

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

Minutes

**March 15, 2013
8:30 AM**

CALL THE MEETING TO ORDER

Mr. Mitchell called to order the West Palm Beach Police Pension Fund Meeting on March 15, 2013 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: Edward Mitchell, Chairman (departed 9:40 AM), Jonathan Frost, Board Secretary, Chris Fragakis, Board Trustee, Troy Marchese, Board Trustee and Wilton White, Board Trustee.

Also present: Jeff Amrose, Board Actuary & Trisha Amrose of Gabriel Roeder Smith; John McCann, Performance Consultant of Thistle Asset Consulting; Kenneth S. Kailin & Mary McManus of Oak Ridge Investments; Bonni Jensen, Board Attorney, Law Offices of Perry & Jensen; Dave Williams, Plan Administrator.

APPROVAL OF THE MINUTES

Mr. Mitchell asked if there were any changes required to the minutes of February 8, 2013. Mr. Frost made the motion to approve the minutes, which was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 5-0.

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, in addition to the detailed activity outlined in the administrative report by Mr. Williams. Mr. Fragakis made the motion to approve the foregoing which was seconded by Mr. Frost. All Trustees voted yes, and the motion was passed 5-0.

ATTORNEY'S REPORT

Mrs. Jensen reported that she and her staff are vigorously securing medical records for several disability applicants.

Mr. Frost raised an issue with the current trustee expense policy, as it differs from the city policy. Mrs. Jensen indicated that there is a Florida Attorney General Opinion that permits the Board to determine its own policy. Mr. Frost noted that the current policy has an annual cap which he felt was reasonable. Mr. Frost stated that he would like the daily miscellaneous allowance removed from the policy. The members concurred and Mr. White made a motion to eliminate the daily miscellaneous allowance. This motion was seconded by Mr. Fragakis. All Trustees voted yes, and the motion was passed 4-0. Mr. Mitchell was not present. Mr. Frost asked Mrs. Jensen to clarify the language as it relates to tuition when she was updating the policy for final adoption.

Mrs. Jensen indicated that her review of the Francisco Reyes Matter has concluded. Mr. Williams stated that this was a very unique military service situation and he appreciated Mrs. Jensen's research & expertise.

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ACTUARIAL VALUATION REPORT

Mr. Jeff Amrose, Board Actuary & Mrs. Trisha Amrose of Gabriel Roeder Smith came before the Board and presented the September 30, 2012 Actuarial Valuation Report.

Contribution requirements for the plan year beginning October 1, 2013 were reported as follows:

Defined Benefit Contributions for For Fiscal Year Beginning	Contributions Expressed as Percents of UndROPEd Payroll(1)			Contributions Expressed as Percents of Payroll Including DROP		
	October 1, 2013		October 1, 2012	October 1, 2013		October 1, 2012
	After Changes	Before Changes		After Changes	Before Changes	
Normal Cost:						
Service pensions	15.51 %	15.18 %	15.16 %	11.78 %	11.53 %	13.31 %
Disability pensions	1.55	1.53	1.54	1.17	1.16	1.34
Survivor pensions						
Pre-retirement	0.35	0.40	0.40	0.26	0.31	0.35
Post-retirement	1.13	1.24	1.22	0.86	0.94	1.06
Termination benefits:						
Deferred service pensions	0.95	0.93	0.94	0.72	0.71	0.82
Refunds of member contributions	0.79	0.79	0.78	0.60	0.60	0.68
Total Normal Cost	20.28	20.07	20.04	15.39	15.25	17.46
Unfunded Actuarial Accrued Liability (UAAL):						
Retired members and beneficiaries	0.00	0.00	0.00	0.00	0.00	0.00
Active and vested terminated members	33.33	32.81	25.52	25.31	24.92	22.10
Total UAAL	33.33	32.81	25.52	25.31	24.92	22.10
Administrative Expenses (net of charges to Share and DROP accounts)	1.00	1.00	0.88	0.76	0.76	0.76
Total Calculated Contribution Requirement	54.61 %	53.88 %	46.44 %	41.46 %	40.93 %	40.32 %
Adjustments to Calculated Contribution Requirement:						
Temporary full funding credit	0.00	0.00	0.00	0.00	0.00	0.00
FS112.64(5) compliance	8.87	8.59	2.48	6.74	6.53	2.25
Total adjustments	8.87	8.59	2.48	6.74	6.53	2.25
Total Adjusted Contribution Requirement:	63.48 %	62.47 %	48.92 %	48.20 %	47.46 %	42.57 %
Member portion	11.00 %	11.00 %	11.00 %	8.36 %	8.36 %	9.58 %
Chapter 185 portion	0.00 %	0.00 %	4.85 %	0.00 %	0.00 %	4.23 %
City portion	52.48 % ⁽²⁾	51.47 %	33.07 %	39.84 %	39.10 %	28.76 %
Expected Covered Payroll for Contribution Year	17,706,396	17,706,396	20,448,409	23,307,434	23,307,434	23,490,251
City Contribution Requirement Paid Quarterly	9,292,319	9,113,484	6,762,390	9,292,319	9,113,484	6,762,390
City Contribution Requirement Paid at Beginning of Fiscal Year	8,941,538	8,769,454	6,506,923	8,941,538	8,769,454	6,506,923

