

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

Minutes

**March 13, 2020
8:30 AM**

CALL THE MEETING TO ORDER

Mr. Frost called to order the West Palm Beach Police Pension Fund Meeting on March 13, 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 & Christopher Nebbeling - Active Members; Karen Malcom, City of West Palm Beach; Jeffrey Marano, Mark Guariglia¹ & Sophia Park Mullen², Entrust Global; John Boles³, Anchor Capital Advisors (attended meeting telephonically); Jeffrey Amrose, Board Actuary - GRS Retirement Consultants; John McCann, AndCo Consulting; Bonni Jensen, Board Attorney - Klausner, Kaufman, Jensen & Levinson; and Dave Williams, Plan Administrator & Michael Williams, Administrative Plan Assistant.

PUBLIC COMMENT

No Comments.

APPROVAL OF THE MINUTES

After Mr. Frost's revisions were duly noted, he asked if there were any other changes required to the minutes of February 14, 2020. Mr. Kahle made the motion to approve the minutes, which was seconded by Mrs. Fragakis. 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. Marchese made the motion to approve the report, which was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 5-0.

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 \$19,373,284.42 as of February 29, 2020. For the fiscal year through February 29, 2020 the portfolio outpaced the benchmark by 160 basis points. Dating back to the inception of the portfolio (May 12, 2003), the portfolio exceeded the benchmark on a net basis.

Holds and sales were detailed by Mr. Boles.

¹ Attended meeting telephonically.

² Attended meeting telephonically.

³ Attended meeting telephonically.

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

ANDCO – INVESTMENT CONSULTANT

Mr. McCann did not provide a formal report.

ACTUARIAL VALUATION PRESENTATION – SEPTEMBER 30, 2019

Mr. Jeffrey Amrose presented the results of the September 30, 2019 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, 2021, and to determine the actuarial information for GASB Statement No. 67 for the fiscal year ending September 30, 2019. 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 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 7.625% to 7.50% effective for the September 30, 2019 Actuarial Valuation. This assumption change increased the Required Employer Contribution by \$507,025 or 1.96% of covered payroll. Mr. Amrose stated that while reasonable, he would prefer if the assumption is lowered once again.

The activities of the Pension Fund and its members generated an experience loss of \$784,721 during the plan year ended September 30, 2019. Currently the actuarial value of assets, which is used to determine the contribution requirements and funded ratios for the Fund, is greater than the market value by 2%, or \$6.2 million. This means that there are losses from prior periods as well as the current fiscal year that will be recognized in the 2020-2022 reports. Mr. Amrose outlined the details on pages B-6, B-17, C-4, C-5, and C-6 (link below).

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 2.5% per year (lowered from 4.5% last year). According to the Florida Statutes, this payroll growth assumption may not exceed the average growth over the last ten years which is 1.31%. Amortizing the UAL as a level percent of payroll using a 1.31% payroll growth assumption instead of a 2.5% payroll growth assumption caused the required contribution to increase by approximately \$222,000. If the covered payroll remains level next year, the 10-year average payroll growth would increase to approximately 2%.

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For an October 1, 2020 contribution date, the City’s contribution requirement is \$5,935,584. The City’s contribution requirement as of October 1, 2019 was \$5,240,652.

Contributions required for FY 2020/2021

Defined Benefit Contributions for For Fiscal Year Beginning	Contributions Expressed as Percents of UnDROPEd Payroll(1)		
	October 1, 2020		October 1, 2019
	After Assumption Change	Before Assumption Change	
Normal Cost:			
Service pensions	20.71 %	20.12 %	20.02 %
Disability pensions	1.68	1.64	1.66
Survivor pensions			
Pre-retirement	0.39	0.38	0.38
Post-retirement	1.52	1.45	1.42
Termination benefits:			
Deferred service pensions	1.17	1.14	1.16
Refunds of member contributions	0.78	0.78	0.77
Total Normal Cost	26.25	25.51	25.41
Unfunded Actuarial Accrued Liability (UAAL):			
Retired members and beneficiaries	0.00	0.00	0.00
Active and vested terminated members	6.68	5.64	4.18
Total UAAL	6.68	5.64	4.18
Administrative Expenses (net of charges to Share and DROP accounts)	1.00	1.00	0.97
Total Calculated Contribution Requirement	33.93 %	32.15 %	30.56 %
Adjustments to Calculated Contribution Requirement:			
Temporary full funding credit	0.00	0.00	0.00
FS112.64(5) compliance	0.86	0.68	1.83
Total adjustments	0.86	0.68	1.83
Total Adjusted Contribution Requirement:	34.79 %	32.83 %	32.39 %
Member portion	11.00 %	11.00 %	11.00 %
Chapter 185 portion	0.00 %	0.00 %	0.00 %
City portion	23.79 %(2)	21.83 %	21.39 %
Expected Covered Payroll for Contribution Year	25,868,612	25,868,612	25,417,395
City Contribution Requirement Paid Quarterly	6,154,144	5,647,119	5,436,782
City Contribution Requirement Paid at Beginning of Fiscal Year	5,935,584	5,443,401	5,240,652

At the conclusion of the presentation and questions answered session, Mr. Marchese made the motion to accept and approve the September 30, 2019 Annual Actuarial Valuation. Motion was seconded by Mr. Ahern. All Trustees voted yes, and the motion was passed 5-0.

