

Village of North Palm Beach Police and Fire Pension Fund

MINUTES OF MEETING HELD

November 15, 2011

Chairman Robert DiGloria called the meeting to order at 2:03 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
Maria Walden
Robert Coliskey
Jacob Stone

TRUSTEES ABSENT

Henry Maki

OTHERS PRESENT

Bonni Jensen; Law Office of Perry & Jensen
Denise McNeill; Resource Center
Steve Stack; ICC Capital
Brendan Vavrica; Thistle Asset Consulting
Jamie Titcomb; Village Manager

ITEMS FROM THE PUBLIC

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

ICC CAPITAL

Steve Stack appeared before the Board to present the Investment Review Quarterly Report for the quarter ending September 30, 2011. He noted the market appears to have rallied since the close of the quarter to date. Mr. Stack addressed ICC's under-performance for the prior quarter noting they were overweight in the wrong sectors and underweight in the right ones which lead to their poor under-performance for the prior period. He explained bonds have continued to rally and the Fed is attempting to keep interest rates low without putting more money into the system. Mr. Stack noted the bonds have helped to protect the assets of the plan. He noted the volatility remains extreme in the market as noted by the worst day for bonds in the prior quarter was followed the next day by the best day for bonds of the quarter. Mr. Stack reviewed the asset class detail comparing the fund to the index noting the worst performing sectors were energy and financials. Mr. Stack then reviewed a few specific holdings noting the volatility of each. He explained that eight of the top ten news stories reported in the prior week were negative news of Italy and Greece. He also noted that of the Russell 3000, over 2700 of the 2900 stocks held in that index were down. Mr. Stack noted the current value with ICC through the end of the prior week was \$8.4M in stocks, \$1.2M in bonds and \$992K in ADR's.

THISTLE ASSET CONSULTING

Brendan Vavrica appeared before the Board to present the Executive Summary for the quarter ending September 30, 2011. Mr. Vavrica went on to review the quarterly report in detail noting it was a very poor quarter to close the plan year. He noted the average stock held in the portfolio was down 18%-20%. He reviewed the Plan's compliance noting that

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the Plan was behind the three and five year goals. Mr. Vavrica reviewed the allocation and cash held noting the Plan was on target with weightings at the end of the quarter. Mr. Vavrica reviewed the results for the plan year end; the total fund was down -2.41%, below the index gain of 2.03%; equities were down -8.07%, below the index which was down -0.57%; fixed income was up 5.91%, beating the policy of 5.29%; large cap core value equity was down -8.161%, below the index gain of 1.15%; ADR's were down -5.84%, beating the index loss of -8.94% and large cap growth equity was down -6.01%, below the index gain of 3.78%. Mr. Vavrica noted equities were over allocated to indices which were down dramatically while the fixed income has performed well consistently over the past five years. He noted the poor returns in the core value are not significant in relation to ICC's peers. He noted the ADR's are down, however the fund performed well relative to the policy the last three years. Mr. Vavrica then presented an Aggregate Equity Analysis report to review and confirm the allocation of the equities held. He noted the portfolio is being invested in relation to the policy allowances.

Steve Stack departed the meeting at 2:35 PM.

Mr. Vavrica went on to review the actual stocks held in detail. He reviewed the risk versus return and noted that overall; the Plan has taken less risk than the policy and received less return. Mr. Vavrica noted that stocks in general were negative and the Plan owned more of the negative stocks than the policy so the Plan's loss was higher than the policy. Bonni Jensen inquired if the consultant had any recommendations at this point and Mr. Vavrica advised he did not. Mr. Vavrica then addressed an inquiry received from the administrator regarding \$250,000 in the local checking account. The administrator noted the funds would be needed for payments in February 2012. Mr. Vavrica requested the funds be transferred to ICC's fixed income account for the time being as they would be relatively liquid and easy to access when needed in February. Mr. Titcomb inquired into the current assets and the policies used. Mr. Vavrica explained how the index was chosen relative to the Plan's policy. He further noted the current target is consistent with the policy of 60% stocks and 40% fixed income. Mr. Vavrica will have Mr. McCann bring an asset allocation review to the next meeting.

- Jacob Stone made a motion to authorize the \$250,000 currently held in the local checking account to be transferred to the fixed income account with ICC as per the consultant's recommendation. The motion received a second from Robert Coliskey and was approved by the Trustees 4-0.

