

Village of North Palm Beach Police and Fire Pension Fund

MINUTES OF MEETING HELD

February 14, 2006

Henry Maki called the meeting to order at 3:08 PM in the Conference Room of the North Palm Beach Village Hall located at 501 US Highway One, North Palm Beach, FL. Those persons present were:

TRUSTEES PRESENT

Henry Maki
Lew Steinberg
Robert DiGloria
Tom Fitzpatrick

OTHERS PRESENT

Bonni Jensen, Hanson, Perry & Jensen;
Fund Counsel
Denise McNeill, Pension Resource Center
George Ling, GRS Asset Consulting
Steve Stack, ICC Capital
Anthony Giarrusso
Trey Sizemore

The gavel was passed from Mr. Maki to Mr. Steinberg.

ICC CAPITAL

Steve Stack presented the Trustees with the December 31, 2005 quarterly report. Mr. Stack first reviewed an additional summary reflecting the price relative to the Russell 1000 index noting that in the past five years, due to market volatility, the Russell Value index has had over 100% turnover of stocks held with some of the early 90's tech stocks becoming value stocks. Additionally, he noted that 44% of the five year value return has been from the top ten stocks held (six of the ten are Oil). Mr. Stack then advised that the value sector of the stock market has been outperforming growth mainly due to Energy, Oil and some Finance while the remainder of the portfolio was not as productive. He also noted that ICC plans to remain short in duration for bonds.

Mr. Stack Reviewed the quarterly report noting an overall fund return of 1.54% for the quarter resulting in a total fund balance of \$8,291,066. Mr. Stack went on to review the current asset allocation of 21.1% fixed income, 45.2% value, 10.1% growth and 23.6% cash. Mr. Stack answered various questions for the Trustees then departed the meeting at 3:19 P.M.

PROPOSED PLAN CHANGES

Trey Sizemore entered the meeting.

Bonni Jensen advised the Trustees that she had received a response from the Village that only Item 1, the requested change for the Board composition would be presented to

Council while Item 2, the 10 year certain, and Item 3, clarification of military service time would not be presented to the Council. The Village Manager had recommended that items 2 and 3 be referred to collective bargaining. The Trustees expressed concern over items 2 and 3 being treated as bargaining issues when the request is only to clarify the current language and therefore there is no additional benefit being given. Discussion followed of how this process arbitrarily adds items to bargaining when it is not necessary to do so. Mr. Sizemore explained that the Village Manager had spoken to the Fund's actuary and had been informed that the change to the language was not an issue for the plan since the benefit was already in place therefore the Village Manager feels it is not necessary to bring items 2 and 3 before the Council. Mr. Sizemore advised that Item 1 is being presented to the Council on either March 9th or March 23, 2006 Agenda. The Trustees discussed that Item 2 is Federal Law and cannot be interpreted differently. Mr. Sizemore explained that Village management does not feel it is their responsibility to present Items 2 and 3 as a benefit change to Council. Mrs. Jensen described the ordinance process. Mr. Steinberg recommended that the Pension Board appear before the Council explaining Items 2 and 3 had originally been included and further explain the changes are only being requested for clarification of Federal Law and will have no cost impact to the plan. Mr. Steinberg also recommended the Board send the issues to both Unions attaching a waiver and request the Union waive bargaining on those two changes.

Mr. Sizemore departed the meeting.

- Henry Maki made a motion instructing the attorney to communicate with Council to include Items 2 and 3 along with Item 1 explaining that the changes have no financial impact to the Village and that there is only a wish to clarify the existing benefit for the membership. The motion received a second by Tom Fitzpatrick and was approved by the Trustees 4-0.

Mrs. Jensen went on to review the updated Summary Plan Description (SPD) previously approved by the Board. Mrs. Jensen will forward the document electronically to the Village and request that it be distributed to all active Police and Fire personnel through the Department email.

Mrs. Jensen advised a letter had been received from the PBA with a request to cost benefits. The Board decided to hold the request from the PBA explaining that the actuarial valuation is currently being processed and will have further information to that end. Mr. Giarrusso informed the Trustees that the Village has advised the Union they are not willing to meet regarding negotiations until June.

