

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

Minutes

**April 13, 2018
8:30 AM**

CALL THE MEETING TO ORDER

Mr. Frost called to order the West Palm Beach Police Pension Fund Meeting on April 13, 2018 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 (departed at 9:52 AM); Joseph Ahern, Board Trustee (arrived at 8:52 AM – departed at 9:52 AM), and Craig Kahle, Board Trustee. Having an official quorum and with Board consent, Wilton White, Board Trustee attended via conference call from 9:12 AM to 9:43 AM.

Also present: Jeffrey Amrose, GRS Consulting; Michelle Clayman, New Amsterdam; John McCann, AndCo Consulting; Bonni Jensen, Board Attorney, Klausner, Kaufman, Jensen & Levinson; Dave Williams, Plan Administrator.

PUBLIC COMMENT

No public comment.

APPROVAL OF THE MINUTES

Mr. Frost asked if there were any changes required to the minutes of March 9, 2018. Mr. Frost's offered his comments, which were duly noted. Mr. Marchese made the motion to approve the minutes, which was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 4-0.

APPROVAL OF DISTRIBUTIONS

Tabled

ACTUARIAL VALUATION PRESENTATION of September 30, 2017

Mr. Amrose provided the following report to the Board of Trustees:

The funding objective for the defined benefit provisions of the Pension Fund is to establish and receive contributions, expressed as percents of active member payroll, which will remain approximately level from year to year and will not have to be increased for future generations of citizens in the absence of benefit changes. This objective is stated in the Pension Fund special act and meets the requirements of Part VII, Chapter 112, Florida Statutes and Chapter 185 Florida Statutes.

The investment return assumption was lowered from 7.875% to 7.75% effective for the September 30, 2017 Actuarial Valuation. The assumed rate will continue to be lowered by 0.125% in each subsequent valuation until reaching 7.50%. This assumption change increased the Required Employer Contribution by \$440,019 or 1.88% of covered payroll.

Under Chapter 2018-168 of the Florida Statutes, the Special Act was amended by increasing the benefit multiplier from 2.68% to 3.00% for Credited Service earned on or after October 1, 2017. This plan change increased the Required Employer Contribution by \$596,834 or 2.55% of covered payroll.

Currently the actuarial value of assets, which is used to determine the contribution requirements and funded ratios for the Fund, is less than the market value by 2%, or \$8.7 million. This means that there are gains from prior periods as well as the current fiscal year that will be recognized in the 2018 - 2020 reports.

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These gains will put downward pressure on the contribution requirements and upward pressure on the funded ratios in those reports. If these gains were immediately recognized, the City contribution would decrease by 2.89% of covered payroll to 16.46% of covered payroll (\$3,852,505 if made quarterly or \$3,711,373 if made on October 1, 2018) and the funded ratio would increase from 96.2% to 98.6%.

Defined Benefit Contributions for For Fiscal Year Beginning	Contributions Expressed as Percents of UnDROPEd Payroll(1)		
	October 1, 2018		
	After Plan Change	After Assumption Change	Before Changes
Normal Cost:			
Service pensions	19.35 %	17.72 %	17.21 %
Disability pensions	1.63	1.60	1.56
Survivor pensions			
Pre-retirement	0.36	0.35	0.35
Post-retirement	1.37	1.25	1.20
Termination benefits:			
Deferred service pensions	1.13	1.03	1.00
Refunds of member contributions	0.78	0.78	0.78
Total Normal Cost	24.62	22.73	22.10
Unfunded Actuarial Accrued Liability (UAAL):			
Retired members and beneficiaries	0.00	0.00	0.00
Active and vested terminated members	3.30	2.84	1.98
Total UAAL	3.30	2.84	1.98
Administrative Expenses (net of charges to Share and DROP accounts)	1.01	1.01	1.01
Total Calculated Contribution Requirement	28.93 %	26.58 %	25.09 %
Adjustments to Calculated Contribution Requirement:			
Temporary full funding credit	0.00	0.00	0.00
FS112.64(5) compliance	1.42	1.22	0.83
Total adjustments	1.42	1.22	0.83
Total Adjusted Contribution Requirement:	30.35 %	27.80 %	25.92 %
Member portion	11.00 %	11.00 %	11.00 %
Chapter 185 portion	0.00 %	0.00 %	0.00 %
City portion	19.35 %(2)	16.80 %	14.92 %
Expected Covered Payroll for Contribution Year	23,405,258	23,405,258	23,405,258
City Contribution Requirement Paid Quarterly	4,528,918	3,932,084	3,492,065
City Contribution Requirement Paid at Beginning of Fiscal Year	4,363,006	3,788,036	3,362,187

The balance of the report was detailed, and Mr. Amrose fielded questions from the Trustees. At the conclusion of the presentation Mr. Marchese made a motion to accept and approve the valuation. The motion was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 4-0.

Mr. Williams will transmit the report to the city and will also post to:

http://www.wpbppf.com/docs_state/ActuarialValuation/West%20Palm%20Beach%20Police%20-%202019-30-17%20Valuation%20Report.pdf#zoom=100

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Mr. Frost suggested a “State of the Pension” address before the city commission during a workshop session. Mrs. Jensen will follow up with Mr. Green, City Administrator to make arrangements.

The Board also discussed the assumed rate of return of the Plan for the present, short and long term. The rate of 7.75% was determined to be reasonable, noting the annual reductions to arrive at 7.5% in fiscal year 2020/21. The foregoing was placed in the form of a motion by Mr. Ahern and seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 4-0. A formal notice attesting to the same will be transmitted to the Division of Retirement by Mr. Williams.

Note: Mr. White joined the meeting via conference call at this point during the meeting.

