West Palm Beach Police Pension News

A West Palm Beach Police Pension Fund Publication

Issue 25

Date of Issue:

Third Quarter 2015

Inside this issue….

CONGRATULATIONS TO

GARCIA HAMILTON & ASSOCIATES

2015 Institutional Investor U.S. INVESTMENT MANAGEMENT AWARDS

INTERMEDIATE-TERM FIXED INCOME MANAGER OF THE YEAR

2ND CONSECUTIVE YEAR

JOB WELL DONE

2nd QUARTER PENSION FUND SUMMARY

On June 30, 2015 our fund had a total market value of $273,079,000.

For the quarter the total fund return was 0.49% (net) and its benchmark return was 0.19%. That quarterly return ranked the Plan in the ***TOP 10 percentile of the investment universe.*** In the previous quarter the fund return was 2.81%.

For the quarter the equity return was 0.67% and the benchmark return was 0.15%. The bond return was –1.05% and the benchmark return was –0.67%.

For the quarter end, the allocation of our fund was 56.5% invested in domestic equities, 7.8% in international equites, 2.8% in emerging markets, 21.3% in bonds, 9.5% in real estate, and the balance in cash equivalents (i.e., short term liquid interest bearing investments similar to money market funds).

Our ongoing target for investment in equities remains at 65% of the total fund.

Fiscal Year
(10/1/2014 – 6/30/2015)

For the fiscal year-to-date, the total fund net return was 6.33% (TOP 11) and its benchmark return was 6.18%. The stock return was 17.32% and the benchmark return was 7.56%. The bond return was 1.99% (TOP 9) and the benchmark return was 1.85%.

For the last 12 months, the Garcia Hamilton & Associates (GHA) large cap stock return was 12.20%, the BRC large cap value stock return was 9.30%, the Anchor mid-cap value stock return was 7.23%, the Oak Ridge mid cap growth stock return was 13.05%, the GW Capital small cap value stock return was –9.22%, the Eagle small cap growth stock return was 11.52%, the New Amsterdam smid cap return was 18.72% (for three quarters), the WHV international stock return was –18.95%, Vanguard International Value was –6.24%, OFI Emerging Equity was –10.33%, the Intercontinental Real Estate return was 10.93%, JP Morgan Real Estate was 18.29% and the Garcia Hamilton & Associates aggregate fixed income return was 2.28% (TOP 9).

For the last year the best performing sector among S&P 500 stocks was Healthcare which increased 22.24% and the worst sector was Energy which decreased 24.26%.

Among the major economic indicators, the Consumer Price Index (CPI-Urban) increased 0.1% before seasonal adjustment for the twelve months ended in June.

The Producer Price Index (PPI) for finished goods declined 0.7% before seasonal adjustment for the twelve months ended in June.

The seasonally adjusted unemployment rate was 5.3% in June down from 5.5% in March. Real Gross Domestic Product (GDP) decreased at an annual rate of 0.2% for the first quarter of 2015, compared with an increase of 2.2% in the fourth quarter of 2014.

During the quarter the Federal Reserve Open Market Committee kept the target range for the federal funds rate of 0.00% to 0.25%. The federal funds rate is the interest rate that banks charge each other for overnight loans.

ECONOMIC ENVIRONMENT

A Stressful Quarter, but Mostly Positive

The Bureau of Economic Analysis estimates the economy expanded at a rate of 2.3% in the second quarter, following a revised expansion of 0.6% in the first quarter. The second quarter saw very good job growth. Even more positive was the housing story. Finally, new and existing home sales were on a tear and at their highest levels since before the Great Recession. Consumer confidence soared; manufacturing and services data show definite growth trends; and both the US dollar and commodity prices stabilized.

The Fed remained wary, ever mindful of the Greek debt crisis, weak emerging market economies, and stagnant wages. Factoring in troubling geopolitical issues, particularly in the Middle East, it is little wonder that investors remained jittery. Below are more details:

Q2 real GDP expanded at a 2.3% annual rate. This advance estimate comes with a revised 0.6% figure for first quarter growth, which was up from the previous Q1 estimate of -0.2%.

