

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

**Minutes**

**March 8, 2019  
8:30 AM**

**CALL THE MEETING TO ORDER**

Mr. Frost called to order the West Palm Beach Police Pension Fund Meeting on March 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; Dana Santino, Board Trustee; Joseph Ahern, Board Trustee and Craig Kahle, Board Trustee.

Also present: John Boles, Anchor Capital Advisors; Jeffrey Amrose, Board Actuary - GRS Retirement Consultants; John McCann, AndCo Consulting; 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 February 8, 2019. Mr. Ahern made the motion to approve the minutes, which was seconded by Ms. Santino. All Trustees voted yes, and the motion was passed 4-0.

**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 the report, which was seconded by Ms. Santino. All Trustees voted yes, and the motion was passed 4-0.

**INVESTMENT REPORTS**

**ANCHOR CAPITAL ADVISORS – Mid Cap Value**

Mr. Boles presented an update to the portfolio, but before doing so, updated the Board on the stability of the firm itself.

Mr. Boles valued the portfolio at \$18,705,124.58 as of February 28, 2019. The fourth quarter of 2018 was noted to be turbulent at best, but through February 28, 2019 the portfolio outpaced the benchmark by 273 basis points. Dating back to the inception of the portfolio (May 12, 2003), the portfolio exceeded the benchmark on a net basis.

Mr. Frost asked Mr. Boles to consider adding additional data points in future presentations. Mr. Boles appreciated to the input and would expand future reports.

**ANDCO – INVESTMENT CONSULTANT**

Mr. McCann provided a brief flash report citing portfolio loses of the fourth quarter 2018 have been essentially recovered. The focus is now on the balance of the fiscal year.

**ACTUARIAL VALUATION PRESENTATION – SEPTEMBER 30, 2018**

Mr. Jeffrey Amrose presented the results of the September 30, 2018 Annual Actuarial Valuation of the West Palm Beach Police Pension Fund. Mr. Amrose cited the purpose of the valuation is to measure the System's funding progress, to determine the employer contribution rate for the fiscal year ending September 30, 2020, and to determine the actuarial information for GASB Statement No. 67 for the fiscal year ending September 30, 2018. The contribution rate reported is determined using the actuarial assumptions and methods determined by the Board of Trustees in conjunction with consultation with its plan professionals and in compliance with state law.

The funding objective for the defined benefit provisions of the Pension Fund is to establish and receive contributions, expressed as a percent 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.

Contributions must satisfy the funding objective and determined by the annual actuarial valuation and are sufficient to: (1) cover the actuarial costs allocated to the current year (normal cost) by the actuarial cost methods; and (2) finance over a period of future years the actuarial costs not covered by present assets and anticipated future normal costs (unfunded actuarial accrued liability).

Mr. Amrose advised that the investment return assumption was lowered from 7.75% to 7.625% effective for the September 30, 2018 Actuarial Valuation. The assumed rate will continue to be lowered by 0.125% to 7.50% for the September 30, 2019 Actuarial Valuation. This assumption change increased the Required Employer Contribution by \$531,224 or 2.09% of covered payroll.

The activities of the Pension Fund and its members generated an experience loss of \$118,171 during the plan year ended September 30, 2018. This is essentially flat when considering the assets of this Plan. 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 3%, or \$13.2 million. Mr. Amrose explained this means that there are gains from prior periods as well as the current fiscal year that will be recognized in the 2019-2021 reports. These gains will put downward pressure on the contribution requirements and upward pressure on the funded ratios in those reports.

Another potential area of variability has to do with the annual payment on the unfunded accrued liability (UAL). This payment is computed as a level percent of covered payroll under the assumption that covered payroll will rise by 4.5% per year. According to the Florida Statutes, this payroll growth assumption may not exceed the average growth over the last ten years which is 1.07%. Amortizing the UAL as a level percent of payroll using a 1.07% payroll growth assumption instead of a 4.5% payroll growth assumption caused the required contribution to increase by approximately \$465,000. The covered payroll would need to at least remain level next year so that 10-year average payroll growth does not decrease. This issue resulted in further discussion and the following action: Mrs. Santino made the motion to adjust the payroll growth assumption to 2.5% per year, which was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 4-0.

