

WEST PALM BEACH POLICE



PENSION NEWS



A West Palm Beach Police Pension Fund Publication

Issue 23

Date of Issue:

Third Quarter 2014

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2nd QUARTER PENSION FUND SUMMARY

On June 30, 2014 our fund had a total market value of \$264,018,000. Compared to the March 31, 2014 balance of \$258,960,000.

For the quarter the total fund return was 3.54% (net) and its benchmark return was 3.69%. In the previous quarter the fund return was 0.98%.

For the quarter the stock return was 4.14%, while the benchmark returned 4.65%. The bond return was 1.48% and the benchmark return was 1.62%.

For the quarter end, the allocation of our fund was 54.7% invested in domestic equities, 9.3% was in international equities, 3.2% was in emerging market equities, 21.2% in bonds, 8.8% in Real Estate, and the balance was held in cash equivalents (i.e., short term liquid interest bearing investments similar to money market funds). Our ongoing target for investment in stocks remains at 65% of the total fund.

Fiscal Year (10/1/2013 – 6/30/2014): For the fiscal year-to-date, the total fund net return was 10.98% and its benchmark return was 11.44%. The stock return was 13.11% and the bench-

mark return was 15.74%. The bond return was 4.27% and the benchmark return was 2.70%.

For a rolling twelve month period, the Valley Forge large cap core stock return was 18.57%, the BRC large cap value stock return was 26.24% (inception date was August 31, 2013), the Garcia Hamilton & Associates large cap growth stock return was 20.52%, the Anchor mid-cap value stock return was 16.79%, the Oak Ridge mid cap growth stock return was 21.39%, the GW Capital small cap value stock return was 21.21%, the Eagle small cap growth stock return was 18.31%, the OFI emerging market fund returned 19.21%, the WHV international stock return was 26.82%, the Vanguard International value portfolio returned 25.53%, the Intercontinental Real Estate return was 13.19%, and the Garcia Hamilton & Associates aggregate fixed income return was 5.43%.

Market Comment: For the last year the best performing sector among S&P 500 stocks was Materials which increased 29.73% and the worst sector was Telecommunications which increased 0.23%.

Among the major economic indicators, the Consumer Price Index (CPI-Urban) increased 2.1% before seasonal adjustment for the twelve months ended in June.

The Producer Price Index (PPI) for finished goods advanced 1.9% before seasonal adjustment for the twelve months ended in June.

The seasonally adjusted unemployment rate was 6.1% in June down from 6.7% in March.

Real Gross Domestic Product (GDP) decreased at an annual rate of 2.9% for the first quarter of 2014, compared with an increase of 2.6% in the fourth quarter of 2013.

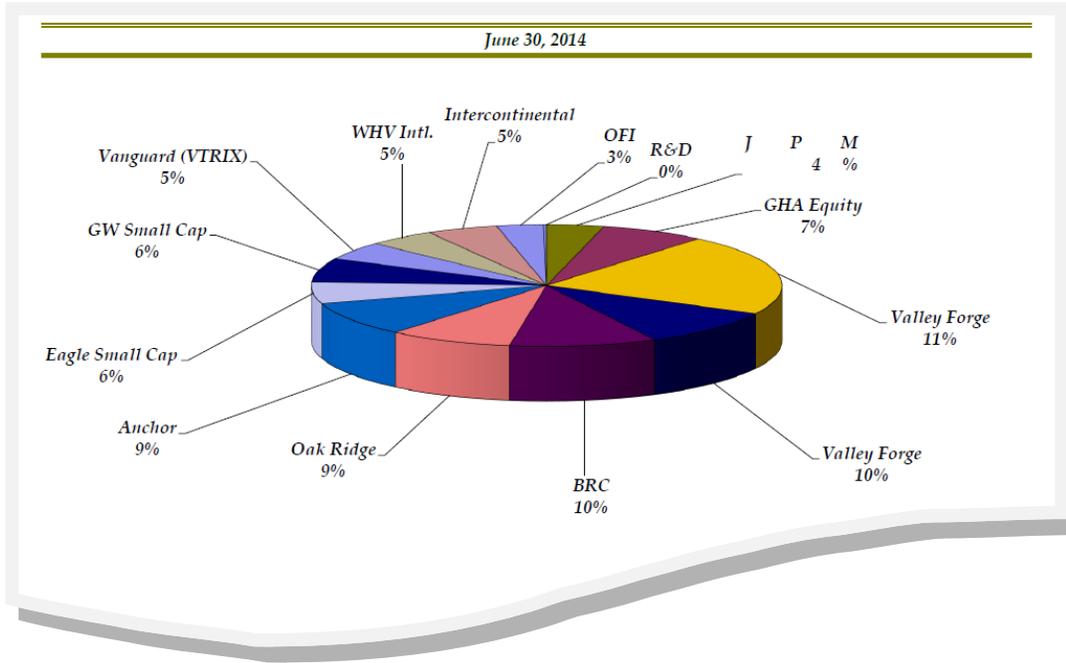
During the second quarter of 2014 the Federal Reserve Open Market Committee kept the target range for the federal funds rate of 0.00% to 0.25%.

