

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

Minutes

**November 4, 2016
8:30 AM**

CALL THE MEETING TO ORDER

Mr. Frost called to order the West Palm Beach Police Pension Fund Meeting on November 4, 2016 at 8:39 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. Trustee Wilton White attended via conference call due to extraordinary circumstances. Motion to approve Mr. White's attendance via conference call by Mr. Marchese to approve, seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 4-0.

Also present: Mark Parks, City of West Palm Beach Finance Director; Lou Penque, Pension Member; Richard McCloskey, New Amsterdam Partners; John McCann, Bogdhan Group; Bonni Jensen, Board Attorney, Klausner, Kaufman, Jensen & Levinson; Dave Williams, Plan Administrator.

PUBLIC COMMENT

Mr. Penque cited a meeting he had with Mrs. Jensen, Mr. Williams and Mr. Marchese for the purpose of updating the special act. The following is an outline of the proposed changes. All parties felt that there would be no impact costs as presented. Mr. Penque will be seeking the agreement with the City of West Palm Beach and the PBA.

The amendment provides as follows:

- Section (2)(a) page 1 - Adds a definition of accrued benefit
- Section (2)(h) page 2 - Provides that prospectively, any lump sum payment that is paid to a member for retroactive pay will not be considered as lump sum for purposes of final average salary but will be treated as if paid during the retroactive periods.
- Section (3)(a), 1, 2, and 3 pages 5 and 6 - Provides for 4 year trustee terms
- Section (3)(g) pages 7 and 8 - Adds powers and duties of the board of trustees
- Section (6) page 10 - Adds a physical examination requirement for purposes of determining pre-existing conditions.
- Section (6) page 11 - Requires members who are rehired to begin to repay their withdrawn contributions within one year of rehire and incorporates the ability of members who are reinstated through the grievance and arbitration procedure to repay the contributions without interest provided that the process with started within one year of rehire
- Section (8)(a) page 12 – Adds IRS required language for determination of Normal Retirement Age for a member who retires with 25 years of service
- Section (9) pages 13-16 - Streamlines the normal retirements to remove the obsolete language.
- Section (9) pages 16 and 17 - Removes the linking language between the assumed rate of return and the multiplier, but retains the historical application of the link.
- Section (9)(c) page 18 - Removes beneficiary from the normal form and inserts survivor
- Section (9)(d) page 19 - Adds a 10 year certain optional form of benefit
- Section (13)(b)d pages 33 and 34 - Adds a provision for the treatment of the DROP account upon the death of the member

- Section (17)(c), page 45 - Clarifies that a member may prior to retirement select against the normal form of benefit
- Section (17)(c)1, page 45 - Adds a provision that if a member leaves a surviving spouse different than the one s/he was married to on the date of retirement, the survivor benefit may be reduced to take into account the age of the substituted survivor
- Deletes section (34) – page 62 - which sets forth the interplay of the assumptions and the multiplier.
- Section (35)(now (34)) – page 64 - Clarifies the number of years that a member may purchase - up to 5 years of credited service.

APPROVAL OF THE MINUTES

Approval of October 14, 2016 minutes - tabled

APPROVAL OF DISTRIBUTIONS

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. Mr. Williams indicated that Mr. Picerno who was on the distribution report has rescinded his retirement request, so that payment(s) request(s) is being withdrawn. After Mr. Williams detailed the report and responded to inquires, Mr. Marchese made the motion to approve, which was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 5-0.

ADMINISTRATOR'S REPORT

SHARE ALLOCATION: Mr. Williams presented the share allocation report for formal consideration. The Fund received \$1,259,981.45 from the State of Florida. A full share equated to \$4,610.77 per member. A forfeiture of \$107,429.78¹ was reallocated in part to Mr. Zangara to restore his account from his new date of entry in the Fund whereas contributions were paid in full upon being rehired. The balance was distributed to the membership and a full share equated to \$353.86 per member. Finally, there were two members (Dalton Howard & Keith Kendrick) reported by the City of West Palm Beach as being police officers that Mr. Marchese identified. Their accounts (Dalton Howard & Keith Kendrick) totaled \$4,010.21 was reallocated accordingly. A full share equated to \$14.68 per member. After further review and discussion Mr. Marchese made a motion to accept and approve the allocation reports. The motion was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 5-0.

