

WEST PALM BEACH FIREFIGHTERS' PENSION FUND

MINUTES OF MEETING HELD

MARCH 5, 2015

Chairman David Merrell called the meeting to order at 1:33P.M. in the Conference Room at Station 1, 3rd Floor; 500 North Dixie Highway, West Palm Beach, Florida. Those persons present were:

TRUSTEES

David Merrell, Chair
Brian Walker, Secretary
Ron Frano
Scott Kelly

OTHERS

Audrey Ross, Resource Centers
Bonni Jensen, KKJ&L
Troy Brown, The Bogdahn Group
Brad Armstrong, GRS
Jeff Stefaniak, WPB Firefighter (Active)
Rick Roberts, WPB Firefighter (Retiree)
Rick Dorey, WPB Firefighter (Retiree)
Rushant Sanathara, PIMCO

INVESTMENT MANAGER REPORT: PIMCO (PRESENTED BY: RUSHANT SANATHARA)

Mr. Sanathara welcomed himself back and stated that he was here today to update the Board on the DISCO II product that will be rolling over soon. This fund joined the DISCO II fund back in November 2011 and since then they have received a return of 19%, as the product has done great. Going forward they are lowering the return target from 10-12% to 7-9% mostly due to real estate increasing as well as loans, but they still find this product very attracting. Mr. Sanathara reminded the Board how this investment worked and what type of securities they invest in. The loans held in this product consist of both principal and interest payments and gross yield bonds and are structured loans. They have had \$120M in redemptions since they announced they were reducing the target rate on this fund, but the fund still has 2.6B in assets. Mr. Sanathara reviewed this Plan's performance and noted that the initial investment was \$5M and now the assets are up to \$18.7M.

The Trustees had a very lengthy discussion on the PIMCO DISCO II fund and the lowering of the target return rate. They stated that they knew this investment was going to come to an end and now they need to decide what to do. PIMCO is now extending the opportunity and Mr. Brown stated that he thinks it is still a great opportunity even with the reduced returns because you will not see a 7-9% return in fixed income. The Trustees ultimately decided to stay with the PIMCO DISCO II Fund and therefore no changes have to be made.

PRESENTATION OF THE SEPTEMBER 30, 2014 ACTUARIAL VALUATION REPORT – GRS (PRESENTED BY: BRAD ARMSTRONG)

Mr. Armstrong stated that this year's report includes the new GASB 67 requirements/reports. He reviewed the Plan's funding requirements and stated that for the fiscal year beginning October 1, 2015 the total required contributions are 57.93% of payroll. The City will need to contribute 44.83% and the employees will need to contribute 13.10%. Mr. Armstrong noted that the Chapter 175 money is not included in the contributions because it will go to the City again this year. He reviewed the breakdown of the payroll growth and noted that they assume a payroll growth of 5% per year but it is actually a lot higher. The Plan had a net loss of \$99,066 during the fiscal year and the total unfunded liability is at \$75.9M. Also the funded ratio increased this year from 66.9% to 68.7%. The Trustees asked why

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there was a different between GRS's funded ratio and the auditors funded ratio which was at 72%. Mr. Armstrong explained that it has to do with the unfunded liability payment of \$5M that was made as well as the new GASB requirements and he would recommend using the auditor's number. Mr. Armstrong stated that this Plan has a 4 year smoothing and as of this year all losses have been accounted for and going forward it is all positive years. Mr. Armstrong noted that the historical information in the back of the report is not up to date and Mr. Armstrong noted that he will review and update it. Ms. Jensen recommended waiting to approve the valuation until the next meeting when the updated historical information is available.

INVESTMENT CONSULTANTS REPORT: THE BOGDAHN GROUP (PRESENTED BY: TROY BROWN)

Mr. Brown and Ms. Jensen explained the Salem Trust issue that has just occurred in regards to their SSA16 audit that was just issued. They were being audited for the timeframe in which their whole conversion failure happened and they were issued an adverse opinion on the audit. This audit confirmed everything that the Board already knew about (the failed conversation back in 2013). The Trustees had a lengthy discussion on what effect this could have on the Plan and what other issues could arise from this. Ms. Jensen explained that the Plan's auditor did issue an internal control document relating to this, but it does not change anything else in the audit. The Board will monitor Salem Trust going forward and they would also like Salem Trust to attend their next meeting to reassure them that everything has been straightened out since.

Mr. Brown briefly reviewed the March 2, 2015 flash performance report. Quarter to date they are up 3.2% and fiscal year to date they are up 6.5%.

