

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

Minutes

December 9, 2016
8:30 AM

CALL THE MEETING TO ORDER

Mr. Frost called to order the West Palm Beach Police Pension Fund WORKSHOP on December 9, 2016 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, Board Chairman and Craig Kahle, Board Trustee.

Also present: Mark Parks (Arrived at 8:45 AM), City of West Palm Beach Finance Director; Ernest George (arrived at 8:45 AM) & Lou Penque, Pension Member; Mark F. Jaeger, Managing Director – 361 Capital (formerly BRC); John McCann, Bogdhan Group; Bonni Jensen, Board Attorney, Klausner, Kaufman, Jensen & Levinson; Dave Williams, Plan Administrator.

PUBLIC COMMENT

No Comments

APPROVAL OF THE MINUTES

Approval of October 14, 2016 minutes & November 04, 2016 - Tabled

APPROVAL OF DISTRIBUTIONS

Tabled

ATTORNEY'S REPORT

Special Act Update: Mrs. Jensen cited that the state filing deadline was met and the first public hearing was on December 19, 2016 10:00 AM at Palm Beach State College – Belle Glade Campus.

Annual Report: Mrs. Jensen distributed a letter explaining the e-filing of the annual report.

FRS Actuarial Conference: The Florida Retirement System ("FRS") Actuarial Assumption Conference recently voted to revise its mortality assumptions for active employees.

As set forth below, the new pending FRS mortality table merits discussion with your actuary. As a result of this change, your Board may have the option of immediately adopting the pending FRS table in your next valuation, or continuing to use the current FRS mortality table for another year.

Interestingly, rather than assuming that employees would live longer, the new FRS mortality table for active employees seemingly contemplates less improvement in mortality.

Additionally, the FRS will be lowering its investment return assumption by 5 basis points from 7.65% to 7.6%. The FRS actuary recommended lowering the investment return assumption to 7%, however, FRS is taking an incremental approach, targeting 7.5% as the longer term objective.

Here is a link to the executive summary of the FRS actuarial estimating conference:
<http://edr.state.fl.us/Content/conferences/actuarial/FRSexecutivesumm.pdf>

ADMINISTRATOR'S REPORT

2016 PPCC Award: Mr. Williams confirmed that the West Palm Beach Police Pension Fund were proud recipients of the Public Pension Coordinating Council (PPCC) Award. The PPCC is a coalition of three national associations that represent public retirement systems and administrators: NASRA, the National Council on Teacher Retirement (NCTR) and the National Conference on Public Employee Retirement Systems (NCPERS). It was reported that together, these associations represent more than 500 of the largest pension plans in the United States serving most of the nation's 16 million employees of state and local government.

The PPCC established the Public Pension Standards to reflect minimum expectations for public retirement system management, administration, and funding. The Standards serve as a benchmark by which to measure public defined benefit plans.

To receive the Recognition Award for Administration, the retirement system must meet the requirements in five areas of assessment.

Those areas are:

1. **Comprehensive Benefit Program.** The system must provide a comprehensive benefit program including service retirement benefits, in-service death benefits, disability benefits, vesting, and provisions for granting a cost-of-living adjustment.
2. **Actuarial.** An Actuarial Valuation must be completed at least every two years using generally recognized and accepted actuarial principles and practices.
3. **Audit.** The system must obtain an unqualified opinion from an independent audit conducted in accordance with government auditing standards generally accepted in the United States.
4. **Investments.** The system must follow written investment policies and written fiduciary standards and the system must obtain an annual investment performance evaluation from an outside investment review entity.
5. **Communications.** Members must be provided a handbook or summary plan description, regular updates to the documents, and an annual benefit statement. Meetings of the governing board of the system are conducted at least quarterly with adequate public notice.

Mr. Williams congratulated the Board of Trustees and the Plan Sponsor (City of West Palm Beach) for a job well done!

<http://www.wpbppf.com/docs/announcements/WPB%20Pension%20PPCC%20Award%202016.pdf>

Agency Point of Contact: As reported by Mrs. Jensen, the State of Florida – Division of Retirement are now going to e-filing for the 2016 annual report. The State requested the point of contact to be provided to them. Mr. Williams confirmed that Jeanine L. Bittinger, CPA – Partner of Davidson, Jamieson & Cristini, PL was named. Mr. Williams also received confirmation that Ms. Bittinger's firm was aware of the new state requirement for filing.

HLSS: Mr. Williams transmitted any and all of the documents requested as a result of the discovery phase of the case to Saxena White. Mr. Williams thanked Mr. McCann for his assistance in this matter as well.