CITY CONTRIBUTION: Mr. Williams advised the Board that the city contribution (amount of \$3,285,065.00) was received on October 28, 2016. This amount was confirmed as being correct by Mr. Jeff Amrose, Board Actuary of Gabriel Roeder Smith accordingly. This amount was a result of the Board of Trustees applying the proceeds of the Pension Obligation Bond (POB) to write down the unfunded actuarial accrued liability (UAAL). Mr. Williams further asked Mr. McCann to prepare an allocation for the funds received based on the Board's current investment policy. After consulting with Mr. Frost, Mr. Williams deferred the distribution as we were days away from this meeting. Mr. Frost and Mr. Williams felt it would be best to seek formal approval for the allocation.

¹ Michael Preece – former member who received a refund from the Fund.

The breakdown was outlined as follows:

- Transfer \$700,000 from the WPB R&D Account to the WPB Eagle Asset Account (xxxx31880)
- Transfer \$800,000 from the WPB R&D Account to the WPB BRC Account (xxxx31820)
- Transfer \$1,785,065 from the WPB R&D Account to the WPB GHA Equity Account (xxxx31830)

The matter was discussed and input was received from Mr. McCann to stay the course. At the conclusion of the discussion Mr. White made the motion to transfer the funds as proposed. This motion was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 5-0.

CAPITAL CALL: Mr. Williams received a notice of a capital call on November 1, 2016 from Intercontinental (U.S. Real Estate Investment Fund, LLC.) in the amount of \$12,000,000.00. The Board entered into a queue due to the proceeds of the Pension Obligation Bond (POB). Mr. Williams indicated that those funds were being managed in the interim by Rhumblin Capital, until the capital call was made. As a result Mr. Williams prepared a withdraw request for the Board to consider. Discussion ensued and it was noted that original queue was for \$12,500,000.00. Mr. McCann agreed and the balance will follow, so the remaining balance will remain with Rhumblin at this juncture. At the conclusion of the exchange, Mr. Marchese made the motion to approve the transfer for the capital call. That motion was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 5-0.

AUDIT: Mr. Williams informed the Board that the Audit Fieldwork was being conducted the week of November 14, 2016. Trustees were encouraged to stop by to observe the process. Mr. Williams also let Mr. Parks know the timeline as well in a coordinated effort to meet the city's deadlines. Finally, Mr. Williams wanted the Board and Mr. Parks to know the diligent and professional work being done by Ms. Dilcy Hurtado. Mr. Williams cited her on-going efforts are valued and truly appreciated. Mr. Parks thanked Mr. Williams for recognizing Ms. Hurtado's hard work.

ATTORNEY'S REPORT

Status Report – James Graham Matter: Mr. Jensen prepared and presented a final order in this matter for the Board to consider. The order also contained an affidavit where Mr. Graham voluntarily changed his application to non-duty disability. Upon review, Mr. Ahern made the motion to accept the final order and direct the chairman the secretary the authority to execute accordingly. The motion was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 5-0.

BRC – A letter was received from BRC indicating that they are being acquired by 361 Capital as of October 31, 2016. No change in investment management will be undertaken and the personnel will remain the same. The letter asked for the Board's consent and assignment. After hearing from Mr. McCann that this causes no alarm to him, a motion was made by Mr. Ahern to accept the assignment and direct the chairman to execute accordingly. The motion was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 5-0.

HLSS: Mrs. Jensen advised that Saxena White are in the discovery phase of the case and that Mr. Williams will be preparing the documents requested. Mr. Williams indicated that Saxena White offered a service to search our system, but Mr. Williams felt apprehensive allowing any external party into our secure closed end system. As such, he will manually do the searches requested. The Board concurred and thanked him for the due diligence.

INVESTMENT PRESENTATIONS

- **New Amsterdam**

Richard McCloskey introduced himself as the new client portfolio manager for New Amsterdam Partners. Mr. McCloskey briefly outlined the firm background and the investment team. The investment philosophy and process was also highlighted. Sector weights were detailed to exhibit the difference between New Amsterdam and the Russell 2500 index. Sector overweighting’s were noted in consumer discretionary, industrials and financials. Real Estate, consumer staples and energy were underweighted.

For the quarter ending September 30, 2016, the portfolio return was valued at 10.68% vs the index return of 6.56%. On the longer term of the last twelve months, the portfolio return was valued at 8.25% vs the index return of 14.44%. Since inception (October 1, 2014) the portfolio return was valued at 7.85% vs the index return of 7.18%. The account was valued at \$27,808,972.86 for the period ending September 30, 2016.

