

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

Minutes

**February 14, 2020
8:30 AM**

CALL THE MEETING TO ORDER

Mr. Frost called to order the West Palm Beach Police Pension Fund Meeting on February 14, 2020 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 Fragakis, Board Trustee, Joseph Ahern, Board Trustee and Craig Kahle, Board Trustee.

Also present: Michael Ferrera & William Devito, Active Members; John McCann, Investment Monitor – AndCo Consulting; Jeanine Bittinger and Richard Cristini, Auditors - Saltmarsh, Cleaveland & Gund; Bonni Jensen, Board Attorney - Klausner, Kaufman, Jensen & Levinson; and Dave Williams, Plan Administrator & Mr. Michael Williams, Administrative Plan Assistant.

PUBLIC COMMENT

Mr. Michael Ferrera & Mr. William Devito requested impact studies for negotiations. The Board discussed and felt it was a reasonable request and would be beneficial for both the union and the city. Motion to approve such studies by Mr. Ahern and seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 5-0.

APPROVAL OF THE MINUTES

After noting his recommend changes, Mr. Frost asked if there were any additional changes required to the minutes of January 10, 2020. Mr. Ahern made the motion to approve the minutes as amended, which was seconded by Mr. Marchese. 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. D. Williams. A formal administrative report was also provided for consideration. After Mr. D. 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.

Mr. D. Williams presented the DROP entry of Mr. Brian Kapper for the Board to consider. After reviewing same, a motion was made by Mr. Ahern to approve his entry into the DROP, which was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 5-0.

INFORMAL DISABILITY HEARING VINCENT MORTON

It was noted that Mr. Morton was duly advised of this meeting today and was unable to attend due to other obligations.

Mr. Jensen reviewed the disability claim of Mr. Morton, as a result of a motor vehicle accident on May 21, 2018. Mr. Morton struck a parked semi-truck while enroute to work in an unmarked police vehicle.

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Mr. Morton was sent to Dr. Jeffrey Worth, for an independent medical examination. Dr. Worth opined that Mr. Morton was in fact disabled, and unable to perform the function of a police officer as a result of the accident. Dr. Worth found the injury total and permanent.

The Board considered the foregoing along with the other reports provided. It was also noted that Mr. Morton was terminated by the City of West Palm Beach on August 24, 2019 as a result that his injuries prohibited him from doing his police duties.

After considering the totality of circumstances and weighing the evidence provided, Mr. Marchese made a motion to approve the service-related duty disability claim of Mr. Morton. Mr. Marchese cited Mr. Morton's injuries were total and permanent, and as such he was unable to provide useful and efficient service to the City of West Palm Beach as evidenced by his termination. Motion seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 5-0.

ATTORNEY'S REPORT

Mrs. Jensen provided brief on HB 1113 & SB 1270, but advised likely to not pass.

The Secure Act reviewed by Mrs. Jensen.

2020 Mileage Allowance provided.

Link: <https://www.irs.gov/newsroom/irs-issues-standard-mileage-rates-for-2020>

Security Litigation Firm Review: Mrs. Jensen cited Berman Tabacco made a presentation in 2018 but an agreement was never received. Mr. Frost advised he attended a presentation by Bernstein Litowitz Berger & Grossmann and would suggest the Board invite representatives to speak at future meeting. The Board agreed by consensus. Motion by Mrs. Fragakis not to pursue an agreement with Berman Tabacco, which was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 5-0. Mrs. Jensen will coordinate the presentation requested.

Notary Update provided by Mrs. Jensen. On-Line notarization is permitted under Florida law. The Plan's forms will be updated.

Taurus Agreement: Mrs. Jensen¹ advised that the agreement is acceptable with the exception on the indemnification clause. Mrs. Jensen was hopeful to have that resolved. Motion by Mrs. Fragakis to approve the agreement based on the revision required to the clause cited. Motion seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 5-0.

JPMorgan Agreement: Mrs. Jensen² outlined the fee options. The Board discussed with Mr. McCann. Based on his recommendation Mrs. Fragakis made a motion to accept the agreement and elect Option 2, which was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 5-0.

Intercontinental Real Estate: Mrs. Jensen presented the 6th Amendment to the Subscription Agreement for 3.3 million dollars. Motion to accept the agreement by Mrs. Fragakis and seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 5-0.

¹ Memo provided.

² Memo provided.