The federal funds rate is the interest rate that banks charge each other for overnight loans.

Remember the entire investment report may be viewed on-line.



Track the Fund



Plan Asset Allocation & Diversification as of June 30, 2014

	Domestic Equities	Int'l Equities	Emerging Markets	Fixed Income	Real Estate	Cash	Total	% of Total
GHA Equity	\$18,561,000					\$550,000	\$19,111,000	7.2%
GHA Aggregate				\$56,074,000		\$563,000	\$56,637,000	21.5%
GHA Total							\$75,748,000	28.7%
Valley Forge	\$24,662,000					\$1,204,000	\$25,866,000	9.8%
BRC	\$26,141,000					\$504,000	\$26,645,000	10.1%
Oak Ridge	\$21,829,000					\$740,000	\$22,569,000	8.5%
Anchor	\$22,534,000					\$1,528,000	\$24,062,000	9.1%
Eagle Small Cap	\$15,005,000					\$79,000	\$15,084,000	5.7%
GW Small Cap	\$15,729,000					\$845,000	\$16,574,000	6.3%
Vanguard (VTRIX)		\$12,813,000				\$0	\$12,813,000	4.9%
WHV Intl.		\$11,714,000				\$539,000	\$12,253,000	4.6%
Intercontinental					\$12,934,000	\$0	\$12,934,000	4.9%
JP Morgan					\$10,403,000	\$0	\$10,403,000	3.9%
OFI			\$8,499,000			\$0	\$8,499,000	3.2%
R&D						\$568,000	\$568,000	0.2%
Totals	\$144,461,000	\$24,527,000	\$8,499,000	\$56,074,000	\$23,337,000	\$7,120,000	\$264,018,000	100.0%
% of Total	54.7%	9.3%	3.2%	21.2%	8.8%	2.7%	100.0%	
Target %	52.0%	10.0%	3.0%	25.0%	10.0%	0.0%	100.0%	

ECONOMIC ENVIRONMENT

A Welcome Spring

Coming on the heels of a 2.9% downturn in the first quarter's GDP, the second quarter's economic picture has brightened substantially. Estimated GDP growth of 4.0% this spring erased the winter downturn. Signs of the improvement ranged from excellent job growth to further tapering of the Fed's quantitative easing program. Not only have we seen a constructive hint of inflation in higher metals and energy prices, but we've also seen housing prices continue to rise. Healthy consumer confidence numbers and manufacturing gains are further indicators of economic strength. Geopolitical problems in the Middle East and antagonism between Ukraine and Russia failed to dampen economic enthusiasm.

The 2nd quarter economic highlights were:

- GDP growth for the first quarter declined 2.9% after increasing 2.6% in the prior quarter. This decline was directly attributable to weather-related reductions in inventory and continued reductions in state and local government spending. Consumer purchases increased, but not significantly. Going forward, economists predict healthy GDP expansion for the rest of 2014 and 2015.
- Job gains, as reported by the Bureau of Labor Statistics, were 288,000 in June. For the quarter, gains averaged 272,000 per month. As a result, the unemployment rate dipped to 6.1%, close to the Fed's 6% interim goal. Another positive was the broad arc of the job gains, which spanned manufacturing, services, retail and health care. Still, the overall employment level remains at a relatively low 62.8% and the number of part-time workers rose to 7.5 million.
- Home prices in May rose 8.8%, year-over-year. All fifty states participated, with Hawaii and California enjoying the largest gains. May was the 27th consecutive month for such gains. Home prices are still 13.5% below their April 2006 peak.
- Manufacturing and service sector activity was very pronounced. The Institute of Supply Management reported the June manufacturing index at 55.3%, well above the 50% expansion threshold. New orders for the manufacturing sector were up 58.9%. Additionally, 15 of the 18 manufacturing industries experienced growth. Only chemical products, textiles and plastics contracted. The service sector reading was 56% in June, with new orders at 61.2%.
- As of June, the Conference Board's Consumer Confidence Index gained 3% in one month, rising to 85.2, its highest level in 5-½ years! The consumer survey indicates reasonable satisfaction as projected out for the next six-months. While relatively few workers expect their incomes to grow by yearend, still fewer expect an income decline. This report was yet another reflection of a growing economy.
- The DJ-UBS Commodity Index was little changed from the first quarter. Decreases in grain prices (-13%) and cotton (-21%) largely offset gains in metals (+9%) and energy (+4%). The dramatic price drops in grain and soft farm products was inversely correlated with excellent growing conditions. Gold demand drove metals, while uncertainty in Russia and a more robust world economy contributed to higher energy prices.
- CPI inflation has begun to reflect economic expansion. June's CPI increase was a moderate 2.1%, year over year, but is likely to rise further when Fed tapering ends in October. For the next three months, the Fed's mortgage and long maturity Treasury purchases will be \$35 Billion per month, down dramatically from the \$85 Billion initiated last year. Further, on June 17th, the Fed announced it would likely end the program altogether in October. Clearly, this news anticipates a growing economy and ongoing employment gains.