The June jobs report was encouraging, with 223,000 new hires and an unemployment rate of only 5.3%. However, the Bureau of Labor Statistics made a 60,000 downward revision to job gains for April and May. The number of unemployed seeking work dropped 375,000 to 8.3 million and the number of long-term unemployed (longer than 27 weeks) fell significantly, to 2.1 million. These declines reflected job seekers who stopped looking for employment as well as baby boomers beginning to retire in large numbers. Very modest 2% wage gains, for the latest 12-month period, suggest that the demand for workers is running barely ahead of supply.

Existing home sales increased to 5.35 million, the highest in six-years. These gains were fueled, in part, by sales to first-time buyers. Supply remained tight, leading to the median existing home price of $228,700, 7.9% higher than just one year ago. During May, existing homes were on the market for an average of only 40-days.

The Institute of Supply Management (ISM) provided encouraging news for both the manufacturing and service sectors. The Manufacturing Index has now expanded for the 30th straight month and registered 53.5%, a 0.7% increase from May (any percentage above 50% indicates expansion). New orders climbed to 56%, with 11 out of eighteen industries showing growth. Only oil, coal, metals, plastics and machinery declined appreciably. On the service front, the Non-Manufacturing Index stood at 56%, up 0.3% in June. New service-related orders rose 0.4% to 58.3%, with most service sectors participating in the growth. Overall, the service part of the economy has shown growth for 65 consecutive months!

Consumer confidence rose sharply from May to June; the Consumer Confidence Index climbed from 94.6 to 101.4. At the same time, consumers voiced more confidence regarding business conditions for the next six-months. Combined, the confidence data suggests that retail spending will rise further. The apparent peaking of gasoline prices, at levels well below a year ago, also may help to spur spending.

In general, commodity prices turned the corner after a disastrous first quarter. The composite of 33 commodity prices was up 3.2%. Various metals were the only commodity sectors in the red. Precious metals fell 5.3% while the gold component fell just 1%. Tin incurred the greatest loss (-16.7%) and energy earned the biggest gain (+13.8%). Grains were in 2nd place, gaining 8.3%, with the wheat and corn components climbing 20.3% and 14.7%, respectively. Soft commodities rose 5.5%, with coffee essentially unchanged. Finally, livestock prices were mixed as hog prices soared 19%, while cattle dropped 8.2%.

June saw a 0.3% increase for CPI, on a seasonally adjusted basis. That translates to 0.1% over the last 12 months. Miniscule wage growth and a stabilizing of oil prices contributed to continuously low CPI numbers. The US dollar didn't see further price appreciation vs. other major currencies, but still kept a lid on import price inflation.

As of June 17th, Federal Reserve Board Chair Yellen stated that economic activity was expanding moderately. She also noted that inflation was tame and that both capital expenditures and exports were weak. She probably viewed the July 3rd jobs report as net positive, but not necessarily sustaining. The Board's minutes also revealed several concerns: (1) the Greek debt crisis; (2) painfully slow growth among emerging market countries; and (3) a possible market and economic bubble in China, the world's second largest economy. All told, it is now unclear whether the long-anticipated interest rate hike will occur anytime soon. Despite positive economic indicators, US and off-shore equity markets were volatile and weak amidst the uncertainty.

Thanks to our source: Dahab

DOMESTIC EQUITIES

Greek Turmoil Kept Investors Skittish

Domestic equities were quite volatile during the quarter, especially in June, but managed to squeeze out a slight gain. The broad market (captured by the Russell 3000 Index) was just above zero, or 0.1%. The other three bellwether indices were also subdued. The S&P 500 moved up 0.3%, the DJIA fell 0.3% and the tech-laden NASDAQ posted the best result of +2.0%. Small cap stocks did relatively better than large caps (+0.4% vs. +0.1%), yet mid-caps were the worst performers (-1.5%). Growth style indices overall performed better than the value indices, but the differences were small. However, within small caps, the growth index was up 2% while the value segment was down 1.2%. The primary reason for the decline in the small cap value index was that REIT stocks within the sector plummeted; the NAREIT Equity Index dropped 9.1%, as interest rates rose.

