

Village of North Palm Beach Police and Fire Pension Fund

MINUTES OF MEETING HELD

May 24, 2011

Chairman Robert DiGloria called the meeting to order at 2:00 PM in the 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
Jacob Stone
Maria Baquerizo

TRUSTEES ABSENT

None

OTHERS PRESENT

Bonni Jensen; Law Office of Perry & Jensen
Denise McNeill & JC Louissaint; Pension Resource Center
John McCann; Thistle Asset Consulting
Grant McMurry; ICC Capital
Doug Lozen; Foster & Foster
Robert Coliskey; member

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 February 2011.

- Henry Maki made a motion to approve the minutes for February 15, 2011. The motion received a second from Jake Stone and was approved by the Trustees 4-0.

ACTUARY REPORT – FOSTER & FOSTER

Doug Lozen appeared before the Board to present the October 1, 2010 Actuarial Valuation Report in detail. He noted the employer contribution requirement increased from 17.96% of payroll for the current year to 20.03%. Mr. Lozen explained a few of the actual salary increases were larger than the assumed 6% resulting in an average increase of 12%. Discussion followed regarding the assumptions used in the calculation. Mr. Lozen noted there was a slight adjustment due to the update of the mortality table as previously approved by the Board. Mr. Lozen reported the Plan's funded ratio was 79.6% and he noted this is still a good number as 80% is the desired threshold for healthy pension plans. He explained that he expects pension plan ratios will continue to decline for the next couple of years. Discussion followed regarding the State 175 and 185 funds held in reserve and it was noted that the 2008 benefit improvements used the entire reserve at that time as a down payment on the benefits. The current State funds in reserve are \$23,894. Jake Stone inquired into the process of how the actuary provides cost studies for new benefits. Mr. Lozen explained that cost studies can be processed in a few different approaches. A) direct the actuary to target a certain benefit, then determine the specific cost; B) direct the actuary to target an increase of funds and request what benefits that increase could purchase; or C) combination of both. Discussion followed regarding the rate of return being used in the assumption. The administrator had received a letter from the State advising that the prior year valuation reports had been received and approved, however they requested the Board have the actuary review the assumption rate. Mr. Lozen explained that he would defer discussion of the assumption rate to the investment consultant. He explained that unless the investment consultant feels the 8% rate of return is not feasible, then no change should be made.

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- Jake Stone made a motion to continue the 8% assumed rate of return. The motion received a second from Henry Maki for discussion. Mr. Maki recommended the motion be tabled until after the investment consultant report was presented.
- Jake Stone made a motion to approve the October 1, 2010 Actuarial Valuation Report as presented. The motion received a second from Henry Maki and was approved by the Trustees 4-0.

COLA

Discussion turned to the COLA process. Mr. Lozen described the process used to calculate the recently adjusted benefit. He noted that they used the CPI-W from 2005 of 1.6% as the prior baseline for the calculation. He explained that with this revised approach, he feels a COLA can be given for five of the last six years. Mr. Lozen explained that in the recent Ordinance amendment, April 1, 2011 will be the new high water mark threshold. Mr. Lozen advised that he will complete calculations for the Board's review reflecting a retro increase for the prior period (recalculated with the new process) and he will provide the new increase detail for October 1, 2011. The actuary recommended: 2005 to receive 3%, 2006 to receive 3%, 2007 to receive 2.72%, 2008 to receive 3%, 2009 to have no increase and 2010 to receive 2.09%.

- Henry Maki made a motion to revise the COLA schedule as per the actuary's recommendation and for the actuary to calculate all annual COLA benefits going forward. The motion received a second from Jake Stone and was approved by the Trustees 4-0.
- Jake Stone made a motion for the administrator to pay the retro COLA payments upon receipt of the data from Foster. The motion received a second from Maria Baquerizo and was approved by the Trustees 4-0.

ICC CAPITAL

Grant McMurry appeared before the Board to present the Investment Review Quarterly Report for the quarter ending March 31, 2011. He reported the Plan was up 10.13% for the fiscal year to date and 12.32% through April. Mr. McMurry reviewed the investment strategy and described the type of item ICC is looking to purchase. He noted the addition of the growth portfolio has helped the Plan. Mr. McMurry expressed his concern with the bond market noting bonds are expensive with minimal yield. He went on to review the bond portfolio noting ICC has been defensive with their bond structure and he feels the high quality bond market will not do well in the next two years. Mr. McMurry advised that he is comfortable with the Plan's assumption rate of 8%. Bonni Jensen reminded the Trustees that the back of the ICC report reflects the proxy voting detail filed by ICC.