Source: Dahab Associates

Pension future hinges on Crist/Scott race

By Lloyd Dunkelberger, Herald-Tribune - Saturday, September 6, 2014

Riding a strong stock market, the Florida pension fund had a robust year, earning 17.4 percent in returns and rising to \$149 billion. But big changes may loom for the nation's fourth-largest public pension fund, affecting more than 1 million state workers, school employees, county workers and retirees who rely on the Florida retirement system.

The direction those changes take will depend, to a great extent, on the outcome of the governor's race. If Rick Scott is re-elected, you can expect a renewed push to move more public workers out of the traditional pension plan and into a 401(k)-type plan, currently an optional plan in the retirement system.

It was under Scott that public workers began making an annual 3 percent contribution to the state retirement fund in 2011. Scott's criticism of the current system includes keeping a list of public workers who qualify for more than \$100,000 in annual pension benefits on his state office website.

Under the changes, employees can choose whether their contributions and the state's go into the traditional pension plan or into a 401(k)-type plan, in which they can direct the investments.

If Charlie Crist wins, he is more likely to side with major labor unions that are supporting his campaign, including the Florida Education Association, which argue that Florida's pension plan should not be changed.

The positive returns on the pension fund for the fiscal year that ended in June will bolster the argument that change is not needed.

Ash Williams, executive director and chief investment officer for the State Board of Administration, which oversees the \$149 billion investment plan, said last month he was pleased with the fund's performance, but he emphasized that the long-term data "matters most."

Over a 25-year period, the fund was showing a return of more than 9 percent, which Williams attributed to "prudence, patience and diversification."

Williams also reported that one in every four newly hired public employees is opting for the 401(k)-type plan, which has reached a record level of more than 157,000 retirement accounts.

About 83 percent of the active public workers remain in the traditional pension fund.

Continue next page.....

Proponents for pension change point to the fact the fund can only cover 85.9 percent of its future costs – a solid rating, although it also represents a \$22 billion future unfunded liability.

The state is setting aside more than \$500 million a year to cover the future liability – funding that critics say could be better spent on issues like education, health care or tax cuts.

“Pension reform is a major issue for Florida, at the state and local levels,” said Abigail MacIver, deputy state director for Americans for Prosperity. “History shows us that defined benefit plans, like the (Florida Retirement System), are not sustainable. “Even when the FRS has a good year, it still can’t keep up with the mounting unfunded liabilities.” MacIver said the unfunded liability means taxpayers “have to continue propping up the plan,” even as future costs grow.

“It’s in the best interest of our state now and in the future to reform the pension plan to something we know we can sustain for generations to come rather than continuing to kick the can down the road for our children and grandchildren to deal with,” MacIver said.

House Speaker Will Weatherford, R-Wesley Chapel, one of the strongest proponents for pension change in Tallahassee, pushed for a reform package in the spring, arguing it would not affect the more than 1 million workers or retirees already in the retirement system.

Instead it was aimed at newly hired workers. Yet because the investment plan is cheaper for the state and local governments, it could represent a substantial savings over time – estimated at \$29 billion by 2040 under the House plan. Weatherford is leaving office in November.

But the issue of pension reform will remain on the agenda in a Legislature run by conservative Republicans. However, the pension reform bills have died for the last two years in the Florida Senate.

Incoming House Democratic leader Mark Pafford of West Palm Beach said he does not see any reason for a major overhaul. “I think any attempt to go back and tinker with the FRS system would not be a good idea,” Pafford said. “The fact that it has been defeated a couple times – two years in a row – I don’t think there is any appetite for messing with something that’s not broken.” Pafford said the unfunded liability is a result of state officials failing to fully fund the pension in previous years.