PRESENTATION OF FINANCIAL STATEMENTS SEPTEMBER 30, 2019

Ms. Jeanine Bittinger and Mr. Richard Cristini, Auditors - Saltmarsh, Cleaveland & Gund reflected that they have audited the accompanying financial statements of West Palm Beach Police Pension Fund (Plan), which comprise the statement of fiduciary net position as of September 30, 2019, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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, we express 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the West Palm Beach Police Pension Fund as of September 30, 2019, and the changes in fiduciary net position for the year then 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, 2019 and 2018

	<u>Assets:</u>	
	2019	2018
Cash	\$ 559,718	\$ 1,247,678
Receivables:		
Drop loans	1,309,522	1,359,818
Interest and dividends	369,460	424,426
Broker-dealers	1,522,246	35,827
Other	11,251	13,935
Total receivables:	<u>3,212,479</u>	<u>1,834,006</u>
Investments at fair value:		
U.S. Government obligations	18,450,722	42,317,681
U.S. Government agency obligations	18,195,831	13,576,931
Corporate bonds	28,936,013	16,882,766
Domestic stocks	58,781,582	63,585,557
Domestic equity investment funds	133,376,715	129,446,988
Domestic private equity investment funds	7,827,705	3,720,959
International equity investment funds	53,529,656	53,770,315
Real estate investment funds	57,285,947	53,757,296
Temporary investments	3,762,000	3,385,500
Total investments:	<u>380,146,171</u>	<u>380,443,993</u>
Prepaid expenses:	<u>1,305,848</u>	<u>1,268,692</u>
Total assets:	<u>385,224,216</u>	<u>384,794,369</u>
	<u>Liabilities:</u>	
Accounts payable	273,983	245,484
Accounts payable, broker-dealers	1,508,008	88,253
Total liabilities:	<u>1,781,991</u>	<u>333,737</u>
Net position restricted for pensions:	<u>\$ 383,442,225</u>	<u>\$ 384,460,632</u>

WEST PALM BEACH POLICE PENSION FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
 Years ended September 30, 2019 and 2018

Additions:	<u>2019</u>	<u>2018</u>
Contributions:		
Employer	\$ 4,363,006	\$ 3,556,968
Participants	2,760,803	2,632,288
Buy back	27,165	47,691
DROP account	130,508	1,308,817
Share account	-	590
	<u>7,281,482</u>	<u>7,546,354</u>
Total contributions		
Intergovernmental revenue:		
Chapter 185 state excise tax rebate	1,483,310	1,455,967
Investment income:		
Net appreciation (depreciation) in fair value of investments	5,180,216	28,014,026
Interest	2,189,657	2,085,255
Dividends	3,200,548	4,437,429
Commission rebate	8,724	7,258
Class action settlement	14,545	37,659
	<u>10,593,690</u>	<u>34,581,627</u>
Investment income		
Less investment expenses	<u>923,724</u>	<u>1,025,906</u>
Net investment income	<u>9,669,966</u>	<u>33,555,721</u>
Total additions	18,434,758	42,558,042
Deductions:		
Benefits:		
Age and service	10,990,125	10,803,032
Disability	823,545	724,513
Beneficiaries	831,765	740,233
Share accounts	2,177,348	2,456,656
Drop accounts	4,140,547	4,077,436
Refunds of contributions	152,950	225,759
Administrative expenses	336,885	319,039
	<u>19,453,165</u>	<u>19,346,668</u>
Total deductions		
Net increase (decrease) in net position	(1,018,407)	23,211,374
Net position restricted for pensions:		
Beginning of year	<u>384,460,632</u>	<u>361,249,258</u>
End of year	<u>\$ 383,442,225</u>	<u>\$ 384,460,632</u>

Note 16: A typographical error was cited and will be addressed by the Auditors in the final version.

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

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Mr. Frost reminded all present that the Board conducted their due diligence review for Auditor when Ms. Jeanine Bittinger and Mr. Richard Cristini, transitioned to Saltmarsh, Cleaveland & Gund. It was determined then that the additional resources of the new firm would be beneficial to the Plan.

In a spirit of transparency, the foregoing report may be viewed on-line at:

http://www.wpbppf.com/docs_state/FinancialStatements/2019%20West%20Palm%20Beach%20Police%20Pension%20FIS.pdf#zoom=100

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 2020, AndCo has 89 employees, advising approximately \$92 billion in client assets - both record highs for AndCo.

As of December 31, 2019, the total assets were valued at \$407,826,607.00. For the quarter, the total fund returned 5.94%³ vs. 5.91% compared to the target index. The public funds median return was valued at 5.19% for the quarter.

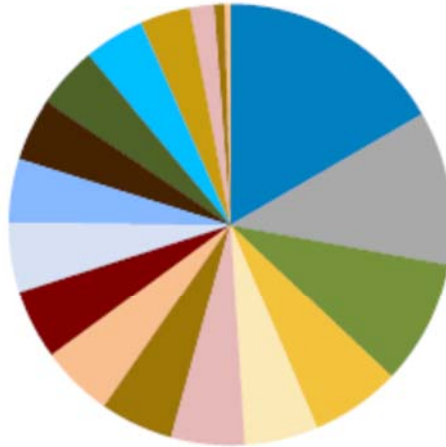
On a one, three and five-year basis, the Plan returned 19.73%, 9.84 % & 7.76% respectively. The five-year return cited ranked our Fund in the TOP 16% of the investment universe and exceeded our compliance standard of Top 40%.

