

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

Minutes

**June 14, 2019
8:30 AM**

CALL THE MEETING TO ORDER

Mr. Frost called to order the West Palm Beach Police Pension Fund Meeting on June 14, 2019 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, Dana Santino, Board Trustee and Craig Kahle, Board Trustee.

Also present: Mark Parks, City of West Palm Beach; Louis Penque; retired member; Clay Lindsey, Eagle Asset; John McCann, AndCo Consulting; Bonni Jensen, Board Attorney, Klausner, Kaufman, Jensen & Levinson; Dave Williams, Plan Administrator.

PUBLIC COMMENT

- It was noted that it was Flag Day.
- No further comments.

APPROVAL OF THE MINUTES

Mr. Frost asked if there were any additional changes required to the minutes of April 19, 2019 and May 3, 2019. Mr. Frost offered his comments which were duly noted. Mr. Marchese made the motion to approve the minutes as cited, 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 and responded to inquiries, Mr. Marchese made the motion to approve, which was seconded by Ms. Santino. All Trustees voted yes, and the motion was passed 4-0.

ATTORNEY'S REPORT

Mrs. Jensen commented about changes to tax laws and how it relates to divorces. The following information will be included in a future summary plan description.

Tax Cuts and Jobs Act Alters Tax Rules for Alimony

Effective January 1, 2019, changes in the federal income tax laws have eliminated tax deductions for alimony if the marriage was dissolved or a property settlement was made on or after January 1, 2019. This also includes any modification to an existing order or agreement if the modification is made on or after January 1, 2019. This means that income deduction orders which require alimony payments to a former spouse will be income to the member. Dissolutions of marriage orders or separation agreements entered on or before December 31, 2018 will remain under the prior rule. Members who are involved in a dissolution of marriage proceeding are strongly encouraged to consult a qualified tax advisor concerning the impact of both alimony and equitable division of marital property on the member's federal income tax obligations. The Pension Fund Board of Trustees and staff CANNOT provide individual tax advice.

[http://www.wpbppf.com/docs/announcements/Changes%20in%20Tax%20Rules%20for%20Alimony%20\(00127938xEC171\).pdf#zoom=100](http://www.wpbppf.com/docs/announcements/Changes%20in%20Tax%20Rules%20for%20Alimony%20(00127938xEC171).pdf#zoom=100)

West Palm Beach Police Pension Fund – Minutes

June 14, 2019

Page 2 of 4

As of a result of the May 3, 2019 action to retain the professional services of Champlain Investment Partners, Mrs. Jensen presented the Investment Advisory Agreement for the Board to review and consider.

Upon doing so, a motion was made by Mr. Marchese to authorize the execution and funding when administratively practical. The motion was seconded by Ms. Santino. All Trustees voted yes, and the motion was passed 4-0.

Mrs. Jensen cited the post-closing update on the OFI purchase by Invesco in the packet. She deferred to Mr. McCann to comment further as he deemed appropriate. Mrs. Jensen reflected a new Investment Advisory Agreement may be in order.

Mrs. Jensen responded to an inquiry from Mr. Marchese related to re-employment of retirees for Part Time Police Officer and/or Reserve Officer positions. Mrs. Jensen opined that it is a complicated process and believes an amendment would be required to the special act. It was noted that the state legislators were meeting earlier next session, so amendments would have to be expedited. Mr. Penque raised collective bargaining issues. No action taken.

ADMINISTRATOR'S REPORT

Annual Report: Mr. Williams announced that the 2018 annual report was approved by the State of Florida – Division of Retirement.

Administrative Expense Budget: Mr. Williams presented the administrative budget pursuant to Senate Bill 172. The Board deferred action at the April 19, 2019 as they requested the investment monitor be included in the budget.

Mr. Williams indicated the 2019/2020 administrative expense budget prepared is based on the administrative expenses for the fiscal year that ended September 30, 2018. The percentage of Plan Net Position is based on the ending balance of September 30, 2018. Mr. Williams advised that like other governmental entities that develop budgets, our goal is not to meet or exceed the budgeted amount. It is not a situation where we use or lose it, simply an exercise on paper required by legislation. Mr. Frost sought and received input from all parties present to include Mr. Parks, who was provided a copy. A motion was made by Mr. Kahle to approve the 2019/20 administrative budget as presented, which was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 4-0.

The Administrative Expense Budget may be viewed on line at: <http://www.wpbppf.com/modules/stateDocs/index.asp>

Mr. Williams presented copies of two checks recently transmitted to our plan from the City of West Palm Beach. The payments were for leave pay-out but were for non-police pension members. Mr. Williams reported the funds were returned to the city and the appropriate representative was advised of the matter. Mr. Williams cited this was an unusual occurrence and hopes it is now resolved going forward.

Mr. Williams shared an e-mail to the city related to the overtime matter identified at the February 6, 2019¹ meeting. He requested an update on May 23, 2019 and has not received one. Mr. Williams wanted to make certain that the Board was aware of the status of this matter. Mrs. Jensen reiterated her findings reported on March 8, 2019².

