

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

Minutes

**August 8, 2014
8:30 AM**

CALL THE MEETING TO ORDER

Mr. Frost called to order the West Palm Beach Police Pension Fund Meeting on August 8, 2014 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: Jonathan Frost, Chairman, Troy Marchese, Board Secretary, Craig Kahle, Board Trustee and Wilton White, Board Trustee.

Also present: Gary Lippman, Paul Creelman, Ernest George; Brendon Vavrica & John McCann, Performance Consultant of Thistle Asset Consulting; Brian Forth, WHV Investment Management; Robert Winess, Counsel for Dr. John LaPointe; Pedro Herrera & Dustin Watkins, Special Counsel for the Board of Trustees; Bonni Jensen, Board Attorney, Law Offices of Perry & Jensen; Dave Williams, Plan Administrator.

PUBLIC COMMENT

No comments provided

APPROVAL OF THE MINUTES

Mr. Frost asked if there were any changes required to the minutes of July 11, 2014. Mr. Marchese made the motion to approve the minutes, which was seconded by Mr. White. 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. Kahle. All Trustees voted yes, and the motion was passed 4-0.

ATTORNEY'S REPORT

Mrs. Jensen indicated that she was notified by Ms. Brosamer, City of West Palm Beach, HR that the city did not implement the change from the 400 Hour Cap to the 300 Hour Cap. The city will be reviewing the matter to see if it affected anyone.

Mrs. Jensen learned from Scott and Scott that Thoratec is objecting to the Books and Records Review. Matter being pursued by Scott and Scott.

Mrs. Jensen announced her transition with Klausner, Kaufman, Jensen & Levinson. Mrs. Jensen advised that there would be no change to her relationship with the Board. Services for this Board will be provided by Law Offices of Bonni Jensen. Mr. Marchese made the motion to approve the assumption of legal services as cited, which was seconded by Mr. White. All Trustees voted yes, and the motion was passed 4-0.

The court transcript for Dewitt McDonald has been ordered and will be shared with the Board upon receipt.

WHV Investment Management – International Equity

Mr. Brian W. Forth appeared before the Board and reviewed the June 30, 2014 investment report. An overview of the firm's investment strategy was provided. Mr. Forth also reflected upon the dominant global economic forces. WHV belief is that urbanization and industrialization are inevitable and will require significant energy, materials and industrial products.

According to the WHV Report of August 8, 2014, the portfolio returned a stellar 8.66%¹ for the quarter ending June 30, 2014 vs. 4.09% for the benchmark (MSCI EAFE). For the fiscal year to date (June 30, 2014), WHV returned 18.81% vs. 10.76% for the same benchmark. The inception return also outpaced the benchmark by 70 basis points. Market Value as of June 30, 2014 was \$12,253,000.

Mr. Frost asked about the status of the investment team. Mr. Forth cited that Mr. Hirayama was still the lead portfolio manager and he was backed by Ms. Allison Goodson and Ms. Laura Stankard. Mr. Frost inquired with the representatives of Thistle Asset if they were satisfied with that arrangement. Mr. Brendon Vavrica & Mr. John McCann concurred.

THISTLE ASSET CONSULTING

Transition: Mr. McCann reported that a transition notice was ready for approval and execution as a result of the engagement of New Amsterdam. The transition manager selected is State Street. The funding managers will be Oakridge and Anchor. Mr. White made the motion to approve the transition notice and authorize the Chairman to execute the agreement, which was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 4-0.

Investment Policy: Mr. McCann presented the amended investment policy for the Board to consider the policy was amended to reflect the addition of New Amsterdam. Mr. Marchese made the motion to approve the amended investment policy, which was seconded by Mr. White. All Trustees voted yes, and the motion was passed 4-0.

Quarterly Review: Asset Allocation: As of June 30, 2014 the fund had 54.7% in domestic equities, 9.3% in international equities, 3.3% in emerging markets, 21.2% in fixed income, 8.8% in real estate and the balance in cash.

Division of Assets: As of June 30, 2014, Garcia Hamilton & Associates held 28.7% of the portfolio (fixed & equity), Valley Forge had 9.8%, BRC had 10.1%, Oak Ridge had 8.5%, Anchor had 9.1%, Eagle Asset had 5.7%, GW Capital had 6.3%, Vanguard (VTRIX) had 4.9%, Wentworth Houser (WHV) had 4.6%, Intercontinental had 4.9%, JP Morgan had 3.9%, OFI had 3.2% with the balance in the R&D Account.

As of June 30, 2014, the total assets were valued at \$264,018,000. For the quarter, the total fund returned 3.54% vs. 3.69% compared to the target index. For the fiscal year, the fund return was 10.98% vs. 11.44% compared to the target index. While the fiscal return lagged the benchmark, it exceeds the assumed rate of return by nearly 300 basis points. It was noted that on a rolling one year basis, the fund return was 16.94% vs. 17.36% compared to the target index.

The domestic equity portfolio was valued at \$144,461,000 as of June 30, 2014. International equities during the same timeframe were at \$24,527,000.

¹ WHV presented the returns on a gross basis. Mr. Frost asked Mr. Forth to provide returns on a net basis.

