

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

Minutes

**August 14, 2015
8:30 AM**

CALL THE MEETING TO ORDER

Mr. Frost called to order the West Palm Beach Police Pension Fund Meeting on August 14, 2015 at 8:33 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, Joseph Ahern, Board Trustee, Craig Kahle, Board Trustee and Wilton White, Board Trustee.

Also present: Brendon Vavrica & John McCann, Performance Consultant of Thistle Asset Consulting; Brian Forth, WHV Investment Management; Bonni Jensen, Board Attorney, Law Offices of Bonni 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 June 12, 2015. Mr. Marchese made the motion to approve the minutes, which was seconded by Mr. Ahern. 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. Ahern made the motion to approve the foregoing which was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 5-0.

Mr. Williams presented a calculation from the actuary for a vested retired member Mr. Richard Barnes. Mr. Barnes retired in 1997 after 14.1389 years of service. The special act differed from current law and did not consider a vested member for normal retirement, only early retirement. As a result, Mr. Barnes was eligible for early retirement effective December 1, 2008. As there was no documentation outlining the vested early retirement benefit, Mr. Williams felt a retroactive payment should be authorized in this limited circumstance. Mr. Frost asked if there were other members similarly situated. Mr. Williams advised he was working on another member at this time and the actuary is looking at the data as well. Mr. Williams advised that when current vested members leave, a calculation is prepared and presented to the member with an effective date. A copy of that calculation is placed in the member's permanent file. Mr. Ahern made the motion to approve the life annuity selection of Mr. Barnes with the cited effective date, which was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 5-0.

ATTORNEY'S REPORT

Mrs. Jensen spoke about having to adopt the FRS Mortality table due to recent legislation. The effective date is believed to be in the 2016 valuation. Due to our current mortality table, it is believed the impact would be minimal.

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Mrs. Jensen received a follow-up inquiry from the IRS with regard to our effort to secure a Letter of Determination. Mrs. Jensen will reply accordingly but felt we were at the end of the review process.

Mrs. Jensen is coordinating a presentation of the State of the Pension Fund for the City of West Palm Beach.

Mrs. Jensen commented that the Mintus Matter, as to the issue with attorney fees has been concluded and closed.

FINANCIAL STATEMENTS OF MARCH 31, 2015

Mr. Williams distributed the report prepared by Mr. Richard Cristini, our Plan Auditor. The report is a compilation of the plan records through March 31, 2015.

WEST PALM BEACH POLICE PENSION FUND			
STATEMENTS OF FIDUCIARY NET POSITION			
March 31, 2015 and 2014			
<u>See Independent Accountant's Compilation Report</u>			
<u>Assets</u>			
	2015	2014	
Cash	\$ 7,922	\$ 3,999	
Receivables:			
Interest and dividends	446,712	512,017	
DROP loans	863,280	810,586	
Broker dealers	42,247	1,403,493	
Other	48,563	42,627	
Total Receivables	1,400,804	2,770,723	
Investments at fair value:			
U.S. Government securities	34,944,213	9,330,819	
U.S. Government agency securities	22,112,293	23,958,888	
Corporate bonds	3,663,063	24,177,927	
Domestic stocks	152,081,531	140,143,784	
International stocks	9,410,346	10,789,395	
Domestic equity investment fund	7,606,663	7,796,700	
International equity investment fund	11,869,279	12,199,443	
Real estate investment fund	24,864,255	12,943,531	
Temporary investments	7,242,182	17,228,500	
Total investments	273,793,777	258,570,987	
Prepaid expenses	950,064	20,377	
Total assets	276,152,567	261,366,086	
<u>Liabilities</u>			
Accounts payable	330,892	334,599	
Accounts payable, broker dealers	232,351	1,471,065	
Advance employer contributions	4,322,402	4,470,769	
Total liabilities	4,885,645	6,276,433	
Net position restricted for pensions	\$ 271,266,922	\$ 255,089,653	

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Mr. Williams indicated that Mr. Cristini is available for a formal review via conference call, or will be available any time to discuss the report should that be required. By consensus of the Board, further independent review will follow.

WHV Investment Management – International Equity

Mr. Brian W. Forth appeared before the Board and reviewed the June 30, 2015 investment report. An overview of the firm's investment strategy was provided. Mr. Forth touched on Style, Benchmark, and Range of Holdings of the portfolio. Mr. Forth spoke of Global Capitalism, what WHV believes is in urbanization and infrastructure. Mr. Forth cited China's urbanization plan moving 100 million people from rural areas. Global monetary stimulus was also describe as beneficial.

The portfolio returned -1.29% for the quarter ending June 30, 2015 vs. 0.62% for the benchmark (MSCI EAFE). For the fiscal year to date (June 30, 2015), WHV returned -12.49% vs. 1.76% for the same benchmark. The inception return was valued at 1.73% vs. 5.36%. Market Value as of June 30, 2015 was \$9,928,000, which equates to 3.6% of the overall portfolio.

