

# **Village of North Palm Beach Police and Fire Pension Fund**

## **MINUTES OF MEETING HELD**

**August 21, 2007**

Robert DiGloria 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**

Robert DiGloria  
Steve Brandt  
Scott Freseman

### **TRUSTEES ABSENT**

Bobby Furey  
Henry Maki

### **OTHERS PRESENT**

Bonni Jensen, Hanson, Perry & Jensen;  
Fund Counsel  
Denise McNeill & Audrey Walker; Pension Resource  
Center  
John McCann & Brendon Vavrica; Thistle Asset  
Consulting  
Steve Stack, ICC Capital  
Mary Kay McGann  
Various Members of the Public

Denise McNeill advised that Henry Maki is the newest Trustee reappointed to the Board from the recent election, however notice of the meeting did not reach Mr. Maki in time for his attendance at this afternoon's meeting.

### **ITEMS FROM THE PUBLIC**

No items from the public at this time.

### **MINUTES**

Discussion of minutes tabled.

### **THISTLE ASSET CONSULTING**

John McCann presented the Trustees with the Performance Evaluation Quarterly Report ending June 30, 2007. Mr. McCann reviewed the Compliance Report noting that the plan has been 0.5% behind the index and therefore not within compliance for the total fund review. He explained that he would be concerned if the manager had been consistently far behind the policy, however that has not been the case with ICC Capital. He further explained that although the plan has slightly higher risk on the equities, they are receiving a slightly higher income relative to the risk therefore he does not feel this is an issue for the fund. As of June 30, 2007 the plan assets reflected 59.5% equities, 29.7% fixed income and 10.8% cash for a total Fund balance of \$10,104,000. Mr.

McCann reported the total fund earned 4.41% for the quarter, beating the policy of 3.56%. The plan was in the top 20<sup>th</sup> percentile in the public fund universe for the quarter, mostly due to a strong equity holding. Mr. McCann noted that the manager is doing well in equities, but falling behind the policy on the fixed income. He then reviewed the BETA, noting that it was 17% higher than the market which caused him some concern however he feels ICC Capital is typically careful about such issues. He explained that his comparison is to the overall index.

### **ICC CAPITAL**

Steve Stack presented the Board with the Investment Review Quarterly Report for the quarter ending June 30, 2007. Mr. Stack advised that the high amount of cash related to the fact that the manager had prepared for the lump sum distributions. When the lump sum distribution method was changed, the manager received funds back into the plan. The cash has since been invested back into the plan. Lengthy discussion followed regarding the portfolio. Mr. Stack went into detail on specific holdings which transitioned from growth to equity or equity to growth in just a matter of days. Mr. Stack explained that the majority of the risk in the portfolio related to the large cap growth. Mr. McCann advised that Mr. Stack's explanation of the portfolio is reasonable and he is not concerned with the high BETA reflected in the equity portfolio.

### **THISTLE ASSET CONSULTING (continued)**

John McCann reviewed the current Investment Policy Statement in detail. At the next meeting, Mr. McCann will provide an equity analysis of all stocks held in the portfolio. Discussion followed regarding commission recapture arrangements. Mr. Stack advised that ICC is instructed to trade with best execution and referred the Trustees to the listing in the quarterly report describing the transactions.

Mr. McCann then presented an Asset Allocation Analysis providing the Trustees with investment alternatives for the portfolio. He noted that the plan currently has a 60% chance of beating the 8% assumed rate of return, however further diversification reflects a higher chance of beating the policy. Discussion followed regarding small and mid cap stock investments. Mr. Stack advised that ICC does not have a small/mid cap product at this time, however they have a multi-cap product which has a higher risk as well as higher return. The Trustees discussed amending the plan to allow international investments. Steve Stack explained that ICC has the ability to purchase ADR's for the plan. Mary Kay McGann advised that the General Employee Pension Fund had amended their plan to include international investments a couple years prior and feels that should be an easy process to have such amended for the Police and Fire Pension Fund.

- Steve Brandt made a motion to amend the plan to allow International investments up to the maximum as allowed by the State of Florida. The motion received a second from Scott Freseman and was approved by the Trustees 3-0.

An ordinance change will be presented to the Village for approval. Once approved by the Village, Mr. McCann will be notified to update the investment policy.

Steve Stack departed the meeting at 3:25 PM.

### **OLD BUSINESS**

Discussion followed regarding the actuarial cost study recently completed by GRS. Mrs. Jensen advised that two of the items are state minimum mandated benefits and are

pending approval by the Village. Mrs. McCann advised that the ordinance change had been tabled at the second reading. The Village feels that some of the items listed must be handled through negotiations with the Union, even though the changes are related to the State's minimum required benefits and the pension fund has the funds to cover the cost of the change.