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**Contributions required for FY 2019/2020**

Defined Benefit Contributions for For Fiscal Year Beginning	Contributions Expressed as Percents of UnDROPEd Payroll(1)		
	October 1, 2019		
	After Assumption Change	Before Assumption Change	October 1, 2018
Normal Cost:			
Service pensions	20.02 %	19.40 %	19.35 %
Disability pensions	1.66	1.63	1.63
Survivor pensions			
Pre-retirement	0.38	0.36	0.36
Post-retirement	1.42	1.35	1.37
Termination benefits:			
Deferred service pensions	1.16	1.12	1.13
Refunds of member contributions	0.77	0.78	0.78
Total Normal Cost	25.41	24.64	24.62
Unfunded Actuarial Accrued Liability (UAAL):			
Retired members and beneficiaries	0.00	0.00	0.00
Active and vested terminated members	4.18	3.29	3.30
Total UAAL	4.18	3.29	3.30
Administrative Expenses (net of charges to Share and DROP accounts)	0.97	0.97	1.01
Total Calculated Contribution Requirement	30.56 %	28.90 %	28.93 %
Adjustments to Calculated Contribution Requirement:			
Temporary full funding credit	0.00	0.00	0.00
FS112.64(5) compliance	1.83	1.40	1.42
Total adjustments	1.83	1.40	1.42
Total Adjusted Contribution Requirement:	32.39 %	30.30 %	30.35 %
Member portion	11.00 %	11.00 %	11.00 %
Chapter 185 portion	0.00 %	0.00 %	0.00 %
City portion	21.39 %(2)	19.30 %	19.35 %
Expected Covered Payroll for Contribution Year	25,417,395	25,417,395	23,405,258
City Contribution Requirement Paid Quarterly	5,436,782	4,905,558	4,528,918
City Contribution Requirement Paid at Beginning of Fiscal Year	5,240,652	4,725,848	4,363,006

If 100% of the City's contribution is made on an earlier schedule, the City's contribution requirement may be reduced. For an October 1, 2019 contribution date, the City's contribution requirement is \$5,240,652.

At the conclusion of the presentation and questions answer session, Ms. Santino made the motion to accept and approve the September 30, 2018 Annual Actuarial Valuation. Motion was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 4-0.

Mrs. Jensen at this juncture prompted the Board to consider the investment return for the short term to the long term for the Fund. Input on reasonableness was received from Mr. Amrose and Mr. McCann. Mrs. Santino made the motion to establish 7.625% as the expected investment return for the short term to the long term, which was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 4-0. Notice will follow to the State of Florida – Division of Retirement.

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Discussion ensued about a formal presentation the city commission about the state of the pension fund. Mr. Amrose reflected that he will be happy to make the presentation.

Mrs. Jensen advised that she identified Mr. Jose Fernandez as the actuary who conducted the last actuarial audit (approximately ten years ago). Mr. Fernandez was contacted and indicated that he would accept the engagement. Mr. Kahle made the motion to authorize Mrs. Jensen to negotiate a reasonable fee on behalf of the Fund for the services required, and if successful, to give authority to the appropriate parties to execute an engagement. Motion was seconded by Ms. Santino. All Trustees voted yes, and the motion was passed 4-0.

### **ATTORNEY'S REPORT**

**DISABILITY IME – UPDATE:** Mr. Evrley was schedule for his IME today with Dr. Worth. Therefore an informal hearing will be placed on the next agenda.

**IRS MILEAGE:** Mrs. Jensen handed out a notice citing that the IRS set the 2019 standard mileage rates<sup>1</sup>. Beginning January 1, 2019, the standard mileage rates for the use of a car is 58 cents per mile for business miles driven, up from 54.5 cents for 2018

**AFC DETERMINATION – LOUIS SCHWARTZ:** Mrs. Jensen indicated that Mr. Schwartz did not appeal the Board action<sup>2</sup> of February 8, 2019. Mr. Williams will present the final benefit calculation to Mr. Schwartz at this juncture.

