

Village of North Palm Beach Police and Fire Pension Fund ¹

MINUTES OF MEETING HELD

February 15, 2011

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 (2:06 PM)

TRUSTEES ABSENT

OTHERS PRESENT

Bonni Jensen; Law Office of Perry & Jensen
Denise McNeill; Pension Resource Center
John McCann; Thistle Asset Consulting (2:15 PM)
Steve Stack; ICC Capital
Richard Cristini & Jeannine Bittinger; Davidson, Richardson & Cristini (2:20 PM)
Robert Gebbia; Village Council
Mary Kay McGann; Village Human Resources
Merle Goldberg; Village Finance

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 minutes of the November 2010 meeting in the Trustee meeting packets.

- Henry Maki made a motion to approve the minutes for November 16, 2010. The motion received a second from Mike Piotrowski 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, 2010. He reported the Plan was up 5.75% for the quarter. He noted it has been a good rally in the market since the 2008/2009 down period and they are beginning to position for a shift toward large cap. Mr. Stack noted the portfolio is in a good place for the transition to large cap at this time. Mr. Stack explained when the market moves as far and as quickly as it did in the down turn, it will take time to rebound. He noted the corporate default rates are at 20% and while municipalities face some challenges, they are still strong for bonds. Mr. Stack explained that overall, bonds are not expected to do well for the next 1.5 years. Mr. Stack advised that ICC is attempting to remain light in the bond portfolio holding shorter duration bonds. Mr. Stack then reviewed the asset allocation noting that ICC has been holding a higher amount in cash. He then reported that ICC completed acquisition of a small firm in Pennsylvania and while the acquisition will add depth to ICC's current group, he assured the Board there should be no direct change on this group. Bonni Jensen informed the Trustees that the back of the ICC report reflects the proxy voting detail filed by ICC.

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THISTLE ASSET CONSULTING

John McCann appeared before the Board to present the Executive Summary for the quarter ending December 31, 2010. He began by presenting a Callan chart of investment returns. He explained that emerging markets has been added to the chart however he does not feel that would be an appropriate investment for the pension plan at this time. He reviewed the Callan chart noting that it further proves diversification is in the best interest of the pension plan. He noted that small cap has beat large cap eight out of the past ten years however he noted that many in the industry are tired of the small cap volatility. 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. Mr. McCann reviewed the allocation noting the Plan is currently close to target and he is not recommending any rebalancing at this time.

Mr. McCann reviewed the results for the quarter; the total fund was up 5.65%, beating the index which was up 5.47%; equities were up 11.77%, beating the index of 10.08%; fixed income was down -1.67%, below the index of -1.29%; large cap core value equity was up 12.00%, beating the index of 10.76%; ADR's were up 9.16%, beating the index of 6.65% and large cap growth equity was up 11.17%, below the index of 11.83%. He noted in the three and five year views, the plan ranked in the top 32% of the public fund universe. Mr. McCann advised the timing of the investment into large cap was great for the Plan. 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 and had a good start to the new fiscal year. Mr. McCann responded to various questions from the Trustees.

AUDIT PRESENTATION

Richard Cristini and Jeannine Bittinger appeared before the Board to present the audited financial report for the plan year ending September 30, 2010. Mr. Cristini presented an audit representation letter to be signed by the Board and administrator. Mr. Cristini explained that they began their audit process by reviewing the prior year's audit (completed by the prior auditor). He noted that there were a few minor issues from the prior audit; however the total was less than \$2500 and was considered immaterial. Mr. Cristini advised there were no significant deficiencies and no material weaknesses to report. He noted there were very few adjustments needed in working with the administrator. Mr. Cristini advised that upon testing of the data from the Village, they found no exceptions and the Plan's payments and disbursements were all in line. He noted the Plan is running according to the Board's intent. Mr. Cristini reviewed the assets noting the State supplemental payment has been recorded as a receivable for the Plan year. He explained that the Plan's costs were in line with a Pension Plan of this size. Mr. Cristini then reviewed the new footnotes required by the new governmental changes. He noted the Plan had a good year and is in line with good professional advice. Mr. Cristini explained the Exchange Traded Funds (ETF) process as the Trustees are required to understand the matter. He noted that any direct purchase of ETFs would require the Board value the investment however since the ETFs were purchased through Salem Trust, Salem is required to file. Mr. Cristini advised that overall, the Plan looks great. Mr. Cristini responded to several questions from the Trustees. Discussion followed regarding recent communication from the Village of their contributions to the Plan. Mr. Cristini explained that in the past, the actuaries calculated the annual requirement into a dollar amount which was easier for municipalities to budget. He explained the Division of Retirement more recently sent out an opinion that the set dollar amount is not a fair enough funding and has requested that the actual percentage of payroll be funded instead of a set dollar amount. Mr. Cristini explained that he had noticed the Village had funded the specific dollar amount in their 2010 funding and he did not feel it was a problem for the Plan since the Village had the right to use the actual dollar funding. Mr. Cristini believes this transition from hard dollar to a percentage is still a request and not a rule. Mrs. Jensen explained that as far as she knows, this funding process has not been made a formal requirement however the State actuary is taking the position

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it is a hard and fast rule. Ms. Goldberg advised that the Village is funding the additional money to be compliant with the percentage of actual payroll and will be cutting a check to the Pension Fund.

- Henry Maki made a motion to accept the audited financial report for the plan year ending September 30, 2010 as presented. The motion received a second from Mike Piotrowski and was approved by the Trustees 4-0.

NEW BUSINESS

Denise McNeill presented a benefit approval for Wilbur Walker.

- Jake Stone made a motion to approve the benefit. The motion received a second from Henry Maki and was approved by the Trustees 4-0.

ATTORNEY REPORT

Ordinance Change: Bonni Jensen reported that the recent Ordinance change request to remove the COLA decrease has passed. She noted that the COLA will increase again when the CPI-W goes over the current high water mark.

Legal Updates: Bonni Jensen advised the IRS mileage reimbursement has increased for 2011 to \$0.51 per mile. Mrs. Jensen then reviewed the bills pending with State Legislature and advised that several changes have already been made to the bills. She will keep the Board posted on the legislature.

ADMINISTRATIVE REPORT

Trustee Election: Mrs. McNeill reported that no response had been received for the posting of Mr. Brandt's vacated seat. The position will be reposted.

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. Discussion followed regarding the lump sum installment payments remaining.

- 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.

Henry Maki departed the meeting at 3:43 PM.

There being no further business:

- Mike Piotrowski made a motion to adjourn the meeting at 3:45 P.M. The motion received a second by Jake Stone and was approved by the Trustees 3-0.

Respectfully submitted,

Henry Maki