

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

Minutes

**February 8, 2019
8:30 AM**

CALL THE MEETING TO ORDER

Mr. Frost called to order the West Palm Beach Police Pension Fund Meeting on February 8, 2019 at 8:30 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, Dana Santino, Board Trustee, Joseph Ahern and Craig Kahle, Board Trustee.

Also present: Louis Schwartz (departed 9:00 AM); Mark Berkowitz, Counsel for Mr. Schwartz (departed 9:00 AM); Rachele Cibula, Court Reporter for Mr. Schwartz (departed 9:00 AM); Claire Lewis & Leigh Crosby of Wellington Management; John McCann, AndCo Consulting; Jeanine Bittinger and Richard Cristini of Davidson, Jamieson and Cristini, PL; 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 January 4, 2019. Mr. Kahle made the motion to approve the minutes as presented, which was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 5-0.

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. Marchese. All Trustees voted yes, and the motion was passed 5-0.

AFC DETERMINATION – LOUIS SCHWARTZ

This matter was tabled by the Board of Trustee at the January 4, 2019 meeting as requested by Mr. Schwartz and his legal Counsel; Mr. Mark Berkowitz.

Prior to the formal presentation, Mr. Schwartz distributed a binder that contained the following material to all Trustees, Board Attorney and the Plan Administrator: West Palm Beach Special Act for the Pension Fund; Florida Sheriffs Association v. Department of Administration – Case Law; Lees v. Jim Walter Corp. – Case Law; Louis Schwartz - 10 Year Anniversary Certificate of Recognition; Copy of Louis Schwartz 2012 W2; Louis Schwartz - Preliminary Pension Benefit Summary (dated November 1, 2018); Public Records Request of Louis Schwartz; Payroll of Officer Augusto Chaves; Payroll of Larry Foreman; Payroll of John Leonard.

Mr. Frost offered Mr. Berkowitz the opportunity to make his presentation to the Board of Trustees.

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Mr. Berkowitz presented his position based on the documents (cited) as he interpreted them.

Mrs. Jensen cited Scott v. Williams Case Law and City of Hollywood v. Bein Case Law.

The Trustees considered the Section 16 (2) (h) "Final average salary" means the average of the monthly salary paid a member in the three (3) best years of employment. In no event shall any one (1) year, beginning January 1, 2005, include more than four hundred (400) hours of overtime. Prior to January 1, 2005, individual years may include more than four hundred (400) hours of overtime. Effective prospectively from January 1, 2013, the overtime will be limited to three hundred (300) hours in any one (1) year.

¹Effective June 6, 2017 for purposes of determining final average salary, any lump sum payment made to a member for retroactive pay, such amounts shall not be considered as a lump sum but will be treated as if paid during the retroactive pay periods.

Mr. Berkowitz was provided the time he needed to present his position to the Board of Trustees. At the conclusion of his presentation, and based on the totality of circumstances Ms. Santino made a motion to approve and adopt the Initial Order on Determination of Final Average Salary (attached hereto), which was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 5-0.

Recess: 9:00 AM to 9:10 AM

ATTORNEY'S REPORT

Mrs. Jensen outlined power of attorney measures, public records measures and HB265 related to public meetings that the state legislature is considering.

Public Records Information noted may be viewed at:

[http://wpbpf.com/docs/publicRecords/P%20F%20Public%20Records%20Memo%20\(00123181xBC171\)%20January%202019.pdf](http://wpbpf.com/docs/publicRecords/P%20F%20Public%20Records%20Memo%20(00123181xBC171)%20January%202019.pdf)

AmTrust Litigation: Mrs. Jensen advised that on February 5, 2019 Mr. Adam Warden, Attorney for Saxena White recommended the federally filed shareholder derivative case be dismissed as they were pursuing a Delaware Chancery case and the action overlaps. Motion by Mrs. Santino to accept the recommendation and dismiss the federal case, which was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 5-0.

Evrley Matter: Mrs. Jensen indicated the final medical reports are expected shortly and she will set up the independent medical examination (IME) accordingly with Dr. Jeffrey Worth.

ADMINISTRATOR'S REPORT

Sadly the passing of Cecilia Bowersock was formally announced by Mr. Williams.

<https://www.legacy.com/obituaries/name/cecilia-bowersock-obituary?pid=191318171>

Mr. Williams noted two recent capital calls: Aberdeen and JPM Private Equity. Mr. McCann was consulted to identify the donor manager and to maintain the Board's investment policy.

