

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

Minutes

**March 11, 2016
8:30 AM**

CALL THE MEETING TO ORDER

Mr. Frost called to order the West Palm Beach Police Pension Fund Meeting on March 11, 2016 at 8:36 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; Wilton White, Board Trustee; Craig Kahle, Board Trustee; Troy Marchese, Board Trustee (arrived 8:41 AM) & Joseph Ahern, Board Trustee (arrived 8:47 AM).

Also present: Jeff Green, City Administrator – City of West Palm Beach; Mark Parks, Finance Director – City of West Palm Beach; Lou Penque, Plan Member; Jeff Amrose, Board Actuary 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, Klausner, Kaufman, Jensen & Levinson; Dave Williams, Plan Administrator.

PUBLIC COMMENT

No comments provided

APPROVAL OF THE MINUTES

After making his recommendations that were duly noted, Mr. Frost asked if there were any additional changes required to the minutes of February 12, 2016. Mr. White made the motion to approve the minutes as cited, which was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 3-0. (*Trustees Marchese & Ahern off dais*).

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. White. All Trustees voted yes, and the motion was passed 4-0. (*Trustee Ahern off dais*).

BOND ISSUE

Mr. Jeff Green, City Administrator – City of West Palm Beach appeared before the Board to discuss the city's intent to pay down the current unfunded liability by fifty million dollars. In short, the city will be able to obtain funding for less interest and for a different term than the pension plan requires. This will be a net savings to the city and ultimately the taxpayers. This issue is pending approval by the city commission, but the target date is by the end of May 2016. Mr. Green asked the Board if the Bond could be tracked separately to accurately measure the cost/savings to the city. Mr. McCann reflected that asset tracking of the bond funds could be undertaken by his firm. Mr. Parks interjected that the city advisors feel the bond funds should be invested in equities, but he and Mr. Green reinforced that is the Board's decision. Mr. McCann felt that the funds could be absorbed into the current asset allocation, but other options would be considered on behalf of the Board. No formal action was taken on this matter.

West Palm Beach Police Pension Fund – Minutes

March 11, 2016

Page 2 of 5

ATTORNEY’S REPORT

Mrs. Jensen updated the Board on BioScrip, Inc. Securities Litigation, Civil Action No. 13-cv-06922-AJN (S.D.N.Y.). Mrs. Jensen conveyed a correspondence was received from Saxena White. In part it cited that on February 11, 2016, the Court preliminarily approved the settlement and form of notice to Class members, and set a hearing for final approval of the settlement as fair, reasonable and adequate for June 13, 2016 at 10:00 am in Courtroom 906 of the Thurgood Marshall United States Courthouse, 40 Foley Square, New York, NY 10007. In accordance with the Preliminary Approval Order, Lead Plaintiff will begin effectuating notice to the Settlement Class Members on March 2, 2016 and will proceed with preparations for the filing of a motion for final approval of the Settlement, due May 9, 2016. As a result, Mr. White made a motion to accept the settlement, which was seconded by Mr. Kahle and the motion was passed 3-0. (*Trustees Marchese & Ahern off dais*).

Mrs. Jensen asked the Board to authorize her to engage tax counsel regarding recent change(s) in the federal tax law regarding transfers of accumulated leave to the DROP & Share Accounts. Motion by Mr. White, which was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 3-0. (*Trustees Marchese & Ahern off dais*).

Mrs. Jensen presented the Wellington contract for execution. It was noted by Mrs. Jensen that a side letter is still being worked out and the contract will not be presented until resolved. All parties signed according to prior Board action.

ACTUARIAL VALUATION REPORT

Mr. Jeff Amrose, Board Actuary of Gabriel Roeder Smith came before the Board and presented the September 30, 2015 Actuarial Valuation Report.