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³ Gross basis

Asset Allocation Manager:

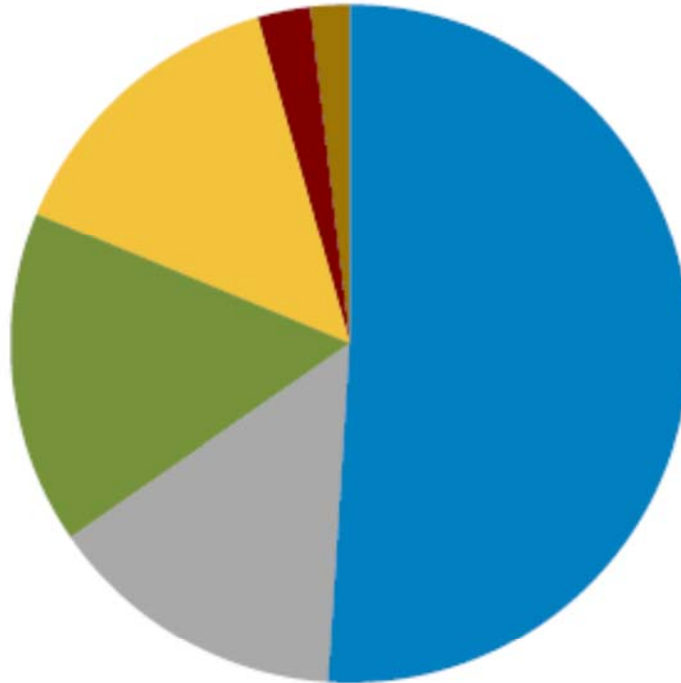
Asset Allocation By Manager as of
 December 31, 2019 : \$407,826,607



Allocation	Market Value	Allocation
Garcia Hamilton Fixed Income	67,759,484	16.6
RhumbLine Equity S&P 500	45,943,273	11.3
Intercontinental	37,498,288	9.2
Eagle Equity	26,679,615	6.5
RhumbLine International Equity	21,898,078	5.4
Vanguard Intl Equity (VTRIX)	21,706,792	5.3
RhumbLine R1000 Growth	21,706,292	5.3
Anchor Equity	21,520,856	5.3
J.P. Morgan	20,992,946	5.1
Wellington	20,925,627	5.1
SSGA Small-Mid Cap Equity (SSMKX)	19,021,761	4.7
Champlain MC Equity	18,772,459	4.6
RhumbLine S&P Mid Cap 400	18,257,194	4.5
RhumbLine R1000 Value	18,096,020	4.4
Invesco Emerging Markets Equity	14,936,213	3.7
Aberdeen U.S. P.E. VII	7,175,691	1.8
JP Morgan Global P.E. VII	3,086,762	0.8
R&D Cash	1,843,407	0.5
Mutual Fund Cash	5,850	0.0

Asset Allocation Sector:

Asset Allocation By Segment as of
 December 31, 2019 : \$407,826,607



Allocation		
Segments	Market Value	Allocation
Domestic Equity	208,049,279	51.0
International Equity	58,541,082	14.4
Domestic Fixed Income	64,815,683	15.9
Real Estate	58,491,234	14.3
Private Equity	10,262,453	2.5
Cash Equivalent	7,666,877	1.9

Mr. McCann recommended the following rebalancing:

<u>Manager to Withdraw</u>	<u>Amount</u>	<u>Manager to Receive</u>
Rhumblin R1000 Growth Portfolio	\$ 11.5 million	Garcia Hamilton
Rhumblin R1000 Value Portfolio	\$ 8.0 million	Garcia Hamilton

After discussion, the foregoing transfer was placed in the form of a motion by Mr. Marchese. Mr. Ahern seconded the motion. All Trustees voted yes, and the motion was passed 4-0. Mrs. Fragakis departed the meeting.

Mr. Frost asked Mr. McCann to confirm Mr. Welker’s attendance at the May 8, 2020 meeting.

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In a spirit of transparency, the entire investment report may be viewed on-line at:

<http://wpbppf.com/modules/investments/index.asp>

ADMINISTRATOR’S REPORT

No Formal report provided.

OPEN DISCUSSION

Mr. Ahern spoke about a recent educational conference he attended. Various practices and policies were discussed at the event. He was quite satisfied with our standing policies and protocols currently in place.

Mr. Marchese asked Mr. McCann to revisit Entrust – Special Opportunities Fund again now that the Private Equity manager is completed. Mr. Marchese felt a formal presentation would be worth while as there were several managers present at the last meeting they attended. Mr. McCann will proceed accordingly.

ADJOURNMENT

Being there was no other business; the meeting was adjourned by motion at 10.34 AM.

Next meeting is scheduled for March 13, 2020 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