

WINTER PARK POLICE OFFICERS' RETIREMENT SYSTEM
Quarterly Meeting
8 August 2013
6:00 P.M.

MEMBER Sgt. Kevin Roesner, Secretary
 Sandy Modell, Trustee
 Robert Harvie, Trustee
 Mike Broschart, Trustee

ATTENDEES: Larry Wilson, GRS
 Scott Christiansen, Attorney
 Jeffrey Templeton, Administrator
 Larry Cole, BCA
 Chief Bret Railey, WPF
 Kathy Reed, Chiefs Assistant
 Bryan Templeton
 Kim Calhoun, Westwood
 Mitchell Breenan, BCA

Sgt. Kevin Roesner, Secretary, called the meeting to order at 6:20 P.M.

A motion was made by Sandy Modell and seconded by Mike Broschart to accept the minutes of the meeting dated 9 May 2013 & Quarterly Financial Report Jan-Feb-Mar 2103. All were in favor.

Larry Cole, BCA, gave his report:

Larry Cole, BCA continue his presentation by helping the Board understand Why Are Bonds A Risk? Larry gave an in-depth report and concluded by explaining that BCA had discussed the risk associated with bonds with its clients for the past two years and has offered several solutions. Shortening the maturities (or the duration) of the portfolio is one way to lessen the impact of rising rates as bonds become closer to maturity have less sensitivity to interest rate movements. Other alternatives to consider include floating rate bonds, which reset the coupon based on a spread above a predetermined index. However, each strategy or asset class has its own individual risk characteristics and should be closely monitored to ensure they are meeting the plans specific objectives.

For the quarter, the Plan earned \$111K or 0.4% net (versus +0.1% for the benchmark) and ranked in the top 31st percentile. This was accomplished in spite of June's global market decline among stocks and bonds caused by Fed Chairman Bernanke's comments regarding the end point of quantitative easing. The three best performing asset categories were: Westwood large-cap (+4.3%), BNY Mellon small-cap passive (+3.1%), and BNY Mellon large-cap passive (+2.9%).

For the fiscal year to date period, the Plan earned \$2.6 million or +7.7% net, in line with the benchmark. The three best performing asset categories were: BNY Mellon mid-cap passive (+18.7%), BNY Mellon small-cap passive (+18.0%), and Westwood large-cap (+17.4%). Westwood's results have shown continued improvement with performance coming closer to benchmark (+17.7%).

For the 12- month period, the Plan earned \$4.1 million or +12.2% net. The three best performing asset categories were: BNY Mellon mid-cap passive (+25.2%), Westwood large-cap (+24.4%), and BNY Mellon small-cap passive (+24.2%).

For the three-year period, the Plan earned \$9.8 million, averaging +10.5% net, per year. For the five-year period, the investment program averaged +6.1% and ranked in the top 21st percentile.

Westwood's large-cap product three-year performance was similar to its benchmark (+18.3% vs. +18.5%) and the ranking moved up to the 49 percentile. For the quarter it beat the benchmark (+4.3% vs. +3.2%).

Euro-Pacific's international product came in close to the benchmark (+10.0% vs. +10.6%) for the three-year period and ranked at the bottom 76th percentile. The risk (beta) was lower than the index for this period* (.93x). For the 12-month period, the beta was even lower (.77)x). For the five-year period the product significantly beat the benchmark and ranked in the top 30th percentile.

Advent's convertible bond program earned an average of +6.1% for the two-year period - well ahead of the bonds and TIPS (+3.3%).

Kim Calhoun from Westwood gave her report. The Fire Department Board had requested at the last meeting to have BCA invite Westwood to come at the next scheduled meeting to explain MLP's. The Police Board was asked if they would like to hear about MLP'S and how they worked since Kim Calhoun had already made the presentation along with Mr. Williams by conference call to the Fire Department Board at their meeting.

Kim Calhoun had Tod Williams, CFA Senior VP. Portfolio Manager, using a conference call with the Board a presentation of Westwood's Master Limited Partnership (MLP) strategy. They explained that their investment is mainly in the midstream assets dealing with gathering and processing and pipelines. The unique investment profile is centered around the energy renaissance taking place in the US because of the growing production of oil and gas. Benefits of ownership include stable cash flow, High dividend yield (called distribution) and growing distribution. MLP's are hard assets that provide some inflation hedge. The asset class is emerging and growing with the number of MLP's increasing from 12 in 1996 to over 100 today and market capitalization of \$6 billion in 1996 to around \$450 billion today.

Westwood manages the strategy in a team-based approach. Mr. Williams leads their team. Westwood's unique process employs a holistic approach of its full investment staff. A focus on risk is prevalent throughout the process, from security selection through portfolio construction. Westwood has performed in the top quartile of its peers over its 10-½ year track record. They offer a commingled fund structure in which all K-1s are received in the fund and any taxes due will be paid from the Fund. Individual participants will not receive K-1s.

The Board asked Mr. Williams questions during the conference call and at its completion Kim answered any further questions that the Board had.

