

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

Minutes

**February 12, 2016
8:30 AM**

CALL THE MEETING TO ORDER

Mr. Frost called to order the West Palm Beach Police Pension Fund Meeting on February 12, 2016 at 8:38 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, and Craig Kahle, Board Trustee.

Also present: Jeanine Bittinger & Richard Cristini of Davidson, Jamieson & Cristini; John McCann & Brendon Vavrica, Thistle Asset Consulting; Michael Welker, The Bogdahn Group; Michael Wayton & Mike Thistleton, Integrity Asset Management; Gardiner Holland & Gerald Cren, Wellington Management; Bonni Jensen, Board Attorney, Klausner, Kaufman, Jensen & Levinson; Dave Williams, Plan Administrator.

PUBLIC COMMENT

Mr. Frost congratulated Mr. Ahern on his reappointment to the Board for another term. That sentiment was echoed by all parties present.

APPROVAL OF THE MINUTES

Mr. Frost asked if there were any changes required to the minutes of January 8, 2016. Mr. Frost's offered his comments, which were duly noted. Mr. Marchese made the motion to approve the minutes, which was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 4-0.

Mr. Frost asked if there were any changes required to the minutes of January 21, 2016. Mr. Frost's offered his comments, which were duly noted. Mr. Marchese made the motion to approve the minutes, which was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 4-0.

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 outlined the report, Mr. Ahern made the motion to approve, which was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 4-0.

INDEPENDENT AUDIT PRESENTATION

Financial Statements – September 30, 2015 Davidson, Jamieson & Cristini, P.L.

Mr. Richard Cristini and Ms. Jeanine Bittinger, of Davidson, Jamieson & Cristini appeared before the Board. Mr. Cristini stated that the firm has issued a clean unqualified opinion on the *pension plan & the Share/DROP plans*.

As of September 30, 2015, combined trust assets on a cash flow basis exceed its liabilities with a total of \$258,834,220.

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Employer contributions were valued at \$8,644,805 for the plan year ending September 30, 2015. This was a decrease of \$296,733 from September 30, 2014. Plan members contributed \$2,068,552 for the plan year ending September 30, 2015.

This was an increase of \$149,406 for the plan year ending September 30, 2014. The Plan experienced a net investment gain of \$1,873,520, but experienced a net loss of \$332,774.

As of September 30, 2015, the Plan had 372 retired/vested members and beneficiaries. The Plan also had 144 vested active members and 105 non-vested members as of September 30, 2015.

A portion of the assets held are designated for DROP & Share Accounts. As of September 30, 2015, the balances were valued at \$47,677,299 (DROP) & \$44,703,200 (Share). Administrative expenses for the plan year ending September 30, 2015 were valued at 0.10%. Ms. Bittinger reflected the expenses were well below the acceptable standard in the industry of 1.00%. GASB 67 components of the report were reviewed. In part, it was reported the Plan's fiduciary net position as a percentage of total pension liability was 80.79%.

After Mr. Cristini and Ms. Bittinger fielded questions from the Trustees, Mr. Marchese made a motion to accept the Financial Statements for the Plan, for September 30, 2015. Further authorize Mr. Frost to execute the management representation letter. This motion was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 4-0. Mr. Williams will transmit hardcopies to the city and will also post to: <http://www.wpbppf.com/modules/stateDocs/index.asp>

INVESTMENT MANAGER PRESENTATION – SMALL CAP VALUE

Michael Wayton & Mike Thistleton of Integrity Asset Management; Gardiner Holland & Gerald Cren of Wellington Management were provided an opportunity to address the Board with regard to their firm's Small Cap Value Equity Strategy. The representatives provided details about their respective companies. The firm's investment team experience, philosophy, investment process and history were outlined in detail along with the fees. All candidates provided thought provoking presentations to the Board of Trustees. The Board discussed all aspects of each presentation and what would be the best complement to our Fund.

Mr. Frost asked Mr. Welker about his position on the firms and whether a Bogdahn Group search would differ from that of Thistle Asset. Mr. Welker commented on both firms by saying they would have been in a Bogdahn Group search as well.

After reaching a consensus, Mr. Ahern made a motion to engage Wellington Management for the Small Cap Value Equity Strategy; to authorize Mr. Frost (and other parties) the authority to execute all the required agreements after review and approval of Mrs. Jensen; finally to direct the Plan Administrator to transfer the funds when administratively prudent. The foregoing motion was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 4-0.

Mr. Ahern made another motion, should contract negotiations fail with Wellington Management, to engage Integrity Asset Management for the Small Cap Value Equity Strategy; to authorize Mr. Frost (and other parties) the authority to execute all the required agreements after review and approval of Mrs. Jensen; finally to direct the Plan Administrator to transfer the funds when administratively prudent. The foregoing motion was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 4-0.

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ATTORNEY'S REPORT

Home Loan Servicing Solutions, Ltd. (HLSS): Mrs. Jensen advised the case was being handled by Saxena White. The matter was consolidated and moved to Miami.

GRAHAM MATTER: Mrs. Jensen indicated that she now has all the required documents to move forward. Mr. Marchese made a motion to authorize Mrs. Jensen and Mr. Williams with the authority to proceed with the claim and bring forth any and all information relative to the Board to consider. Mr. Ahern seconded the motion. All Trustees voted yes, and the motion was passed 4-0.

