

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

**Minutes**

**January 13, 2017  
8:30 AM**

**CALL THE MEETING TO ORDER**

Mr. Frost called to order the West Palm Beach Police Pension Fund Meeting on January 13, 2017 at 8:38 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, Joseph Ahern, Board Trustee and Craig Kahle, Board Trustee.

Also present: Devin Sullivan, Intercontinental Real Estate Corporation (via conference call); Jennifer Ciullo, JP Morgan Asset Management; Brendon Vavrica, AndCo Consulting; Mark Parks, Finance Director – City of West Palm Beach; Bonni Jensen, Board Attorney - Klausner, Kaufman, Jensen & Levinson; and Dave Williams, Plan Administrator.

**PUBLIC COMMENT**

No Comments

**APPROVAL OF THE MINUTES**

Mr. Frost asked if there were any changes required to the minutes of October 14, 2016, November 4, 2016 and December 9, 2016. Mr. Ahern made the motion to approve the minutes of October 14, 2016, November 4, 2016 and December 9, 2016 as presented, which was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 3-0.

**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 by Mr. Williams. A formal administrative report was also provided for consideration. After Mr. Williams detailed the report, Mr. Ahern made the motion to approve, which was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 3-0.

**ATTORNEY'S REPORT**

**Statutory Minimum Benefit:** Mrs. Jensen received a response to her inquiry relative to the minimum benefit for the multiplier. Mr. Keith Brinkman, Bureau Chief Bureau of Local Retirement Systems replied as follows: You asked whether the plan's special act provision, which automatically reduces the benefit accrual rate if the plan's actuarial investment return assumption is lowered, was enforceable given the changes to chapter 185 enacted by the 2015 Legislature in SB 172. I understand that this special act provision was invoked in 2011 when the investment return assumption was lowered from 8.25% to 8.00%, which resulted in a corresponding reduction in benefit accrual rate from 3.00% to 2.68%.

Section 185.16(2)(b), Florida Statutes, states:

“(b) Effective July 1, 2015, a plan that is in compliance with this chapter except that the plan provides a benefit that is less than 2.75 percent of the average final compensation of a police officer for all years of credited service or provides an effective benefit that is less than 2.75 percent as a result of a maximum benefit limitation:

## West Palm Beach Police Pension Fund – Minutes

January 13, 2017

Page 2 of 4

1. Must maintain, at a minimum, the percentage amount or maximum benefit limitation in effect on July 1, 2015, and is not required to increase the benefit to 2.75 percent of the average final compensation of a police officer for all years of credited service; or
2. If the plan changes the percentage amount or maximum benefit limitation to 2.75 percent or more of the average final compensation of a police officer for all years of credited service, the plan may not thereafter decrease the percentage amount or the maximum benefit limitation to less than 2.75 percent of the average final compensation of a police officer for all years of credited service.”

As of July 1, 2015, the benefit accrual rate in effect for the plan was 2.68% for each year of credited service. Since this rate was lower than the statutory minimum of 2.75%, the plan is not required to meet the statutory minimum benefit, but must maintain at least that rate going forward. The special act provision lowering the accrual rate on a contingency basis is contrary to current general law provisions.

Mrs. Jensen cited that based on agreement of the city staff and the union, the pension plan is being submitted as a local bill for amendment to unlink the assumed rate of return and the multiplier by deleting Section 34 (among other changes), partially based on the provisions of SB 172. The local bill will be presented to the local Legislative Delegation on December 19, 2016.

**Lannett Company:** Mrs. Jensen reviewed the matter of a securities class action that has been filed against Lannett Company, Inc. (“Lannett” or the “Company”) (NYSE: LCD), a manufacturer and distributor of generic pharmaceuticals, for misrepresentations regarding alleged collusion to fix prices of generic drugs in violation federal antitrust law. A formal investor alert was provided as well by Labaton Sucharow. It was estimated that West Palm Beach Police Pension Fund (“West Palm”) incurred losses of \$114,475 on a last-in-first-out (LIFO) basis as a result of its transactions in Lannett common stock during the Class Period. In light of the merits of the allegations, and given West Palm’s financial interest in the action, Labaton Sucharow recommended that West Palm consider seeking appointment as lead plaintiff on January 17, 2017 in the District Court for the Eastern District of Pennsylvania before Judge Wendy Beetlestone. After considering the matter as presented, Mr. Kahle made the motion to engage Labaton Sucharow and to seek lead plaintiff status in the Lannett Matter. This motion was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 3-0.

**Mileage Update:** Mrs. Jensen advised the current IRS mileage rate is 53.5 cents per mile.

**Professional Services Agreement:** The agreement for the law firm of Klausner, Kaufman, Jensen & Levinson was presented and discussed. Upon review, Mr. Ahern made the motion to accept the terms and authorize Mr. Frost to execute on behalf of the Board. That motion was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 3-0.

**Ed Thomas Matter:** Mrs. Jensen reported she is in the discovery phase of the claim and gather medical records.

**Other Items:** Mrs. Jensen provided an update on the Madoff Matter; legislation that was filed in Tallahassee for firefighters; her interaction with attorneys involved in underwriting city bonds; and a change of guardianship with Mr. Gorski.

