motion to approve line item 2, which was seconded by Mr. Ahern. Motion was passed 4-0-1 (abstention by Mrs. Fragakis, Form 8 filed accordingly).

Mr. Williams presented the proposed 2022 Supplemental Distribution Form for review and comments. It was noted that Mrs. Jensen approved for legal purposes. The Board accepted as presented by consensus.

OPEN DISCUSSION

Mrs. Jensen cited a meeting conflict at the July meeting and would attend but leave early.

ADJOURNMENT

Being there was no other business; the meeting was adjourned by motion at 10:22 AM.

Next meeting is scheduled for July 8, 2022, at 8:30 AM.



Troy Marchese, Board Secretary

⁹ The work product is the proprietary work product of AndCo Consulting.