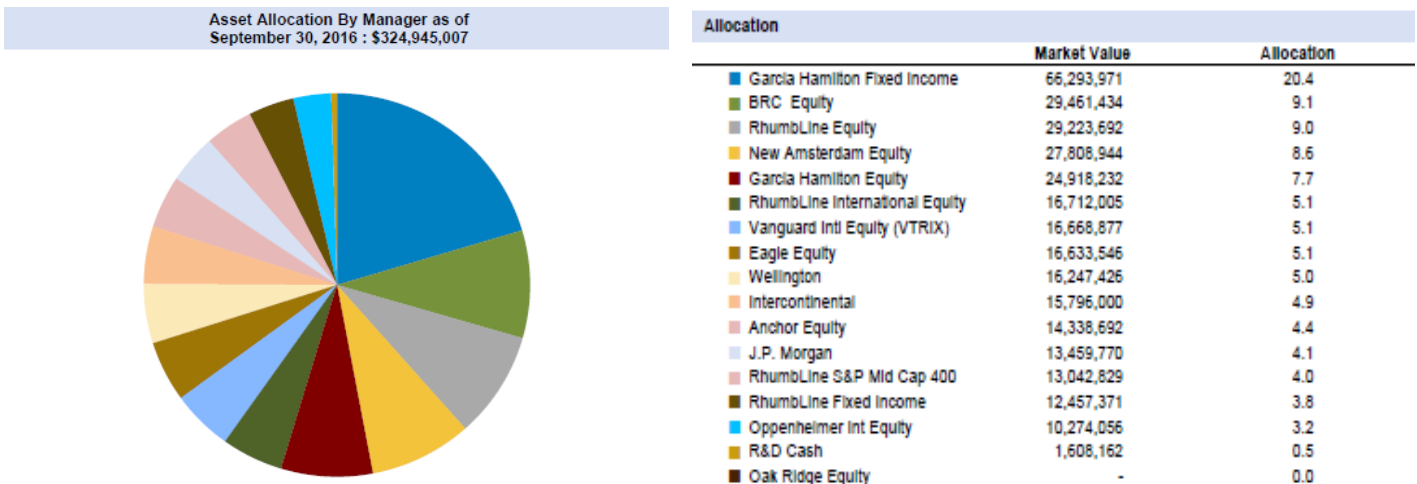
Mr. McCloskey gave his perspective about recent under performance and spoke about headwinds the portfolio has faced. Mr. McCloskey felt the market was healthy and improving. Mr. McCann continued to praise New Amsterdam and felt the recent performance was a bump in the road.

- **The Bogdahn Group**

Mr. John McCann appeared before the Board and presented the September 30, 2016 investment report.

As of September 30, 2016, the total assets were valued at \$324,945,007.00. For the quarter, the total fund returned 3.92% vs. 3.80% compared to the target index. The total fund return outpaced the index by 12 basis points for the quarter. For the fiscal year the return was valued at 8.22% vs. 10.78% for the same benchmark, which exceeded the assumed rate of return.

Mr. John McCann reported the Asset Allocation by manager was reported as follows:



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The domestic equity portfolio was valued at \$167,036,602 as of September 30, 2016. The international equity portfolio was valued at \$43,654,915 for the same time period. Fixed income and real estate were valued at \$76,675,543 and \$29,255,770 respectively.

For the quarter, the equity portfolio returned 5.37% vs. 5.70% for the target index. On a rolling year basis, the equity portfolio return was 9.85% vs. 14.06% compared to the target index.

For the quarter, the fixed income portion of the portfolio returned 0.21% vs. 0.31% compared to the target index. On a rolling year basis, the fixed income portfolio return was 3.60% vs. 3.57% compared to the target index.

For the quarter, the Intercontinental Real Estate portfolio returned 3.53% vs. 2.05% compared to the target index (NCREIF). On a rolling year basis, the Intercontinental portfolio return was 10.71% vs. 9.53% compared to the target index.

For the quarter, the JP Morgan Real Estate portfolio returned 1.30% vs. 2.05% compared to the target index (NCREIF). On a rolling year basis, the JP Morgan (Special Situation) portfolio return was 10.36% vs. 9.53% compared to the target index.

Mr. McCann reported the POB fund return was valued at 3.30% for the quarter ending September 30, 2016 and was valued at \$51,650,000.

Mr. McCann concluded his presentation with an equity analysis as of September 30, 2016. The snapshot report revealed the fund was well diverse with 1433 stock holdings. The equity investment style showed large, medium and small cap was well covered, as was value, core and growth positions.

OPEN DISCUSSION

The Board Members exchanged pension information received from recent educational programs attended on behalf of the fund.

Mr. Frost thanked all his fellow Trustees and the all the professionals who work on behalf of the fund for all their hard work and diligence.

ADJOURNMENT

Being there was no other business; the meeting was adjourned at 10:52 AM.

Next meeting is scheduled for December 9, 2016 at 8:30 AM.



Jonathan Frost, Chairman
For - Troy Marchese, Board Secretary