THISTLE ASSET CONSULTING

John McCann appeared before the Board to present the Executive Summary for the quarter ending March 31, 2011. Mr. McCann went on to review the quarterly report in detail. He reviewed the Plan's compliance noting that the Plan was slightly behind the three and five year goals. Mr. McCann reviewed the allocation and cash held. He explained the administrator is in communication with both Thistle and ICC regularly regarding the cash held and feels the current level meets the Plan's needs. Mr. McCann reviewed the results for the quarter; the total fund was up 4.24%, beating the index which was up 3.46%; equities were up 7.27%, beating the index of 5.51%; fixed income was up 0.6%, beating the index of 0.43%; large cap core value equity was up 7.59%, beating the index of 5.92%; ADR's were up 4.28%, beating the index of 3.45% and large cap growth equity was up 7.27%, beating the index of 6.03%. He noted in the three and five year views, the plan ranked in the top 39% of the public fund universe. He then reviewed the risk versus return and noted that ICC is taking less risk, however they are receiving less earnings as well. Mr. McCann reviewed the alpha and noted the equity portfolio has done very well considering the volatility in the market. He then reviewed the comparison chart of ICC relative to

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their peers. Discussion followed regarding the current assumed rate of return. Mr. McCann explained he is fine with the 8% assumption rate. He noted if the Board lowers the rate, it will increase the Village's overall cost to the Plan.

- Jake Stone made a motion to continue the 8% assumed rate of return. The motion received a second from Henry Maki and was approved by the Trustees 4-0.

Discussion followed regarding the fixed income portfolio and Mr. McMurry's concerns about the market. Mr. McCann advised the Plan is nicely diversified and he would not recommend any changes to assets allocated to the fixed income portfolio at this time. He noted that the manager can adjust the portfolio internally by 5% in either direction, however he recommends the overall asset allocation remain consistent. Mr. McCann advised that he may recommend the Board consider real estate as an additional asset class later in 2011.

- Henry Maki made a motion to approve the Executive Summary for the quarter ending March 31, 2011 as presented. The motion received a second from Jake Stone and was approved by the Trustees 4-0.

ATTORNEY REPORT

Class Action: Bonni Jensen referred to the Class Action report received from Salem Trust (included in the Trustee packets) noting there were no actions relative to the Plan to report.

Form 1 Filing: Bonni Jensen reminded the Trustees the Form 1 filing was due by July 1, 2011.

Legal Updates: Bonni Jensen advised the recent Legislative Session was a wild ride with several changes being made at the last moment prior to the final Bills being approved. She reviewed the updates in detail with the Trustees. She noted that a new page will need to be added to the valuation report comparing the Plan to the FRS 7.75% assumption rate. Discussion followed regarding the rule on the maximum allowable overtime of 300 hours. Mrs. Jensen explained the change will not become effective for the group until the collective bargaining agreement (CBA) expires. She explained they are awaiting a response from the State regarding Plans with multiple CBA's in place (I.E. Police and Fire). Mrs. Jensen continued reviewing the legislative changes noting that employee contributions to the Plan may be increased to the Plan without a corresponding benefit increase.

Firm Update: Mrs. Jensen then addressed a recent notice sent to the Board advising that her law firm has entered into a joint venture with Klausner and Kauffman, another large pension firm out of South Florida.

ADMINISTRATIVE REPORT

Payroll Data: Denise McNeill advised that the administrator had received recent files from the Village relative to the payroll data automation and the matter was still in progress.

Lump Sum Distributions: Mrs. McNeill reported that Thomas Parks had received his final annual installment for his lump sum distribution from the Plan. She also noted that three more annual installments were pending; one for 2011 and two final for 2012.

DISBURSEMENTS

Mrs. McNeill reviewed the interim Financial Statements that were presented in the Trustee packets for review.

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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 Henry Maki and was approved by the Trustees 4-0.

There being no further business:

- Henry Maki made a motion to adjourn the meeting at 4:08 P.M. The motion received a second by Maria Baquerizo and was approved by the Trustees 4-0.

Respectfully submitted,

Henry Maki