**PAYROLL OT:** Mrs. Jensen reported that she spoke with Ms. Jennifer Chripczuk, Benefits Officer - City of West Palm Beach, Human Resources Department regarding the OT issue raised by Mr. Williams. Ms. Chripczuk informed Mrs. Jensen that the IT Department was working on resolution and she was working on a solution. Mr. Williams will be sending payroll history to the actuary when a conflict is identified. The Board concurred by consensus.

**PENDING BILL:** Mrs. Jensen informed the Board of a cancer presumption Bill that was filed for firefighters.

### **ADMINISTRATOR'S REPORT**

Mr. Williams congratulated and presented to the Board of Trustees the 2018 Public Pension Coordinating Council (PPCC) Recognition Award for Administration and Funding. The Plan sponsor, the City of West Palm Beach (Mayor, Commission & Staff) were also recognized.

Mr. Williams advised that the Public Pension Coordinating Council (PPCC) is a coalition of three national associations that represent public retirement systems and administrators: NASRA, the National Council on Teacher Retirement (NCTR) and the National Conference on Public Employee Retirement Systems (NCPERS). Together, these associations represent more than 500 of the largest pension plans in the United States serving most of the nation's 16 million employees of state and local government.

The PPCC established the Public Pension Standards to reflect minimum expectations for public retirement system management, administration, and funding. The Standards serve as a benchmark by which to measure public defined benefit plans.

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<sup>1</sup> <https://www.irs.gov/pub/irs-drop/n-19-02.pdf>

<sup>2</sup> [http://wpbppf.com/docs/minutes/WPB\\_Minutes\\_20190208.pdf#zoom=100](http://wpbppf.com/docs/minutes/WPB_Minutes_20190208.pdf#zoom=100)

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To receive the Recognition Award for Administration, the retirement system must meet the requirements in five areas of assessment.

Those areas are:

1. **Comprehensive Benefit Program.** The system must provide a comprehensive benefit program including service retirement benefits, in-service death benefits, disability benefits, vesting, and provisions for granting a cost-of-living adjustment.
2. **Actuarial.** An Actuarial Valuation must be completed at least every two years using generally recognized and accepted actuarial principles and practices.
3. **Audit.** The system must obtain an unqualified opinion from an independent audit conducted in accordance with government auditing standards generally accepted in the United States.
4. **Investments.** The system must follow written investment policies and written fiduciary standards and the system must obtain an annual investment performance evaluation from an outside investment review entity.
5. **Communications.** Members must be provided a handbook or summary plan description, regular updates to the documents, and an annual benefit statement. Meetings of the governing board of the system are conducted at least quarterly with adequate public notice.

To receive the Recognition Award for Funding, the retirement system must meet the requirements for funding adequacy, as defined as meeting one or more of the following criteria:

1. A funded ratio of 100 percent;
2. Contribution rates equal to or greater than 100 percent of the Annual Required Contribution; or
3. A plan has been approved by the governing body to achieve or one or both of these criteria within five years.

The award may be viewed on line at:

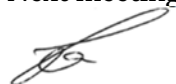
<http://wpbppf.com/docs/announcements/ppcc%20award%20wpb%20police%20pension%202018.pdf#zoom=100>

### **OPEN DISCUSSION**

Change to future meeting due to conflict. New date of the April meeting has been rescheduled for April 19, 2019.

### **ADJOURNMENT**

Being there was no other business; the meeting was adjourned by motion at 10:05 AM. Next meeting is scheduled for April 19, 2019<sup>3</sup> at 8:30 AM



Troy Marchese, Board Secretary

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<sup>3</sup> [http://wpbppf.com/docs/boardMeetings/2019\\_WPB\\_Meeting\\_Dates%20revised%2003-08-2019.pdf#zoom=100](http://wpbppf.com/docs/boardMeetings/2019_WPB_Meeting_Dates%20revised%2003-08-2019.pdf#zoom=100)