

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

Minutes

**March 14, 2014
8:30 AM**

CALL THE MEETING TO ORDER

Mr. Frost called to order the West Palm Beach Police Pension Fund Meeting on March 14, 2014 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, Chairman, Craig Kahle, Board Trustee and Wilton White, Board Trustee.

Also present: Ernest George, Retired Member; Lou Penque, Active Member; Jeff Amrose, Board Actuary of Gabriel Roeder Smith; John McCann, Performance Consultant of Thistle Asset Consulting; Kenneth S. Kailin & Mary McManus of Oak Ridge Investments; Bonni Jensen, Board Attorney, Law Offices of Perry & Jensen; Dave Williams, Plan Administrator.

PUBLIC COMMENT

No comments provided

APPROVAL OF THE MINUTES

Minutes of March 7, 2014 were tabled.

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, in addition to the detailed activity outlined in the administrative report by Mr. Williams. Mr. White made the motion to approve the foregoing which was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 3-0.

ATTORNEY'S REPORT

Mrs. Jensen presented the final Rizzo Order to the Board for approval and execution. Mr. White made the motion to approve same and executed the order along with Mr. Frost. The motion was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 3-0.

Mrs. Jensen reviewed the draft Order for the Zangara matter. Input was provided from the Trustees which was duly noted by Mrs. Jensen, who will update the Order accordingly. Mr. White made the motion to approve the Order as amended and authorize the Chairman and the Secretary to execute. The motion was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 3-0.

Mrs. Jensen indicated that special counsel will have to be engaged for the Mintus Appeal. It was reported that both parties now wish to pursue an Appeal. Mrs. Jensen recommended Mr. Robert Sugarman. The hourly cost would not exceed \$350.00 per hour. Mr. White made a motion to engage Mr. Sugarman accordingly, which was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 3-0. A tentative date was identified and will be arranged by Mrs. Jensen.

Mrs. Jensen cited that Mr. Dennis Murray has formally filed for disability. Further updates will be provided as warranted.

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Mrs. Jensen advised that she was contacted by Mr. Donald A. Broggi, Attorney for Scott & Scott. Mr. Broggi cited a recently filed case against Thoratec. Mrs. Jensen indicated that rather than file an action here, Scott & Scott would like to perform a "books and records" request of Thoratec on behalf of West Palm Beach Police Pension Fund, which under California law, allows a shareholder to seek documents from the company related to potential fraud claims and wrongdoing. After an exchange by the Trustees, Mr. White made a motion to engage Scott & Scott for a books and records review as provided by law and authorize the Chairman (or designee) the authority to execute required documents. This motion was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 3-0.

ACTUARIAL VALUATION REPORT

Mr. Jeff Amrose, Board Actuary of Gabriel Roeder Smith came before the Board and presented the September 30, 2013 Actuarial Valuation Report.

Contribution requirements for the plan year beginning October 1, 2014 were reported as follows:

Defined Benefit Contributions for For Fiscal Year Beginning	Contributions Expressed as Percents of UnDROPed Payroll(1)			Contributions Expressed as Percents of Payroll Including DROP		
	October 1, 2014		October 1, 2013	October 1, 2014		October 1, 2013
	After Changes	Before Changes		After Changes	Before Changes	
Normal Cost:						
Service pensions	15.86 %	15.54 %	15.51 %	12.15 %	11.90 %	11.78 %
Disability pensions	1.58	1.55	1.55	1.21	1.18	1.17
Survivor pensions						
Pre-retirement	0.31	0.35	0.35	0.24	0.26	0.26
Post-retirement	1.01	1.13	1.13	0.77	0.87	0.86
Termination benefits:						
Deferred service pensions	0.97	0.95	0.95	0.74	0.73	0.72
Refunds of member contributions	0.79	0.79	0.79	0.61	0.61	0.60
Total Normal Cost	20.52	20.31	20.28	15.72	15.55	15.39
Unfunded Actuarial Accrued Liability (UAAL):						
Retired members and beneficiaries	0.00	0.00	0.00	0.00	0.00	0.00
Active and vested terminated members	35.20	34.63	33.33	26.96	26.52	25.31
Total UAAL	35.20	34.63	33.33	26.96	26.52	25.31
Administrative Expenses (net of charges to Share and DROP accounts)	1.16	1.16	1.00	0.89	0.89	0.76
Total Calculated Contribution Requirement	56.88 %	56.10 %	54.61 %	43.57 %	42.96 %	41.46 %
Adjustments to Calculated Contribution Requirement:						
Temporary full funding credit	0.00	0.00	0.00	0.00	0.00	0.00
FS112.64(5) compliance	10.25	9.89	8.87	7.86	7.58	6.74
Total adjustments	10.25	9.89	8.87	7.86	7.58	6.74
Total Adjusted Contribution Requirement:						
Member portion	67.13 %	65.99 %	63.48 %	51.43 %	50.54 %	48.20 %
Chapter 185 portion	11.00 %	11.00 %	11.00 %	8.42 %	8.42 %	8.36 %
City portion	5.94 %	5.94 %	0.00 %	4.55 %	4.55 %	0.00 %
City portion	50.19 % ⁽²⁾	49.05 %	52.48 %	38.46 %	37.57 %	39.84 %
Expected Covered Payroll for Contribution Year	17,967,196	17,967,196	17,706,396	23,461,041	23,461,041	23,307,434
City Contribution Requirement Paid Quarterly	9,017,738	8,812,912	9,292,319	9,017,738	8,812,912	9,292,319
City Contribution Requirement Paid at Beginning of Fiscal Year	8,677,322	8,480,229	8,941,538	8,677,322	8,480,229	8,941,538

As exhibited above, the Total Normal Cost as of October 1, 2013 was valued at 20.28% of payroll. Effective October 1, 2014, the Total Normal Cost was valued at 20.52%, or an increase of 0.24%. Further, the Unfunded Actuarial Accrued Liability as of October 1, 2013 was valued at 33.33% of payroll. Effective October 1, 2014, the Unfunded Actuarial Accrued Liability was valued at 35.20%, or an increase of 1.87%. The Administrative Expense for the Fund was valued at 1.16% of payroll. Mr. Amrose valued the Total Calculated Contribution Requirement to be 56.88% as of October 1, 2014, which is a net increase from October 1, 2013 of 2.27%.

¹ Davidson, Jamieson & Cristini – Financial Statements for FYE September 30, 2013 valued Administrative Expenses at 0.12% of the *plan assets* which is remained constant from the prior fiscal year.

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Additionally, pursuant to ²F.S.112.64(5) an expense of 10.25% is imposed due to the lack of payroll growth. That is an increase from 8.87% for the fiscal year October 1, 2013. Based on the foregoing, the Total Adjusted Contribution Requirement was valued at 67.13%, or a difference of 3.65% from October 1, 2013. The member portion is 11.00%, Chapter 185 portion is 5.94%, which leaves a net percentage due from the Fund Sponsor (City of West Palm Beach) of 50.19%, or \$8,677,322. This represents a decrease of \$264,216 from the prior fiscal year.

It was highlighted that the funding level was valued at 77.8% as of October 1, 2013, which is an increase from the October 1, 2012 level of 75.5%.

Mr. Amrose reflected that beginning with the September 30, 2011 Actuarial Valuation Report, the mortality table was updated from the 1983 Group Annuity Mortality Table to the RP-2000 Combined Healthy Participant Mortality Table using Scale AA after 2000 to reflect future mortality improvements. The change in the mortality rates is being phased-in over five years, as such, this is the third year.

Mr. Amrose advised that the activities of the Pension Fund and its members generated an experience gain of \$3,185,651 during the plan year ended September 30, 2013. The principal source of the gain was recognized investment return of 10.8% vs. 8.0% expected. The net investment return on market value was 13.6% for the total fund and 16.4% for the defined benefit program. 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 5%, or \$13.0 million. This means that there are gains from prior periods as well as the current fiscal year that will be recognized in the 2014-2016 reports. These gains will put downward pressure on the contribution requirements and upward pressure on the funded ratios in those reports. If these gains were immediately recognized, the City contribution would decrease to 43.72% of covered payroll (\$7,855,260 if made quarterly or \$7,558,727 if made on October 1, 2014) and the funded ratio would increase from 77.8% to 82.3%. The Trustees felt having future gains would be most beneficial.

