

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MINUTES OF MEETING HELD
June 6, 2013

Chairman Rick Dorey called the meeting to order at 1:30 P.M. in the Third Floor Conference Room at Station 1; 500 N. Dixie Highway, West Palm Beach, Florida. Those persons present were:

TRUSTEES

Rick Dorey, Chair
Brian Walker, Secretary
Dave Merrell
Ron Frano

OTHERS

Audrey Ross, Resource Centers
Bonni Jensen, The Law Offices of Perry & Jensen
Brad Armstrong, GRS
Greg Grabar, PIMCO
Rushant Sanathara, PIMCO
Justin Mallis, The Bogdahn Group
Troy Brown, The Bogdahn Group
Rick Roberts, City of WPB Firefighters (retired)
Joe White, Saxena White

PUBLIC COMMENTS

N/A

SAXENA WHITE – JOE WHITE

Mr. White explained that he was here today to update the board on the Alexander case. He noted that the plan has \$50K worth of assets that are invested with this company and reviewed the background of the case. The CEO, CFO and 3 other board members are all serving for Alexander's company, as well as another affiliated parent company named Vornado's, and this might be a conflict of interest. As of now Saxena White would like the board's permission to start with collecting the books and records from both firms to see if there is a conflict of interest. The Trustees had a lengthy discussion on the process surrounding this class action lawsuit and how this fund could be affected. Mr. White noted that the plan would want to stay fully invested with this stock during this process. First, Saxena White would send a demand letter to the company requesting all their documents and books relating to this matter. Once they get all the books and records then they will go from there, but Saxena White will not make any decisions until they get the board's approval.

A motion was made by Dave Merrell to allow Saxena White to request the books and records from Alexander's Company as recommended by Saxena White. The motion was seconded by Ron Frano and carried 4-0.

ACTUARY REPORT: GRS (PRESENTED BY BRAD ARMSTRONG)

Mr. Armstrong stated that he was here today to review the draft 5 year experience study that he completed. He noted that he would like the board's feed back regarding some of the assumption changes he was getting ready to review. Mr. Armstrong explained that the board needed to complete this study because they have not reviewed their assumptions in quite a while, and it is something the board should review with their Actuary every so often. Also the Division of Retirement thinks that the board's current assumed rate of return of 8.25% is too high. The Trustees had a lengthy discussion on the plans current assumed rate of return and Ms. Jensen noted that they cannot change the assumed rate of return until next Legislative session because the rate is tied into the Special Act. Therefore the board would need to amend the plan to change their assumed rate of return. The board

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discussed and reviewed what assumptions are tied into the Special Act (such as the assumed rate of return and the amortization schedule) and what assumptions are controlled by the pension board. Mr. Armstrong reviewed some of the different scenarios that he put together that reflect his recommendations to change some of the plan's assumptions (recommending 4 assumption changes). He reviewed the economic assumptions (merit and seniority pay increases) and stated that he recommends adding in an additional salary increase assumption based on service. He also recommends decreasing the plans assumed rate of return from 8.25% to 8%, in the next Special Act changes. Mr. Armstrong noted that the board can decrease their assumed rate of return in increments over so many years, but they will have to get the Division of Retirement's acceptance on that prior to setting it up that way. Thirdly, he reviewed the disability assumptions and explained that he would recommend changing the assumption that 50% of disability retirements would be assumed to be duty related, to 2/3 of disability retirements being assumed to be duty. Lastly Mr. Armstrong discussed the post retirement mortality table. He explained that he thinks the board should change to the RP-2000 mortality table because they believe that the number of retired lives is too small to perform a credible analysis of experience on its own.

The Trustees had a very lengthy discussion on the assumption changes presented to them today, and also on Mr. Armstrong's recommendations to change some of the assumptions as well. Mr. Armstrong noted that none of the assumption changes discussed will impact the City's or the member's cost.

A motion was made by Dave Merrell to accept scenario #1 in the experience study completed by the Plan's Actuary which reflects a change in the plans assumed rate of return from 8.25% to 8% (this will be incorporated into the Special Act with the next Legislative Session), and decreasing the wage and price inflation from 5.50% to 5% and 4.50% to 4%, respectively. The motion was seconded by Ron Frano and carried 4-0.

Ms. Jensen noted that she will notify the City and the Union of the assumption changes discussed today. Mr. Armstrong also commented that he will notify the Division of the board's intent to change the assumptions approved today so that we can move ahead with getting the September 30, 2012 Actuarial Valuation approved.