For instance, in 2011, when lawmakers and the governor successfully pushed the move to have workers contribute 3 percent of their salaries, the money went to helping balance the budget rather than boosting the retirement fund.

“My feeling is unfortunately we created this problem purposely so we had a problem to deal with,” Pafford said. “This is something that could have been prevented if they had a listened to the state’s own actuaries....Anything else is hogwash.”

WEST PALM BEACH POLICE PENSION FUND

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PUBLIC NOTICE

WEST PALM BEACH POLICE PENSION FUND BOARD OF TRUSTEES WILL BE MEETING

January 09, 2015	July 10, 2015
February 06, 2015	August 14, 2015
March 13, 2015	September 11, 2015
April 10, 2015	October 09, 2015
May 08, 2015	November 13, 2015
June 12, 2015	December 11, 2015

**LOCATION: PALM BEACH PBA
2100 N. FLORIDA MANGO ROAD
WEST PALM BEACH, FLORIDA 33409**

TIME: 8:30 A.M.

IF ANY PERSON DECIDES TO APPEAL ANY DECISION MADE BY THE BOARD WITH RESPECT TO ANY MATTER CONSIDERED AT SUCH MEETING OR HEARING, THEY WILL NEED A RECORD OF THE PROCEEDINGS, AND FOR SUCH PURPOSE, THEY WILL NEED TO ENSURE THAT A VERBATIM RECORD OF THE PROCEEDINGS IS MADE, WHICH RECORD INCLUDES THE TESTIMONY AND EVIDENCE WHICH THE APPEAL IS TO BE BASED.

THIS MEETING MAY BE CONDUCTED BY MEANS OF OR IN CONJUNCTION WITH COMMUNICATION MEDIA TECHNOLOGY, THE TYPE BEING A SPEAKER TELEPHONE. THE ACCESS POINT IS THE CONFERENCE ROOM, WITHIN THE PALM BEACH COUNTY POLICE BENEVOLENT ASSOCIATION BUILDING.

PERSONS WITH DISABILITIES WHO REQUIRE REASONABLE ACCOMMODATIONS TO PARTICIPATE IN THE MEETINGS MAY CALL THE PLAN ADMINISTRATOR FIVE BUSINESS DAYS IN ADVANCE AT 561-471-0802 (VOICE) AND/OR 800-955-8771 (TYY).

Note: In compliance of state law, the Board of Trustees finds that a proper and legitimate purpose is served when members of the public have been given a reasonable opportunity to be heard on a matter before the Board. Therefore, the Board of Trustees have determined and declared that they will allot 15 minutes in total for this purpose; however each person is limited to no more than (2) two minutes to comment at each meeting.

Please visit us at: www.wpbppf.com

67 Law Enforcement Officer Fatalities Nationwide in First Half of 2014

Washington, DC—The [National Law Enforcement Officers Memorial Fund](#) recently issued a report stating that 67 officers have been killed in the line of duty during the first half of 2014—a 31 percent increase over the same period last year.

Of these 67 officers, 26 were killed in traffic-related incidents; 25 were killed by gunfire; and 16 died due to job-related illnesses and other causes.

Key Facts

- Traffic-related incidents were once again the leading cause of officer fatalities, with 26 officers killed in the first half of 2014—a 37 percent increase over the same period last year.
- Firearms-related fatalities spiked to 25 in the first half of this year—a 56 percent increase over the first six months of 2013. Investigating suspicious persons or situations was the leading circumstance of fatal shootings, with six officer fatalities; followed by ambushes, with five officer fatalities.
- Sixteen officers died due to other causes in the first half of 2014, the same as the number reported during the same time last year. Job-related illnesses, such as heart attacks, increased 62 percent in the first half of 2014, with 13 officer fatalities compared to eight during the same period last year.
- California led all states with eight officer fatalities; followed by Florida, New York, Texas and Virginia each with four peace officer fatalities.



THE BOARD OF TRUSTEES

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Beneficiary & Pre-Retirement Option Forms

Please remember to update or name your Beneficiary
TODAY!

Updated forms available on-line!

<http://wpbppf.com/>

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Jonathan "Jack" Frost was recently honored for his service to the West Palm Beach Police Pension Fund as a Trustee, Board Secretary and now the Board Chairman. Jack has volunteered his time & talent by faithfully serving since July 17, 1989. Join the Board by saying "Thank You" next time you see Jack!