As exhibited above, the Total Normal Cost as of October 1, 2012 was valued at 20.04% of payroll. Effective October 1, 2013, the Total Normal Cost was valued at 20.28%, or an increase of 0.24%. Further, the Unfunded Actuarial Accrued Liability as of October 1, 2012 was valued at 25.52% of payroll. Effective October 1, 2013, the Unfunded Actuarial Accrued Liability was valued at 33.33%, or an increase of 7.81%. The Administrative Expense for the Fund was valued at 1.00%. Mr. Amrose valued the Total Calculated Contribution Requirement to be 54.61% as of October 1, 2013, which is a net increase from October 1, 2012 of 8.17%. Additionally, pursuant to ²F.S.112.64(5) an expense of 8.87% is imposed due to the lack of payroll growth. That is an increase of 6.39% from October 1, 2012. Based on the foregoing, the Total Adjusted Contribution Requirement was valued at 63.48%, or a difference of 14.56% from October 1, 2012. The member portion is 11.00%, which leaves a net percentage due from the Fund Sponsor (City of West Palm Beach) of 52.48%, or \$8,941,538.

¹ Davidson, Jamieson & Cristini – Financial Statements for FYE September 30, 2012 valued Administrative Expenses at 0.12% of the plan assets (as opposed to % payroll which the Actuary cites), which is a reduction from the prior fiscal year which was 0.14%.

² (5)(a) If the amortization schedule for unfunded liability is to be based on a contribution derived in whole or in part from a percentage of the payroll of the system or plan membership, the assumption as to payroll growth shall not exceed the average payroll growth for the 10 years prior to the latest actuarial valuation of the system or plan unless a transfer, merger, or consolidation of government functions or services occurs, in which case the assumptions for payroll growth may be adjusted and may be based on the membership of the retirement plan or system subsequent to such transfer, merger, or consolidation.

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The Fund Sponsor received 100% of the Chapter 185 monies for October 1, 2012, pursuant to the collective bargaining agreement and as a result of a subsequent amendment to the Special Act. The amount received from the State (Chapter 185) on behalf of police officers in 2012 was \$992,713. That amount offset the required contribution for the Plan Sponsor. For an October 1, 2012 contribution date, the required City contribution amount was \$6,506,923. Due to the foregoing (³Chapter 185 monies not being applied towards the Plan Sponsor's Contribution, as well as the other issues highlighted) the net increase is valued at \$2,434,615 for October 1, 2013.

The funding level was valued at 75.5% as of October 1, 2012, which is essentially in line with the October 1, 2011 level of 76.1%. If the Actuarial Present Value of Accrued Benefits (calculated in accordance with FASB Statement No. 35) were valued at FRS Interest Rate (7.75%), the Fund would have a funding level of 81.2% as of October 1, 2012, compared to a funding level of 74.6% as of October 1, 2011.

Mr. Amrose reflected that beginning with the September 30, 2011 Actuarial Valuation Report, the mortality table was updated from the 1983 Group Annuity Mortality Table to the RP-2000 Combined Healthy Participant Mortality Table using Scale AA after 2000 to reflect future mortality improvements. The change in the mortality rates is being phased-in over five years, as such, this is the second year.

Mr. Amrose cited that currently the actuarial value of assets, which is used to determine the contribution requirements and funded ratios for the Fund, is less than the market value by 2%, or \$4.9 million. Mr. Amrose explained that there are gains from prior periods as well as the current fiscal year that will be recognized in the 2013-2015 reports. These gains will put downward pressure on the contribution requirements and upward pressure on the funded ratios in those future reports. If these gains were immediately recognized, the Fund Sponsor's contribution would decrease to 49.90% of covered payroll (\$8,501,956 if made on October 1, 2013) and the funded ratio would increase from 75.5% to 77.3%. The Board indicated that they may wish to consider this option, or delay its recognition to a future year in order to reduce the Plan Sponsor's cost.