Only a minority of S&P sectors provided any zip in the second quarter. Basic industries gained 3.1%, buoyed by firmer commodity prices and manufacturing growth. Financial stocks also did relatively well, advancing 2.7%, as investors were betting that higher interest rates would ultimately boost bank earnings. Consumer services and non-durable consumer goods each added slightly more than 2%, in sync with moderately higher consumer spending. The energy, technology, and utilities sectors were all in the red, with utilities dropping 4.7%. Note that utility losses typically have an inverse correlation with higher interest rates.

BOND MARKET

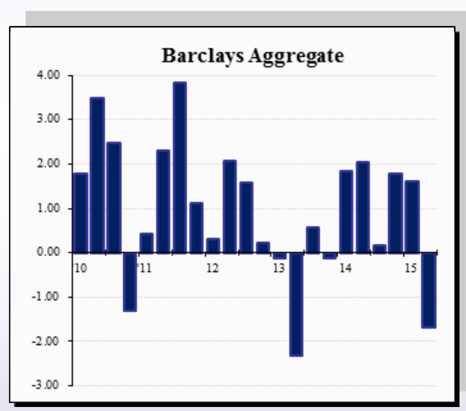
Rates Up and Returns Down

Interest rates were quite volatile, ending the quarter higher, which depressed bond prices and returns for the quarter. There were three contributing factors: (1) a rebound in economic activity after a negative first quarter, (2) less-than-normal liquidity among corporate bonds, and most importantly (3) investor expectation that the Fed would finally raise rates before year-end. Higher rates impacted the long end far more significantly than short-duration instruments. While the two-year Treasury yield rose by nine basis points, the 10-year climbed 43 basis points and the 30-year shot up 58 basis points.

The Barclays Aggregate Index lost 1.7%, breaking a string of quarterly gains.

High yield bonds broke even for the quarter, as the price declines offset the high income. Energy bonds, representing more than 14% of all high yield issues, performed best. That sector gained 2% compared to fractional gains or losses in other sectors. There was no obvious return pattern among the high yield credit ratings. BAs, the highest-rated junk bonds, lost a nominal 0.4%. Yet single Bs gained 0.4% and CAAs, 0.5%. The true junk, rated CA down to single D, crashed 18.8%!

The G-6 (G7 x-US) Global Treasury Index fell 1.4%, in line with US Treasuries. The worst performers were Italy (-2.6%) and Japan (-2.2%), reflecting their weaker currencies. Canada lost a fractional 0.1%, while Germany and France lost 1% and 1.6% each. The UK was the only country to avoid the red ink, as its sovereign debt climbed 2.1%. British currency appreciation was a contributing factor.



INTERNATIONAL EQUITIES

China and Greece Set the Slow Pace

The MSCI EAFE Index landed in positive territory, but not by much. The index gained only 0.8%, weighed down by Greek debt concerns and a gradually slowing Chinese economy. Germany's market, awash in Greek debt, was the big loser within the Euro Zone, falling 5.1%. Investors were also concerned about the level of German exports to Russia and China. Surprisingly, investors did not tie Greece to the other peripheral Euro countries that had their own bailout issues. Ireland (+8.5%), Italy (+3.0%) and Portugal (+2.7%) each saw positive returns. Only the Spanish market lost ground and that damage was small (-1.9%). France, the other major Euro country, advanced 1%. The EU's newly initiated quantitative easing program might have provided a tail wind for European stocks. However, the Greek crisis proved to be a spoiler, especially for the German and French markets.

The British stock market gained 3%, as that economy is growing and a bitterly-fought national election ended with the unexpected victory of the Conservative Party. The Party rhetoric, distancing that country from the EU's problems, may also have been investor-positive.

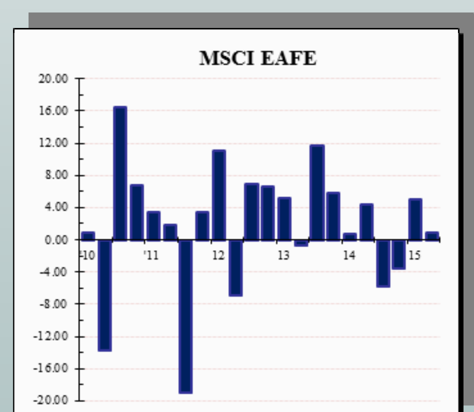
Australia and New Zealand were in investors' crosshairs and not favorably. Both countries provide resources to China and investors anticipated that China's insatiable demand for raw materials would slacken. In addition, the New Zealand dollar depreciated almost 10%. The bottom line was a 6.2% fall in the Aussie market and almost double that or an 11.9% decline in New Zealand shares.