### **ATTORNEY REPORT**

Mrs. Jensen advised that the Administrator had received a Public Records Request regarding members with vested benefits in the plan. Most of the information had been supplied to date.

The Trustees discussed scheduling pension workshops.

- Scott Freseman made a motion to hold participant meetings October 2 through October 4<sup>th</sup>, from 4-6 PM at the Public Safety building. The motion received a second from Steve Brandt and was approved by the Trustees 3-0.

Mrs. Jensen reported that instructions had been released by the State of Florida advising Cities that their communications database must be updated by September 3, 2007. She explained that the communications service tax is a benefit to the municipality and therefore should be properly kept up to date in order for the Village to receive the full benefit of the additional revenue. The revenue to the pension plan stems from taxes on home, fire and casualty insurance policies written for residents in the Village. State distributions being issued to the pension plan for 2006 are \$123,651.73 for Fire and \$96,998.98 for Police.

Mrs. Jensen advised that Form 1's have been filed for all Trustees.

Mrs. Jensen reminded the Trustees of the upcoming Division of Retirement Conference in St. Petersburg, FL. Information on the conference was included in the Trustee meeting packets by the Administrator.

### **ADMINISTRATIVE REPORT**

Denise McNeill reported of an error made on the plaques for the previous Trustees, Henry Maki and Lewis Steinberg. In the meantime, Henry Maki has been newly appointed to the Board in the recent election. The Board instructed the administrator to follow through with having Mr. Steinberg's plaque corrected. It was noted that Mr. Steinberg has resigned and is moving out of the area therefore his plaque will be mailed to him.

Mrs. McNeill reported that ICC Capital's disbursement tabled from the prior meeting was accurate. Since the plan pays in relation to the amount of assets invested, the increase in the bill related to the additional funds that were transferred back to ICC from the plan's checking account. Discussion followed regarding the management fees billed. Mrs. Jensen advised that, overall, fees in Florida tend to be lower than the standard rates.

Mrs. McNeill requested the Board address appointing a Trustee as Secretary. Discussion of the matter was tabled until the November meeting.

The Trustees discussed their options of investment management and whether or not they should consider searching for either a new manager, or an additional manager to further diversify. It was recognized that, due to the size of the plan, the Board's options would be minimal. The Trustees discussed if Mr. McCann may have been holding back

on criticism due to the fact that ICC Capital was also present. Mrs. Jensen explained that some pension boards stagger the meeting attendance for the monitor and manager, alternating which is to attend each meeting.

Approval of the minutes was tabled until the next meeting.

- Scott Freseman made a motion to approve all disbursements as presented. The motion received a second from Steve Brandt and was approved by the Trustees 3-0.

Denise McNeill presented financial statements through June 30, 2007.

Mrs. McNeill reported that she had been in communication with the State regarding inquiries over the Annual Report. Although the report had not been approved, the matter was being addressed by the administrator and the auditor in order to resolve any outstanding questions.

Mrs. McNeill advised that she had not been able to find any original file information on the existing retirees. She explained that she is attempting to find information relating to the retirees final calculation and the type of benefit options selected. In a more urgent situation, she is attempting to verify any retro and future COLA payments due to the members. Mrs. McGann advised that she will help to look for any and all pension related files at the Village for these three members.

Mrs. McNeill reported excessive problems with various pension checking accounts at National City Bank. She explained that, since the bank's transition from Fidelity Federal to National City, there have been many ACH errors made by National City, lack of communication on accounts as well as poor online services. Mrs. McNeill explained that the administrator had several such accounts and therefore has been researching various banks and online capabilities in an effort to address the matter for several pension plans. First Southern Bank has offered the same interest rate with no additional fees for wire and ACH services and due to the ease of online processing and communication, the administrator requested that the Board consider moving the checking account from National City to First Southern. It was discussed that in a sense, much of a formal RFP process has already been handled by the administrator internally due to their needs for multiple clients.

- Scott Freseman made a motion to approve transferring the checking account from National City to First Southern. The motion received a second from Steve Brandt and was approved by the Trustees 3-0.

Cindy Hawes inquired into the recent Public Records request sent to the administrator for information on members of the plan. Mrs. Jensen advised that she had both telephone conversations as well as a conversation in person with Mr. Clay Walker regarding the matter.

There being no further business:

- Scott Freseman made a motion to adjourn at 4:35 P.M. The motion received a second by Steve Brandt and was approved by the Trustees 3-0.

Respectfully submitted,