Contribution requirements for the plan year beginning October 1, 2016 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, 2016			October 1, 2016		
	After Changes	Before Changes	October 1, 2015	After Changes	Before Changes	October 1, 2015
Normal Cost:						
Service pensions	16.73 %	16.40 %	16.33 %	13.74 %	13.47 %	12.61 %
Disability pensions	1.64	1.61	1.61	1.35	1.32	1.24
Survivor pensions						
Pre-retirement	0.20	0.25	0.26	0.17	0.21	0.20
Post-retirement	0.76	0.88	0.88	0.62	0.72	0.68
Termination benefits:						
Deferred service pensions	1.01	0.99	1.00	0.83	0.81	0.77
Refunds of member contributions	0.78	0.78	0.78	0.64	0.64	0.60
Total Normal Cost	21.12	20.91	20.86	17.35	17.17	16.10
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	30.93	30.38	33.91	25.41	24.96	26.18
Total UAAL	30.93	30.38	33.91	25.41	24.96	26.18
Administrative Expenses (net of charges to Share and DROP accounts)	0.92	0.92	1.29	0.76	0.76	1.00
Total Calculated Contribution Requirement	52.97 %	52.21 %	56.06 %	43.52 %	42.89 %	43.28 %
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	6.39	6.10	9.13	5.26	5.02	7.06
Total adjustments	6.39	6.10	9.13	5.26	5.02	7.06
Total Adjusted Contribution Requirement:	59.36 %	58.31 %	65.19 %	48.78 %	47.91 %	50.34 %
Member portion	11.00 %	11.00 %	11.00 %	9.04 %	9.04 %	8.49 %
Chapter 185 portion	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
City portion	48.36 % ⁽²⁾	47.31 %	54.19 %	39.74 %	38.87 %	41.85 %
Expected Covered Payroll for Contribution Year	20,520,962	20,520,962	18,652,936	24,975,132	24,975,132	24,162,214
City Contribution Requirement Paid Quarterly	9,923,939	9,708,469	10,108,028	9,923,939	9,708,469	10,108,028
City Contribution Requirement Paid at Beginning of Fiscal Year	9,549,315	9,341,979	9,726,454	9,549,315	9,341,979	9,726,454

West Palm Beach Police Pension Fund – Minutes

March 11, 2016

Page 3 of 5

As exhibited above, the Total Normal Cost as of October 1, 2015 is valued at 21.12% of payroll (or 17.35% if including dropped payroll). Further, the Unfunded Actuarial Accrued Liability cost is valued at 30.93% of payroll (or 25.41% if including dropped payroll). The ¹Administrative Expense for the Fund was valued at 0.92% of payroll, which was reduced from the prior year of 1.29%. Mr. Amrose valued the Total Calculated Contribution Requirement to be 52.97% as of October 1, 2016, which is a net decrease from October 1, 2015 of 3.09%.

Additionally, pursuant to ²F.S.112.64(5) an expense of 6.39% is imposed due to the lack of payroll growth. That is a decrease from 9.13% for the fiscal year October 1, 2015. Based on the foregoing, the Total Adjusted Contribution Requirement was valued at 59.36%, or a decrease of 5.83% from October 1, 2015. The active member portion is 11.00%, Chapter 185 portion is 0.00%, which leaves a net percentage due from the Fund Sponsor (City of West Palm Beach) of 48.36%, or \$9,923,939. As in years past, if the city contribution is received on October 1, 2016, this amount is reduced to \$9,549,315. This represents a decrease of \$177,139 from the prior fiscal year.

It was highlighted that the funding level was valued at 82.41% as of October 1, 2015, which is an increase from the October 1, 2014 level of 80.3%.

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 final year.

Mr. Amrose advised that the activities of the Pension Fund and its members generated an experience gain of \$2,093,970 during the plan year ended September 30, 2015. The principal source of the gain was recognized investment return of 10.4% vs. 8.0% expected. The net investment return on market value was 0.7% for the total fund. Currently the actuarial value of assets, which is used to determine the contribution requirements and funded ratios for the Fund, is greater than the market value by 3%, or \$7.2 million. This means that there are losses from prior periods as well as the current fiscal year that will be recognized in future reports. These losses will put upward pressure on the contribution requirements and downward pressure on the funded ratios in those reports. If these losses were immediately recognized, the City contribution would increase to 51.76% of covered payroll (\$10,621,652 if made quarterly or \$10,220,689 if made on October 1, 2016) and the funded ratio would decrease from 82.4% to 80.2%.