Japan, and to a lesser extent Hong Kong, were bright spots within EAFE. The Japanese economy was turning around in response to Prime Minister Abe's stimulus program and Japanese consumers were loosening their purse strings a bit. Further, the yen weakened modestly against the US dollar, aiding its export-driven economy. As a result, Japanese stocks rose 3.1%. Hong Kong gained 5.6%, benefiting from an infusion of money from mainland Chinese investors into Hong Kong stocks. The Chinese investments more than offset continued problems with Macau-based casinos.

Emerging markets earned 0.8%, equaling that of the non-US developed markets and exceeding that of the broad US market. While there were exceptions, most EM returns were unexciting.

The BRIC Index, which includes the four largest EM countries, climbed 4.7%. Brazil fended off continued high inflation and slow growth to bounce back 7%. Its huge energy company, Petrobras, rebounded due to internal reforms and steady oil prices. President Rousseff's June visit to the US also sent an encouraging signal. Russia earned 7.7%, reflecting a bottoming of its energy export prices, its own monetary easing and somewhat diminished Ukrainian military fears. India disappointed with a loss of 3.6%, which came on the heels of a tremendous run up after last year's election of a business-friendly, reform-minded government. Lastly, China advanced 6.2% despite a moderately slowing economy; however, its stock market was buoyed by accommodative banking policies and steamy real estate construction.

Combined, Latin American markets, excluding Brazil, were flat for the quarter. Columbia performed relatively well, gaining 3.5%, after plunging 19% in the prior quarter. By comparison, Mexico and Peru rose only fractionally and Chile lost 3%.



FLORIDA DEPARTMENT OF MANAGEMENT SERVICES
dms retirement
We serve those who serve Florida

Bureau Local Retirement Systems
Municipal Police Officers' & Firefighters' Trust Funds' Office
P.O. Box 3010
Tallahassee, FL 32315-3010
Tel: 850-922-0667 | Fax: 850-921-2161 | Toll-Free: 877-738-6737

Rick Scott, Governor

Chad Poppell, Secretary

APPROVED

Received
AUG 19 2015
WPB Police Pension

MEMORANDUM

August 14, 2015

To: Mr. Jonathan Frost, Chairman
West Palm Beach Police Officers' Pension Fund

From: Office of Municipal Police Officers' and Firefighters' Retirement Trust Funds, Division of Retirement

Subject: 2014 ANNUAL REPORTS

This is to advise that we have **reviewed** and **approved** the 2014 Annual Report (s) for the West Palm Beach Police Officers' Pension Fund.

The 45th Annual Police Officers' and Firefighters' Pension Conference is scheduled for November 17-19, 2015, sponsored by the Department of Management Services, Division of Retirement. **There is no registration fee to attend.** The program will be held at the Radisson Resort, Orlando Celebration. The hotel is located at 2900 Parkway Boulevard, Kissimmee, FL, 34747. You may make hotel reservations by calling 407-396-7000. If you call to make a reservation, please state you will be attending the conference.

If you have any questions, please contact our office at (850) 922-0667.

mjm

Copy: Richard A. Cristini, CPA, Audit Partner
David M. Williams, Plan Administrator

Approved

NOTE: WE WILL BE ON THE LOOK OUT FOR $1,212,205.07 FROM THE STATE AS A RESULT OF THE APPROVAL OF THIS REPORT. FUNDS WILL BE DISTRIBUTED TO THE ACTIVE SHARE ACCOUNTS.

