

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

Minutes

**February 10, 2017
8:30 AM**

CALL THE MEETING TO ORDER

Mr. Frost called to order the West Palm Beach Police Pension Fund Meeting on February 10, 2017 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, Board Chairman; Troy Marchese, Board Secretary; Wilton White, Board Trustee; Joseph Ahern, Board Trustee, and Craig Kahle, Board Trustee.

Also present: Jeanine Bittinger & Richard Cristini of Davidson, Jamieson & Cristini; John McCann AndCo Consulting; James DiGiuseppe, Wellington Management; Anna Parish & Bonni Jensen, Board Attorney, Klausner, Kaufman, Jensen & Levinson; Dave Williams, Plan Administrator. Ned Weinberger & Marisa DeMato, Labaton Sucharow via conference call.

PUBLIC COMMENT

Mr. Frost welcomed Mrs. Anna Parish from the firm of Klausner, Kaufman, Jensen & Levinson.

APPROVAL OF THE MINUTES

Mr. Frost asked if there were any changes required to the minutes of January 13, 2017. Mr. Frost's offered his comments, which were duly noted. Mr. Marchese made the motion to approve the minutes, which was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 4-0. (Mr. Ahern off the dias).

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 outlined the report (which included the buyback of Mr. Jason Zangara), Mr. Marchese made the motion to approve, which was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 4-0. (Mr. Ahern off the dias).

INDEPENDENT AUDIT PRESENTATION

Financial Statements – September 30, 2016 Davidson, Jamieson & Cristini, P.L.

Mr. Richard Cristini and Ms. Jeanine Bittinger, of Davidson, Jamieson & Cristini appeared before the Board. Mr. Cristini stated that the firm has issued a clean unqualified opinion on the *pension plan & the Share/DROP plans*. In their opinion, the financial statements presented fairly, in all material respects, the fiduciary net position of the West Palm Beach Police Pension Fund as of September 30, 2016 and 2015, and the changes in fiduciary net position for the years that ended in accordance with accounting principles generally accepted in the United States of America.

As of September 30, 2016, combined trust assets on a cash flow basis exceed its liabilities with a total of \$327,203,710.

Employer contributions were valued at \$9,726,454 for the plan year ending September 30, 2016. An additional \$50,000,000 was received from the employer as bond proceeds. Plan members contributed \$2,266,435 for the plan year ending September 30, 2016.

The Plan experienced a net investment gain of \$21,229,525 for the period ending September 30, 2016.

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As of September 30, 2016, the Plan had 389 retired/vested members and beneficiaries. The Plan also had 120 vested active members and 139 non-vested members as of September 30, 2016.

A portion of the assets held are designated for DROP & Share Accounts. As of September 30, 2016, the balances were valued at \$50,784,577 (DROP) & \$46,803,064 (Share). Administrative expenses for the plan year ending September 30, 2016 were valued at 0.08%. Ms. Bittinger reflected the expenses were well below the acceptable standard in the industry of 1.00%. GASB 67 components of the report were reviewed. In part, it was reported the Plan's fiduciary net position as a percentage of total pension liability was 96.94%.

GASB 72 was detailed as a new reporting requirement by Mr. Cristini. At the conclusion of the report, Mrs. Bittinger requested the Board authorize a payment upon invoice for \$2,000.00 as a one-time fee for the additional work related to the new GASB 72 requirement. The Board by consensus realizes these new reporting requirements cost time and money; it is hoped that organizations such as GASB consider that when implementing their mandates. Motion by Mr. Ahern to approve as requested, motion was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 4-0. (Mr. White off the dias).

After Mr. Cristini and Ms. Bittinger fielded questions from the Trustees, Mr. Ahern made a motion to accept the Financial Statements for the Plan, for September 30, 2016. Further to authorize Mr. Frost to execute the management representation letter. This motion was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 4-0. (Mr. White off the dias). Mr. Williams will transmit hardcopies to the city and will also post to:

http://www.wpbppf.com/docs_state/FinancialStatements/2016%20West%20Palm%20Beach%20Police%20Pension%20FS.pdf#zoom=100

ATTORNEY'S REPORT

McKesson - Shareholder Derivative Action: Mr. Ned Weinberger & Ms. Marisa DeMato of Labaton Sucharow joined the meeting via conference call.

Labaton Sucharow is investigating potential breaches of fiduciary duty by certain current and former directors and officers of McKesson Corporation ("McKesson") in connection with the company's violations of the Comprehensive Drug Abuse Prevention and Control Act of 1970 (commonly known as the Controlled Substances Act) ("CSA") and related \$150 million settlement with the Drug Enforcement Agency ("DEA") and Department of Justice ("DOJ").

West Palm Beach Police Pension Fund currently holds 1,949 shares of McKesson. The Trustees asked about the gains or losses, or the manager of record, which the representatives did not have at their disposal. The Board expressed concerns about becoming too litigious. Mr. White felt the matter should be tabled at this juncture, which was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 5-0. Ms. DeMato will follow up with responses to the questions raised. The manager of record once known will be advised to hold at least 100 shares until the Board takes final action in this matter.

GHA Transition: Mrs. Jensen had the contracts ready for execution. Based on the Board action of January 13, 2017, BTIG will handle the transition/liquidation and Rhumblin will receive the assets.

Motion by Mr. White to terminate Garcia Hamilton when administratively practical and transfer the funds to Rhumblin. This motion was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 5-0.

Motion by Mr. Kahle to authorize Mr. Frost with the authority to execute the Rhumblin agreement and other required documents related to the transfer of the funds. This motion was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 5-0.

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Motion by Mr. Marchese to authorize Mr. Frost with the authority to execute the BTIG agreement and other required documents related to the transfer of the funds. This motion was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 5-0.