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Emerging Markets were valued at \$8,499,000. Fixed income and real estate were valued at \$56,074,000 and \$23,337,000 respectively.

For the quarter, the equity portfolio returned 4.14% vs. 4.65% compared to the target index. For the fiscal year, the equity portfolio return was 13.11% vs. 15.74% compared to the target index.

As previously cited, the fixed income portfolio was valued at \$56,074,000 as of June 30, 2014. For the quarter, the fixed income portion of the portfolio returned 1.48% vs. 1.62% compared to the target index. For the fiscal year, the fixed income portion of the portfolio return was 4.27% vs. 2.70% compared to the target index. For the quarter, the real estate portion of the portfolio returned 2.13% for Intercontinental vs. 2.91% compared to the NCREIF target index. For the calendar year, Intercontinental returned 13.19% vs. 11.21% for the same index. JP Morgan was reported on a two month basis with a return of 1.55% vs. 1.95% for the cited benchmark.

A detailed review followed by Mr. McCann with each respective manager.

ADMINISTRATOR'S REPORT

Mr. Williams advised the Board that the fieldwork related to the independent financial statements were schedule for November 19-20th.

Mr. Williams reported the death checks were active once again. Monthly death checks will be reinstated.

It was also conveyed that annual Verification of Retirement forms were mailed out to all retired members/beneficiaries.

Mr. Williams cited that open enrollment for DROP/SHARE was underway for the month of August.

The members were also advised that the election of earnings enrollment ends September 30, 2014 for their DROP/SHARE Accounts.

Mr. Williams outlined the nomination process and election for the open seat of Trustee Fragakis and Board Secretary Marchese's seat.

OPEN DISCUSSION

Mr. Frost shared Emerging Market Debt information recently received during an educational event he attended. Mr. Brendon Vavrica & Mr. John McCann will monitor for good opportunities.

The Trustees discussed active vs. passive investments. The benefits of active management were contrasted with passive management.

Meeting recessed to prepare for the Hearing

FORMAL HEARING -

Meeting reconvened at 10:15 AM

Pursuant to subsection 16(26)(c) 5 of the special act pension plan, the recording of the Hearing will be maintained as a part of the official files. These Minutes are a summary of the Hearing.

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Mrs. Jensen outlined the Hearing process to all present. It was explained that the burden of proof is on the Claimant. Mrs. Jensen received confirmation from Mr. Winess the Hearing could proceed with a four member Board.

Mr. Winess began his presentation by raising a Daubert and in Limine motion with regard to the report of Dr. Goldschmidt, who conducted the Board's independent medical examination (IME). Mr. Winess felt that Dr. Goldschmidt's report was pre-determined based on his fees amongst other issues raised. Mr. Herrera stated that pursuant to the Plan, the Board is not subject to the Rules of Evidence.

On the motion in Limine, the Board considered Mr. Winess' position. After doing so, Mr. White made a motion to reject the Motion of Limine, which was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 4-0.

On the motion for Daubert Hearing, the Board again considered Mr. Winess' position. After doing so, Mr. Kahle made a motion to reject the Daubert issue, which was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 4-0. The motion was restated by Mr. Kahle to deny the Daubert issue, which was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 4-0.

Exhibits and Joint Exhibits were presented by both the Special Counsel for and Counsel for the Claimant.

Mr. Winess offered Dr. LaPointe as a witness. Mr. Herrera objected as Dr. LaPointe was not listed as a witness by Mr. Winess. Mr. Winess indicated that Dr. LaPointe came to this meeting on his own, and he was not a formal witness and Mr. Winess did not intend to call him until he showed up at the Hearing. Mr. Herrera advised the Board that he was not prepared for this witness as he was not listed as a Claimant Witness. Mr. Marchese made a motion to delay the Hearing to allow the testimony after Mr. Herrera had the required time to prepare for the testimony of Dr. LaPointe. This motion was seconded by Mr. Kahle. At this point in time, Mr. Winess withdrew his request to call Dr. LaPointe as a witness. Mr. Marchese withdrew his motion.

Meeting recessed and was reconvened at approximately 11:31 AM

The Counsel for the Claimant and Board of Trustees made their formal presentations (to include opening and closing arguments).

Public deliberations were undertaken by the Trustees based on the totality of circumstances. Case Law such as *Gaines* and *Hammond* was also considered. As the Board Chairman, Mr. Frost passed the gavel to Mr. Marchese. Upon doing so, Mr. Frost made a motion to reaffirm the original Order and deny the disability. Mr. White seconded the motion. Prior to a formal vote, Mr. Marchese felt he needed additional time to review the record. Mr. Frost supported that position. The Claimant and Mr. Winess conversed and agreed to a continuance.

The Board decided to reconvene on this Matter August 18, 2014 at 2:00 PM.

ADJOURNMENT

Being there was no other business; the meeting was adjourned at 6:30 PM.

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The next meeting special meeting is August 18, 2014 at 2:00 PM.

The next meeting regular meeting is September 12, 2014 at 8:30 AM.

Troy Marchese, Board Secretary