Mr. Frost commented on the fact the holdings are higher quality and not junk securities. Further that the Board understood the manager volatility when WHV was hired. How WHV either outperforms or underperforms the benchmark. While the performance is alarming, Mr. Frost noted his belief in the management team.

Mr. Forth expressed how WHV bounces back quite strongly in the past after a period of underperformance. The Board will continue to monitor performance closely. Mr. McCann recommended the Board stay the course as we have already taken the losses. As such we should be poised for a rebound and reconsider retaining the manager in the future.

THISTLE ASSET CONSULTING

Mr. John McCann appeared before the Board and presented the June 30, 2015 investment report.

Asset Allocation: As of June 30, 2015 the fund had 56.5% in domestic equities, 7.8% in international equities, 2.8% in emerging markets, 21.3% in fixed income, 9.5% in real estate and the balance in cash.

Division of Assets: As of June 30, 2015, Garcia Hamilton & Associates held 28.3% of the portfolio (fixed & equity), Rhumblin had 9.8%, BRC had 10.7%, Oak Ridge had 4.7%, Anchor had 5.0%, Eagle Asset had 6.2%, GW Capital had 5.5%, New Amsterdam had 9.3%, Vanguard (VTRIX) had 4.4%, Wentworth Houser had 3.6%, Intercontinental had 5.1%, JP Morgan had 4.4%, OFI had 2.8% with the balance in the R&D Account.

As of June 30, 2015, the total assets were valued at \$273,079,000. For the quarter, the total fund returned 0.49% vs. 0.19% compared to the target index. While lackluster on an absolute basis, that return ranked the total portfolio in the TOP 10%. For the fiscal year, the total fund returned 6.33% vs. 6.18% compared to the target index. The portfolio return ranked in the TOP 17% for the fiscal year.

The domestic equity portfolio was valued at \$154,241,000 as of June 30, 2015. International equities during the same timeframe were at \$21,276,000. Mr. McCann reported that Emerging Markets were valued at \$7,686,000. Fixed income and real estate were valued at \$58,212,000 and \$25,913,000 respectively.

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For the quarter, the equity portfolio returned 0.67% vs. 0.15% for the target index. For the fiscal year, the equity portfolio return was 7.32% vs. 7.56% compared to the target index.

For the quarter, the traditional fixed income portion of the portfolio returned -1.05% vs. -0.67% (TOP 17) compared to the target index. For the fiscal year, the fixed income portfolio return was 1.99% (TOP 9) vs. 1.85% compared to the target index.

For the quarter, the Intercontinental real estate portfolio returned 2.91% vs. 3.82% compared to the target index (NCREIF). Mr. McCann reported that Intercontinental made several large purchases recently and would expect a bounce back in short order. On a rolling one year basis, Intercontinental returned 10.93%. For the quarter, the JP Morgan real estate portfolio returned 5.68% vs. 3.82% compared to the target index (NCREIF). On a rolling one year basis, JP Morgan returned 18.29%.

A detailed review was followed by Mr. McCann with each respective manager. Particular attention was given to GW Capital (Mandate is small cap value). The account balance is valued at \$15,039,000 which equates to 5.5% of the overall portfolio. The GW portfolio returned -4.14% vs. the -1.20%, which ranked in the 100 percentile. One, three and five years return also lagged the index. Mr. Vavrica spoke with the manager and who advised commodity exposure, foreign currency conversion issues and security & sector selection caused underperformance. Mr. Vavrica sought an investment fee reduction from GW Capital. Due to “favorite nation’s clause” issues a reduction could not be provided. GW was open to a performance fee and the framework was discussed in general terms. Matter will be discussed further on September 11, 2015 as GW Capital is going to attend the meeting.

ADMINISTRATOR’S REPORT

Mr. Williams advised the Board that the fieldwork related to the independent financial statements were scheduled.

Mr. Williams cited the Fund is in compliance with all required web disclosures. A link was provided to the sponsor. Mr. Williams thanked Mrs. Jensen and Mr. Vavrica for their respective efforts.

It was also conveyed that annual Verification of Retirement forms were being prepared for mail 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, 2015 for their DROP/SHARE Accounts.

Mr. Williams outlined that he expects approval of the annual report in short order. Mr. Williams advised that Ms. Bittinger has done a great job staying on top of this issue.

OPEN DISCUSSION

Mr. Frost shared information he learned at a recent education event regarding developing a custom liability index for the Plan. Mr. McCann felt that his firm does that, and it is essentially outlined in the investment goals and guidelines adopted by the Board. Mr. Frost thanked Mr. McCann for his input.

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Mr. Williams was joined by all present to congratulate Mr. Frost for his reappointment (through October 1, 2017) to the Board of Trustees. His commitment & service to the Plan is admirable.

ADJOURNMENT

Being there was no other business; the meeting was adjourned at 9:51 AM.

The next meeting regular meeting is September 11, 2015 at 8:30 AM.



Troy Marchese, Board Secretary