Mr. Amrose concluded his presentation by issuing an opinion that the required contribution rate determined by the most recent actuarial valuation is sufficient to meet the Fund's funding objective, presuming continued timely receipt of required contributions.

After fielding questions of the Trustees, a motion was made by Mr. Kahle to accept and approve the September 30, 2013 Actuarial Valuation Report as prepared & presented by Gabriel Roeder Smith and Company. Mr. White seconded the motion. All Trustees voted yes, and the motion was passed 3-0. Mr. Williams will file accordingly with the State of Florida.

The Board also discussed the assumed rate of return with Mr. Amrose and Mr. McCann. Upon doing so, it was determined that the current assumption was reasonable for this year, the next several years and for the future. Mr. White reaffirmed the foregoing in the form of a motion, which was seconded by Mr. Kahle. All Trustees voted yes, and the motion was passed 3-0.

² (5)(a) If the amortization schedule for unfunded liability is to be based on a contribution derived in whole or in part from a percentage of the payroll of the system or plan membership, the assumption as to payroll growth shall not exceed the average payroll growth for the 10 years prior to the latest actuarial valuation of the system or plan unless a transfer, merger, or consolidation of government functions or services occurs, in which case the assumptions for payroll growth may be adjusted and may be based on the membership of the retirement plan or system subsequent to such transfer, merger, or consolidation.

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Mr. Amrose concluded by asking the Board for direction in the completion of the GASB 67 schedule for the September 30, 2014 valuation. Mr. Kahle made a motion approving Mr. Amrose to produce the GASB 67 for the next report. This motion was seconded by Mr. White. All Trustees voted yes, and the motion was passed 3-0.

Mr. Frost concluded by saying that it would be beneficial for the city commission to hear the valuation presentation from Mr. Amrose directly. By consensus all Trustees concurred.

OAK RIDGE INVESTMENTS – MID CAP GROWTH MANAGER

Mr. Kenneth S. Kailin & Ms. Mary McManus appeared before the Board and reviewed the December 31, 2013 investment report. The firm's investment philosophy, investment process and sell discipline was briefly discussed. Performance measurements, as well as key performance attribution were discussed. Mr. Kailin highlighted that in 11 negative quarters (for the Russell Midcap Growth Index) over 10 years, Oak Ridge outperformed in 10 of the 11 quarters.

According to the Oak Ridge Report of December 31, 2013, portfolio returned 7.43% for the quarter vs. 8.23% for the benchmark (Russell Midcap Growth). For the rolling 12 months, Oak Ridge returned 34.30% vs. 35.74% for the same benchmark. Market Value as of December 31, 2013 was \$24,027,000.

Mr. McCann provided a Morningstar Report for the Oak Ridge Account to the Trustees. The report in part confirms that Oak Ridge's investment style is a medium cap growth manager.

THISTLE ASSET CONSULTING

Mr. McCann cited that JPMorgan Real Estate has made the capital call for 10 million dollars. The funds were identified based on the manager allocation. Mr. Williams provided notice to each respective manager. Mr. McCann foresees a seamless transition.

ADMINISTRATOR'S REPORT

Mr. Williams presented the State of Florida Annual Report for execution by the Chairman. After being signed, Mr. Williams indicated that he will file accordingly with the State of Florida.

Mr. Williams cited a public records request he completed regarding RFP's for security monitoring.

OPEN DISCUSSION

Mr. Frost shared information recently received during a local educational event he attended in Palm Beach Gardens.

ADJOURNMENT

Being there was no other business; the meeting was adjourned at 10:16 AM.

The next meeting regularly scheduled meeting is April 11, 2014 at 8:30 AM.



Troy Marchese, Board Secretary