

Village of North Palm Beach Police and Fire Pension Fund

MINUTES OF MEETING HELD

February 17, 2009

Chairman, Robert DiGloria called the meeting to order at 2:15 PM in Council Chambers 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
Henry Maki
Joseph Yungk
Steve Brandt

TRUSTEES ABSENT

Scott Freseman

OTHERS PRESENT

Bonni Jensen; Hanson, Perry & Jensen; Fund Counsel
Denise McNeill; Pension Resource Center
John McCann; Thistle Asset Consulting
Steve Stack; ICC Capital
Mary Kay McGann; Village

ITEMS FROM THE PUBLIC

The Chairman, Robert DiGloria, invited those present to address the Board with public comments. There were no public comments.

MINUTES

Denise McNeill presented September and October minutes (pending from prior meeting) as well as the November minutes.

- Henry Maki made a motion to approve the September 2, 2008 and October 8, 2008 minutes. The motion received a second from Joseph Yungk and was approved by the Trustees 4-0.
- Henry Maki made a motion to approve the November 18, 2008 minutes. The motion received a second from Joseph Yungk and was approved by the Trustees 4-0.

ICC CAPITAL

Steve Stack appeared before the Board to present the Investment Review Quarterly Report for the quarter ending December 31, 2008. He advised that the news is still quite negative and the Plan was down -12.58% for the quarter. Mr. Stack reported that all sectors have been down for the new fiscal year and the 10 year and 30 year bond yield is at an all time low. He explained there is about \$8 Trillion dollars sitting in short term investments waiting to be reinvested into the equity market. Mr. Stack reported that only long term treasuries and cash/money market accounts have experienced a slight return in the recent period. Mr. Stack explained that ICC is buying at a low cost, however they are not purchasing significant amounts as they feel the market is still too volatile. He explained that financials were the worst performing sector for the quarter and ICC's overweight in that sector resulted in more of a loss than the market. He advised that the higher amount of cash held in the portfolio has again helped to reduce the overall loss. Mr. Stack reported as of December 31, 2008; the Plan held \$3,104,396 in fixed, \$1,009,193 in cash/equity, \$460,907 in ADR's and \$3,772,312 in value. Mr. Stack reported a strong position in the corporate bond sector which is expected to respond first when the market begins to swing back. Mr. Stack reviewed the top ten holdings of the Plan. He reminded the Board that the

portfolio held Lehman Brothers last year and since senior debt is paid back first, ICC has continued to hold the asset awaiting the payout. Mr. Stack explained since the crash in 1987, it has been noted that stocks have gone up 52% of the time and they have gone down 48% of the time therefore it is important to keep the long term goals in mind. He noted that historically, when the market recovery begins to happen, the first six months of recovery are the most significant with much growth potential. Mr. Yungk asked several questions regarding ICC's strategy and their intended use of TARP funds. Discussion followed regarding bonds. Mr. Stack advised there are many strong BBB bonds in the market at this time due to the down-grading; however this Plan has limitations to the allowable investment grades as per State Statute. Mrs. Jensen reported there is a recent government Bill which the government would guarantee an 8% interest rate in an effort to encourage pension plans to invest. She further explained the 8% would be guaranteed the first year and would then be evaluated for subsequent years. Mrs. Jensen advised this Bill appears to have a maximum investment amount of \$50M and is intended to help pension plans and to solve infusion problems by placing funds into the economy.

Discussion followed regarding the recent offer from Gabriel Roeder Smith to provide contribution projections. Mrs. Jensen recommended the Board wait until the actuarial valuation is presented for the prior fiscal year and the Board can discuss the issue with the actuary at that time. Mr. Stack noted that the investment returns of 1997 through 2004 are vastly different from the returns from 2005 through 2008.

THISTLE ASSET CONSULTING

John McCann appeared before the Board to present the Executive Summary for the quarter ending December 31, 2008. He reviewed the Callan Periodic Table of Investment Returns explaining that he would have never expected Barclay's Aggregate (typically a bottom ranking performer), to be at the top of the chart for 2008 with a gain of 5.24% while the second best performer was the Russell 2000 Value with a loss of -28.92%. Mr. McCann explained, upon review of the Callan Table, that there is no rhyme or reason to what has transpired in the market and it is another great example of the necessity for strong diversification. Mr. McCann reviewed the ADR Morningstar report and the detail of the stocks held in the portfolio.

Mr. McCann then presented information from JP Morgan Asset Management related to Infrastructure Investments. He explained there is currently a six to twelve month queue to enter JP Morgan's Plan. He explained infrastructure relates to the purchases of such items as bridges, toll roads, etc. He explained that JP Morgan has eight in total; three in the UK, one in Australia and four in the US and they are trying to guarantee 8% to 12% annual return. Mr. Stack explained he feels infrastructure should help provide additional diversification on the fixed income side. Mrs. Jensen advised the Ordinance would have to be amended to allow such an investment. Mrs. Jensen advised that the information she has seen regarding the investment to date reflects a substantial amount of time the assets will be tied up, therefore the Plan would be limited in their liquidation ability. Mrs. Jensen recommended the Board request the Ordinance be changed allowing for infrastructure investments along the guidelines of Chapter 175 & 185 allowances. Mr. McCann explained he feels it is important the Board consider alternative investments and further diversification.

- Steve Brandt made a motion instructing the attorney to draft a revised Ordinance allowing the Pension Fund to invest in alternative assets in line with the allowances of Chapter 175 and 185 rules. The motion received a second from Henry Maki and was approved by the Trustees 4-0.