¹ http://www.wpbppf.com/docs/minutes/WPB_Minutes_20190208.pdf#zoom=100

² http://www.wpbppf.com/docs/minutes/WPB_Minutes_20190308_signed.pdf#zoom=100

West Palm Beach Police Pension Fund – Minutes

June 14, 2019

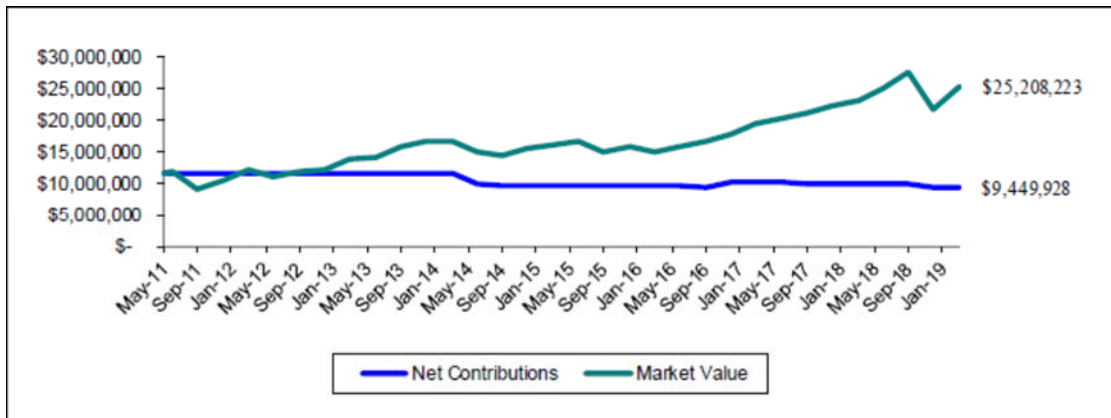
Page 3 of 4

INVESTMENT PRESENTATION Eagle Asset – Quarterly Review

Mr. Clay Lindsey presented the first quarter 2019 investment report to the Trustees.

Mr. Lindsey cited that for the quarter ending March 31, 2019, the account was valued at \$25,208,223.00. The initial contributions were valued at \$11,578,871.00.

For the quarter, the account net return was 16.82%, in comparison to the 17.14% return for the Russell 2000 Growth Index. On the fiscal year basis, the account net return was reported at -7.27% vs. -8.22% for the same benchmark cited. The portfolio return was 17.80% for the last three years, compared to the benchmark return of 14.87%. On a five years basis the portfolio return was 10.72%, compared to the benchmark return of 8.41%.



The following quarterly market overview was provided to the Trustees: Small-cap stocks rebounded during the first quarter as the Russell 2000 Growth Index (up 17.2 percent) and the Russell 2000 Value Index (up 11.9 percent) both posted double-digit gains in the wake of what had been a tumultuous market environment towards the end of 2018.

All sectors across the Russell 2000® Growth Index posted positive returns during the quarter, led by information technology (up 24.5 percent) and energy (up 23.4 percent) while real estate (up 19.7 percent) and healthcare (up 18.0 percent) also contributed to growth's strong positive performance in the period.

While still posting positive absolute returns, consumer staples (up 7.1 percent), nominally weighted utilities (up 9.1 percent) and financials (up 10.8 percent) all trailed the broader benchmark's strong returns.

Contributors to relative performance:

Industrials: The portfolio maintained an in-line position, while exceeding benchmark returns during the quarter.

Information Technology: In-line posture, while outpacing benchmark returns.

Detractors from relative performance

Financials: In-line posture, though underperformed benchmark returns. Consumer Finance holding, Green Dot negatively impacted performance.

Communication Services: Slight underweight positioning, did not keep up with benchmark returns. Entertainment holding, Lions Gate, detracted from performance.

West Palm Beach Police Pension Fund – Minutes

June 14, 2019

Page 4 of 4

Market Outlook

Equity markets rebounded strongly during the first quarter as the U.S. Federal Reserve (Fed) reversed its hawkish October 2018 comments to now take a dovish position with, at most, one and more than likely no interest rate hikes forecast for 2019.

The other large overhang on equity markets – tariffs – seems to be in the rear-view mirror, although it is not resolved. Even a recent inversion of the yield curve, a frequent recession forecaster, appears to have had a negligible impact on sentiment.

Despite the market volatility in the last quarter of 2018 into the first quarter of 2019, we believe that U.S. economy will continue to grow at a healthy pace in 2019. The economy remains strong, unemployment is at historic lows and the Fed has remained accommodative. Also, importantly, valuations are attractive particularly when compared to the low returns available in fixed-income alternatives. However, given the length of the economic recovery, a recession is inevitable. While corrections can be violent and occur without warning, currently the environment for equities to continue their recent gains appears favorable.

INVESTMENT MONITORING REPORT

Mr. McCann presented a flash report for the fiscal year to date, the Plan return through June 12, 2019 is valued at 2.0%³. Even though the portfolio is well positioned, reaching our investment goal for this fiscal year is going to be difficult. Mr. Frost felt that smoothing would also dampen the shortfall for the year.

Mr. McCann presented the Amended Investment Policy as a result of the termination of New Amsterdam and the recent hire of Champlain. After review and discussion, Mr. Kahle made the motion to accept the policy as presented. Motion was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 4-0.

OPEN DISCUSSION

A round robin educational session ensued regarding the SALT Conference recently attended.

Mr. Frost announced to all concerned of the state of the pension workshop before the city commission on July 8, 2019 at 10:00 AM. Mr. Amrose will be presenting.

Mr. Frost advised the Board to expect the results of the Actuarial Audit to be presented on July 12, 2019.

ADJOURNMENT

Being there was no other business; the meeting was adjourned at 9:50 AM.

Next meeting is scheduled for July 12, 2019 at 8:30 AM.



Troy Marchese, Board Secretary

³ Not including real estate and private equities.