Edward Thomas: Disability Application received for the cited member along with supporting documents. Information was transmitted accordingly to Mrs. Jensen.

AUDIT: Mr. Williams confirmed that the Audit Fieldwork was concluded the week of November 14, 2016.

COLA 2017: Mr. Williams reported the 2017 cost of living report is prepared and a warrant for payment will be processed upon approval today with an effective date of January 1, 2017. A formal report and approval will be sought at the next meeting due to the lack of an official quorum.

INVESTMENT PRESENTATIONS

- **361 Capital (formerly - BRC Capital)**

Mark Jaeger appeared before the Board to provide a firm and portfolio update as of September 30, 2016.

Mr. Jaeger began by formally advising the Board that BRC has entered into a merger agreement with 361 Capital. The merger in part broadens and deepens investment capabilities, expands client service, distribution and market research resources and increases compliance and back office capabilities. The transaction closed on October 31, 2016. Integration of investment and client service operations is underway. The first priority is transitioning systems, communications and IT resources. A physical move was November 7, 2016. The combined assets are estimated at approximately \$2 billion.

Other reported items:

- 361 Capital was described as a “World-Class Boutique Investment Management Firm”.
- Headquartered in Denver, CO
- Behaviorally Driven. Research Intensive.
- 34 Employees
- \$2B AUM
- Majority Employee-owned
- Tenured Investment Committee
- Seasoned Board of Managers

For the quarter ending September 30, 2016, the portfolio return was valued at 4.13%, which underperformed the index return. On the longer term of the last twelve months, the portfolio return was valued at 4.51% which also lagged the index. Since inception (August 30, 2013) the portfolio return was valued at 9.45% vs the index return of 10.31%. The account was valued at \$29,464,769.07 for the period ending September 30, 2016.

Mr. Jaeger gave his perspective about recent under performance and spoke of returns that continue to moderate relative to earlier in the year, however, stocks with higher momentum characteristics tended to underperform stocks which have performed relatively poorly over the prior six months.

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Mr. Jaeger cited that stocks with high volatility characteristics outperformed stocks with low volatility. The portfolio has a small bias toward lower volatility stocks which dampened returns slightly during the quarter. It was reported that stock selection in Industrials (HD Supply Holdings) and Health Care (Bristol-Myers Squibb) detracted from performance relative to the average of their sector.

On a positive note, it was reported that Analyst behavior predictions models performed well. Portfolio benefited from 662 excess net upward estimate changes which is nearly 5x the amount tallied for the prior quarter and 35% more than the same quarter last year. During the 3rd quarter, the portfolio experienced 12% more large positive earnings surprises than would have been expected in a random portfolio. Strong security selection in Consumer Staples (Spectrum Brands and Tyson Foods) and Energy (Pioneer Natural Resources and Cimarex Energy) benefited our returns relative to the benchmark.

Mr. McCann questioned Mr. Jaeger about holdings being reported by Morningstar as mid-cap positions. Mr. Jaeger offered his response that Russell differs from Morningstar's equity classifications.

- **The Bogdahn Group**

Mr. John McCann appeared before the Board and presented a November 30th flash report. Total assets were valued at \$330,477,521.

Mr. John McCann reported the Asset Allocation by manager was reported as follows:

	Asset Allocation \$
Total Fund Composite	330,477,521
Eagle Equity	17,897,068
Anchor Equity	14,850,892
Garcia Hamilton Equity	26,367,031
361 Capital (BRC Equity)	31,218,680
New Amsterdam Equity	29,862,850
RhumbLine Equity	29,750,028
RhumbLine S&P Mid Cap 400	13,709,469
Wellington	17,370,973
Oppenheimer Int Equity	9,768,775
Vanguard Intl Equity (VTRIX)	16,232,360
RhumbLine International Equity	16,051,298
Garcia Hamilton Fixed Income	64,399,461
RhumbLine Fixed Income	1,562,837
Intercontinental	27,796,000
J.P. Morgan	13,584,284
R&D Cash	55,516

Mr. McCann also reported that the Fund was in queue for the balance due to Intercontinental. As such the Rhumbline Bond Account will remain invested.

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NEW BUSINESS - Professional Services Agreement – KKJL

Tabled

OPEN DISCUSSION

No discussion ensued

ADJOURNMENT

Being there was no other business; the workshop was adjourned at 9:35 AM.

Next meeting is scheduled for January 13, 2017 at 8:30 AM.

Handwritten signature in black ink, appearing to read 'JF' followed by a stylized flourish.

Jonathan Frost, Chairman

For - Troy Marchese, Board Secretary