OLD BUSINESS

Denise McNeill presented an actuarial analysis received from the actuary regarding the Plan's assumed rate of return. Lengthy discussion followed regarding the matter and there was concern that reducing the assumed rate of return would increase the Village's funding requirement. According to the investment consultant's report, the long term assumed investment return is 8.23%. It was noted that the actuary uses a few different assumptions and a change to the assumed rate of return may be able to be paired with adjustments in other assumptions to help offset any employer cost. Mrs. Jensen explained the Board could have such a discussion with the Village, however the Board cannot bargain. Discussion followed regarding the Plan's funding. Mrs. Jensen noted the Plan is well funded in relation to the majority of public pension funds at this time. Mr. Vavrica noted that as the investment consultant, he feels the 8% assumption rate is reasonable as per the investment projections. Robert DiGloria noted the Trustees are

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being fiscally responsible by reviewing the matter and he feels the Board has considered the options. He noted the Plan is strong and there is a concern about placing an additional cost burden on the Village. The Trustees will discuss the matter further with the actuary at the February meeting.

ATTORNEY REPORT

ORDINANCE UPDATE: Bonni Jensen reported she had attended a Village Council meeting regarding the Ordinance amendment and the Ordinance passed the first reading inclusive of the requested IRS changes.

COLA POLICY: Mrs. Jensen noted the Bureau of Labor Statistics has advised they are going to stop reporting the CPI-W historical tables. She recommended the Board adopt a policy and requested the calculation be changed to the CPI-U in the future. Discussion followed regarding the COLA process. The Trustees agreed to have a COLA Policy updated accordingly.

COMMISSION ON ETHICS: Mrs. Jensen noted that during the quarter she had sent an update to the Trustees. She explained that trustees must list specific holdings and she noted that DROP plans, IRA's and Florida Pre-paid plans are included. She noted a Form 1X should be filed to amend their original filing if a trustee feels they have a substantial difference in how their latest filing was submitted.

LEGISLATIVE UPDATE: Bonni Jensen reported on a bill that has been filed dealing with public pension plans under Chapters 175 and 185. The bill proposes that people with fewer than five years of service or older than age 37 would receive no disability benefit. The remaining changes relate to who is in charge of the 175 and 185 funds. The Trustees discussed the current benefit that allows for retirement at age 55 with no limit on the years of service. Mrs. Jensen explained that would be a benefit change which would need to be handled through bargaining.

ADMINISTRATIVE REPORT

COLA UPDATE: Denise McNeill provided an update on the COLA processing. She noted an error was found in the actuary's prior calculation and the retro payments had been revised. Mrs. McNeill explained that the correct interest rate was used; however the actuary had used the wrong dollar amount for the most recent plan year. Mrs. McNeill caught the change and the correction was made prior to payments being issued to all members. A revised COLA report was provided for review.

- Jacob Stone made a motion to accept the revised COLA detail as presented. The motion received a second from Robert Coliskey and was approved by the Trustees 4-0.

ACTUARY TABLES: Mrs. McNeill reported that the payroll data upload report has been received from the Village and it matches the annual report detail provided for the audit and valuation. She noted that the administrator will need to acquire the RP2000 mortality table detail from the actuary in order to properly update the data program and this needs the

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Board's approval as there will be a charge from the actuary to provide the detail and the programmer to update.

- Jacob Stone made a motion to authorize the administrator to acquire the RP2000 tables as needed from the actuary and to have the updates loaded into the data program accordingly. The motion received a second from Robert Coliskey and was approved by the Trustees 4-0.

BENEFIT APPROVAL: Denise McNeill noted that she will have a benefit approval for the next meeting. Since the payment is standard, the administrator will begin the payment process accordingly and will provide the detail at the February meeting for Board ratification.

2012 MEETING SCHEDULE: Mrs. McNeill noted the 2012 meeting schedule was included in the trustee packets and had been emailed to all trustees for their review. It was noted the schedule remains relatively unchanged from the current year.

CLIENT SURVEY: Mrs. McNeill reported that they are in the process of wrapping up their client survey and she thanked the Trustees for their participation. She expects to provide details of the results to the Board at their next meeting.

MINUTES

Denise McNeill presented minutes of the August 16, 2011 and September 30, 2011 meetings.

- Maria Walden made a motion to approve the minutes for August 16, 2011 and September 30, 2011 as presented. The motion received a second from Jake Stone and was approved by the Trustees 4-0.

DISBURSEMENTS

Mrs. McNeill reviewed the interim Financial Statements that were presented in the Trustee packets for review. Mrs. McNeill then reviewed the disbursements (also presented in the Trustee packets).

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

There being no further business:

- Robert Coliskey made a motion to adjourn the meeting at 4:27 PM. The motion received a second by Jacob Stone and was approved by the Trustees 4-0.

Respectfully submitted,

Henry Maki