The Board tabled the decision to add MLP's to their portfolio at this time.

Larry Wilson, Actuary, GRS:

System Actuary, Larry Wilson, presented the results of the Experience Study covering the five-year period ended 30 September 2013 as requested by the Board to ensure the actuarial assumptions remain consistent with System experience.

Alignment of actuarial assumptions with System experience improves the validity of contribution requirements, accounting disclosures, State requirements and pricing of Plan shares. Economic actuarial assumptions should reflect best estimates of future expectations.

Based upon the results of the Experience Study, Larry Wilson, recommended the following actuarial updates:

- (1) Reduce future salary increases rates to better reflect observed experience and reflect best estimate of future salary increase projections.
- (2) Modify assumed rates of future withdrawal (termination of employment prior to retirement, disability or death) to serve based rates to better reflect observed withdrawal experience.
- (3) Modify assumed rates of future retirements to reflect lower observed retirement experience, trend to continue working beyond normal retirement age and lower observed DROP election experience.
- (4) Lower the expected investment return assumption from a net investment return assumption of 8.25% (net of investment expenses) to 7.75% (net of investment expenses).

The net effect of the assumption update recommendations is an increase in City contribution of 1.2% of covered payroll based upon the census and financial data as of 1 October 2012.

Summary of Findings: (Experience Investigation)

Update the future salary increase assumption to better reflect observed lower salary increases than expected. Cost: (6.1%)

Update assumed rate of future withdrawal to a service based schedule instead of an age and service schedule to better reflect observed withdrawal experience. Cost: 0.0%

Update assumed rates of future retirement to reflect lower observed retirement experience than expected, trend to continue working beyond normal retirement age and lower observed DROP election experience than expected. Cost (0.4%)

Lower the expected investment return assumption from a net investment return assumption of 8.25% (net of investment expenses) to 7.75% (net of investment expenses). Cost +8.6%

Combined effect of updated salary increase assumptions, rates of future withdrawal, rates of future retirement and net investment return assumption of 7.75%, net of investment expenses. Cost: +1.2%

A motion was made by Sandy Modell and seconded by Robert Harvie to approve the recommended actuarial assumption updates of the actuary based upon the Experience Study to be implemented in the 1 October 2013 and the Actuarial Valuation that determines the City contribution for the fiscal year ending 30 September 2015. All were in favor.

Jeff Templeton, Administrator, will discuss the changes with the City Finance Director Wes Hamil as directed by the Board.

A motion was made by Robert Harvie and seconded by Sandy Model to change the assumption rate from 8.25% to 7.75%. All were in favor.

Scott Christensen, attorney, gave his report:

Scott Christensen asked if the updated Summary Plan Description had been sent to all active sworn employees. All of the police officers received a copy of the Summary Plan Description hard copy or an electronic copy.

Scott reminded the Board that the expected rate of return needed to be sent to Mr. Douglas Beckendorf in Tallahassee.

Scott advised the Board that FORM1 dealing with the board members financial disclosure had all been received in Tallahassee.

Scott discussed the IRS Ordinance that was sent to the City. It will be presented to the Commission at the next 2 commission meetings.

Scott stated that during the legislature the following changes were made:

It is require of boards to place "Public Comments" on the agendas for the quarterly meetings.

Report the change of assumption rate to 2%.

A report showing no investment returns or contributions into the fund.

Jeff Templeton introduced Bryan Templeton to the Board, He explained that at the next scheduled quarterly meeting on 7 November 2013 Bryan would be acting administrator for that meeting in Jeff's absence.

Jeff Templeton, administrator discussed with the Board that Fiduciary International of the South would like to implement a Social Security database that will give indication that a retiree has died. Scott Christiansen, plan attorney, pointed out in the last paragraph " it says identify and hold harmless to the custodian". Larry Wilson, GRS - actuary, told the board that they had their own website that gave this information and that it can be utilized when needed. Scott Christiansen recommended that the request from Fiduciary not be signed. The board agreed.

Jeff Templeton advised the Board that at this time the cash flow was approximately \$150,000. The state funds have not been received as of this date.

Jeff will give BCA the recommendation that the Board gave him to transfer funds from the fixed income portfolio to the cash account for pension benefits and expenses. The amount Jeff Templeton requested to be moved was \$250,000.00. The funds will be transferred from BNY/Mellon to Fiduciary International of the South.

A motion was made by Sandy Modell and seconded by Sgt. Kevin Roesner to allow Jeff to move, \$250,000.00 as recommended by BCA to meet expenses. All were in favor

The meeting was adjourned at 8:28: P.M.

Respectfully submitted,



Sgt. Kevin Roesner, Secretary

WINTER PARK POLICE OFFICERS' RETIREMENT SYSTEM

Proposed Dates for Pension Meeting 2014

ALL MEETINGS WILL BE HELD AT 6:00 P.M.

February 6, 2014

May 8, 2014

August 7, 2014

November 6, 2014