PRIVATE EQUITY AGREEMENTS(S)

Dupont Private Equity – Mr. McCann briefed the Board on the portfolio manager departure as well as the Dow merger. Mr. McCann could no longer recommend Dupont Private Equity. Mr. Frost also spoke to a representative and he too has reservations. Motion by Mr. Marchese to cease contract negotiations with DuPont, which was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 5-0.

The other options on the table are JPMorgan and Aberdeen. Mrs. Jensen advised that JPMorgan contract was acceptable, and Aberdeen has agreed to the issues to Board requested.

After a prolong discussion, Mr. Ahern made a motion to engage JPMorgan and Aberdeen for a private equity portfolio, providing authority to execute the required contracts and documents, target funding for each manager was set at 12 million dollars (Total 24 million). This motion was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 5-0.

Mrs. Jensen indicated that on the JPMorgan Agreement the Board had to select an investment fee option. The Board elected option 2. Motion by Mr. Marchese seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 5-0.

The Board thanked Mrs. Jensen for all her efforts in reviewing and negotiating the final agreements.

Note: Mr. White departed the meeting via conference call at this point during the meeting.

With the addition of two new investment managers, Mr. Williams revised the appearance schedule. Mr. McCann will notify all concerned. The appearance schedule may be viewed at:

<http://www.wpbppf.com/docs/boardMeetings/WPB%20Police%20Investment%20Manager%20Appearance%20Schedule%20Revised%2004-13-2018%20.pdf>

ATTORNEY’S REPORT

Madoff Update: Additional Funds being release by the Madoff Victim’s Fund.

Note: With the departure of Mr. Marchese and Mr. Ahern and the lack of a quorum, this meeting was now considered a workshop at 9:52 AM.

INVESTMENT MANAGER PRESENTATION – New Amsterdam

Ms. Clayman indicated that as of March 31, 2018, the portfolio had a market value of \$33,426,918.38. The investment return on a fiscal year basis through March 31, 2018 was valued at 0.34% vs 4.99% for the Russell 2500 and 3.25% for the Russell 2000. Longer term numbers fared better with an annualized return of 8.15% since inception of August 19, 2014 but lagged the index’s cited.

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Ms. Clayman acknowledged that the West Palm Beach Police Pension Trust Fund portfolio underperformed the Russell 2500 Index and the Russell 2000 Index. Pronounced style effects were cited: Russell 2500 Growth outperformed the Russell 2500 Value by 5.1%.

High Price to Book stocks outperformed low Price to Book stocks by over 7%. Stocks with positive earnings in the Russell 2500 were down an average -0.7% while those with negative earnings were up. High ROE¹ stocks were down while the lowest ROE stocks rose. A challenge to New Amsterdam's Growth at a Reasonable Price (GARP) approach which looks for companies with above average forecast growth and profitability selling at relatively low PB ratios². February was reportedly tough, though the portfolio bounced back in March, and has regained more ground in April.

Sector selection was negative: Overweight in industrials and consumer discretionary and underweight in health care hurt performance.

Stock selection was negative: Stocks in real estate, financials and energy helped performance. Stocks in information technology and consumer discretionary hurt performance.

Mr. Frost indicated that the portfolio will be monitored closely and that he hopes that the rebound continues.

Mr. McCann recommends active management in this SMID³ area of the market.

ADMINISTRATOR'S REPORT

Mr. Williams reported the JPMorgan – Real Estate Capital Call was received and executed in the amount of 3.5 million dollars on April 4, 2018.

Return of Contributions letter was sent to Dewitt McDonald on March 16, 2018. Provided to the Board of Trustees.

Subpoena received and reviewed with the Board on the matter of Lichter v. Lichter.

At the request of police department personnel, a notice was sent to all retired members regarding a photo shoot for the 125th anniversary of the City of West Palm Beach. The notice may also be viewed on-line at: <http://www.wpbppf.com/docs/announcements/BOLO%20GROUP%20RETIREE%20PHOTO%20SHOOT%2005-22-2018.pdf#zoom=100>

INVESTMENT MONITOR PRESENTATION – AndCo Consulting:

Rebalancing: Mr. McCann advised the rebalancing was seamlessly executed from Rhumblin to Garcia Hamilton. He thanked the entire team involved to make that happen. Mr. Frost said the timing of the 29-million-dollar transfer from equities to bonds was executed before the turn in the equities, thus saving us from a great loss. Job well done.

Performance Snapshot: Fund returned -0.44% vs -058% for the index for the quarter ending March 31, 2018. That performance does not include the return from Intercontinental Real Estate.

Annual Report: Mr. McCann provided the AndCo – Annual Asset Class Performance Market Index Report.

¹ Return on equity (ROE) is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

² The price-to-book ratio (P/B Ratio) is a ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share. Also known as the "price-equity ratio".

³ Smaller mid caps, which are defined as those that fall below a certain market-cap breakpoint, and "small plus smaller mid caps", which include both companies considered small-cap and the smaller mid-cap companies. The Russell 2500 Index, the commonly used SMid-cap benchmark, uses this definition to define its universe

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OPEN DISCUSSION

Meeting of July 13th moved to July 20, 2018 due to trustee conflicts. Web site will be updated by Mr. Williams. Managers will be advised by Mr. McCann.

On-Line Meeting schedule also updated:

http://www.wpbppf.com/docs/boardMeetings/2018_WPB_Meeting_Dates%20revised%2004-13-2018.pdf#zoom=100

ADJOURNMENT

Being there was no other business; the workshop was adjourned at 10:34 AM.

The next regular meeting is scheduled for May 11, 2018 at 8:30 AM.

A handwritten signature in black ink, appearing to read 'Troy Marchese', written in a cursive style.

Troy Marchese, Board Secretary