¹ With Emphasis

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Mr. Williams announced an issue he had preparing an estimate benefit calculation for a member recently. Further review appears that the city may not be applying the 300 hour OT cap on a rolling year basis. This was the first time an OT issue was noted. On February 1, 2019, Mr. Williams contacted Ms. Dilcy Hurtado, Payroll Supervisor about this matter. Ms. Hurtado forwarded his inquiry to Ms. Karen Malcolm, Ms. Jennifer Chripczuk and Ms. Neida Williams and advised it would be reviewed. At this juncture should the need arise; Mr. Williams will forward calculations to Mr. Amrose to prepare.

PRESENTATION OF FINANCIAL STATEMENTS SEPTEMBER 30, 2018

Ms. Jeanine Bittinger and Mr. Richard Cristini of Davidson, Jamieson and Cristini, PL reflected that they have audited the accompanying financial statements of West Palm Beach Police Pension Fund (Plan), which comprise the statements of fiduciary net position as of September 30, 2018 and 2017, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

It is the responsibility of Ms. Jeanine Bittinger and Mr. Richard Cristini to express an opinion on these financial statements based on their audits. They conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that they plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

It was reported that an audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, he expresses no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The audit was made for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying required supplementary information of the West Palm Beach Police Pension Fund is required by Governmental Accounting Standards Board Statement No. 67 and is not a required part of the basic financial statements.

Ms. Jeanine Bittinger and Mr. Richard Cristini reported that in their opinion, the financial statements present fairly, in all material respects, the fiduciary net position of the West Palm Beach Police Pension Fund as of September 30, 2018 and 2017, 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.

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WEST PALM BEACH POLICE PENSION FUND

STATEMENTS OF FIDUCIARY NET POSITION
September 30, 2018 and 2017

	<u>Assets</u>	
	2018	2017
Cash	\$ 1,247,678	\$ 1,157
Receivables:		
Drop loans	1,359,818	1,150,575
Interest and dividends	424,426	241,992
Broker-dealers	35,827	2,731
Other	13,935	16,618
Total receivables	1,834,006	1,411,916
Investments at fair value:		
U.S. Government obligations	42,317,681	18,087,593
U.S. Government agency obligations	13,576,931	29,094,333
Corporate bonds	16,882,766	6,459,120
Domestic fixed investment fund	-	1,111,581
Domestic stocks	63,585,557	68,552,246
Domestic equity investment funds	129,446,988	133,305,650
Domestic private equity investment funds	3,720,959	-
International equity investment funds	53,770,315	52,676,452
Real estate investment funds	53,757,296	45,167,273
Temporary investments	3,385,500	4,412,168
Total investments	380,443,993	358,866,416
Prepaid expenses	1,268,692	1,205,069
Total assets	384,794,369	361,484,558
	<u>Liabilities</u>	
Accounts payable	245,484	235,300
Accounts payable, broker-dealers	88,253	-
Total liabilities	333,737	235,300
Net position restricted for pensions	\$ 384,460,632	\$ 361,249,258

See Notes to Financial Statements.

WEST PALM BEACH POLICE PENSION FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
 Years ended September 30, 2018 and 2017

Additions:	2018	2017
Contributions:		
Employer	\$ 3,556,968	\$ 3,285,065
Participants	2,632,288	2,384,738
Buy back	47,691	42,330
DROP account	1,308,817	857,914
Share account	590	46,978
	7,546,354	6,617,025
Total contributions		
Intergovernmental revenue:		
Chapter 185 state excise tax rebate	1,455,967	1,333,046
Investment income:		
Net appreciation (depreciation) in fair value of investments	28,014,026	39,059,250
Interest	2,085,255	2,108,000
Dividends	4,437,429	4,468,456
Commission rebate	7,258	7,011
Class action settlement	37,659	23,183
	34,581,627	45,665,900
Investment income		
Less investment expenses	1,025,906	1,171,466
	33,555,721	44,494,434
Net investment income		
Total additions	42,558,042	52,444,505
Deductions:		
Benefits:		
Age and service	10,803,032	9,484,407
Disability	724,513	684,582
Beneficiaries	740,233	714,655
Share accounts	4,077,436	3,647,914
Drop accounts	2,456,656	3,533,092
Refunds of contributions	225,759	25,530
Administrative expenses	319,039	308,777
	19,346,668	18,398,957
Total deductions		
Net increase in net position	23,211,374	34,045,548
Net position restricted for pensions:		
Beginning of year	361,249,258	327,203,710
End of year	\$ 384,460,632	\$ 361,249,258

See Notes to Financial Statements.

