CITY OF WEST MELBOURNE
POLICE OFFICERS' RETIREMENT BOARD
AUGUST 3, 2016

The West Melbourne Police Officers' Retirement Board held its quarterly meeting on Wednesday, August 3, 2016 in the City Hall Conference Room, 2240 Minton Road, West Melbourne, Florida.

MEMBERS PRESENT:	Chairman Scott Morgan (resident member) Secretary Jennifer Bruno (police member) James Parsons (police member) Pat Bentley (resident member)
MEMBERS ABSENT:	Richard Cordeau (fifth member) - excused
CONSULTANTS:	Pedro Herrera, Board Attorney – Sugarman & Susskind Tony Kay, Investment Consultant – The Bogdahn Group Karan Rounsavall, Plan Administrator

Chairman Morgan called the meeting to order at 9:02 a.m. A quorum was in attendance. *Member Bruno moved to excuse Trustee Cordeau's absence as he was on vacation. Member Parsons seconded the motion and it carried.*

APPROVAL OF MINUTES

Member Bruno moved to approve the minutes of quarterly meeting May 4, 2016 as submitted. Member Bentley seconded the motion and it carried unanimously.

OFFICER AND TRUSTEE REPORTS – None

PROCESSED DISBURSEMENTS/RECEIPTS

Member Bruno moved to approve plan expenditures for the third quarter of Fiscal Year 2015/2016 (April 1, 2016 through June 30, 2016) in the amount of $10,751.17 and to acknowledge receipts to the plan for that same fiscal quarter (through June 30, 2016) in the amount of $187,097.26. (Reference Plan Administrator's memorandum dated July 12, 2016 for detail.) Member Bentley seconded the motion which carried on an all yes vote.

Total disbursements during the quarter were $139,510.71 which included monthly benefit payments to 12 retirees in the amount of $96,756.72 and refund of employee contributions totaling $32,002.82.

CONSULTANT REPORTS

A. Tony Kay – The Bogdahn Group (Performance Monitor & Advisory Services)

- Performance Report for quarter ended June 30, 2016

Mr. Kay delivered the Investment Performance Report for the third quarter of Fiscal Year 2015/2016. Market volatility continued with returns influenced by central bank policy expectations, rising commodity prices, and increased global political and economic uncertainty. However, the United Kingdom's vote in June 2016 to discontinue membership in the European Union (BREXIT) proved to have little lasting impact on market performance. Despite the volatility, asset class results for the period were

broadly positive with the exception of international developed market equities. Small capitalization equities and investment grade bonds posted the strongest returns.

Mr. Kay went on to review a new chart in the performance report that provided an overview of The Bogdahn Group. Bogdahn continued to grow as an independent investment consulting firm with approximately $64 billion in assets under advisement and 71 employees.

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Attorney Pedro Herrera arrived at 9:13 a.m.

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Total market value as of June 30, 2016 was $11,426,855 up from $11,180,439 for the previous quarter ended March 31, 2016. On a percentage basis, the composite portfolio was up 1.78 percent for the quarter (gross) which ranked in the 51st percentile of public plans. Fiscal year to date, the fund was up 6.39 percent (ranking in the 28th percentile of public plans) and well on its way to achieving the assumed 7.2 percent assumed investment rate of return.

The real estate portfolio with ASB Allegiance was funded in the amount of $1.1 million as of July 1, 2016. Mr. Kay noted that cash for the real estate transfer was raised the day before the market sold off significantly thus benefitting the overall portfolio and quarterly returns. As of August 2, 2016, the portfolio was valued at approximately $11.4 million even with a $250,000 DROP distribution in late July. Total investment related fees were estimated at 0.32 percent, which included mutual funds which were reported net of fees.

Quarterly performance results (i.e. quarter ending June 30, 2016) for the various investment styles/managers represented in the portfolio were as follows:

Garcia Hamilton & Associates (domestic fixed income) – positive return of 1.29% (85)*
EuroPacific Growth (international) – negative return of -0.32% (53)*
Vanguard Total Stock Market Index Fund – positive return of 2.74% (19)*
Templeton Global Total Return (global fixed income) – positive return of 0.52% (100)*
(*Percentile rankings)

As directed at the previous meeting, the Retirement Fund invested in the BlackRock Multi-Asset Income Fund late in the quarter. Its impact on overall returns for this quarter was negligible. All asset classes were within target ranges. There were no action items.

The Board acknowledged receipt of the Investment Performance Report as presented.

B. Pedro Herrera – Sugarman & Susskind (Attorney)

Attorney Herrera advised that the custodial agreement with Salem Trust Company was finalized. He also mentioned that there were no legislative changes during the past quarter.

He went on to inform trustees of a rare educational opportunity. The International Foundation of Employee Benefits Conference would be held November 13 – 16, 2016 in the Orlando area. This conference was typically held out of state. He would provide additional information to the plan administrator for distribution to trustees.

