

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

Minutes

May 10, 2013
8:30 AM

CALL THE MEETING TO ORDER

Mr. Mitchell called to order the West Palm Beach Police Pension Fund Meeting on May 10, 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, Jonathan Frost, Board Secretary, Chris Fragakis, Board Trustee & Troy Marchese, Board Trustee.

Also present: Mark Rickabaugh & Robert Croce of Anchor Capital; John McCann of Thistle Asset Consulting Group; Bonni Jensen, Board Attorney, Law Offices of Perry & Jensen, LLC; and Dave Williams, Plan Administrator. Jeffrey Amrose of Gabriel Roeder Smith also participated telephonically during the portion of his report.

APPROVAL OF THE MINUTES

Mr. Frost asked if there were any changes required to the minutes of April 12, 2013. Mr. Frost made the motion to approve the minutes, which was seconded by Mr. Fragakis. 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, in addition to the detailed activity outlined in the administrative report by Mr. Williams. Mr. Marchese made the motion to approve the foregoing which was seconded by Mr. Frost. All Trustees voted yes, and the motion was passed 4-0.

ACTUARY UPDATE

Mr. Amrose participated telephonically before the Board regarding a letter (dated - April 26, 2013) from Mr. Doug Beckendorf, Actuary - State of Florida, Division of Retirement. The letter requested further dialogue with regard to the investment assumption and the payment calculation on the unfunded accrued liability. A copy of Mr. Beckendorf's letter was provided to all to consider. Mr. Amrose outlined a proposed response which the Board felt was reasonable. By consensus the Board asked Mr. Amrose to proceed with a timely written reply on the Board's behalf.

ATTORNEY'S REPORT

Mrs. Jensen reviewed recent state legislative issues involving trustee financial report requirements and additional reporting by the actuary.

Mrs. Jensen also reported on the passage of a Bill (SB 50) requiring public comment at Board Meetings. The Board held a discussion as a result of Mrs. Jensen's presentation. The Trustees felt that up to 15 minutes would be a reasonable time to allot for public comment at each meeting. Further, each speaker could comment up to (2) two minutes each. Mr. Frost placed the foregoing in the form of a motion, which was seconded by Mr. Fragakis. All Trustees voted yes, and the motion was passed 4-0.

Mrs. Jensen also covered the passage of SB 534, which requires additional mandatory reporting by the Actuary, based on hypotheticals. Con't

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Mr. Williams commented that actuarial firms have not even begun to estimate the costs of this work product, but it may be \$1,500 - \$2,000 at a minimum. Multiply that across the state and it was Mr. Williams's opinion that it appeared to be an unfunded mandate.

Mrs. Jensen provided a brief update of the pending disability cases. In summary, the medical records were still being compiled at this juncture.

ADMINISTRATOR'S REPORT

Mr. Williams provided a copy of a letter dated April 25, 2013 that was submitted to Mr. Brett Patterson.

Mr. Williams also advised that the annual membership satisfaction survey is being tabulated and will be forthcoming to assist in his annual review.

A reminder was provided to all Board Members of their requirement to complete the Annual Financial Disclosure Form 1 by July 1, 2013. Mr. Williams will be pleased to ensure delivery to the Supervisor of Elections.

Mr. Williams cited the dates of the FPPTA Annual Pension Educational Forum.

ANCHOR – MID CAP VALUE MANAGER

Mr. Mark Rickabaugh & Mr. Robert Croce appeared before the Board and reviewed the March 31, 2013 investment report. Mr. Mark Rickabaugh advised that the Anchor Capital Mid Cap Value Account returned 12.27% for the quarter vs. 14.21% for the benchmark (Russell Mid Cap Value). On the fiscal year basis, the Anchor Capital Mid Cap Value Account returned 11.51% vs. 18.69% for the benchmark (Russell Mid Cap Value). On a longer term basis of 3 & 5 years, the Anchor Capital Account returned 12.03% & 7.30% respectively vs. 14.96% & 8.53% for the cited benchmark. The value of the portfolio at inception was valued at \$7,998,505.00. The market value as of March 31, 2013 was \$20,509,890.18.

The gentlemen addressed the holdings of the portfolio and provided a domestic as well as a global economic perspective.

INVESTMENT MONITORING REPORT

Mr. John McCann appeared before the Board and presented the March 31, 2013 investment report.