RFP Investment Monitor Responses: Mrs. Jensen advised the responses received for another client was provided to the Trustees to review and consider.

IRS TRANSFERS: Mrs. Jensen advised that there is no longer a cap on the city payout transfers.

ADMINISTRATOR'S REPORT

Mr. Williams reflected he was working diligently with GRS for a timely presentation of the actuarial valuation.

It was also noted that this was the open enrollment month for DROP/SHARE Distributions.

Mr. Williams reported that a notice of nomination and election was transmitted internally to all sworn personnel. At the conclusion of the nomination process, Mr. Ahern was the only interested party. As such, no formal election was required. The city representative was advised and the plan web site was updated accordingly.

INVESTMENT MONITORING REPORT

FIRM UPDATE: Mr. Welker was introduced as the President/CEO of The Bogdahn Group. Mr. Welker cited the merging of Thistle Asset with his firm. The Bogdahn Group was described as an independent, registered investment consulting firm. The Bogdahn Group represents 307 public plans with assets in excess of 35 billion, which is headquartered in Orlando.

The Bogdahn Group serves as a fiduciary to each of their clients while assisting them in making important investment and retirement plan decisions. Those services would continue to be with our current representatives Mr. John McCann & Mr. Brendon Vavrica. Mr. Welker felt this move would free up our representatives to focus on client needs, while all the back office work would be handled centrally in Orlando. Mr. Welker also provided a public fund universe comparison which exhibited that The Bogdahn Group exceeded all other public plan sponsors on a one, three, five and 10 year basis. Mr. Welker offered a refund of one year if the Board was not pleased with the transition. The Board thanked Mr. Welker for appearing before the Board and the offer made. As the Board is reviewing RFP's from another pension system, no further action was taken at this time.

INVESTMENT PRESENTATION: Mr. John McCann & Brendon Vavrica appeared before the Board and presented the December 31, 2015 investment report. Mr. McCann reviewed the Callen Report for 2015.

Asset Allocation: As of December 31, 2015 the fund had 54.7% in domestic equities, 6.8% in international equities, 2.5% in emerging markets, 22.8% in fixed income, 10.3% in real estate and the balance in cash.

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Division of Assets: As of December 31, 2015 Garcia Hamilton & Associates held 30.5% of the portfolio (fixed & equity), Rhumblin had 9.9%, BRC had 10.1%, Oak Ridge had 4.3%, Anchor had 4.9%, Eagle Asset had 5.8%, GW Capital had 5.1%, New Amsterdam had 8.8%, Vanguard (VTRIX) had 3.9%, Wentworth Houser had 3.1%, Intercontinental had 5.6%, JP Morgan had 4.7%, OFI had 2.5% with the balance in the R&D Account.

As of December 31, 2015, the total assets were valued at \$271,486,000. For the quarter, the total fund returned 2.82% vs. 3.45% compared to the target index.

On a rolling year basis, the total fund returned 0.10% vs. 0.80% compared to the target index. While the return was essentially flat, it was ranked in the Top 1 percentile. On a three and five year basis, the Plan returned 8.08% & 6.93% respectively.

The domestic equity portfolio was valued at \$148,601,000 as of December 31, 2015. International equities during the same timeframe were at \$18,549,000.

Mr. McCann reported that Emerging Markets were valued at \$6,702,000. Fixed income and real estate were valued at \$61,843,000 and \$28,089,000 respectively.

For the quarter, the equity portfolio returned 4.02% vs. 4.98% for the target index. On a rolling year basis, the equity portfolio return was -1.26% vs. -1.50% compared to the target index and ranked in the TOP 37 percentile.

For the quarter, the fixed income portion of the portfolio returned -0.77% vs. -0.51% compared to the target index. On a rolling year basis, the fixed income portfolio return was 1.55% vs. 1.21% compared to the target index, ranking in the TOP 3 percentile.

For the quarter, the Intercontinental Real Estate portfolio returned 4.39% vs. 3.11% compared to the target index (NCREIF). On a rolling year basis, the Intercontinental portfolio return was 12.78% vs. 13.55% compared to the target index. For the quarter, the JP Morgan Real Estate portfolio returned 3.32% vs. 3.11% compared to the target index (NCREIF). On a rolling year basis, the JP Morgan (Special Situation) portfolio return was 18.99% vs. 13.55% compared to the target index.

OPEN DISCUSSION

Mr. Frost requested that Mr. McCann be prepared to discuss the possible inflows from the proposed city bond issue for the next meeting. While on that topic, a request from the city came in between meetings for an actuary study. In an effort to move the matter forward, Mr. Williams authorized Mr. Amrose to proceed with the study. The Board concurred with this action. As a matter of formality, Mr. Marchese made a motion to approve the study requested, which was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 4-0.

Mr. Ahern reflected that he has learned a lot over his term but feels a two year term is not long enough for a Trustee to become properly educated and seasoned as a Trustee. Mr. Ahern felt longer terms would be beneficial. Mrs. Jensen indicated that was a matter of negotiations between the city and the bargaining unit.

ADJOURNMENT

Being there was no other business; the meeting was adjourned at 11:37 AM.

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Next meeting is scheduled for March 11, 2016 at 8:30 AM

A handwritten signature in black ink, appearing to read 'Troy Marchese', with a long, sweeping horizontal flourish extending to the right.

Troy Marchese, Board Secretary