

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

**MINUTES OF MEETING HELD  
FEBRUARY 28, 2017**

A regular meeting of the Board of Trustees was called to order at 1:32 by Chair Leon Pinder in Room 5.19 (5<sup>th</sup> Floor), 401 Clematis Street, West Palm Beach, Florida 33401.

Those Trustees present were:

Leon Pinder, Chair  
Dorritt Miller, Secretary  
Benny Rodgers, Trustee  
Jose-Luis Rodriguez, Trustee  
Mark Parks, Trustee  
Mary Brandenburg, Trustee

Also present were:

Audrey Ross, Administrator – Resource Centers  
Jon Breth, Investment Consultant – & Co. Consulting  
Nancy Urcheck & Stacey Weinger, Attorney – City of West Palm Beach  
Brad Armstrong, Actuary – GRS  
Eric Leventhal, Auditor- KSDT

**PUBLIC COMMENTS**

N/A

**PRESENTATION OF THE 9/30/2016 AUDITED FINANCIAL STATEMENTS – KSDT (PRESENTED BY: ERIC LEVENTHAL)**

Mr. Leventhal stated that he was here today to present the September 30, 2016 Audited Financial Statements. He explained that for the fiscal year they did not require any additional ER contributions from the reserve account due to the net gain they had this year of \$286,850. The total employee contributions decreased this year due to less active members contributing and therefore the benefit payments increased as we had more retirees. He briefly reviewed the breakdown of the Admin expenses which also decreased this year compared to last year. Mr. Leventhal noted that overall the Plan is doing very well and is consist from year to year. The Plan's net assets as of September 30, 2016 were up to \$37.9M, from \$37.6M last year. He briefly reviewed the new GASB requirements that are presented in this year's report. Again these new disclosures do not change any of the actual funding or financials, rather just requires more reporting. Lastly Mr. Leventhal stated that there were no internal control procedures or material weaknesses found while performing the audit, as well as no issues with management.

**A motion was made by Jose-Luis Rodriguez to approve the September 30, 2016 Audited Financial Statements as presented. The motion was seconded by Dorrit Miller and carried 6-0.**

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**INVESTMENT CONSULTANT REPORT – &CO. CONSULTING  
(PRESENTED BY: JON BRETH)**

Mr. Breth announced the firm's new name change that was effective January 1, 2017; &Co. Consulting. He reviewed the December 31, 2016 quarterly performance report and noted the events that took place during the quarter such as the election and rising interest rates. The election impacted the market as stocks went up and investors fully embraced risk. Also there was a rise in interest rates in November and then again December. The US dollar appreciated compared to the Euro and the Yen, and the international markets remained negative. Mr. Breth reviewed the Plan's performance for the quarter and noted that the total fund net of fees outperformed the index at 2.05% versus 1.22% and for the one year they are up 6.01%, but still trailing the index at 8.55%. He noted that the Plan's asset allocation remains in line with their long term targets, although there is currently a slight overweight to real estate and underweight to bonds due to the current market. There is no recommendation at this time for rebalancing. The Plan's assets have increased to \$43.1M and overall the fund is doing very well.

Mr. Breth briefly reviewed the January 31, 2017 flash performance report. The fund continues to do well and for the month to date they are up another 2.36%, which puts them at 2.65% for the quarter to date and 4.46% for the fiscal year to date. Mr. Breth commented that the Plan is off to a great start this fiscal year.

Mr. Breth passed out an updated SMID cap domestic equity manager search. He explained that the Board previously reviewed this at a prior meeting and he wanted to bring back updated numbers for them to review. Mr. Breth's recommendation is to diversify the portfolio out some more by taking some from the active SMID cap managers and add in an index fund. This would help with the Plan's cash flows as we would not have to keep interrupting the active managers each month to raise cash for benefit payments as we would take from the index fund. Also by adding in an index fund to the portfolio, it will bring down cost and add more diversification for a better return. Mr. Breth explained that Dana is doing better and is no longer on the watch list so therefore he recommends keeping them in the portfolio but just diversifying out their holding a little more. The Trustee reviewed and compared all the index fund managers that were being recommended. They compared their performances over different market environments and timeframes, their fees, etc. Mr. Breth stated that he likes a couple of different accounts for this Plan and commented that the Board can even hire multiple index fund managers and split the initial funding to add more diversification to the portfolio with less risk and less fees. Mr. Breth's recommendation would be Vanguard and Clarkson at 5% each. The Trustees had a very lengthy discussion on the recommendation and Mr. Rodgers expressed his concerns with funding both managers at the same time and also discussed the fees associated with the accounts.