WEST PALM BEACH POLICE PENSION FUND
2100 North Florida Mango Road
West Palm Beach, Florida 33409

Phone: 561.471.0802 FAX: 561.471.5027

PUBLIC NOTICE

WEST PALM BEACH POLICE PENSION FUND BOARD OF TRUSTEES WILL BE MEETING

January 08, 2016	July 08, 2016
February 12, 2015	August 12, 2016
March 11, 2016	September 09, 2016
April 08, 2016	October 14, 2016
May 13, 2016	November 11, 2016
June 10, 2016	December 09, 2016

LOCATION: PALM BEACH PBA
2100 N. FLORIDA MANGO ROAD
WEST PALM BEACH, FLORIDA 33409

TIME: 8:30 A.M.

IF ANY PERSON DECIDES TO APPEAL ANY DECISION MADE BY THE BOARD WITH RESPECT TO ANY MATTER CONSIDERED AT SUCH MEETING OR HEARING, THEY WILL NEED A RECORD OF THE PROCEEDINGS, AND FOR SUCH PURPOSE, THEY WILL NEED TO ENSURE THAT A VERBATIM RECORD OF THE PROCEEDINGS IS MADE, WHICH RECORD INCLUDES THE TESTIMONY AND EVIDENCE WHICH THE APPEAL IS TO BE BASED.

THIS MEETING MAY BE CONDUCTED BY MEANS OF OR IN CONJUNCTION WITH COMMUNICATION MEDIA TECHNOLOGY, THE TYPE BEING A SPEAKER TELEPHONE. THE ACCESS POINT IS THE CONFERENCE ROOM, WITHIN THE PALM BEACH COUNTY POLICE BENEVOLENT ASSOCIATION BUILDING.

PERSONS WITH DISABILITIES WHO REQUIRE REASONABLE ACCOMMODATIONS TO PARTICIPATE IN THE MEETINGS MAY CALL THE PLAN ADMINISTRATOR FIVE BUSINESS DAYS IN ADVANCE AT 561-471-0802 (VOICE) AND/OR 800-955-8771 (TYY).

Note: In compliance of state law, the Board of Trustees finds that a proper and legitimate purpose is served when members of the public have been given a reasonable opportunity to be heard on a matter before the Board. Therefore, the Board of Trustees have determined and declared that they will allot 15 minutes in total for this purpose; however each person is limited to no more than (2) two minutes to comment at each meeting.

Please visit us at: www.wpbppf.com

Determination of the Rate of Return for DROP & SHARE Accounts

As you may recall, the earnings method differs for members who retired (or become vested) on or after October 1, 2012 and those who retired prior to October 1, 2011.

HERE ARE EARNINGS METHOD ELECTION OPTIONS FOR RETIRED MEMBERS BEFORE OCTOBER 1, 2012. Variable is based on Fund returns (gains and losses) subject to administrative expenses. OR Fixed Rate of 8.25% subject to administrative expenses.

HERE ARE THE EARNINGS OPTIONS FOR VESTED PARTICIPANTS RETIRING AFTER OCTOBER 1, 2012. As noted above, the Variable is based on Fund returns (gains and losses) subject to administrative expenses. OR Fixed rate of 8.0% or 4.0% subject to administrative expenses.

(In the event that the amount paid in Investment earnings at the 8% rate is more than the Fund actually earns, the rate will be reduced to 4% effective the following October 1 until any losses are made up). The chart below tracks the rate of return for the Fund, to determine if the Fixed rate will be either 8.0% or 4.0% for the upcoming fiscal year. As there is no deficiency to make up, the rate of return for the next fiscal year (beginning October 1, 2015) will be 8.0% for vested members or for those who retired after October 1, 2012.

(a)	Gross rate of market investment return for fiscal year ending	
	9/30/12	18.2%
	9/30/13	14.1%
	9/30/14	10.0% *
(b)	Cumulative return from fiscal year ending 9/30/12 through 9/30/14	48.4%
(c)	Return needed from fiscal year ending 9/30/12 to maintain 8% fixed interest crediting rate	26.0%
(d)	Shortfall of actual return since fiscal year ending 9/30/12 to return based on 8% per year: (c) – (b), not less than 0%	0.0%
(e)	Actual fixed interest crediting rate for DROP/Share Plan accounts for 10/1/14 through 9/30/15	8.0% **
(f)	Minimum gross rate of market investment return 10/1/14 through 9/30/15 to provide 8.00% fixed interest crediting rate for 10/1/15 through 9/30/16	(8.3)%

** Actual rate needs to be determined by the Investment Consultant.*
*** Members in the DROP as of October 1, 2012 will continue to earn 8.25% per year.*

Remember if you wish to <u>alter</u> your earnings option, that change must be received by the Office of Retirement prior to October 1 each year.

