

**THE CITY OF WEST PALM BEACH RESTATED EMPLOYEES'
DEFINED BENEFIT RETIREMENT SYSTEM**

**MINUTES OF MEETING HELD
FEBRUARY 24, 2015**

A regular meeting of the Board of Trustees was called to order at 1:07 by Chairman Robert Burd in Room 5.19 (5th Floor), 401 Clematis Street, West Palm Beach, Florida 33401.

Those Trustees present were:

Dorritt Miller, Secretary
Benny Rodgers, Trustee
Jose-Louis Rodriguez, Trustee
Mark Parks, Trustee
Mary Brandenburg, Trustee

Also present were:

Audrey Ross, Administrator – Resource Centers
Jon Breth, Investment Consultant – The Bogdahn Group
Eric Fields, Auditor – S.I. Gordon & Company
Nancy Urcheck, Attorney – City of West Palm Beach

PUBLIC COMMENTS

N/A

The Trustees tabled the selection of the Chairman and Secretary since another Trustee has not been elected yet for Mr. Burd's seat.

PRESENTATION OF THE 9/30/2015 AUDITED FINANCIAL STATEMENTS – S.I. GORDON & CO. (PRESENTED BY: ERIC FIELDS)

Mr. Fields discussed the new GASB 67/68 changes and commented that the only main change for this fund is that there is now a funding schedule. He stated that an unmodified clean opinion has been issued in regards to the audit and that is the highest level a Plan can receive. Mr. Fields reviewed the Plan's statement of assets and noted that the total investments increased this year from \$42.4M to \$45.2M. The Trustees discussed how the City's payment is applied to the Plan's unfunded liability balance because the purpose of the payment was to pay off that balance. Mr. Fields explained the way the Actuary is calculating it and stated that they put the City's payment into a "reserve account" and then each year they will take the money from that account to make the annual required contribution payment until it is a zero balance. He noted that the total employer and employee contributions decreased this year as the total benefit payments increased. The admin expenses slightly increased this year and he noted that the Actuary will determine the Plan's funded ratio as of September 30, 2014. Lastly Mr. Fields reviewed the new GASB 67 reports that are now required and noted that these documents are for reporting purposes only and do not change any of the Plan's actual assets or funding requirements. Overall it was a good year for the Plan and there were no issues found while performing the audit or with management.

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A motion was made by Mark Parks to approve the September 30, 2014 audited financial statements as presented. The motion was seconded by Benny Rodgers and carried 5-0.

Lastly Mr. Fields noted that the Salem Trust issue that recently occurred did not affect this audit because his office was able to reach out to the Plan's managers individually to complete the audit. Therefore their office was not able to rely on Salem Trust's custodial statements this year because of the adverse letter that they received from their auditors. Overall it took a little more time to gather information this year. The Trustees discussed what they wanted to do about this situation and going forward. They asked Ms. Ross to invite Salem Trust to the next meeting to hear their explanation.

INVESTMENT CONSULTANT REPORT – BOGDAHN GROUP (PRESENTED BY: JON BRETH)

Mr. Breth updated the Board on the Bogdahn Group's change of internal control. He explained that Mike Welker bought all but 5 units of ownership from Joe Bogdahn. There will be no upfront changes to the firm as Mr. Brown and Mr. Welker have been running the office since 2012 anyways. This change in ownership is from family owned to organizational ownership which will ultimately broaden the firm out. Due to this change in ownership the Board will need to sign a consent acknowledging the change. The Bogdahn group has recently hired new consultants to widen their firm. They now have 54 employees with 38 of those employees located in their main office out of Orlando, and they have 406 clients and operate in 27 different States. The Trustees commended the Bogdahn Group on their firm's growth and success over the years and stated that they have done a great job.

A motion was made by Benny Rodgers to approve and authorize the Bogdahn Group's consent to internal control changes. The motion was seconded by Mark Parks and carried 5-0.