Mrs. Jensen asked that the special act be inserted “as written” under section 9 of the report.

At the conclusion of the financial statements a motion was made by Mr. Marchese to approve as amended, which was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 5-0.

The foregoing report may be viewed on-line at:

http://wpbpf.com/docs_state/FinancialStatements/2018%20West%20Palm%20Beach%20Police%20Pension%20FS.pdf#zoom=100

INVESTMENT REPORT – WELLINGTON MANAGEMENT

Ms. Claire Lewis & Ms. Leigh Crosby of Wellington Management presented the December 31, 2018 portfolio review. The representatives reviewed the investment approach and objectives. The investment process of identifying inexpensive, high quality companies was outlined as well.

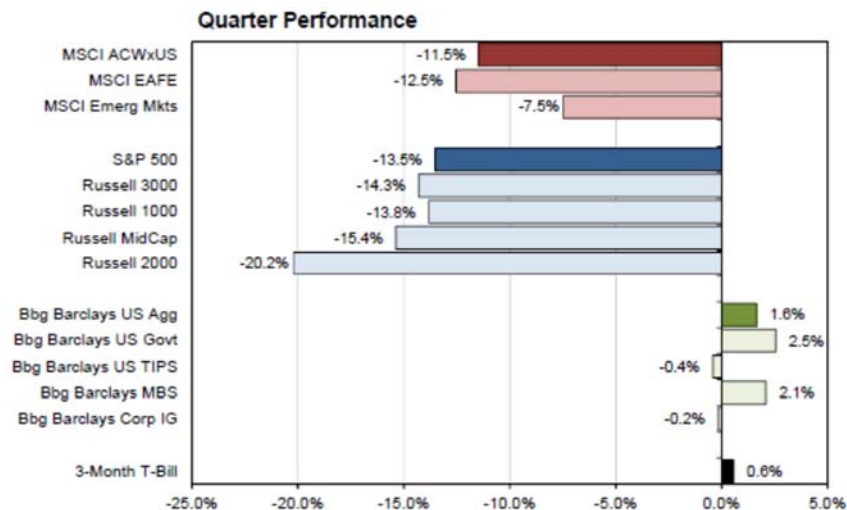
For the quarter that ended December 31, 2018, the portfolio returned -18.6% which was in line with the benchmark. On a rolling 12 month period the portfolio marginally outperformed compared to the benchmark by 0.8%. While the inception date was noted to be limited (March 31, 2016) in time, the portfolio underperformed by -4.0% vs the benchmark.

A flash report through January 30, 2019 revealed that the portfolio bounced back with a stellar return of 10.0%.

INVESTMENT REPORT – AndCo Consulting

Mr. McCann began his presentation by thanking the Board for the opportunity to serve the Fund. He reinforced that his firm represents the sole interest of the clients. At the start of 2019, AndCo has 89 employees, advising approximately \$90 billion in client assets - both record highs for AndCo.

Markets were volatile to end the 2018 calendar year. Both international and domestic equity markets had considerable losses during the 4th quarter while fixed income returns were muted, but outperformed relative to equities. Within equities, domestic stocks trailed international markets, reversing the 2018 trend of US market strength. Trade tensions between the US and China, midterm elections in US Congress, the effects of ongoing monetary policy tightening by the Federal Reserve (Fed), federal debt ceiling negotiations and the subsequent partial government shutdown outweighed generally positive corporate earnings and macroeconomic data reported during the quarter. The large cap S&P 500 Index returned -13.5% during the quarter while the small cap Russell 2000 Index fell by over 20% for the period. The drop in equity prices over the last three months was enough to take the returns for major US equity indices into negative territory for the 2018 calendar year. Returns over the 1-year period were -4.4% and -11.0% for the S&P 500 and Russell 2000 respectively.



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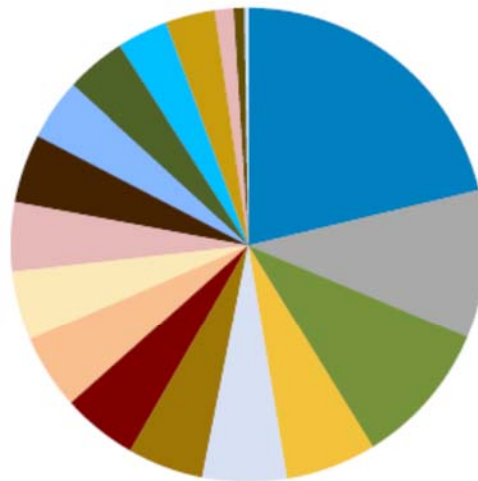
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As of December 31, 2018, the total assets were valued at \$349,950,779. For the quarter, the total fund returned -9.21%² vs. -9.14% compared to the target index. The public funds median return was valued at -8.41% for the quarter.