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.

¹ Davidson, Jamieson & Cristini – Financial Statements for FYE September 30, 2015 valued Administrative Expenses (minus investment expenses) at 0.10% of the *plan assets*, which is down by 0.03% from the prior year.

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.

West Palm Beach Police Pension Fund – Minutes

March 11, 2016

Page 4 of 5

Mr. Amrose reviewed the GASB 67 reporting requirement. One notable measurement is the Plan's Net Position as a percentage of Total Pension Liability (which is based on market value of assets), that dimension was valued at 80.79%.

Mr. Amrose concluded by referencing a change in the mortality assumption rate as a result of state law next report. The new state requirement will likely be more conservative and result in a reduction in normal cost. Mr. Amrose acknowledged the Board's keen move in prior years that will reap the reward with this change in the law.

After fielding questions of the Trustees, a motion was made by Mr. Kahle to accept and approve the September 30, 2015 Actuarial Valuation Report as prepared and presented by Gabriel Roeder Smith and Company. Mr. Marchese seconded the motion. All Trustees voted yes, and the motion was passed 5-0.

Mr. Williams will file accordingly with the State of Florida and will also post to: <http://www.wpbppf.com/modules/stateDocs/index.asp>

At this juncture the Board also discussed the assumed rate of return with Mr. Amrose. Upon doing so, it was determined that the current assumption was reasonable for this year, the next several years and for the future. This is an area that the Board continues to reflect on. Mr. Ahern reaffirmed the foregoing in the form of a motion, which was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 5-0.

OLD BUSINESS

- Assumption Agreement: Thistle Asset / The Bogdahn Group

After a brief review, Mr. Kahle made a motion to accept the assumption agreement, which was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 5-0. Mrs. Jensen will obtain the Agreement and forward to the chairman for execution.

OAK RIDGE INVESTMENTS – MID CAP GROWTH MANAGER

Mr. Kenneth S. Kailin & Ms. Mary McManus appeared before the Board and reviewed the December 31, 2015 investment report. A firm update was provided. Ms. Mary McManus revisited the firm's investment philosophy, investment process and sell discipline. Performance measurements, as well as key performance attribution were in brief detail.

According to the Oak Ridge Report of December 31, 2015, portfolio returned 0.64% for the quarter which underperformed the benchmark (Russell Midcap Growth) by 340 basis points. Since inception February 22, 2011 through December 31, 2015, Oak Ridge returned 8.32% vs. 10.72% for the same benchmark. Market Value as of December 31, 2015 was \$11,560,000.

At the conclusion of the presentation the Board felt it was time to conduct a comparable search. Mr. White made the motion to request Mr. McCann to prepare a mid-cap search, which was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 5-0. Active /Passive management will be considered.

ADMINISTRATOR'S REPORT

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

West Palm Beach Police Pension Fund – Minutes

March 11, 2016

Page 5 of 5

Mr. Williams advised he is gearing up for the mid-year audit.

OPEN DISCUSSION

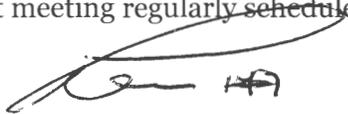
Mr. Frost referenced the Klausner, Kaufman, Jensen & Levinson client conference held in Fort Lauderdale. Mr. Frost felt it was very informative and well received by the participants.

Mr. Williams cited a recent CBOE (The Chicago Board Options Exchange) conference he attended. Mr. Williams reflected that this form of investment is being undertaken in other governmental defined benefit plans. He reported that a dedicated allocation is being made elsewhere. Options were likened to emerging market investments in the early years and are now commonplace in define benefit plans. Various educational materials were sent to the investment consultant to review and consider bringing to the Board.

ADJOURNMENT

Being there was no other business; the meeting was adjourned at 11:30 AM.

The next meeting regularly ~~scheduled~~ meeting is April 8, 2016 at 8:30 AM.



Troy Marchese, Board Secretary