Mr. Amrose opined about another potential area of variability that has to do with the annual payment on the unfunded accrued liability (UAL). This payment is computed as a level percent of covered payroll under the assumption that covered payroll will rise by 4.5% per year. According to the Florida Administrative Code, this payroll growth assumption may not exceed the average growth over the last ten years which was 0.62%. If the ten-year average falls below this rate next year, the amortization payments will increase. For example, if the payroll growth assumption is lowered to 0%, the UAL payment would increase from 42.20% to 43.76%. If the covered payroll does not increase by more than 4.7% during the fiscal year ending September 30, 2013, the average ten-year payroll growth will be less than 0% and the UAL will be amortized as a level dollar amount.

Mr. Amrose indicated that he is prepared to discuss in the future the topic of reducing the assumed investment rate of return.

Mr. Amrose concluded his presentation by issuing an opinion that the required contribution rate determined by the most recent actuarial valuation is sufficient to meet the Fund's funding objective, presuming continued timely receipt of required contributions.

³ \$992,713 Chapter 185 monies received for October 1, 2012 plan year

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After fielding questions of the Trustees, a motion was made by Mr. Frost to accept and approve the September 30, 2012 Actuarial Valuation Report as prepared & presented by Gabriel Roeder Smith and Company. Mr. Fragakis seconded the motion. All Trustees voted yes, and the motion was passed 5-0. Mr. Williams will file accordingly with the State of Florida.

APPOINTMENT – 5TH MEMBER (Tabled February 8, 2013)

Mr. White expressed his desire to continue to serve on the Board of Trustees' as the 5th Member. Mr. Frost made a motion to reappoint Mr. White to the Board of Trustees. The motion was seconded by Mr. Fragakis. All Trustees voted yes, and the motion passed 4-0. (Mr. White abstained from the vote and completed Form 8B, attached hereto). Mr. Williams will make the required notification.

OAK RIDGE INVESTMENTS – MID CAP GROWTH MANAGER

Mr. Kenneth S. Kailin & Ms. Mary McManus appeared before the Board and reviewed the December 31, 2012 investment report. The firm's investment philosophy, investment process and sell discipline was reviewed. Performance measurements, as well as key performance attribution were discussed.

According to the Thistle Asset Consulting Group Performance Report of December 31, 2012, Oak Ridge Account returned 0.14% for the quarter vs. 1.69% for the benchmark (S&P 400G). That return placed Oak Ridge in the 72nd percentile. For the year, Oak Ridge returned 7.52% vs. 15.81% for the same benchmark or in the 96th percentile. Market Value as of December 31, 2012 was \$17,894,000.

Mr. White expressed his displeasure with the performance and made it clear he would not continue to tolerate poor returns.

THISTLE ASSET CONSULTING

Mr. McCann provided the Board an updated investment policy dated March 15, 2013. The changes were limited to the addition of JPMorgan and the inception date of GW Capital. After reviewing the document, Mr. Fragakis made a motion to approve the policy as amended. This motion was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 4-0. Mr. Mitchell was not present.

ADMINISTRATOR'S REPORT

Mr. Williams indicated that the annual pension survey was being distributed to the retired and active drop members. As soon as it is tallied, the findings will be presented to the Board.

Mr. Williams cited an inadvertent IT error during the conversion of the rate of return for the December 31, 2012 posting, under the most recent provisions of the special act. It affected approximately 62 active members and corrected statements were transmitted the same day it was discovered along with a letter of explanation. Mr. Williams also advised Mr. Fragakis & Mr. Marchese so they would be aware of the situation in case approached. It happened during a percentage to decimal conversion. A review by Mr. Amrose followed and the update was agreed upon accordingly.

Mr. Williams presented the State of Florida Annual Report for execution by the Chairman and the Board Secretary. After being signed, Mr. Williams indicated that he will file accordingly with the State of Florida.

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OPEN DISCUSSION

Mr. Marchese advised that due the influx of disability applications, the city/union may wish to consider establishing sworn non-combat positions within the department. It is a mutual benefit for the employee and the employer. Further it may reduce pension costs over time. There was a consensus that this was a matter for the city/union, but we could begin the dialogue. Invites will be extended accordingly.

ADJOURNMENT

Being there was no other business; the meeting was adjourned at 11:00 AM.

The next meeting regularly scheduled meeting is April 12, 2013 at 8:30 AM.

A handwritten signature in blue ink, appearing to read 'J Frost', is written above the name of the Board Secretary.

Jonathan Frost, Board Secretary