Mr. Breth reviewed the December 31, 2014 quarterly performance report. He noted that during the quarter the small caps rallied which was the complete opposite of last quarter. Currently the Plan has a little over weight to domestic large cap value and growth and is currently underweighted to International Equity. Mr. Breth commented that they ended with \$45.7M in assets as of December 31, 2014 which was a net return of 3.15% versus the index at 2.64%. All the Managers outperformed their indexes for the quarter with the exception of Argent and the two mutual fund accounts; Templeton and PIMCO. Mr. Breth updated that Board on the status of PIMCO as a firm and noted that they have had some more outflows since the last quarter, although there are more ex-employees are returning back to the firm. Although he commented that the Bogdahn Group is still comfortable with the PIMCO mutual fund that this Plan is invested in because it is still a very

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diversified fund and also compliments the Templeton and GHA accounts in the portfolio. Mr. Breth stated the international accounts currently represent 10% of the portfolio and he does not see a reason to increase the holding to the target rate of 15% because the international markets are not doing well. He would recommend taking the additional 5% from international and fund a new product/asset class with it.

Mr. Breth briefly reviewed the January 31, 2015 flash performance report and reported that for the month and quarter to date the Plan is down -0.30% versus the index at 0.68%, but for the fiscal year to date they are off to a good start at 2.84% versus the index at 1.94%. Overall Mr. Breth stated that the fund is a very simply diversified portfolio that is doing great.

Mr. Breth reviewed the core real estate and the global tactical allocation asset classes. He outlined a couple of different scenarios of what the Plan's return would be with adding in some other asset classes. Core Real Estate adds diversification to the portfolio as well as produces income return. Mr. Breth reviewed the differences between the real estate managers and commented that he would recommend American Realty for this Plan because they are an open-ended commingled fund and they also have a much smaller entry queue which is only around 3-6 months. Also American Realty offers a 60 day notice to get out with quarterly liquidity. Mr. Breth then reviewed the global tactical allocation fund. He explained that these funds are liquid mutual funds and commented that his recommendation for this Plan would be Westwood due to the allocation size. Mr. Breth noted that his recommendation is to make a 5% allocation to real estate and another 5% allocation to the global tactical allocation asset, but to do this the Board would need to amend their Investment Policy Guidelines (IPG).

Mr. Breth reviewed the proposed amended IPG and explained that his recommendation is to reduce the international target from 15% to 10%, and then allocate the remaining 5% to a new asset class called "real return" to fund the new global tactical allocation asset class. Also he is proposing to reduce the fixed income target from 35% to 30%, and then allocate the remaining 5% to the current real estate asset class to bring its target up to 10%. The Trustees had a very lengthy discussion on adding in new asset classes, the managers, and the proposed IPG.

A motion was made by Mary Brandenburg to hire American Realty and Westwood with a 5% allocation each and to also approve the revised IPG as proposed and recommended by the Plan's Investment Consultant. The motion was seconded by Jose-Louis Rodriguez and carried 5-0.

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MINUTES

The Board reviewed the minutes from the regular meeting held on December 18, 2014.

A motion was made by Jose-Louis Rodriguez to approve the minutes from the regular meeting held on December 18, 2014 as amended. The motion was seconded by Mark Parks and carried 5-0.

ADMINISTRATIVE REPORT – RESOURCE CENTERS (PRESENTED BY: AUDREY ROSS)

• **DISBURSEMENTS**

The Board reviewed the disbursement list presented through February 4, 2015.

A motion was made by Mary Brandenburg to approve the disbursements through February 4, 2015. The motion was seconded Mark Parks and carried 5-0.

ATTORNEY REPORT – CITY OF WEST PALM BEACH (PRESENTED BY: NANCY URCHECK)

N/A

OTHER BUSINESS

N/A

ADJOURN

There being no other business, and the next regular meeting having been scheduled for March 24, 2015 the meeting was adjourned at 3:24PM.

Dorritt Miller, Secretary