John McCann went on to review the quarterly report in detail. He reviewed the Compliance Report noting that although the Plan is not in compliance with all reported components, the report looks reasonably good considering the market. He noted the Plan was allocated to 44% equities, 8% international, 38% fixed income and 10% cash for the quarter. Mr. McCann reported the Plan was down -12.58%, behind the policy which was down only -11%, however the Plan still ranked in the top 27% of the public fund universe for the quarter, top 17% for the one year comparison and the top 12% in the three year comparison. He reported the Plan has slightly more risk than the policy however they are receiving returns relative to the higher risk.

- Henry Maki made a motion to accept the manager and consultant reports for the quarter ending December 31, 2008. The motion received a second from Joseph Yungk and was approved by the Trustees 4-0.

ATTORNEY REPORT

Bonni Jensen explained she had a revised the administrative contract to reflect the new company name, however that will be held until the next quarterly meeting due to the recent request for a fee increase from the administrator. The Trustees briefly addressed the pending fee increase from the administrator. Mr. Maki advised that he feels the increase is reasonable. Further discussion of the administrative fee will be addressed at the next meeting.

John McCann departed the meeting at 3:27 P.M.

Mrs. Jensen presented a revised Summary Plan Description (SPD) recently updated to include the Ordinance revisions. Discussion followed regarding vested/terminated Plan members. Mrs. Jensen advised that the Ordinance in effect at the time of the member's separation from service dictates the member's benefit therefore the recent changes do not apply to vested/terminated Plan members. The attorney will provide an electronic copy of the SPD to Mr. Maki for electronic distribution throughout Public Safety. Mrs. Jensen recommended either a return receipt email confirmation or a signature on an actual list, be obtained to confirm receipt of the SPD.

- Henry Maki made a motion to approve the revised Summary Plan Description as presented by the attorney. The motion received a second from Steve Brandt and was approved by the Trustees 4-0.

ADMINISTRATIVE REPORT

Fiduciary Liability Coverage

Mrs. McNeill reviewed the history of the pending fiduciary liability insurance coverage noting the loss of coverage resulted initially from a mistake when the Village changed insurance carriers in 2007. Mrs. Jensen advised that such policies cover both the Board and the Village in their fiduciary responsibility for any actions in the event the Board is sued, however the policy will not cover the payment of a benefit itself. She further noted that the Board will be covered unless a Trustee acts outside the scope of their fiduciary. The Trustees agreed to initiate the pending coverage.

Attorney Fee Increase

Mrs. McNeill presented the pending request to increase the attorney's fee which had been tabled from September 2008.

- Steve Brandt made a motion to approve the attorney fee increase retroactively back to September 1, 2008. The motion received a second from Henry Maki and was approved by the Trustees 4-0.

DROP

The Trustees inquired into the Union's request regarding a DROP plan that had been sent to the actuary. No response had been received at this time. It was noted that the DROP may be listed as an opening item in the upcoming negotiations.

Benefit Approvals

Denise McNeill advised of a pending benefit calculation for George Warren. It is expected to be ready for presentation at the next special meeting in March.

Refund - Ward

Denise McNeill advised that when she received Danielle Ward's refund request, upon review of Ms. Ward's payroll contributions, it was found that she had initially contributed to the General Employee's Pension Plan, therefore it appears the General Plan also owes Ms. Ward a refund for her contributions made to that Plan prior to being re-classified to the Police and Fire Plan in 2003. Mrs. McNeill has provided the information to both Ms. Ward and the Finance Department and will copy the information to Mary Kay McGann.

Trustee Election

Mrs. McNeill advised that the term for Joseph Yungk's seat will be posted.

ACTUARY RFP REVIEW

Henry Maki advised that he did not see a need to move forward with the actuarial RFP process. Steve Brandt expressed his concern with a few deadlines that the actuary had committed to, however was unable to meet. In a few cases, it seemed the delays created further issues for bargaining unit. Mr. Brandt feels the Board should at least consider alternative actuaries since the process has resulted in four potential alternatives. Lengthy discussion followed regarding the companies to be invited and potential questions to ask. The administrator was instructed to invite Gabriel Roeder Smith, Foster and Foster and Bolton Partners to do a presentation at a special meeting. Mrs. McNeill will schedule the presentations along with the audit report presentation.

INCOME AND EXPENSE, DISBURSEMENT REVIEW

Denise McNeill presented disbursements for approval.

- Steve Brandt made a motion to approve all disbursements as presented. The motion received a second from Joseph Yungk and was approved by the Trustees 4-0.

Denise McNeill requested the Board consider allowing the administrator to process refunds to terminated members and for the Chairman or Secretary to approve payment of invoices between meetings. She explained that any such items would then be presented to the Board at their next meeting for formal ratification. Mrs. McNeill explained that, due to the Board meeting on a typical quarterly schedule, it can take up to 120 days for vendors to receive payment on occasion. Lengthy discussion followed regarding the matter. Mrs. Jensen advised that the Board could approve for the administrator to process between meetings, then officially ratify the disbursements at the next meeting. Mr. Brandt was concerned that a terminated employee may have to wait months for their contributions to be refunded to them.

- Steve Brandt made a motion authorizing the administrator to approve and process terminated employee contribution refunds and invoice payments, then present to the Board for ratification at the following meetings. The motion received a second from Henry Maki for discussion and did not pass 2-2 (Robert DiGloria and Joseph Yungk voted against).

Discussion followed regarding the fact that refunds and bill payments have a very limited exposure for the Board when ratifying payments at their quarterly meetings. Discussion followed regarding the matter.

- Steve Brandt made a motion authorizing the administrator to approve and process terminated employee contribution refunds, then present to the Board for ratification at the following meetings. The motion received a second from Henry Maki and was approved by the Trustees 4-0.

There being no further business:

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

Respectfully submitted,

Henry Maki