GRS ASSET CONSULTING

George Ling presented the Trustees with a quarterly Performance Evaluation Report along with an Executive Summary Report for the quarter ending December 31, 2005. Mr. Ling began with the Executive Summary Report noting nine market indexes in a three year view reflect that International has outperformed while the Bond index has been the lowest performer. Mr. Ling reviewed the compliance report noting the only areas the plan has not met their goals relates to three to five year returns and the poor market years of 2001-2003. Mr. Ling noted that although the plan has not beaten the index in the one and three year view, the plan does reflect higher returns than the index in the five year view and ranks in the top third of GRS' public funds for the five year period.

Mr. Ling informed the Board of a recent change to the company. GRS Asset Consulting Group was a division of Gabriel, Roeder, Smith & Company, however the firm has recently split from Gabriel Roeder and is now a completely separate entity with John McCann as the sole principal. GRS Asset Consulting Group, Inc has requested the Board endorse a re-assignment of the contract.

- Henry Maki made a motion accepting the contract re-assignment to GRS Asset Consulting Group, Inc, seconded by Tom Fitzpatrick and approved by the Trustees 4-0.

Bonni Jensen questioned the current actuarial assumption being used for the plan and Mr. Ling explained that 8% is the standard rate being used in other similar plans.

OLD BUSINESS

The Trustees discussed the current Board status and lack of official Chairman.

- Tom Fitzpatrick made a motion nominating Lew Steinberg as the new Chairman. The motion received a second by Henry Maki and was approved by the Trustees 4-0.

George Ling departed the meeting at 4:15 P.M.

CUSTODIAL RFP

Denise McNeill presented a summary comparison of responses relating to the Custodial RFP. She noted that Smith Barney and Amsouth had not responded to the RFP request while Northern and KeyTrust declined to quote. Mrs. McNeill reviewed the comparisons from Fiduciary Trust, Salem Trust and Fifth Third. Lengthy discussion followed regarding the services and fees. The Trustees discussed the low trade activity which has been partly due to the trade cost with Smith Barney on the directed brokerage therefore the plan may experience an increase in activity once the funds are moved to another custodian.

- Tom Fitzpatrick made a motion to accept the quote from Salem Trust of 4 basis points and \$10 per transaction fee. The acceptance of the agreement is contingent upon whether or not Salem will agree to allow the plan to change to the all inclusive fee of 6 basis points should the pension fund find the all inclusive option may be less costly. The motion received a second by Henry Maki and was approved by the Trustees 4-0.

Mrs. McNeill will address the rate with Salem Trust accordingly and prepare for the transfer of the plan assets.

ADMINISTRATIVE REPORT

Mrs. McNeill advised she had received questions requesting historical annual benefit statements from participants. Upon inquiry with the Village, it did not appear that copies of the annual statements had been kept on file at the Village. Mrs. McNeill will request whatever historical information that may be obtained from the actuary.

DISBURSEMENTS

Mrs. McNeill reviewed the current reporting and presented a sample of the Financial Statements to be made available once the transition is made to the new custodian. She then presented the pending list of Disbursements to the Board.

- Henry Maki made a motion to approve the disbursements as presented. The motion received a second by Robert DiGloria and was approved by the Trustees 4-0.

OTHER BUSINESS

Henry Maki addressed the letter presented to the Board from Mr. Sizemore dated February 13, 2006. He is concerned with the form of the letter in respect to the fact that a conversation between the Village Manager and the Fund's actuary was being re-stated. The Trustees feel all communication between the actuary and Village relating to this pension plan should be done through the pension board.

Mr. Steinberg suggested this instruction be communicated to Mr. Palmquist via the pension fund's attorney.

Mrs. McNeill advised the Board of several issues arising regarding Robert Coliskey's buyback. Notice had been sent to the Village in October, however the Village had asked for additional file information in December and another request had been made by the Village for additional information in January. As of the January payroll, Mr. Coliskey's buyback had not been processed. Mrs. McNeill will continue to follow up and will report back to the Board.

There being no further business:

- Henry Maki made a motion to adjourn at 4:51 P.M. The motion received a second by Robert DiGloria and was approved by the Trustees 4-0.

Respectfully submitted,

Henry Maki, Secretary