Legislative Update: Special Act amendment was filed and Mrs. Jensen was going to review once in Bill format for any typos.

Madoff Victim’s Fund: A final review of our claim was underway and a response is expected shortly.

Ed Thomas Matter: Claim was still in Discovery phase whereas medical records were still being gathered.

Cyber Liability Insurance: Mrs. Jensen outlined the coverages being proposed. This is the first time coverage of this nature was being considered. Mrs. Jensen felt with all the identity thefts nationwide and computer security, it would be prudent to have a policy in place. The coverage was comprehensive and the cost was determined to be reasonable. Motion by Mr. White to bind the coverage proposed, which was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 5-0. The Board gave Mrs. Jensen the ability to modify final coverages as she deemed reasonable.

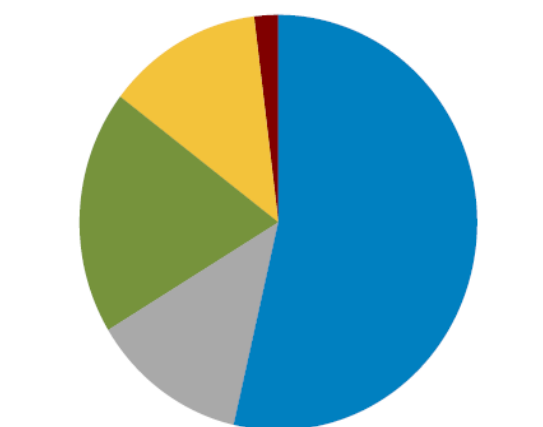
AndCo Contract: Mrs. Jensen expressed her position that a new contract was in order with the recent changes with AndCo Consulting. Motion by Mr. Kahle for Mrs. Jensen to prepare a new contract between the Fund and AndCo Consulting. Motion was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 5-0.

INVESTMENT PRESENTATION – AndCo Consulting: Mr. John McCann appeared before the Board and presented the December 31, 2016 investment report.

As of December 31, 2016, the total assets were valued at \$336,541,876. For the quarter, the total fund returned 3.21% (ranking in the TOP 1% of the investment universe) vs. 1.92% compared to the target index.

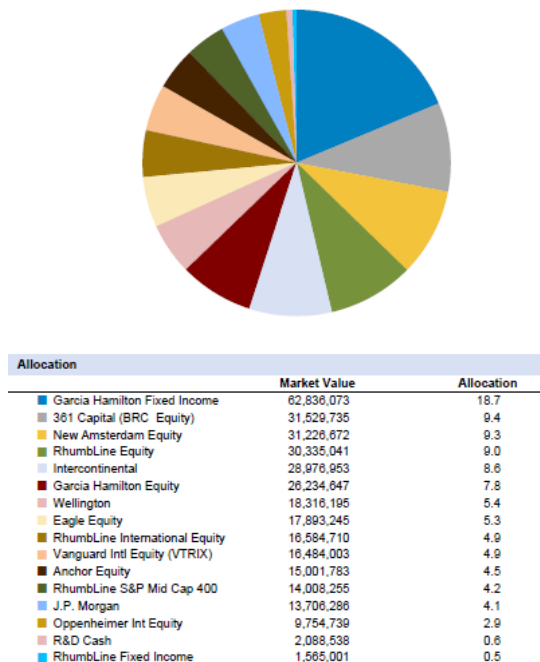
On a rolling year basis, the total fund returned 8.98% vs. 9.21% compared to the target index. The median return for all public funds was reported to be 7.21%, which our return handedly surpassed by 177 basis points.

Asset Allocation:



Allocation	Market Value	Allocation
Domestic Equity	180,405,956	53.6
International Equity	42,823,429	12.7
Domestic Fixed Income	64,023,267	19.0
Real Estate	42,683,239	12.7
Cash Equivalent	6,605,985	2.0

Division of Assets:



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On a three and five-year basis, the Plan returned 5.21% & 9.24% respectively. That five-year return ranked our Fund in the TOP 25% of the investment universe and well exceeds our compliance standard of Top 40%.

The report detailed all managers and investment classes, and may be viewed at: http://www.wpbppf.com/docs/investments/WPBPPF_Report_2016_Q4.pdf#zoom=100

INVESTMENT MANAGER PRESENTATION – SMALL CAP VALUE

Mr. James DiGiuseppe of Wellington Management provided the December 31, 2016 portfolio review. The value of the fund was \$18,316,195. It was noted that the portfolio has only been under management since March 31, 2016. Since that date the rate of return was 18.3%. On a six-month basis, the return was valued at 17.6%. Finally, on a quarterly basis ending December 31, 2016, the return was 12.7%. Portfolio characteristics were detailed along with the top ten holdings. While the returns were positive, the Trustees reminded Mr. DiGiuseppe that the index was the target to beat over time.

ADMINISTRATOR’S REPORT

Mr. Williams reflected he was working with GRS for a timely presentation of the actuarial valuation.

It was also noted that this was the open enrollment month for DROP/SHARE Distributions.

NEW BUSINESS

5th Member Appointment (tabled January 13, 2017): Mr. White let the Board know that he still has an interest and the desire to serve as the 5th Member Trustee. With that information being welcomed, Mr. Marchese made the motion to reappoint Mr. White as the 5th Member. That motion was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 4-0. (Mr. White off the dias). Mr. Williams will make the proper notification with the city.

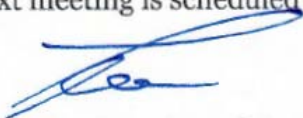
OPEN DISCUSSION

Discussion ensued about the upcoming client conference of Klausner, Kaufman, Jensen and Levinson.

ADJOURNMENT

Being there was no other business; the meeting was adjourned at 10:58 AM.

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



Troy Marchese, Board Secretary