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries
One East Broward Blvd.
Suite 505
Ft. Lauderdale, FL 33301-1804
954.527.1616 phone
954.525.0083 fax
www.gabrielroeder.com

Adm Fee going down starting 10-01-2015

June 16, 2015

Mr. David M. Williams, Plan Administrator
West Palm Beach Police Pension Fund
2100 N. Florida Mango Road
West Palm Beach, Florida 33409

Re: West Palm Beach Police Pension Fund
Expenses for DROP / Share Plan Account

Dear Dave:

As requested, we have determined the investment and administrative expenses that were charged in the West Palm Beach Police Pension Fund for the fiscal year ending September 30, 2014. These expenses total 0.60% of the average asset value during the fiscal year and include fees paid to the investment manager, plan administrator, actuary, custodian and attorney. This rate is 0.15% on a quarterly basis. The expenses can be calculated by multiplying the DROP/Share Plan balance by .0015 each quarter.

Section 13(4)(e) of the Ordinance concerning interest that should be credited to DROP accounts states that the "costs, fees, and expenses of administration shall be debited from the individual member account". The same language exists pertaining to the Share Plan Accounts. As discussed, the Board has interpreted this to include all investment and administrative expenses.

We welcome your questions and comments.

Sincerely yours,

Jeff Amrose

Jeffrey Amrose, EA
Senior Consultant & Actuary

JSA/ta

Required Minimum Distributions

DROP/SHARE distributions cannot be deferred indefinitely. A DROP/SHARE Member owner must begin required minimum distributions (RMDs) the year he or she reaches age 70.5, at which time the DROP/SHARE Member may distribute the full balance of the DROP/SHARE or distribute a minimum amount each year.

The first RMD must be distributed by Apr 1st of the year after the year in which the DROP/SHARE Member reaches age 70.5.

For example, a DROP/SHARE Member who reaches age 70.5 in June of 2015 must take his or her first RMD by April 1, 2016. DROP/SHARE Members who elect to have a minimum amount distributed each year must, for subsequent years, distribute RMDs by December 31 of each year. This means that if the DROP/SHARE holder defers the first RMD until April 1 of the year after he or she turns 70.5, the DROP/SHARE Member will be required to take a second RMD amount in that same year, which counts as the second year for RMDs.

Example: Taking RMDs

Jill turns 70.5 in June of 2015, and she decides to defer her first RMD until April 1, 2016. Jill is required to take a second RMD (for 2016) by December 31, 2016. For subsequent years, Jill must distribute her RMD amounts by December 31 of each year.

Our Actuary reviews and will calculate the RMD amount on an annual basis and we send the notification to the DROP Member as warranted. RMD will follow such notice.

RMD amounts not distributed from the DROP/SHARE by the due date may be subject to a 50% excess-accumulation penalty.

Example: Excess Accumulation Penalty

John is 75 years old, and his RMD for 2015 is $5,000. By December 31, 2015, John has distributed only $4,000 from his DROP/SHARE. Because John\'s RMD was short by $1,000, he must pay the IRS a 50% excess accumulation penalty ($1,000 x 50% = $500).

The excess-accumulation penalty must be paid when the individual files his or her federal tax return. If the individual feels that the failure was due to reasonable circumstance, he or she may write to the IRS and request that the penalty be waived. If a waiver is requested, the penalty should be paid only if the IRS denies the request.

The Board of Trustees or the Plan Administrator cannot provide tax advice. As such you are encouraged to discuss this matter with your tax advisor and plan for this event on an annual basis.