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At its quarterly meeting on May 4, 2016, the Retirement Board rendered an interpretation of its plan document in the case of pre-retirement death of an active member; to-wit: the death benefit would be based on the 50 percent joint and survivor option as an early retirement election with the reduction not to exceed 15 percent based on the age of the active member at time of death. Plan Administrator Rounsavall suggested the adoption of an ordinance codifying this pre-retirement death interpretation into the plan document. She felt that doing so would ensure correct execution of the Board's decision if this situation occurred in the future.

Attorney Herrera agreed that the board's interpretation on pre-retirement deaths should be clear and incorporating it into the plan document would guarantee same. Chairman Morgan mentioned the possibility of other changes to the retirement plan as a result of collective bargaining which would begin in the next few months. *He suggested that the pre-retirement death interpretation be incorporated in ordinance form along with any other changes to the plan document as a result of ongoing collective bargaining and readdressed at the February 2017 quarterly meeting. There was no objection to proceeding accordingly.*

C. Karan Rounsavall – Plan Administrator

- Educational opportunities:
  - ✓ Florida Public Pension Trustees' Association (FPPTA) Fall Trustees School in Bonita Springs (September 25 – 28, 2016)
  - ✓ Florida Division of Retirement Annual Police Officers' & Firefighters' Pension Conference in Kissimmee (November 2-4, 2016)

If any member wished to attend, they were to contact Plan Administrator Rounsavall. It was suggested that Finance Director Margi Starkey attend the Division of Retirement conference as changes to the annual report would be reviewed.

- Acknowledge refund of member contribution for Sean Cronin (partially vested member) in the amount of $31,231.73
- Acknowledge Sgt. David Grenier's exit from DROP and start of monthly benefits as of July 1, 2016
- Acknowledge Sgt. Roy Black's exit from DROP and start of monthly benefits as of August 1 2016

Member Bruno moved to acknowledge refund of member contributions for Sean Cronin as stated as well as commencement of monthly retirement benefits for David Grenier and Roy Black. Member Parsons seconded the motion which carried on an all yes vote.

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Plan Administrator Rounsavall went on to advise that the Retirement Plan's 2015 Annual Report was approved by the State Division of Retirement. Receipt of state premium tax revenues was anticipated by the end of August. *Member Bentley moved to direct a one-time rebalance of the portfolio upon receipt of these funds consistent with target allocations. Member Bruno seconded the motion and it carried unanimously.*

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Mrs. Rounsavall also noted that all trustees timely filed their financial disclosure forms. Further, annual cost-of-living adjustments (COLAs) would be paid to eligible retirees as of the October 1, 2016 benefit payments.

OLD BUSINESS - None

NEW BUSINESS

A. Discussion and possible action to lower assumed annual investment rate of return from 7.2 percent to 7.1 percent for the 2016 valuation

At its May 4, 2016 meeting, the Retirement Board discussed the feasibility of lowering the rate of return assumption by one tenth of a percent. The fund was doing well and the city had been able to contribute excess funds in the past few years. Board members understood that lowering the assumed rate of return had the effect of requiring a larger contribution from the plan sponsor (i.e. the City) and would also cause the funded percentage to drop a bit. Given the prospect of lower interest rates on fixed income investments over the long term, Investment Consultant Kay favored the proposed reduction.

Member Bentley moved to lower the Retirement Plan's assumed annual investment rate of return to 7.1 percent effective with the 2016 actuarial valuation. Member Bruno seconded the motion and it carried on an all yes vote. Plan Administrator Rounsavall would advise Foster & Foster (actuary) of the reduction.

B. Approval of administrative expense budget for Plan Year 2016/2017 in accordance with *Florida Statutes 185.05(8)*

The Retirement Board was in receipt of the proposed budget for Plan Year 2016/2017 as prepared by the plan administrator. Pursuant to statute, the Board was required to adopt and operate pursuant to an administrative expense budget each plan/fiscal year. The budget included all administrative expenses (e.g. actuary, legal, investment consultant, custody, administration, insurance, etc.) but did not include investment management fees. The proposed budget for 2016/2017 was $78,592.

Mrs. Rounsavall commented briefly on the proposed budget and projected increases. She also advised that Retirement Plan expenditures for 2015/2016 were less than projected.

Member Bruno moved to approve the administrative expense budget as presented. Member Bentley seconded the motion and it carried unanimously. The budget would be presented to the West Melbourne City Council (plan sponsor), posted on the City's web site, and posted on the bulletin board at the Police Department for plan members.

C. Direction to Salem Trust Company to pay invoices submitted directly by the following professional service providers: Sugarman & Susskind, Garcia Hamilton & Associates, The Bogdahn Group, Karan Rounsavall, and Foster & Foster, Inc. from the appropriate accounts

Member Bentley moved to approve the letter of instruction to Salem Trust Company authorizing direct payment of invoices submitted by the above professional service providers. This was a standing directive until changed in writing. Member Bruno seconded the motion and it carried on an all yes vote.

PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 10:00 a.m.

Scott Morgan, Chairman

Karan Rounsavall, Plan Administrator