The report may be viewed on line at:

http://wpbpf.com/docs_state/ActuarialValuation/West%20Palm%20Beach%20Police%20-%202019-2020Valuation%20Report.pdf#zoom=100

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Mrs. Jensen at this juncture prompted the Board to consider the investment return for the short term to the long term of the Fund. Input on reasonableness was received from Mr. Amrose and Mr. McCann. Mrs. Fragakis made the motion to establish 7.50% 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 5-0. Notice will follow to the State of Florida – Division of Retirement.

NEW BUSINESS

Impact Statement: Mr. Jeff Amrose – GRS presented his March 12, 2020 findings to the Board. The study was requested, due to the collective bargaining process. The report outlined the costs associated with changing the multiplier from 2.68% to 3.00% for those active members affected by the reduction. Additionally, the report spoke to the impact of changing the DROP & Share interest crediting rate.

The report may be viewed on line at:

<http://www.wpbppf.com/docs/announcements/West%20Palm%20Beach%20Police%20Study%203-12-2020.pdf#zoom=100>

Brief Recess at 10:02 AM, meeting reconvened at 10:17 AM.

INVESTMENT PRESENTATION – ENTRUST GLOBAL

Mr. Jeffrey Marano, Mr. Mark Guariglia⁴ & Ms. Sophia Park Mullen⁵ of Entrust Global presented the Board with an investment vehicle entitled Global Opportunistic Co-Investments. It was stated the first Global Opportunistic Fund launched in 2007. Since then capital was deployed in 113 co-investments. The evolution of the product was detailed and reflected the evolving focus. A flexible and nimble strategy is designed to capture opportunities in any given market. Composition of the investments were also outlined by global location, strategy and sector. The presenters cited that investment partners actively seek out partnerships for their highest conviction ideas. It was noted that this investment targets a less crowded part of the liquidity spectrum. 2-5 years of liquidity focus. These investments have full transparency, which hedge funds and private equity funds have limited transparency. Fees are based on invested capital only, which is not the case for hedge or private equity funds. Entrust leverages its scale in the co-investments space to negotiate lower fees. There was also discussion that AndCo would have a pooled account. Mr. McCann advised he was not aware of it but would look into it. Another alternative is a fund of one, depending on the capital committed. At the conclusion of the presentation, Mr. Frost asked Mr. Marano to have the agreements sent to Mrs. Jensen to begin her due diligence. The Board thanked the presenters for a thought provoking presentation.

ATTORNEY'S REPORT

DISABILITY ORDER: Mrs. Jensen presented the Disability Order for Vincent Morton, which was reviewed and duly executed. Motion by Mrs. Fragakis and was seconded by Mr. Marchese. All Trustees voted yes, and the motion was passed 5-0.

MADOFF UPDATE: Mrs. Jensen stated that Mr. D. Williams completed paperwork related to the Madoff settlement. Additional funds are expected to be released.

NEW HIRES: Mrs. Jensen completed new medical review forms for the pension medical examination.

⁴ Attended meeting telephonically.

⁵ Attended meeting telephonically.

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MEMBERSHIP MEETING: The PBA asked that Mrs. Jensen attend a membership meeting to explain the legal issues related to the impact statement presented today. The Board agreed by consensus.

SECURITY LITIGATION: Mrs. Jensen is coordinating with representatives from Bernstein, Litowitz for a presentation date.

Mr. Frost noted the he and Mr. D. Williams have a conference Call with Saxena White after today's meeting regarding the Amtrust Matter.

ADMINISTRATOR'S REPORT

Mr. Williams presented the Trustees a Certificate of Transparency awarded to the Plan from NCPERS - National Conference on Public Employee Retirement Systems for its participation in the 2019 NCPERS Public Retirement Systems Study.

The award may be viewed on line at:

<http://wpbppf.com/docs/announcements/NCPERS%20Transparency%20Award%20received%20March%20202020.pdf#zoom=100>

The study may be viewed on line at:

https://www.ncpers.org/files/2019%20NCPERS%20Public%20Retirement%20Systems%20Study%20Report%20Final_M.pdf

OPEN DISCUSSION

Change future meeting date due to conflict. New date of the April meeting has been rescheduled for April 3, 2020.

ADJOURNMENT

Being there was no other business; the meeting was adjourned by motion at 11:26 AM.

Next meeting is scheduled for April 3, 2020 at 8:30 AM



Troy Marchese, Board Secretary