

Village of North Palm Beach Police and Fire Pension Fund

MINUTES OF MEETING HELD

May 9, 2006

Lew Steinberg called the meeting to order at 2:10 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

Lew Steinberg
Robert DiGloria
Tom Fitzpatrick
Henry Maki (2:15 PM)

OTHERS PRESENT

Bonni Jensen, Hanson, Perry & Jensen;
Fund Counsel
Denise McNeill, Pension Resource Center
John McCann, GRS Asset Consulting
Steve Stack, ICC Capital
Brad Rinsem, Salem Trust Company

ICC CAPITAL

Steve Stack presented the Trustees with the quarterly report ending March 31, 2006 noting an overall fund return of 3.12% for the quarter resulting in a total fund balance of \$8,510,417. Mr. Stack advised the fiscal year to date for the fund is up 4.76%. Mr. Stack then reviewed an additional handout provided to the Trustees explaining that the Fund's overweight in financials has had a positive impact on the plan. Mr. Stack informed the Trustees that Richard Rundell (current fixed income manager) would be retiring soon and Robert Dombrower (who had previously joined ICC in 2005) would be assuming Mr. Rundell's role. He then advised that while Mr. Rundell has been using mostly duration management, Mr. Dombrower leads more toward fixed income securities. Mr. Stack suggested that should the board have any questions regarding Mr. Dombrower's portfolio management, that Mr. Dombrower be invited to address the Board. Mr. McCann advised that GRS Asset Consulting would be addressing the transition with ICC Capital Management and will advise the Board of the transition.

Mr. Stack confirmed the conversion from Smith Barney to Salem Trust was completed in April and new transactions have already been processed by ICC Capital through Salem Trust.

GRS ASSET CONSULTING

John McCann presented the Trustees with the Performance Evaluation Report for the quarter ending March 31, 2006. Mr. McCann reviewed the compliance report noting the only areas in which the plan has not met their goals for the quarter relates to the three to five year returns and the poor market years of

2001-2003. Mr. McCann advised of a typo error on item number two of the compliance report which referred to the “3 and 4 year period” but should reflect “3 and 5 year period”. Mr. McCann went on to advise that ICC Capital has performed well for the pension fund leaving the fund in the top 22% in the five year view of GRS Asset Consulting’s funds. Additionally he noted that although the fund has experienced slightly more risk than the policy, the return has been strong.

Mr. McCann further reviewed the report referring to a brief management summary and reminding the Board of his previous recommendation to further diversify by investing in international funds. Mrs. Jensen advised that the legislative request increasing the allowance of foreign investments from 10% to 20% in the Police and Fire plans did not pass during the recent legislative session. Mr. Stack informed the Trustees that ICC Capital has a large cap international portfolio and that funds could easily be transferred into the international portfolio in an effort to meet Mr. McCann’s advise of further diversification.

Mr. McCann reviewed the process of a commission recapture agreement explaining that commission recapture brokers can place trades less expensively and can then pay part of the commission back to the fund in the recapture agreement. The trustees would then instruct ICC to place the trades using “best execution”. Steve Stack advised that approximately 80% of all ICC accounts have a commission recapture agreement in place. Discussion followed regarding the various commission recapture companies. Mr. Stack will have a representative of Lynch, Jones & Ryan contact the administrator to provide the appropriate information for the Board.

- Henry Maki made a motion instructing the administrator to initiate a commission recapture agreement through the appropriate channels. The motion received a second by Tom Fitzpatrick and was approved by the Trustees 4-0.

John McCann inquired if the Board is interested in further diversifying into international investments. Mrs. Jensen advised that international investing is not currently in the fund’s Investment Policy nor is it in the Ordinance. She advised that both items would need to be updated allowing the investment before any such funds could be invested in that manner.

- Henry Maki made a motion to table discussion of international investing until the next meeting. The motion received a second by Tom Fitzpatrick and was approved by the Trustees 4-0.

SALEM TRUST

Brad Rinsem of Salem Trust introduced himself to the Board providing a brief background of Salem Trust and their financial stability. He confirmed that all assets have been transferred into Salem (after much communication and instruction with Smith Barney), however things are moving along smoothly at this time. Mr. Rinsem requested information of the plan’s meeting schedule be provided to Salem so that a representative could be available for all regular quarterly meetings. Mr. Rinsem informed the Trustees that Salem Trust has three locations which use the same policies and procedures for all

clients which allows for consistent backup from one location to another in case of emergencies and natural disasters (i.e. Hurricanes).

