

WEST PALM BEACH FIREFIGHTERS' PENSION FUND

MINUTES OF MEETING HELD

OCTOBER 2, 2014

Chairman David Merrell called the meeting to order at 1:33P.M. in the Conference Room at Station 7; 8007 Okeechobee Blvd., West Palm Beach, Florida. Those persons present were:

TRUSTEES

David Merrell, Chair
Brian Walker, Secretary
Guy Montante
Ron Frano

OTHERS

Audrey Ross, Resource Centers
Bonni Jensen, KKJ&L
Dan Johnson, The Bogdahn Group
Troy Brown, The Bogdahn Group
Rick Roberts, WPB Firefighter (Retiree)
Jeff Stefaniak, WPB FF (Active)/Union President
Jessica Rochlin, TBC
John Bayler, TBC

PUBLIC COMMENTS

Mr. Stefaniak stated that the Union would like the Board's permission to use their Actuary, GRS for studies in regards to bargaining/negotiations. He commented that the Union would pay for all cost associated with any studies or work. Mr. Stefaniak briefly explained some of the items that the Union is looking at in regards to some studies; the cost impact of re-amortizing the Plans' unfunded liability, and also the cost impact of allowing members to leave their DROP and Share monies in their accounts once they separate service. The Trustees discussed and noted that they did not have any issue with the Union using GRS for studies at their own cost. Ms. Jensen concurred as well.

A motion was made by Brian Walker to authorize the Union to use the Plan's Actuary, GRS, in regards to bargaining at the cost of the Union. The motion was seconded by Ron Frano and carried 4-0.

APPROVAL OF MINUTES

The Board reviewed the minutes of the regular meeting held on September 4, 2014.

A motion was made by Ron Frano to approve the minutes of the regular meeting held on September 4, 2014. The motion was seconded by Brian Walker and carried 4-0.

~~A motion was made, seconded and carried 4-0 to accept the minutes of the meeting held May 23, 2011.~~**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 Brian Walker and carried 4-0.

BENEFIT APPROVALS

The Board reviewed the benefit approval list presented for approval by the Administrator dated September 4, 2014 (1 Application for Retirement-vested deferred, 1 application for closeout of Share account, 1 application for a refund of contributions, and 1 application for a DROP loan).

A motion was made by Brian Walker to approve the benefit approval list as presented dated September 4, 2014. The motion was seconded by Guy Montante 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 August 2014.

The Board received and filed the un-audited financial statements through the month of August 2014.

INVESTMENT MANAGER REPORT: THE BOSTON COMPANY-TBC (PRESENTED BY JESSICA ROCHLIN & JOHN BAYLER)

Ms. Rochlin and Mr. Bayler introduced themselves to the Board. Ms. Rochlin has been with TBC for 8 years and she is also a client services relationship manager. Mr. Bayler is a senior portfolio manager and has been with the firm for 10 plus years. TBC recently received \$1.2M in new business and there have been no staff changes. As of August 31, 2014 the fund was up 4.64% versus the index at 4.57% and for the year to date they are up 8.43%. Ms. Rochlin reviewed the sector allocations and noted that the Plan is currently underweighted in utilities and they do not have any allocation to telecom services. Since August the portfolio is a little more in line with the benchmark. The board discussed the new I-phone and how the sales have affected their portfolio. TBC has recently added more Apple into their portfolios because of the markets positive reaction to the new sales. Lastly Mr. Bayler discussed the markets outlook and commented that they do think the interest rates will rise sometime in 2015, but they are not building their portfolio around that. The market is still relatively cheap and the job market is looking better so hopefully things will continue in a positive pace.

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

Mr. Brown relayed the information that he knew regarding PIMCO and departure of Bill Gross. He explained that any change in a lead portfolio manager or a CEO, is a reason to look at and/or terminate a manager. In this case with Bill Gross leaving and since a new structure will be put in place with a new leader, this is why the Bogdahn Group is recommending to all their clients to seek an alternative investment for the PIMCO Total Return Fund. Also all other PIMCO products are on watch as well. Mr. Brown stated that since last Friday there has been \$23.5B in "out cash flows" from PIMCO, but they still remain the world's largest bond manager. The biggest fear out there right now is that investors and employees will either leave PIMCO to follow Bill Gross, or they will just leave PIMCO and take their money elsewhere. Mr. Brown explained that this Plan has 2 investments with PIMCO, the Total Return II fund, and the DISCO 2 fund. Here are Bogdahn's recommendations for each fund:

- PIMCO Total Return II Fund – Find a replacement due to the departure of Bill Gross. Mr. Brown reviewed a couple of options that the Board has in regards to the funds from this account and where they can be allocated. Bogdahn's recommendation would be to liquidate the PIMCO account and either open a new portfolio with Sawgrass (in which the board has recently interviewed this manager), or they can select another mutual fund or separate manager account to go with.
- PIMCO DISCO 2 Fund – This fund will remain on watch.