M E M O R A N D U M

To: Interested Parties

From: Board of Trustees
West Palm Beach Police Pension Plan

Subject: New State of Florida Pension Reporting Requirements

Date: June - 2015

This Memorandum is intended to provide background and additional disclosures to accompany the new state reporting required by Section 112.664, Florida Statutes. The Board is pleased to provide this memorandum as a service to the active membership, retirees, beneficiaries, and interested members of the public in an effort to answer anticipated questions in connection with the Board's new Section 112.664 Report.

Legal Protections

Article X, Section 14, of the Florida Constitution specifically protects pension benefits for public employees and mandates that Florida governmental pension benefits are required to be funded "on a sound actuarial basis."

According to state statute (Section 112.64(2)), the total contributions to a retirement system "shall be sufficient to meet the normal cost of the retirement system or plan and to amortize the unfunded liability." All Florida cities are required to make these mandatory employer contributions to the pension plan at least quarterly. The required contributions are actuarially determined by the independent actuary employed by the Board of Trustees. If a municipality fails to comply with its mandatory pension contributions, the Department of Management Services in Tallahassee is empowered to withhold state funds and tax revenue. See §112.63(4)(b), Florida Statutes. Thus, unlike widely reported examples of pension underfunding in other states, Florida law mandates "funding discipline" by the plan sponsor.

Funding Discipline

As a result of the legal protections for governmental pensions in Florida, by law the Retirement Plan will never become insolvent because it is required to be actuarially funded. The Retirement Plan is actuarially funded through a combination of investment earnings, municipal, member, and state contributions.

Discount Rate/Investment Earnings Assumption

In order to properly fund the retirement system, the Board's actuary uses several assumptions and federally approved actuarial methods. One of the most important assumptions is the "discount rate," which is otherwise referred to as the Plan's "investment earnings assumption." Even though the discount rate is a long term projection, the Board reviews the investment assumption annually and works closely with independent plan fiduciaries to make sure that plan assets are invested consistent with a long term investment policy. Although investments fluctuate from year to year, the Board has purposely chosen a discount rate which is supported by long term investment performance and financial projections.

Unrealized Gains

Financial markets have performed well for the past several years, following the market correction in 2009. For example, the annualized rate of return by the Standard & Poor's

500 ("S&P 500") index has been approximately 13% per year for the past several years. As a result of the strong equity returns for the past several years, most governmental pension plans have yet to recognize all of the resulting actuarial gains. Accordingly, it is noteworthy "unrealized" investment gains have not yet been recognized in the Board's Section 112.664 Report or the Board's FY 2014 valuation.

Sensitivity Testing

The new law requires the Board to provide hypothetical "run out" dates, assuming that the Board used a theoretical investment return assumption of 2.00% less than the Board's current discount rate. All things being equal, the use of a lower investment return assumption will lower the Plan's current funded ratio. The law also requires the Board to include in the new Section 112.664 Report additional "run out" dates, assuming that the plan sponsor stopped contributing to the Retirement Plan. As described above, Florida law mandates funding discipline by plan sponsors. Accordingly, the hypothetical run out dates in the required report are an academic exercise which do not impair the ability of the Board to pay constitutionally protected benefits.

In addition to the "run out" dates required by the law, the Board also directed its actuary to project the Retirement Plan's valuation using an investment return assumption of 200% higher than the Board's current discount rate. In other words, the Board is of the view that proper "sensitivity testing" requires the evaluation of several possible investment return scenarios. For this very reason, new Governmental Accounting Standards Board ("GASB") requirements were recently implemented across the country. In fact, the Board's FY 2014 valuation contains a projection of benefit payments for the next 100 years. A copy of the Board's FY 2014 valuation containing the new GASB 67 100 year projection is available upon request, as are the additional sensitivity testing calculations performed by the Board's actuary.

Amortization schedule

Defined benefit pensions are paid monthly over a retiree's or beneficiary's lifetime. As a result, pension trustees invest with a long term investment horizon. By law, Florida governmental plans are permitted to amortize their liabilities over thirty years. While the "funded ratio" of many Florida governmental plans is less than 100%, it is anticipated if all assumptions are borne out that the Retirement Plan will be approximately 100% funded at the end of the 30 year amortization period. Many professionals consider the Board's amortization schedule to be similar to a 30 year mortgage. The remaining balance on one's mortgage is usually less important than the ability to make the full monthly payments.

