

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

Minutes

**June 10, 2016
8:30 AM**

CALL THE MEETING TO ORDER

Mr. Frost called to order the West Palm Beach Police Pension Fund Meeting on June 10, 2016 at 8:36 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: Clay Lindsey, Eagle Asset; Ernest George - Retired Member; Lou Penque - Active Member; John McCann, The Bogdahn Group; Bonni Jensen, Board Attorney, Klausner, Kaufman, Jensen & Levinson; Dave Williams, Plan Administrator; Mark Parks – City of West Palm Beach (arrived at 10:04 AM); Jeff Amrose, Gabriel Roeder Smith (via conference call).

PUBLIC COMMENT

No comments provided

APPROVAL OF THE MINUTES

After making his recommendations that were duly noted, Mr. Frost asked if there were any additional changes required to the minutes of May 6, 2016. Mr. Marchese made the motion to approve the minutes as cited, 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 detailed the report and responded to inquires, Mr. Ahern made the motion to approve, which was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 4-0.

ATTORNEY'S REPORT

Mrs. Jensen reported the city representative was provided a notice concerning accumulative leave payout.

Mrs. Jensen indicated the IME's for Mr. Graham was established.

Mrs. Jensen wrote the Division of Retirement relative to SB 172 as it relates to the reduction of the multiplier.

Mrs. Jensen outlined projected dates for legislative filings.

Notice was received from Collins Capital that a supplemental payment was forthcoming in the Madoff Matter.

ADMINISTRATOR'S REPORT

Mr. Williams reminded the Trustees of the annual financial filing requirement.

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Mr. Williams presented the administrative budget pursuant to Senate Bill 172. Mr. Williams indicated the 2016/2017 administrative expense budget prepared is based on the actual administrative expenses for the fiscal year that ended September 30, 2015. The percentage of Plan Net Position is based on the ending balance of September 30, 2015. Mr. Williams advised that unlike other governmental entities that develop budgets, our goal is not to meet the budgeted amount. It is not a situation where we use or lose it, simply an exercise on paper required by legislation. Mr. Frost sought and received input from all parties present. A motion was made by Mr. Kahle to approve the 2016/17 administrative budget as presented, which was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 4-0. The budget will be posted to <http://www.wpbppf.com/modules/stateDocs/index.asp>.

INVESTMENT PRESENTATION Eagle Asset – Quarterly Review

Mr. Clay Lindsey presented at the meeting to review the first quarter 2016 investment report to the Trustees.

Mr. Lindsey cited that for the quarter ending March 31, 2016, the account was valued at \$15,060,010. The net contributions were valued at \$11,578,871.00. For the quarter, the account net return was -4.32%, in comparison to the -4.68% return for the Russell 2000 Growth Index. On the fiscal year basis, the account net return was valued at 0.44% vs. -0.57% for the same benchmark cited. On a longer term basis, the portfolio return was 6.75% for the last three years, and since inception (May 24, 2011) the return was valued at 7.46%.

The following quarterly market overview was provided to the Trustees:

Small-caps encountered some turbulence during the 1st quarter as the Russell 2000 Growth Index (down 4.7 percent) trailed the Russell 2000 Value Index (up 1.7 percent); largely attributable to the Growth index's larger weighting in a biotech industry which corrected early in the period after posting solid gains in 2015.

Sector returns within the Russell 2000 Growth were mixed, uncharacteristically weighed down by healthcare (down 18.3 percent) which has generally performed well in recent periods; while ongoing weakness within energy (down 11.7 percent) failed to show signs of abating.

Positive returns within nominally-weighted telecommunication services (up 11.4 percent), industrials (up 5.5 percent) and consumer discretionary (up 3.1 percent) provided some offset to the Growth's modest decline during the quarter.

The investment process was detailed by Mr. Lindsey. Team members screen for RGARP (growth at reasonable rate) investment ideas in their sectors. Conduct a rigorous analysis of corporate filings, industry data and Wall Street research. Meet with management to build investment thesis. Write initial research report identifying key investment points and potential risk factor. Collaborate with portfolio managers for inclusion in the portfolio. Continuously monitor stocks in portfolio including monthly updates that identify potential positive or negative catalysts.

Mr. Frost questioned Mr. Lindsey about Biotech which was three out of the five detractors reported.

INVESTMENT MONITORING REPORT

Asset Allocation Study: Mr. McCann presented an asset allocation model that included projections based on various asset classes. A total of five allocations were reviewed and considered by the Board.