Mr. Brown reviewed the global tactical asset allocation (GTAA) fund. He stated that this fund has much lower fees and better liquidity than hedge funds and is considered a "portfolio solution". GTAA consist of some equities and fixed income, and they can also act like a bond as well. Also GTAA are not considered alternatives, but rather a mutual fund. Mr. Brown explained the benefits of GTAA and reviewed their asset allocation and noted that they are very diversified. Mr. Brown also reviewed and compared a couple of different managers that offer this product and noted that they are currently not recommending PIMCO, but he does also like Westwood and Black Rock and would even recommended funding both managers. Westwood is all US securities as Black Rock invests in both US and foreign assets. Also the fees for Westwood and Black Rock are in line with each other and are not the highest. Mr. Brown's recommendation is to take 5% from the Dodge and Cox fund and split it 50/50 between Westwood and Black Rock (which would be a total of \$9M from Dodge and Cox, with a \$4.5M allocation to each manager). The Trustees had a very lengthy discussion on GTAA and the different managers.

A motion was made by Scott Kelly to hire Westwood and Black Rock and to transfer \$9M from the Dodge and Cox fund and split it 50/50 (\$4.5M each) between Westwood and Black Rock. The motion was seconded by Ron Frano and carried 5-0.

APPROVAL OF MINUTES

The Board reviewed the minutes of the regular meeting held on February 5, 2015.

A motion was made by Brian Walker to approve the minutes of the regular meeting held on February 5, 2015 as amended. The motion was seconded by Scott Kelly 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 Brian Walker and carried 4-0.

Dave Merrell exited the room

BENEFIT APPROVALS

The Board reviewed the benefit approval list presented for approval by the Administrator dated March 5, 2015 (1 Application for a duty disability retirement, 11 applications for distribution from Share accounts, and 14 applications for distribution from DROP account).

A motion was made by Ron Frano to approve the benefit approval list as presented dated March 5, 2015. The motion was seconded by Brian Walker and carried 3-0.

Mr. Merrell re-entered the room

FINANCIAL STATEMENTS

Ms. Ross presented the Board with the statement of income and expense and the balance sheet through the end of January 2015.

The Board received and filed the financial statements through the end of January 2015.

ATTORNEY'S REPORT: KKJ&L (PRESENTED BY: BONNI JENSEN)

Ms. Jensen updated the Board on the Scott & Scott litigation alert regarding the google case that is currently being investigated. Ms. Jensen explained that this is a derivative case and Scott & Scott wants this Board to file as lead plaintiff. This is not a fraud case and Scott & Scott would pay for any associated fees. The Trustees had a lengthy discussion on the case.

A motion was made by Ron Frano to authorize Scott & Scott to move forward with filing the google case on behalf of the Plan . The motion was seconded by Scott Kelly and carried 4-0.

Ms. Jensen presented the Board with the draft copy of the State of the pension fund report. This report will eventually be presented to the Firefighters and City Commission/staff. The Trustees reviewed the report and noted some revisions. Ms. Jensen stated that she will have the final copy for approval at the next meeting.

Ms. Jensen notified the Board that the Pension Resource Centers SSA16 Audit has been released and it was a clean audit, no findings.

Ms. Jensen stated that the Plan's tax exempt certificate is up for renewal soon and Ms. Ross will be filing for a new one.

Ms. Jensen noted that the Special Act does not have a Bill number yet, but as soon as it is released then she will notify the Board.

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Ms. Jensen received a request to update the DROP and share distribution forms to make them more usable.

Lastly Ms. Jensen commented that the Plan's Actuary is working on updating the Actuarial tables in the back of the summary plan description. Once the tables are completed then the summary plan description will need to be distributed to the active members.

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

Ms. Ross updated the Board on the tablets. She explained that the only way to be able to get Wi-Fi is to go through a carrier like Verizon. The Board discussed and asked Ms. Ross to bring back the total prices of the tablets as well as the service with the carrier.

OTHER BUSINESS

Mr. Walker stated that the retirement dinner will be held before the Board meets again and the hotel will need the reminder of the payment. Ms. Ross stated that she will need an invoice for the hotel as well as the DJ and the photographer prior to the dinner so that we have time to issue the checks.

PUBLIC COMMENTS

N/A

There being no further business and the next Pension Board meeting having been scheduled for Thursday April 2, 2015 @ 1:30PM, the meeting adjourned at 4:31PM.

Brian Walker, Secretary