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**A motion was made by Dorritt Miller accept the Investment Consultants recommendation of adding 5% to the Vanguard S&P500 index fund and 5% to the Clarkson index fund by taking 5% from Dana and 5% from Argent. The motion was seconded by Mary Brandenburg and carried 5-1.**

**MINUTES**

Ms. Ross apologized and stated that the minutes from the previous meeting were not available yet and will be presented at the next meeting.

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

• **DISBURSEMENTS**

The Board reviewed the disbursement list presented through February 28, 2017.

**A motion was made by Jose-Luis Rodriguez to approve the disbursements through February 28, 2017. The motion was seconded by Mary Brandenburg and carried 6-0.**

• **FINANCIAL STATEMENTS**

Ms. Ross presented the Board with the statement of income and expense and the balance sheet through the end of January 2017.

**The Board received and filed the financial statements through the end of January 2017.**

Mr. Ross presented the backup information to the Board regarding the payment from PRC to the Plan. This payment was in regards to the retiree that was overpaid and PRC agreed last year to pay for the difference the member was overpaid as it was PRC's error. The payment to the Plan from PRC is in the amount of \$2,351.58 which includes the principal amount of \$2,189.76 and then another \$161.82 in interest. This issue had been resolved and closed out now.

Mr. Rodgers explained that a couple of years ago a member by the name of Leroy Johnson retired out from under the Plan as a normal retirement, although he should have applied for a duty disability as he was injured on the job a couple of years ago. Mr. Johnson did not notify anyone at the pension office he was injured and the City never advised him to apply for a disability pension at the time. Mr. Rodgers wants to know if this member is still eligible to apply for a disability pension. Ms. Urcheck stated that she would have to research this issue and she will get back to the Board.

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**ATTORNEY REPORT – CITY OF WEST PALM BEACH (PRESENTED BY:  
NANCY URCHECK & STACEY WEINGER)**

Ms. Urcheck explained that the COLA language is still an issue that is at hand. The language in the Plan does not reflect what is actually happening and it is very confusing to all. The Trustees had a very lengthy discussion on how the benefit is calculated and Mr. Armstrong gave some examples to help simplify the benefit in the best way. The Board reiterated that they cannot change the Ordinance or the COLA benefit in itself (how it is calculated), but they can try and simplify the language in the Plan so that members can understand it. Mr. Armstrong stated that he will take a crack at writing up some “understandable” language regarding this and will get with the Plan’s Attorney.

**ACTUARY REPORT – GRS (PRESENTED BY: BRAD ARMSTRONG)**

Mr. Armstrong stated that he was here today to discuss the Plan’s assumed rate of return. Currently the Plan’s assumed rate of return is at 8% and Mr. Armstrong stated that he feels that is too high now and that he would like to see it come down to 7.75% or 7.5%. He explained that this Plan has very low active members left in this Plan which means the Plan’s time horizon is shorter than an open Plan. Mr. Armstrong is suggesting that the Board lower their assumed rate of return and that they do it in the September 30, 2016 Valuation. We would be using some of the money in the reserve account to offset the change, but overall it would not affect the funding requirements to the City. Mr. Rogers questioned what would happen overall if they left the assumed rate of return at 8%. Mr. Armstrong explained that this Plan is supposed to be more on the conservative side since they are closed and 8% is on the aggressive side which means they are taking more risk overall. By changing the rate to 7.5%, it will have no financial impact over the next 24 months and it is prudent to get this change in now and let the Commission know as well. The Trustees had a very lengthy discussion on lowering the assumed rate of return and by how much.

**A motion was made by Benny Rodgers to approve decreasing the Plan’s assumed rate of return from 8% to 7.5% effective in the September 30, 2016 Actuarial Valuation Report. The motion was seconded by Mary Brandenburg and carried 6-0.**

**OTHER BUSINESS**

The Trustees discussed updated the Plan’s summary plan description (SPD) as it has been a couple of years since it was completed. Mr. Armstrong recommended waiting until the COLA language is resolved so that can be added to the SPD before it is distributed. The Trustees concurred.

Ms. Ross stated that the Trustee election is underway as they still have the open seat on the Board. She reminded the Trustees that they recently

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amended the Ordinance to allow for this open seat to either be an active or retired member.

The Trustees briefly discussed moving to bi-monthly meetings instead of quarterly, but ultimately decided to stay with the quarterly schedule for now.

**ADJOURN**

There being no other business, and the next regular meeting having been rescheduled for May 16, 2017 at 1PM, the meeting was adjourned at 3:36PM.

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Dorritt Miller, Secretary