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The following chart contains a 15 year time horizon and measures risk and reward.

| Asset Allocation | WPB Police Policy | Mix 1 | Mix 2 | Mix 3 | Mix 4 |
|------------------------------------|-------------------|----------------|----------------|----------------|----------------|
| 1. US Large Cap | 26.0% | 29.0% | 26.0% | 26.0% | 27.0% |
| 2. US Mid Cap | 16.0% | 16.0% | 16.0% | 16.0% | 16.0% |
| 3. US Small Cap | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 4. EAFE | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 5. Emerging Mkt Eq | 3.0% | 3.0% | 6.0% | 3.0% | 3.0% |
| 6. US Direct RE | 10.0% | 10.0% | 10.0% | 13.0% | 10.0% |
| 7. US Aggregate | 25.0% | 22.0% | 22.0% | 22.0% | 24.0% |
| Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| Expected Return | 7.30% | 7.40% | 7.50% | 7.30% | 7.30% |
| Expected Standard Deviation | 11.60% | 12.10% | 12.20% | 11.70% | 11.80% |
| Expected Sharpe Ratio | 0.44 | 0.43 | 0.43 | 0.43 | 0.43 |

The Board discussed the analysis provided by Mr. McCann and sought his input. As a result, Mr. Marchese made a motion to reallocate the portfolio to mix 3 (cited above). Infuse the inflows from the bond proceeds to the real estate manager who has the earliest capital call date. The motion was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 4-0.

Options: The Board discussed the options presentation of May 23, 2016. The Board appreciated the time and effort that was provided by Mr. DeMeo, but by consensus agreed to take no further action at this time.

DRIP: The Board discussed dividend reinvestment for real estate (Intercontinental and JPMorgan). Currently, the dividends are paid to the Fund. Mr. McCann suggested that the Board consider leaving it with the managers to reinvest. The dividends are not relied upon by Mr. Williams for cash flow purposes. Mr. Kahle made the motion to reinvest the proceeds (dividends) with each respective real estate manager as soon as administratively practical. That motion was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 4-0.

Bond Issue: The Board by consensus agreed that due to the anticipated queue delay in real estate, Mr. McCann will seek out an alternative solution for the short-term. Further, that the separate accounting/tracking of the POB assets is paramount to the city. Mr. McCann acknowledged that issue.

Mid Cap Growth Search: Mr. McCann presented his search results in detail. The foundation of the search was to replace OakRidge. The Board shortlisted and agreed by consensus to interview the following managers:

- Janus
- Westfield
- Eagle

Interviews will be conducted on August 12, 2016.

Further discussion ensued and Mr. Kahle made a motion to terminate OakRidge and transfer the assets or liquidate (as needed) and move the proceeds to Rhumblin for index investing in the interim. This motion was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 4-0.

FINANCIAL STATEMENTS OF MARCH 31, 2016

Mr. Williams distributed the report prepared by Mr. Richard Cristini, our Plan Auditor. The report is a compilation of the plan records through March 31, 2016.

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Mr. Williams indicated that Mr. Cristini is available for a formal review via conference call, or will be available any time to discuss the report should that be required. By consensus of the Board, further independent review will follow.

OPEN DISCUSSION

Mr. Jeff Amrose, Board Actuary was contacted via conference call to address how the Board will use the proceeds from the pension obligation bond (POB) to write down the unfunded liability.

Mr. Amrose summarized how the proceeds from the POB can be used to write down the Unfunded Accrued Liability (UAL).

- Method # 1 - Use all of the proceeds of the POB to write down the charge base with the shortest amortization period. This would write down the base with an outstanding balance of \$54.3 million and a 10.7 amortization period as of October 1, 2015.
- Method #2 - Use the proceeds of the POB to write down all of the bases by an equal percentage.

Mr. Amrose reflected that under method #1 the decrease in the required City contribution would be slightly more than under method #2. The table below shows the estimated impact on the required contribution for the fiscal year ending September 30, 2017 under these two methods:

| | (in \$ millions) | | |
|---|--|--|--|
| | Current Valuation Report (before reflecting the proceeds of the POB) | Use of Proceeds of POB based on Method #1 ¹ | Use of Proceeds of POB based on Method #2 ¹ |
| Estimated Required City Contribution assuming quarterly payments | \$9.92 | \$3.39 | \$3.55 |
| Estimated Required City Contribution assuming full payment on October 1, 2016 | \$9.55 | \$3.26 | \$3.41 |

¹ assumes a \$50 million deposit into the pension plan on July 1, 2016

Mr. Parks input was received and he endorsed method #1. Mr. Amrose also reflected that method #1 was acceptable to him as well. After hearing the foregoing and considering the facts provided, Mr. Kahle made a motion to accept and enact method #1 as presented. This motion was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 4-0.

ADJOURNMENT

Being there was no other business; the meeting was adjourned at 10:13 AM.

Next meeting is scheduled for July 8, 2016 at 8:30 AM.



Troy Marchese, Board Secretary