

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

**Minutes**

**July 12, 2019  
8:30 AM**

**CALL THE MEETING TO ORDER**

Mr. Frost called to order the West Palm Beach Police Pension Fund Meeting on July 12, 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, Joseph Ahern, Board Trustee and Craig Kahle, Board Trustee.

Also present: Jose Fernandez of Fase2 C&W, LLC.; Karen Malcolm, City of West Palm Beach; Dusten Campbell, Active Member; Bonni Jensen, Board Attorney, Klausner, Kaufman, Jensen & Levinson; Dave Williams, Plan Administrator.

**PUBLIC COMMENT**

Mr. Dusten Campbell was introduced by Mr. Marchese to all present. Mr. Campbell expressed his interest in the pension plan and the possibility of running for a seat on the pension board in the future. He stated that he intends to attend pension meetings going forward to continue to learn about the Plan. Mr. Campbell was warmly welcomed and commended for his interest.

Ms. Karen Malcolm, City of West Palm Beach - Accounting Manager was attending the meeting on behalf of Mr. Mark Parks. Ms. Malcolm was also warmly welcomed.

The Board also welcomed Mr. Ahern back from his recent training. Mr. Ahern graduated from the 276th session of the FBI Academy. He joins the less than one percent of law enforcement to receive what is considered the finest law enforcement training in the world. Great Work Joe!

**APPROVAL OF THE MINUTES**

Mr. Frost asked if there were any additional changes required to the minutes of June 12, 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 Mr. Ahern. 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 Mr. Ahern. All Trustees voted yes, and the motion was passed 4-0.

**ATTORNEY'S REPORT**

Mrs. Jensen provided information intended for divorcing members and spouses. Information to be issued to assist members and their legal counsel.

Report Link:

<http://www.wpbppf.com/docs/announcements/Memo%20Divorcing%20Members%20Spouses%20of%20the%20Plan.pdf#zoom=100>

Mrs. Jensen also reviewed information that will be added into the summary plan description when revised once again. Included was tax qualification language and Qualified Domestic Relations Order (QDRO) language.

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### **ADMINISTRATOR'S REPORT**

Champlain Account Update: Mr. Williams advised the Board that the transition of the Champlain Account is completed, and the manager has been fully funded pursuant to Board direction.

Manager Appearance Schedule: As a result of the management change the schedule has been updated and provided to the Board.

#### Report Link:

<http://www.wpbppf.com/docs/boardMeetings/wpb%20police%20investment%20manager%20appearance%20schedule%20revised%2007-02-2019.pdf>

OT Issue: Mr. Williams had no update from the city to report.

Flash Report: Mr. Williams conveyed that Mr. McCann was ill and unable to attend this meeting. Mr. McCann expressed his regrets to the Board. Mr. McCann asked Mr. Williams to report the FYTD return is valued at 1.83%<sup>1</sup> through June 30, 2019.

EnTrust: The report from Mr. McCann on Entrust will be presented at the August meeting due to Mr. McCann's illness.

### **ACTUARIAL AUDIT REPORT**

The Board of Trustees engaged an independent third-party actuary to conduct an audit of our actuary's work product. Due diligence requires that pension plan fiduciaries and plan sponsors exercise prudence in selecting service providers such as actuaries; and monitor the quality of their work. An actuarial audit is a valuable tool for monitoring the quality of actuarial services performed on behalf of the pension plan.

An actuarial audit involves engaging the services of an outside actuary (reviewing actuary) to scrutinize the work of the plan's consulting actuary. Actuarial audits are helpful for several reasons:

They enhance the credibility of the actuarial valuation process by providing independent assurance that it was performed in accordance with actuarial standards of practice;

- They increase public trust in how the pension plan is being governed;
- They help plan fiduciaries to assess whether the pension plan is meeting its funding objectives;
- They can lead to the remediation of errors that might otherwise go undiscovered; and
- They can provide recommendations for improving the actuarial valuation process, including how information is presented in the actuarial valuation report and in other communications.<sup>2</sup>

Mr. Jose Fernandez of Fase2 C&W, LLC. was formally engaged by the Board of Trustees to complete such an audit.

Mr. Fernandez began his presentation by providing an overview of the audit process. Peer review of the reasonableness and appropriateness of September 30, 2018 actuarial valuation prepared by the Fund's actuary GRS. Not a replication audit which would require the preparation of the full actuarial valuation.

#### Scope of actuarial audit:

- Review of member data.

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<sup>1</sup> Estimated Gross Return

<sup>2</sup> GFOA

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- Review of the application of the Fund benefits, actuarial assumptions and methods for sample members.
- Review of the calculation of actuarial liabilities, assets and required contributions.
- Comparison of Special Act and valuation benefits.
- Review actuarial assumptions and methods.
- Review of valuation report.

