

Village of North Palm Beach Police and Fire Pension Fund

MINUTES OF MEETING HELD

November 16, 2010

Chairman Robert DiGloria called the meeting to order at 2:00 PM in the meeting 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
Michael Piotrowski
Henry Maki
Jacob Stone

TRUSTEES ABSENT

Steve Brandt

OTHERS PRESENT

Bonni Jensen; Law Office of Perry & Jensen
Denise McNeill; Pension Resource Center
John McCann; Thistle Asset Consulting
Steve Stack; ICC Capital

ITEMS FROM THE PUBLIC

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

ICC CAPITAL

Steve Stack appeared before the Board to present the Investment Review Quarterly Report for the quarter ending September 30, 2010. He reported that ICC is overweight in the financial sector and that sector was down for the quarter. He explained there had been a flight to less quality equities as people were trying to recoup their losses from prior periods. Mr. Stack noted that he was surprised at the massive movement in July away from safety as people were willing to take much more risk during that period. Mr. Stack then reviewed the sector weights and the portfolio's asset classes. He noted that he is comfortable with the portfolio as most of the issues revolved around the market transition in July. Mr. Stack confirmed that ICC is remaining true to their investment process.

THISTLE ASSET CONSULTING

John McCann appeared before the Board to present the Executive Summary for the quarter ending September 30, 2010. He began by presenting an equity analysis using a Morningstar report of ICC's portfolio. He noted that the investments with ICC are 58% in value and 42% growth and they are nicely diversified. Mr. McCann noted there are 137 stocks with three portfolios and there was an overlap of twelve stocks in value core and growth, however he did not feel the overlap was a problem.

Mr. McCann went on to review the quarterly report in detail. He reviewed the Plan's compliance noting that the Plan did not meet the three and five year goals, however most pension plans have not met the three and five year compliance numbers in the recent environment. Mr. McCann explained that he has added information to the report to monitor for scrutinized investments; therefore an additional compliance report has been added to the process. Mr. McCann reviewed the asset allocation and it was noted that there was a high amount of cash at the end of the quarter. Mr. McCann advised that he does not recommend the fund rebalance at this time.

Mr. McCann reviewed the results for the fiscal year end; the total fund was up 7.47%, below the index which was up 9.23%; equities were up 8.73%, below the index of 9.12%; fixed income was

up 7.68%, below the index of 8.17%; large cap core value equity was up 8.27%, below the index of 10.16%; ADR's were up 2.5%, below the index of 3.71% and large cap growth equity was down -0.33%, below the index of -0.27%. He noted in the three and five year views, the plan ranked in the top 28% of the public fund universe. Mr. McCann noted the investment into the large cap growth was good timing for the fund. He then reviewed the risk versus reward and noted that ICC is taking less risk, however they are receiving less earnings as well. Mr. McCann reviewed the comparison chart of ICC relative to their peers. He noted that ICC has done well overall however the recent 9/30/10 quarter was tough for ICC and their returns were not as strong as their peers.

- Jake Stone made a motion to accept both the ICC September 30, 2010 Quarterly Report and the Thistle September 30, 2010 Quarterly Report. The motion received a second from Mike Piotrowski and was approved by the Trustees 4-0.

OLD BUSINESS

Denise McNeill reported the buyback request recently approved by the Board was still in progress.

NEW BUSINESS

Denise McNeill presented the 2011 meeting schedule.

- Mike Piotrowski made a motion to accept the 2011 schedule. The motion received a second from Jake Stone and was approved by the Trustees 4-0.

The Board inquired into the year end process for the audit and the actuarial valuation. Mrs. McNeill explained they will work toward having both reports completed and presented for the February 2011 meeting.

MINUTES

Denise McNeill presented four sets of minutes in the Trustee meeting packets. Two sets from recent special meetings and two tabled from a prior meeting.

- Mike Piotrowski made a motion to approve the minutes for the meetings held September 14 and September 21, 2010. The motion received a second from Jake Stone and was approved by the Trustees 4-0.
- Henry Maki made a motion to approve the minutes for the meetings held July 16 and August 24, 2010. The motion received a second from Mike Piotrowski and was approved by the Trustees 4-0.

ATTORNEY REPORT

Ordinance Change: Bonni Jensen reported on the status of the recent Ordinance change request to remove the COLA decrease. She noted the request had been sent to the Village. The Fire Union has confirmed their agreement however they are awaiting confirmation from the PBA.

Federal Updates: Bonni Jensen reviewed recent Securities and Exchange Commission (SEC) actions and proposed changes to the Governmental Accounting Standards Board (GASB). She reviewed details of recent rules released by the SEC regarding "pay to play" practices. Mrs. Jensen explained that some States already have guidelines in place relative to "pay to play". John McCann will add questions to the compliance report to ensure the new rules are being followed. Mr. Stack explained that items will be added to the ADV as a result of the recent changes. Mrs. Jensen then reviewed the proposed GASB changes. Preliminary views note the changes would impact how the governmental employers value their pension funds. She noted the GASB changes are looking to change the standards effective the second calendar quarter of 2012. Such changes may impact the municipality's bond rating.

IRS Determination Letter: Mrs. Jensen then reported she had attended the National Association of Public Pension Attorney's Conference over the summer and the IRS had made a presentation to the group regarding governmental pension plans. The IRS is encouraging governmental plans to file for an IRS determination letter as to the tax qualification of the retirement plan and they described their reasons for the letter. The attorney from the IRS indicated that if the plan does

not file and an IRS issue is discovered, then there may be penalties assessed and/or tax assessments to the members of the Plan. Discussion followed regarding the matter. Mrs. Jensen explained she has filed for seventeen determination letters for other clients and has received a response to only two so far. The Board discussed the potential cost of the filing.

- Henry Maki made a motion to instruct the attorney to proceed with the process of filing for an IRS Determination Letter on behalf of the Pension Fund and to approve any corrective action that may be necessary upon receipt of the IRS response. The motion received a second from Mike Piotrowski and was approved by the Trustees 4-0.

ADMINISTRATIVE REPORT

Retirement Applications: Denise McNeill reported that a retirement calculation for vested terminated member Wilbur Walker was in progress with the actuary.

State Supplemental: Mrs. McNeill then reported that \$50,356.59 was received in October from the State of Florida Chapter 175 Supplemental account.

Trustee Election: Mrs. McNeill noted that in the recent election processes, Jake Stone and Henry Maki were reappointed to the Board for a new term through 8/11/14.

Lump Sum Payments: Mrs. McNeill then reviewed the list of lump sum payments. She noted that three of the five members receiving lump sum installment payments will receive their final payments in February and March of 2011.

Financial Statements: The interim Financial Statements were presented in the Trustee packets for review.

DISBURSEMENTS

Mrs. McNeill reviewed the disbursements presented in the Trustee packets.

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

Jake Stone advised that he had received inquiries from Union representatives with several questions regarding various pension items. The Board discussed the questions. Mr. Maki explained that pension benefit improvements are considered part of a labor contract therefore the items need to be negotiated. He suggested the Union come up with a list of items for the Pension Board to process a cost study. The Board can then request the actuary complete the study. Discussion followed regarding the timing of such studies as they relate to negotiations and it is important to use information that is as up to date as possible.

There being no further business:

- Mike Piotrowski made a motion to adjourn the meeting at 3:52 P.M. The motion received a second by Jake Stone and was approved by the Trustees 4-0.

Respectfully submitted,

Henry Maki