## West Palm Beach Police Pension Fund – Minutes

January 13, 2017

Page 3 of 4

**Miami Beach Matter:** Mrs. Jensen noted recent media accounts that reported the City of Miami Beach is missing \$3.6 million; over a period of time; dozens of transfers from the Beach's account were made. Mrs. Jensen indicated that Mr. Williams was in touch with the plan custodian to review the Miami Beach case and ensure our internal controls. As a proactive measure, a letter was prepared by Mr. Williams and released to the Board and the City of West Palm Beach. The letter contained the various levels of security and measures in place to avoid a "Miami Beach" issue. Mr. Frost indicated that he did receive the correspondence. The letter was written very well and truly reflected the due diligence and measures in place. Mr. Frost also reported that the city representatives were also pleased with the efforts and the findings. The Trustees felt that a representative from our custodian should also report to the Board at a future meeting, Mr. Williams will arrange that.

### **ADMINISTRATOR'S REPORT**

No Formal Report

### **INVESTMENT REPORT – JP MORGAN**

Ms. Jennifer Ciullo, JP Morgan came before the Board to review the Special Situation Property Fund. Ms. Ciullo advised that our investment in the Fund was valued at \$13,459,765 as of September 30, 2016. The total commitment as of September 30, 2016 remained unchanged at \$10,000,000. For the quarter ending September 30, 2016, the gross rate of return for the account was 1.7%, compared to the ODCE Value which returned 2.1%. On a one year basis, the return was valued at 12.1% vs. the index cited which returned 10.1%. On the longer term (inception date of April 1, 2014 – September 30, 2016), the Special Situation Property Fund rate of return was valued at 16.4% compared to the benchmark of 12.6%. Ms. Ciullo detailed recent acquisitions & dispositions, the geographical location, the property type, the acquisition price and the investment rationale. The following was reported as we look ahead: Acquire existing properties with meaningful discounts to replacement cost; Seek targeted development opportunities with attractive spreads over core; Capitalize on stable fundamentals to lease existing vacancy in office and multifamily projects; Take advantage of market strength to reposition portfolio, emphasizing urban opportunities within close proximity to mass transportation; and Projected 2016 total return of 11-13%.

Ms. Ciullo cited two administrative items: SSPF Fee reduction and Joe Azelby retirement announcement.

With regard to the fee update, the nominal fee will not change for West Palm Beach Police Pension Fund, but the plan will be able to take advantage of a reduced fee on a lower cash threshold (5% vs. 7.5%). The Board by consensus agreed to accept the fee reduction.

After more than 30 years at J.P. Morgan, Joe Azelby has announced his decision to retire from the firm in February 2017. Importantly, this change will not impact our investment strategy or the day-to-day management of our real estate, infrastructure, and maritime portfolios globally.

### **INVESTMENT REPORT – INTERCONTINENTAL**

Mr. Devin Sullivan via conference call reviewed the Intercontinental Real Estate Corporation - US REIF Account. Mr. Sullivan advised that the investment of the Fund was valued at \$15,972,922 as of September 30, 2016. For the quarter ending September 30, 2016, the gross rate of return for the Intercontinental Real Estate Corporation - US REIF was 3.89%, that return handily outpaced the ODCE Index which returned 2.07%.

## West Palm Beach Police Pension Fund – Minutes

January 13, 2017

Page 4 of 4

On a one & three year basis, the return was valued at 13.26% and 13.75% vs. the index cited which returned 10.08% and 12.45% respectively. Mr. Sullivan detailed recent acquisitions, the geographical location, the property type, the acquisition price and the investment rationale.

Mr. Frost noted the diversification between the two firms that presented today. Mr. Frost felt that they were not competing head to head and actually complement one another in terms of holdings which were a welcomed contrast.

### **INVESTMENT REPORT – AndCo Consulting**

**Firm Rebrand:** Mr. Brendon Vavrica announced the rebranding of his firm from Bogdahn Group to AndCo Consulting. The focus is always putting clients first.

**Garcia Hamilton Associates (GHA):** Mr. Vavrica indicated that GHA was getting out of the equity business by the end of 2017. It is extremely difficult to find “alpha” net of fees in the large cap equity market. The Trustees being very well versed in this matter discussed and elected to move the assets to passive vs active management. BTIG Transition Management was suggested by Mr. Vavrica to handle the transfer. Mr. Kahle made the motion to begin the process of engaging Rhumblin to manage the assets and for BTIG to handle the transition. Once the contracts are in place a target date will be established. This motion was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 3-0.

**Options:** Mr. Vavrica is researching products in an effort to carve out a dedicated piece to invest in the area of the market. Due diligence is underway and he expects to be able to report within 90 days.

**Flash Report:** Finally, a brief report was provided by Mr. Vavrica for the 4<sup>th</sup> quarter 2016. The estimated return was valued at 3.2%. Fixed Income was negative, while real estate and equities exceeded expectations.

### **NEW BUSINESS**

Appointment of the 5<sup>th</sup> Member – Tabled

### **OPEN DISCUSSION**

Mr. Frost cited a pension education event – Public Funds Summit. He suggested that his fellow trustees review the agenda as the conference is well received.

### **ADJOURNMENT**

Being there was no other business; the meeting was adjourned by motion at 10:26 AM.

Next meeting is scheduled for February 10, 2017 at 8:30 AM



Troy Marchese, Board Secretary