Mr. Fernandez provided an overview of his audit findings:

- In our opinion, the September 30, 2018 actuarial valuation and report prepared by GRS is reasonable and is in accordance with generally accepted actuarial standards of practice.
- Actuarially determined contributions to the Fund are accurately presented in the 2018 valuation report.
- We offer comments and suggestions we hope the Board and GRS will consider for the future.
- The selection of actuarial assumptions and methods involves a great deal of professional judgment.
- With our suggestions we are not attempting to substitute our judgment for that of GRS.

Mr. Fernandez provided an overview of principal audit suggestions:

- Modify calculation of funding value of assets in order to be consistent with description in the valuation report.
- Report experience gains and losses by source to provide insight into the reasonableness of actuarial assumptions.
- Review calculation of amortization payments toward the Fund's unfunded actuarial accrued liability.
- The Board may want to consider having GRS perform additional studies of Fund risks, especially investment risk.
- Review several items in the Summary of Benefit Provisions, Actuarial Assumptions Used for the Valuation, and Disclosures Required by GASB Statement No. 67 sections in the valuation report.

Mr. Fernandez also reviewed:

- Census Data Review.
- Funding Value of Assets.
- Actuarial Liabilities.
- Determination of Required Contribution.
- Actuarial Assumptions and Methods.

Mr. Fernandez spoke of the Valuation Report, and summarized as follows: In our opinion, the September 30, 2018 actuarial valuation report prepared by GRS meets or exceeds the actuarial standards of practice.

Comments were provided by Mr. Fernandez for the Board and GRS to consider for future valuation reports.

Mr. Fernandez responded to question(s) posed by the Members of the Board and the presentation was concluded.

Board members found the report thorough and informative and thanked Mr. Fernandez for his time and effort.

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At the conclusion the Board felt it would be prudent to provide the report to Mr. Amrose and ask for a written response on the items raised. Mr. Williams will speak to Mr. Amrose accordingly.

Mr. Frost felt this undertaking was all part of the Board's duty to review all the plan professionals and was pleased with the outcome.

## Report Link:

<http://www.wpbppf.com/docs/announcements/West%20Palm%20Beach%20Police%20Actuary%20Audit%20Report%2006.28.19.pdf#zoom=100>

## FINANCIAL STATEMENT OF MARCH 31, 2019

Mr. Williams provided the cited report of Davidson, Jamieson & Cristini, P.L. to the Trustees to review and consider. Arrangements can be made to a telephone conference with the auditor should there be any questions and/or concerns. No formal action required.

### WEST PALM BEACH POLICE PENSION FUND

#### STATEMENTS OF FIDUCIARY NET POSITION

March 31, 2019 and 2018

	<u>Assets</u>	
	2019	2018
Cash	\$ 901,957	\$ 1,386,364
<b>Receivables:</b>		
Interest and dividends	461,369	398,339
DROP loans	1,242,929	1,288,644
Broker-dealers	13,132	161,125
Other	12,593	15,277
<b>Total Receivables</b>	<b>1,730,023</b>	<b>1,863,385</b>
<b>Investments at fair value:</b>		
U.S. Government securities	20,193,416	31,591,842
U.S. Government agency securities	20,893,527	29,201,635
Corporate bonds	26,986,551	12,759,647
Domestic fixed investment fund	-	1,100,368
Domestic stocks	60,091,226	70,729,807
Domestic equity investment funds	124,779,818	111,611,231
International equity investment funds	52,797,942	55,057,871
Domestic private equity investment funds	7,563,592	-
Real estate investment funds	55,554,447	47,278,767
Temporary investments	4,543,500	8,172,500
<b>Total investments</b>	<b>373,404,019</b>	<b>367,503,668</b>
<b>Prepaid expenses</b>	<b>1,306,077</b>	<b>1,241,348</b>
<b>Total assets</b>	<b>377,342,076</b>	<b>371,994,765</b>
	<u>Liabilities</u>	
Accounts payable	258,667	245,586
Accounts payable, broker-dealers	88,251	-
<b>Total liabilities</b>	<b>346,918</b>	<b>245,586</b>
<b>Net position restricted for pensions</b>	<b>\$ 376,995,158</b>	<b>\$ 371,749,179</b>

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**OPEN DISCUSSION**

Mr. Frost announced that he was moderating a pension panel at the Public Funds Summit.

**ADJOURNMENT**

Being there was no other business; the meeting was adjourned at 10:00 AM.

Next meeting is scheduled for August 9, 2019 at 8:30 AM.

A handwritten signature in black ink, appearing to read 'T. Marchese', is written over a light gray rectangular background.

Troy Marchese, Board Secretary