

Village of North Palm Beach Police and Fire Pension Fund

MINUTES OF MEETING HELD

August 18, 2009

Chairman, Robert DiGloria called the meeting to order at 2:03 PM in 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
Henry Maki
Michael Piotrowski
Jacob Stone

TRUSTEES ABSENT

Steve Brandt

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.

ATTORNEY REPORT

Bonni Jensen presented an Ordinance amendment. She reviewed the amendment in detail noting the changes included the USERRA update and the investment section had been updated to incorporate the language within the allowances of Chapters 175 and 185 laws.

Mrs. Jensen then reviewed the recent changes to Florida Statutes. She reviewed several changes in Senate Bill 538 which included a revised definition of credited service; an extension of Trustee terms from two years to four years; insurance premium deductions from pension checks to any insurance company (allows for \$3,000 tax savings to the member on their annual taxes); changing foreign investment allowance from 10% of cost to up to 25% of market; the divestiture of scrutinized companies and clarification allowing members to change beneficiaries up to two times after retirement. Mrs. Jensen explained that, regarding the scrutinized companies, the Plan may use a list which will be maintained by the State of Florida advising of which companies are considered scrutinized companies. She also explained there is an allowance of time for the Plan to divest of any such holdings with a deadline of September 2010. Mrs. Jensen reported that the Senate Bill also included a provision (related to Lake Park) that upon termination of a pension plan, the members are fully vested and the municipality must fund the Plan.

Mrs. Jensen explained that, of the changes, the Board may elect whether or not they wish to increase the trustee terms to four years and if they will allow insurance premium deductions for carriers other than the municipality's insurance to be deducted.

- Henry Maki made a motion to change the trustee terms from two years to four years and for all health insurance premiums to be allowed for deduction from the monthly pension. The motion received a second from Jake Stone and was approved by the Trustees 4-0.

- Henry Maki made a motion to amend the pending ordinance to include the changes to Senate Bill 538 inclusive of the permissive sections. The motion received a second from Jake Stone and was approved by the Trustees 4-0.

Mrs. Jensen presented revised contract agreements for the company name changes of Law Offices of Perry & Jensen (changed from Hanson, Perry & Jensen, PA) and the Pension Resource Center (changed from Tegrit Plan Administrators). Both amendments were signed accordingly.

Denise McNeill addressed a pending question related to a vested-terminated member who made contributions into the General Employee plan before being reclassified to Police and Fire. Mrs. Jensen explained that many municipalities acknowledge such transfers and provide that the years of service under each plan are to be calculated and paid from each plan accordingly. The other option is to pay out the contributions in the first pension plan as a refund to the member. Mrs. Jensen explained it is not a clean transaction to transfer the benefit from one pension plan to another. The matter will be addressed with the municipality.

Bonni Jensen then presented two potential policies related to refunds of contributions. She reviewed the differences in each option with the Trustees. Mrs. McNeill reminded the Trustees that the matter arose when a terminated employee submitted a refund request shortly after a Board meeting, and then had to wait three months to the next meeting for the refund to be approved for payment.

- Henry Maki made a motion to adopt the policy allowing refunds immediately upon separation of service with the approval of the Chairman or Secretary. The motion received a second from Jake Stone and was approved by the Trustees 4-0.

Mrs. Jensen advised the federal tax withholding tables had been amended. She noted the change was only effective for those retirees with other jobs, therefore she has requested the revised tax notice (as presented) be sent to all retirees. Mrs. McNeill advised that the notice is being included with the September payments.

COLA

Denise McNeill presented the COLA information for the October 1, 2009 review. The consumer price index used for the calculation (CPI-W) reflected a decrease from April 1, 2008 to April 1, 2009. It was noted that April 1st is the date to be used in the comparison each year. Lengthy discussion followed regarding the process. In previous years, the Board has chosen not to pass a reduction along to the members. The Trustees expressed their desire to make the benefit a permanent 3% COLA annually. Mrs. Jensen explained that the COLA benefit is tied to the CPI-W however the Board does not have to decrease the benefit.

- Jake Stone made a motion to continue the current benefit effective October 1, 2009 and for the reduction of the CPI-W not to be passed along to the retired members. The motion received a second from Michael Piotrowski and was approved by the Trustees 4-0.

ICC CAPITAL

John McCann inquired into the pending investment policy. Mrs. Jensen explained it cannot be initiated, as written, until the pending Ordinance amendment has passed. Mr. McCann reviewed the revised investment policy with the Board.

