

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

Minutes

**May 26, 2017
8:30 AM**

CALL THE MEETING TO ORDER

Mr. Frost called to order the West Palm Beach Police Pension Fund Special Meeting on May 26, 2017 at 8:34 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 (Departed at 9:44 AM); Joseph Ahern, Board Trustee and Craig Kahle, Board Trustee (arrived at 8:45 AM).

Also present: Lou Penque, Active Member; Ernest George, Retired Member; Mark Parks, City of West Palm Beach – Finance Director; Jeff Amrose, Gabriel Roeder and Smith; John McCann, AndCo Consulting; Bonni Jensen, Board Attorney, Klausner, Kaufman, Jensen & Levinson; Dave Williams, Plan Administrator.

PUBLIC COMMENT

Mr. Penque stated that it was his understanding that the Board convened to finalize the actuarial valuation and discuss the investment return assumption. Mr. Penque reflected that the Board should defer any change in the assumption for at least a year and examine the investment policy instead. The rate of return may increase if the asset allocation is reconsidered. The funding level is nearly 100% thanks to the investment by the city into the Fund. Mr. Penque claimed that the active members are trying to get what they lost, dating back to 2008 and are also considering an increase in the employee contribution. Mr. Penque reinforced his position that the Board should hold the line.

Mr. Parks agreed with Mr. Penque, and asked the Board to pause/delay the change in the assumption rate being considered. Mr. Parks felt the investment market was doing well. His position was to maintain the city's cost.

Mr. Frost used this opportunity to address the issues cited. He advised that the investment policy was recently reviewed; that fixed income allocation was reduced; real estate was increased; and a deliberate move was made towards passive management. A general consensus among those present was the current assumption was on the top end of the investment scale. Mr. Frost thanked everyone for their respective input on the matter raised.

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, Mr. Marchese made the motion to approve, which was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 4-0. Mr. Kahle off the dais.

ATTORNEY'S REPORT

Special Act: Mrs. Jensen reported the final Bill was presented to Governor Scott on May 22, 2017.

Annual Financial Filing: Trustees reminded about required filing.

Ed Thomas Matter: Mrs. Jensen indicated that the IME report received was incomplete and she is seeking the balance of the report from Dr. Worth. There was also a question whether Dr. Worth required another MRI. The issue(s) are being pursued and this matter should be placed on the June 9, 2017 Agenda.

**ACTUARIAL VALUATION PRESENTATION of September 30, 2016 - GRS
(Continued from March 10, 2017)**

Mr. Amrose appeared before the Board to discuss the possibility of altering the investment return assumption. Mr. Amrose reflected the importance of setting a reasonable and an attainable rate. The expectation is strongly influenced by the investment policy as Mr. Penque cited. The Board has prudently taken steps to review and adjust the investment policy.

The next logical step would be to examine the expected long term investment return, based on the asset allocation. A study was conducted that relied upon outside sources of financial forecasting services. The forecast of eight investment consultants were considered. Mr. Amrose cautioned the Board that these forecasts were opinions and not facts. Further that the forecast does change and as such the results should be revisited from time to time. Exhibits were presented and reviewed by Mr. Amrose that showed an investment return of 6.26% to 7.73%. A compounding net return was averaged at 6.01%. Mr. Amrose recommended a move to 7.5%. Mr. Amrose felt a gradual move would be acceptable, as the forecast exhibits that the investment target return would be more achievable.

Mr. McCann differed with Mr. Amrose as accurately predicting the performance of the capital markets is nearly impossible. The forecast models used appear to dampen investment expectations. Mr. McCann indicated that his analysis also came up short of the current assumption; he too used an outside source to derive the data.

The Board began to exchange their positions on the matter. Mr. George opined during the discussion that while it is prudent to work with the city and union, the Board has a fiduciary duty to the Fund. The majority of the members essentially agreed to the concept; but the path that was discussed in detail.

Mr. White made a motion based on Mr. Frost's input, of reducing the assumption by .125% per year for the next five years. That motion was seconded by Mr. Kahle. All Trustees voted and the motion was passed 4-1 with Mr. Ahern voting against the motion. The Trustees felt this downward path in the assumption would attain the goal and at the same time be phased in over several years thus offering relief to the plan sponsor.

The path in the reduction will be as follows:

FISCAL YEAR				
2016/2017	2017/2018	2018/19	2019/20	2020/2021
8.0%	7.875%	7.75%	7.625%	7.5%

Once the final draft of the valuation is received the Board will review for formal approval.

ADMINISTRATOR'S REPORT

Annual State Report – Update: Mr. Williams advised that the state sent an inquiry on May 23, 2017 requesting clarification on very minor internal issues. Mr. Williams completed the inquiry on the same day and returned it to the auditor for filing with the state. The only outstanding issue was with the city finance department where the state requires department wide payroll numbers. The issue was referred to Mr. Bruce Cuningham, Accounting Manager to complete and return. Mr. Williams also followed up with Mr. Parks who indicated the information would be completed shortly. Mr. Williams thanked Mr. Parks for his intervention.

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OPEN DISCUSSION

SALT Conference: Mr. Frost touched on potential investment opportunities – Master Partnerships for Mr. McCann to consider.

ADJOURNMENT

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

Next meeting is scheduled for June 9, 2017 at 8:30 AM

A handwritten signature in black ink, appearing to read 'Troy Marchese', with a stylized flourish at the end.

Troy Marchese, Board Secretary