INVESTMENT MANAGER REPORT: PIMCO (PRESENTED BY GREG GRABAR & RUSHANT SANATHARA)

Mr. Grabar briefly updated the board on the DiSCO 2 fund which this board has been invested in for the past year. He noted that this product has grown tremendously over the past year and it pushed a lot of investors into this strategy. For the quarter ending April 30, 2013 this fund is up 2.66%, and since inception they are up 37.01%. Mr. Grabar explained that this pension plan first invested \$5M into this product and now they are up to \$7,803,367 within one year. This product has held up very well during the rising rate environment, and they have expectation of double digit returns through the end of the year.

Mr. Sanathara welcomed himself back and explained that he was here today to review another product with the fund, Tactical Ops. He reviewed the difference between this product and the DiSCO 2 product and noted that there are some of the same holdings in both products. However, Mr. Sanathara explained, Tactical Ops does gear more toward the housing market. He reviewed the Tactical Ops product and explained that European banks have trillions to deleverage and that is what they are trying to get a hold of as investors. Some of this portfolio is invested in re-

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performing loans (RPL) and nonperforming loans (NPL), and therefore that portion of the portfolio is not liquid. He stated that this investment focuses on the junior **tranche** of the housing market and if homes sales fall, then this product will see more opportunities. Mr. Sanathara explained that PIMCO has significant relationships with the top financial institutions which gives them an advantage over other firms. Also the 3 lead portfolio managers for the Tactical Ops fund are the same portfolio managers on the DiSCO 2 fund. **PIMCO** also has a whole risk management team dedicated to just risk management of this product. Mr. Sanathara stated that their expected annual rate of return is between 10-12% with some annual liquidity after the first 18 months. The management fee is 125 basis points.

The Trustees had a lengthy discussion on the Tactical Ops fund and noted that they will hold off on this investment until they receive money in later next year from the BNP CD that will be due.

INVESTMENT CONSULTANT REPORT: THE BOGDHNS GROUP (PRESENTED BY TROY BROWN)

Mr. Brown briefly presented the draft letter he created to assist Mr. Armstrong's letter to the Division of Retirement regarding the board's historical investment returns.

Mr. Brown updated the board on the fund (preliminary) through May 31, 2013 and commented that they are up 2.4% for the quarter and 11.1% for the year.

APPROVAL OF MINUTES

The Board reviewed the minutes of the regular meeting held on May 2, 2013.

A motion was made by Brian Walker to approve the minutes from the regular meeting held on May 2, 2013. The motion was seconded by Ron Frano and carried 4-0.

DISBURSEMENTS

The Board reviewed the disbursements presented for approval by the Administrator.

A motion was made by Ron Frano to approve the disbursements that were presented by the Administrator. The motion was seconded by Dave Merrell and carried 3-0.

BENEFIT APPROVALS

The Board reviewed the application for a hardship distribution from share account for Robin Beans, the application for distribution of share account (closeout) for Malcolm Bomford, Lester Milkins, and Lyonel Irurzun, and the application for a DROP loan for John Boccanfuso.

A motion was made by Ron Frano to approve the application for a hardship distribution from share account for Robin Beans. The motion was seconded by Dave Merrell and carried 4-0.

A motion was made by Brian Walker to approve the applications for distributions from share account (closeout) for Malcolm Bomford, Lester Milkins, and Lyonel Irurzun. The motion was seconded by Dave Merrell and carried 4-0.

A motion was made by Brian Walker to approve the application for a DROP loan for John Boccanfuso. The motion was seconded by Ron Frano and carried 4-0.

REPORTING OF PLAN FINANCIALS

The Administrator provided the Board with an unaudited financial statement and an income and expense report for review through the month of April 2013.

The Board received and filed the un-audited financial statements through the month of April 2013.

ATTORNEY'S REPORT: THE LAW OFFICES OF PERRY & JENSEN (PRESENTED BY: BONNI JENSEN)

Ms. Jensen reminded the Trustees that their annual form 1 disclosures are due July 1, 2013.

Ms. Jensen updated the board on the DeVry case and noted that the case has recently gone to mediation and there is **no** outcome as of yet.

Ms. Jensen commented that Senate Bill 534 did pass, which will require new Actuarial reporting. She noted that she will send out a memo regarding the changes after the summer.

Ms. Jensen reported that all the 4 new hires hired in April needed waivers and they have already been sent out.

ADMINISTRATOR REPORT: RESOURCE CENTERS (PRESENTED BY: AUDREY ROSS)

N/A

OTHER BUSINESS

There being no further business and the next Pension Board meeting having been scheduled for Thursday August 15, 2013 @ 1:30PM, the meeting adjourned at 5:34PM. *NOTE THE JULY 4, 2013 MEETING IS CANCELED*

Brian Walker, Secretary