- Jake Stone made a motion to approve the Investment Policy Statement as presented with the removal of AAA and Baa bonds and changing the Barclay's Capital Government Credit BCGS to the Barclays Cap Aggregate Bond Index. The motion received a second from Michael Piotrowski and was approved by the Trustees 4-0.

Mr. DiGloria advised that he had received a letter from Salem Trust recommending the Board change one of their accounts. Mr. Stack explained that ICC specifically chose that fund due to the fact that it is more conservative and Salem Trust should have discussed the matter with the investment manager (ICC) and the consultant (Thistle) before approaching the Board.

Steve Stack appeared before the Board to present the Investment Review Quarterly Report for the quarter ending June 30, 2009. He introduced himself to the newest members of the Board.

Bonni Jensen departed the meeting at 3:15 P.M.

Mr. Stack went on to review the report noting the market has been up about 50% since March. He noted the current environment is not much different from other market recoveries in the past. Mr. Stack explained that, through October 2008, there had not been a single positive sector for ten months. He reviewed the top ten holdings. Mr. Stack then noted that junk bonds have been the best performing corporate bond while the quality bonds have shown the worst performance. Mr. Stack advised that the market has increased tremendously since the June 30 quarter end, up 9.79% to date. He noted that historically, August and September are down periods. Mr. Stack reported as of June 30, 2009; the Plan held \$3,596,726 in fixed, \$455,601 in cash/equity, \$481,026 in ADR's and \$3,294,039 in value. Mr. Stack went on to review the sector weights in detail. Mr. Stack recommended the board consider adding large cap growth to the Plan.

THISTLE ASSET CONSULTING

John McCann appeared before the Board to present the Executive Summary for the quarter ending June 30, 2009. He reviewed the Plan's compliance noting that although they have a slightly higher risk than the policy, they have beaten the policy in the three and five year view. Mr. McCann noted the quarter was good and the fund was up 9.78%, less than the index which was up 10.98%. He noted that lower quality investments tended to do better for the quarter. Mr. McCann advised that year to date, the plan was down -10% versus the policy which was down -8.39%. He noted that if the market holds through to September 30, 2009, the plan may actually break even for the fiscal year. He noted that the State of Florida's fiscal year ended June 30, 2009 down -19%. Mr. McCann addressed Mr. Stack's recommendation to add large cap growth to the portfolio. He reviewed the equity portion of the report in detail. Mr. McCann explained that he does agree with Mr. Stack's suggestion to add large cap growth to the Plan, however the Board would need to determine the amount to be transferred. Discussion followed regarding the matter.

- Henry Maki made a motion to transfer \$1,000,000 from the large cap core value into a new account for the large cap growth portfolio. The motion received a second from Jake Stone and was approved by the Trustees 4-0.

Mr. McCann reminded the Trustees of the upcoming Trustee school being presented by the FPPTA. Mrs. McNeill also advised of the Trustee conference being put on by the Division of Retirement.

Mr. Stack informed the Board that ICC had updated their contract in 2003 and should have adjusted to begin billing the Plan in arrears. He explained that, as ICC's Chief Compliance Officer, he came across the billing error and will have it adjusted accordingly. ICC will not invoice the Plan on September 1, 2009 and will instead bill on January 1, 2010 for the fourth quarter of 2009.

MINUTES

Denise McNeill presented the February, April and May minutes for approval. The February had been tabled from the May meeting due to lack of quorum.

- Henry Maki made a motion to approve the February, April and May minutes. The motion received a second from Jake Stone and was approved by the Trustees 4-0.

John McCann departed the meeting at 3:58 P.M.

OLD BUSINESS

Denise McNeill advised the election process had been completed and the next election would be scheduled in 2010.

INCOME AND EXPENSE, DISBURSEMENT REVIEW

Denise McNeill presented disbursements for approval. She noted that due to the lack of quorum from the May meeting, both the May and August disbursements were pending approval.

- Michael Piotrowski made a motion to approve all disbursements as presented. The motion received a second from Jake Stone and was approved by the Trustees 4-0.

ADMINISTRATIVE REPORT

Denise McNeill presented new forms from Salem Trust and First Southern Bank to update the authorized signatures relative to the new Trustees. All forms were signed accordingly.

Mrs. McNeill reported that they had received approval confirmation from the State of Florida for the 2008 actuarial valuation. The State did request specific changes for all future reports. The information was shared with the new actuary accordingly.

There being no further business:

- Henry Maki made a motion to adjourn the meeting at 4:10 P.M. The motion received a second by Jake Stone and was approved by the Trustees 4-0.

Respectfully submitted,

Henry Maki