On a three and five-year basis, the Plan returned 6.42% & 5.19% respectively. The five-year return cited ranked our Fund in the TOP 30% of the investment universe and exceeded our compliance standard of Top 40%.

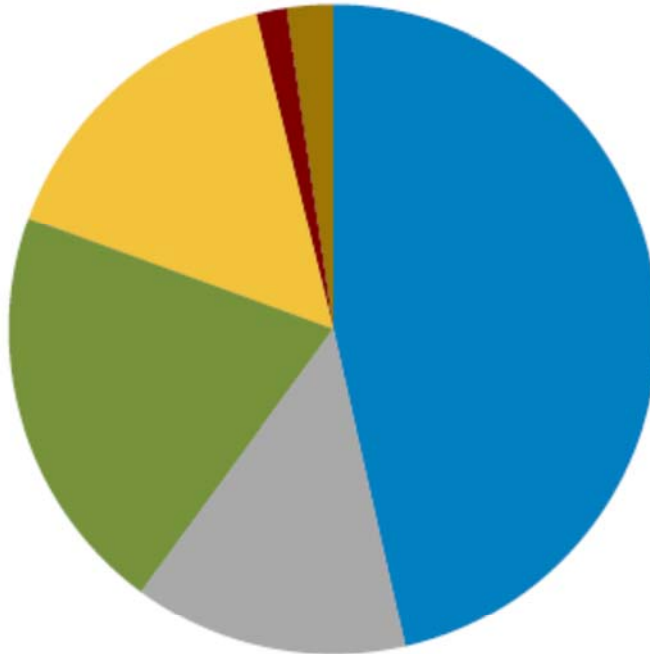
Asset Allocation By Manager as of
December 31, 2018 : \$349,950,779



Allocation	Market Value	Allocation
Garcia Hamilton Fixed Income	74,311,624	21.2
RhumbLine Equity S&P 500	35,314,986	10.1
Intercontinental	34,628,445	9.9
Eagle Equity	21,578,266	6.2
J.P. Morgan	19,990,266	5.7
Vanguard Intl Equity (VTRIX)	18,030,175	5.2
RhumbLine R1000 Growth	17,973,467	5.1
RhumbLine International Equity	17,910,853	5.1
Wellington	16,571,934	4.7
New Amsterdam Equity	16,497,690	4.7
Anchor Equity	16,431,763	4.7
RhumbLine S&P Mid Cap 400	14,477,881	4.1
RhumbLine R1000 Value	14,309,850	4.1
SSGA Small-Mid Cap Equity (SSMKX)	12,153,579	3.5
Oppenheimer Int Equity	11,815,632	3.4
Aberdeen U.S. P.E. VII	4,422,735	1.3
R&D Cash	2,592,096	0.7
JP Morgan Global P.E. VII	939,277	0.3
Mutual Fund Cash	260	0.0

² Gross basis

Asset Allocation By Segment as of
 December 31, 2018 : \$349,950,779



Allocation	Segments	Market Value	Allocation
	Domestic Equity	162,519,800	46.4
	International Equity	47,756,660	13.6
	Domestic Fixed Income	71,614,351	20.5
	Real Estate	54,618,711	15.6
	Private Equity	5,362,012	1.5
	Cash Equivalent	8,079,244	2.3

In a spirit of transparency, the entire investment report may be viewed on-line at:
<http://wpbppf.com/modules/investments/index.asp>

OPEN DISCUSSION

Mr. Frost indicated that on an on-going basis reviews the performance of our service providers. Mr. Frost along with the other Trustees felt quite satisfied with the Board Attorney, Auditing Firm, Investment Monitor, Actuary and the Plan Administrator. The Trustees felt no search was warranted. There was discussion about considering a plan actuarial audit. Mrs. Jensen will seek out cost to study and if there was a benefit to pursue.

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The Trustees shared an educational round robin for the benefit of all present.

ADJOURNMENT

Being there was no other business; the meeting was adjourned by motion at 11.20 AM.

Next meeting is scheduled for March 8, 2019 at 8:30 AM

Troy Marchese, Board Secretary