Portfolio diversification

As long term investors, the Board employs a long term investment strategy which is based on a written investment policy. The Board retains a qualified investment consultant who monitors the Board's portfolio, as a fiduciary, consistent with the Board's investment policy. The Board's investments are diversified into several assets classes managed by different investment advisors in order to minimize volatility in the portfolio. The past five years of investment returns (along with the allocations of cash, equity, bond and alternative investments) are provided on this web site as well. A copy of the Board's quarterly investment reports are also available upon request.

To review all the required disclosures please follow this link: http://wpbppf.com/modules/stateDocs/index.asp

Editor's Note: This Board has been on the forefront of transparency. Reports of this nature have been posted to our website since 2008. It is nice to see the rest of the state is catching up!

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E-mail Comments and Suggestions to:

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MYTHS AND FACTS ABOUT SOCIAL SECURITY

According to the Social Security Administration, more than nine out of ten older Americans (over 65) receive Social Security benefits. So Older Americans Month is the perfect time to examine some myths and facts about Social Security. Myth: Social Security will provide most of the income needed in retirement. Fact: It is likely that Social Security will provide a smaller portion of retirement income than expected. There is no doubt about it ~ Social Security is an important source of retirement income for most Americans. But it may be unwise to rely too heavily on Social Security, because to keep the system solvent, some changes will have to be made to it. The younger and wealthier you are, the more likely these changes will affect you. But whether retirement is years away or just around the corner, keep in mind that Social Security was never meant to be the sole source of income for retirees. As President Dwight D. Eisenhower said, "The system is not intended as a substitute for private savings, pension plans, and insurance protection. It is, rather, intended as the foundation upon which these other forms of protection can be soundly built." No matter what the future holds for Social Security, focus on saving as much for retirement as possible. You can do so by contributing to tax-deferred vehicles such as IRAs, 401(k)s, and other employer-sponsored plans, and by investing in stocks, bonds, and mutual funds. When combined with your future Social Security benefits, your retirement savings and pension benefits can help ensure that you'll have enough income to see you through retirement. Myth: Social Security is only a retirement program. Fact: Social Security also offers disability and survivor's benefits. With all the focus on retirement benefits, it is easy to overlook the fact that Social Security also offers protection against long-term disability. And when you receive retirement or disability benefits, your family members may be eligible to receive benefits, too. Another valuable source of support for your family is Social Security survivor's insurance. If you were to die, certain members of your family, including your spouse, children, and dependent parents, may be eligible for monthly survivor's benefits that can help replace lost income. Myth: If you earn money after you retire, you'll lose your Social Security benefit. Fact: Money you earn after you retire will only affect your Social Security benefit if you're under full retirement age. Once you reach full retirement age, you can earn as much as you want without affecting your Social Security retirement benefit. But if you are under full retirement age, any income that you earn may affect the amount of benefit you receive: if you are under full retirement age, $1 in benefits will be withheld for every $2 you earn above a certain annual limit. For 2015, that limit is $15,720. In the year you reach full retirement age, $1 in benefits will be withheld for every $3 you earn above a certain annual limit until the month you reach full retirement age. If you reach full retirement age in 2015, that limit is $41,880. Even if your monthly benefit is reduced in the short term due to your earnings, you will receive a higher monthly benefit later. That's because the SSA recalculates your benefit when you reach full retirement age, and omits the months in which your benefit was reduced. Myth: Social Security benefits are not taxable. Fact: You may have to pay taxes on your Social Security benefits if you have other income. If the only income you had during the year was Social Security income, then your benefit generally isn't taxable. But if you earned income during the year (either from a job or from self-employment) or had substantial investment income, then you might have to pay federal income tax on a portion of your benefit. Up to 85% of your benefit may be taxable, depending on your tax filing status (single, married filing jointly) and the total amount of income you have.

What Is Your Full Retirement Age? If you were born in: your full retirement age is:

1943-1954 66	1955 66 and 2 months
1956 66 and 4 months	1957 66 and 6 months
1958 66 and 8 months	1959 66 and 10 months
1960 and later 67	