Steve Stack, John McCann and Brad Rinsem departed the meeting at 3:10 PM.

PROPOSED PLAN CHANGES

Lew Steinberg advised that the Village management only presented one of the three requests to the Village Council that the Board had requested to be addressed by the Village Council at their last meeting. The Board had been informed that the Village management had advised the second and third items originally requested by the Board had been removed after the Village management had discussion with the pension fund's actuary regarding the items. Mr. Steinberg advised that he discussed the matter in detail with the pension fund's actuary and was informed that Mr. Palmquist had recommended the Village management further discuss the matter with the pension board if the village any clarification as to why items two and three were being requested. The Village had insisted the Board change the trustee seats to one elected police officer, one elected firefighter, two Village appointed members and the fifth trustee to be appointed by the other four; however Patricia Shoemaker with the State of Florida's Division of Retirement responded insisting that the Village rescind the ordinance change explaining that said change could not be made due to the fact that State law reflected this pension fund was "grandfathered" into the previous format of two elected police officer trustees, two elected firefighter trustees and one Village appointed trustee as the plan existed prior to 1986. Mr. Steinberg had recently discussed the matter with the Mayor and was advised that the Mayor was aware of the situation and that the revised ordinance correcting the format was scheduled on the Council agenda for May 11, 2006.

The administrator was instructed to move forward with posting the election notices after the first reading on May 11, 2006.

ANNUAL REPORT AND AUDIT UPDATE

Denise McNeill advised that both the annual report and audit are still pending with the auditor and she will keep the Board up to date on the process. Discussion followed regarding the annual report process and Chapter 175 and 185 funds which will not be released until the Annual report has been filed with the State and reviewed by the Division of Retirement. The Division is still in the process of reviewing the new database being used to track the 175 and 185 allocation and the first round of checks are not expected to be released until July. Mrs. Jensen explained that although a pension fund is only required to have an actuarial valuation every three years, she recommends that the pension fund process a valuation annually.

ACTUARIAL VALUATION UPDATE

Denise McNeill advised she has been in communication with Mr. Palmquist and the report is expected to be completed soon. The Board instructed the administrator to prepare to call a special meeting upon completion of the annual report, audit and actuarial valuation so that all reports may be approved prior to the next regularly scheduled meeting.

Robert DiGloria departed the meeting 3:30 PM.

The Trustees discussed the Union's pending need for the valuation information. Lengthy discussion followed regarding the current negotiation process.

ATTORNEY REPORT

Bonni Jensen advised Financial Disclosure forms have been sent to all Trustees. The forms must be completed and filed by July 1, 2006. Mrs. Jensen requested the forms be returned to her office and she would facilitate the filing of said forms.

ADMINISTRATIVE REPORT

- Henry Maki made a motion to approve the minutes of the meeting held February 14, 2006. The motion received a second by Tom Fitzpatrick and was approved by the Trustees 3-0.

Denise McNeill presented disbursements for the plan.

- Tom Fitzpatrick made a motion to approve the disbursements as presented. The motion received a second by Henry Maki and was approved by the Trustees 3-0.

Mrs. McNeill advised of pending applications for the following:

Tom Fitzpatrick – pending buyback
George Betscha –retirement application
Tom Koninig –retirement application
Jeanne Priez –retirement application

Mrs. McNeill further advised that applicants have inquired into the lump sum payment process. Mrs. Jensen reminded the Trustees that the lump sum distribution is not a normal form of benefit. Lengthy discussion followed regarding the Trustees concern of the solvency of the pension fund if lump sum distributions continue to be paid from the plan.

Tom Fitzpatrick departed the meeting at 4PM. The workshop continued.

OLD BUSINESS

Lew Steinberg advised that he has researched the pension issues further and found the pension benefits with the Village of North Palm Beach Police and Fire are in the bottom 13% of relative plans throughout the state. Mrs. Jensen recommended sending a packet of information to both the Village and the Union presenting the pension changes

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