As of March 31, 2013 the fund had 56.2% in domestic equities, 8.3% in international equities, 24.1% in fixed income, 5.0% in real estate, 2.7% in Emerging Markets and the balance in cash.

Division of Assets: As of March 31, 2013, Garcia Hamilton & Associates held 32.8% of the portfolio (fixed & equity), Valley Forge had 11.5%, Earnest Partners had 9.4%, Oak Ridge had 8.7%, Anchor had 8.9%, Eagle Asset had 6.1%, GW Capital had 6.0%, DFA had 4.4%, Wentworth Houser had 4.4%, Intercontinental had 5.0%, OFI had 2.7% with the balance in the R&D Account.

The domestic equity portfolio was valued at \$128,909,000 as of March 31, 2013. The international equity portfolio was valued at \$19,133,000 as of March 31, 2013.

¹ Per the Thistle Asset Consulting March 31, 2013 Executive Report.

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The emerging markets portfolio was valued at \$6,240,000 as of March 31, 2013. The fixed income portfolio was valued at \$55,289,000 as of March 31, 2013. The real estate portfolio was valued at \$11,510,000 as of March 31, 2013.

For the quarter, the total equity portfolio returned 8.67% vs. 10.01% compared to the target index. For the fiscal year, the equity portfolio return was 9.41% vs. 11.99% compared to the target index. For the quarter, the traditional fixed income portion of the portfolio return was 0.62% vs. 0.15% compared to the target index. For the fiscal year, the traditional fixed income portion of the portfolio return was 1.44% vs. 0.32% compared to the target index. For the quarter, the real estate portion of the portfolio returned 2.56%. For the calendar year, the real estate income portion of the portfolio return was a 13.97% vs. 10.65% compared to the target index.

As of March 31, 2013, the total assets were valued at \$229,254,000. For the quarter, the total fund returned 6.53% vs. 6.72% compared to the target index. That return ranked the fund in the Top 30th percentile. For the fiscal year, the fund return was 7.31% vs. 8.19% compared to the target index. On a 3 & 5 year basis, the return was reported to be 9.04% & 5.44% respectively.

Mr. McCann discussed his expectations for the fixed income portfolio. By consensus the Board felt that it would be beneficial to hear from Mr. Gilbert Garcia at the next meeting.

Mr. McCann had several recommendations for the Board to consider.

1. Mr. McCann indicated that he identified 3 managers (Oak Ridge, Earnest & Anchor) that should be rebalanced, but he felt that instead of rebalancing at this juncture, we would wait for the capital call from JPMorgan and liquidate at that time.
2. Mr. McCann outlined the returns from the DFA International Portfolio. He felt it was time to terminate DFA. Further Mr. McCann recommended that the funds be transferred to an index manager (such as Vanguard). Mr. McCann prepared a search for the Board to consider, but felt the index fund would be a prudent investment vehicle and would save investment fees. The Board concurred with Mr. McCann's recommendation. Mr. Marchese made the motion to terminate DFA, and give Mr. Williams the authority to purchase an index fund (Vanguard - TBD) with the assets of the DFA Account as soon as administratively practical. The foregoing motion was seconded by Mr. Fragakis. All Trustees voted yes, and the motion was passed 4-0.
3. Mr. McCann outlined the returns from the Earnest Partners Large Cap Value Portfolio. He felt it was time to consider a new manager for this asset class. Mr. McCann presented a manager search to the Board to consider. The Board reviewed and discussed the detailed information contained in the search. By consensus Mr. Frost offered the motion to invite BRC, Ceredex and Logan to the next meeting for an investment presentation. The foregoing motion was seconded by Mr. Fragakis. All Trustees voted yes, and the motion was passed 4-0.

OPEN DISCUSSION

Mr. Frost wanted to go on the record to say he was pleased with the proactive effort of Mr. McCann.

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Mr. Mitchell asked if the Board would authorize Mr. Amrose to work in conjunction with the pension task force (city & union), in an effort to develop viable cost savings measures. Mr. Marchese placed the request in the form of a motion which was seconded by Mr. Frost. All Trustees voted yes, and the motion was passed 4-0.

ADJOURNMENT

Being there was no other business; the meeting was adjourned at 10:50 AM.

Next meeting is scheduled for June 14, 2013 at 8:30 AM

A handwritten signature in black ink, appearing to read 'JF 21', is written above the name Jonathan Frost.

Jonathan Frost, Board Secretary