The Trustees had a very lengthy discussion on their options and stated that they did like Sawgrass, but they are more expensive than a mutual fund and we will still need

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to get a contract signed with them, as with a mutual fund you can just purchase the fund without a contract. The Trustees reviewed some different mutual fund that Mr. Brown is recommending if they do go that route. He would not recommend adding any more with a JP Morgan fund because the Plan already has 2 other investments with them. Mr. Brown's first recommendation would be Dodge and Cox as they are not too risky.

A motion was made by Brian Walker to close out the PIMCO Total Return II Fund and move all the assets over to the Dodge and Cox Mutual Fund. The motion was seconded by Ron Frano and carried 4-0.

Mr. Brown updated the Board on the Franklin Templeton lawsuit. Since the last meeting the courts made a ruling on the California lawsuit, but it is not settled. The courts ruled that the California Retirement system is not liable or responsible for any of the bankruptcy. The Judge will rule on October 30, 2014 on whether or not the City can emerge from their 2 year bankruptcy, or whether there is still more work left to do in the case. The good thing is that the California retiree's pensioners will not be affected by this case, which was the Board's main concern. Mr. Brown stated that he feels fine with the board staying with Franklin Templeton because this case does not have any effect on this plan's portfolio, but he will keep an eye on the case and the portfolio. Mr. Brown will also update the Board once the final ruling is made as well. Mr. Roberts expressed that he does not agree with Franklin Templeton and that he would personally not do any business with them.

Lastly Mr. Brown briefly updated the board on the Plan's performance through September 30, 2014 (preliminary). The fund is up 9.9% for the fiscal year, which is a gain of around \$16M.

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

Ms. Jensen explained that Salem Trust's parent company Pennet Capital is in trouble for buying bonds that did not exist. Supposedly Pennet Capital bought \$170M in USDA bonds that did not even exist and now they are trying to get off in paying them back. The person who sold them the bonds has been arrested. Ms. Jensen stated that this issue does not have anything to do with Salem Trust as a Custodian as this plan has no exposure to Pennet Capital. The Plan's assets are held in a Trust under the Plan's name with Salem Trust.

Ms. Jensen noted that she had her assignment and assumption clause with her today to be executed (that the Board approved at the last meeting).

Ms. Jensen commented that both the 2013 State Annual Report and the September 30, 2013 Actuarial Valuation Reports have been approved by the Division of Retirement.

Ms. Jensen stated that the Plan's summary plan description needs to be updated every 2 years. Therefore she will notify the Plan's Actuary that it needs to be updated.

Ms. Jensen explained that she recently went to a conference regarding the new Senate Bill 534 requirements. The State has created rules around this and there is a lot more actuarial work entitled in this, but there are also a couple of legal issues. There is still questions as to what the "receipt date" is (whether the receipt date is the date the board approves the valuation or the date the valuation is issued), and

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also whether an impact statement will need to be issued or not. Mr. Jensen commented that she will keep the board updated as more information becomes available.

Lastly Ms. Jensen discussed the Leroy Collins study/article that was recently published in the Palm Beach Post. Once again this article is not accurate because it does not take into consideration a lot of aspects of the fund. The only thing that they based the study off was the Plan's assumption rate and funded ratio and gave each Plan a letter grade depending on where they fell. Last year Foster & Foster provided a great response to this article and they will probably do it again this year, but in the meantime the board has a fiduciary responsibility to respond to the article and to ease the members and educate the other parties involved. Ms. Jensen recommends that the board should put together some kind of short and easy response to provide to the City Council to educate them on the true facts of the Plan. The Trustees directed Ms. Jensen to work on a response regarding the Leroy Collins study that can be presented to City Council and the members of the Plan.

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

Ms. Ross stated that we will be having a duty disability case coming up soon.

Ms. Ross presented that board with the Davidson, Jamieson & Cristini letter regarding the new GASB 67 requirements. There will be additional fees due to the new requirement and they will be billed at an hourly basis. The Trustees commented that they will approve those additional fees are they are billed.

OTHER BUSINESS

There being no further business and the next Pension Board meeting having been scheduled for Thursday November 6, 2014 @ 3:12PM, the meeting adjourned at 4:34PM.

Brian Walker, Secretary