

# **Village of North Palm Beach Police and Fire Pension Fund**

## **MINUTES OF MEETING HELD**

**February 21, 2012**

Chairman Robert DiGloria called the meeting to order at 2:07 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  
Maria Walden  
Jacob Stone  
Henry Maki (2:22 PM)

### **TRUSTEES ABSENT**

Robert Coliskey

### **OTHERS PRESENT**

Bonni Jensen; Law Office of Perry & Jensen  
Denise McNeill; Resource Center  
Grant McMurray; ICC Capital  
John McCann & Brenson St. Jean; Thistle Asset Consulting  
Richard Cristini & Jeanine Bittinger; Davidson Jamieson & Cristini  
Doug Lozen; Foster & Foster

### **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.

### **MINUTES**

The minutes from the November meeting had been presented for the Trustees review and approval. A typo was noted on the second page.

- Jacob Stone made a motion to approve the minutes as amended. The motion received a second from Maria Walden and was approved by the Trustees 4-0

### **ICC CAPITAL**

Grant McMurray appeared before the Board to present the Investment Review Quarterly Report for the quarter ending December 31, 2011. He noted the total fund is up 5.76% to date. Mr. McMurray described the volatility noting the areas that were doing the worst in the prior year are now doing the best. He noted the movement in the market the end of September appears to be due to mutual fund managers moving 401K activity. He noted that many home builders have cut expenses to stay in business and now KB Homes was the best stock in the portfolio, up 85% since January 1<sup>st</sup>. Mr. McMurray then reviewed the bond portfolio. He explained the average bond yield is 2.3% and as of February 21, 2012, the 10-year treasury was down 2.4%. Mr. McMurray explained some potential events of concern are related to international situations such as Iran, Greece, etc. Mr. McCann inquired if Mr. McMurray feels the Board needs to make any adjustments to the policy to allow for additional cash to be held. Mr. McMurray noted that no changes are needed at this time.

Maria Walden was on duty and had departed the meeting at 2:11 PM for a call.

Henry Maki entered the meeting at 2:22 PM. Discussion continued regarding the current policy guidelines.

# **Village of North Palm Beach Police and Fire Pension Fund**

## **MINUTES OF MEETING HELD**

**February 21, 2012**

### **THISTLE ASSET CONSULTING**

John McCann and Brenson St. Jean appeared before the Board to present the Executive Summary for the quarter ending December 31, 2011. Mr. McCann began by presenting a Callan Periodic Table. He reviewed the chart noting the excessive volatility in the market which reflected a 26% difference between the top performing class and the bottom performing class in the market. He explained it is a good example of the need for diversification. Mr. McCann noted there have been three times in the past 13 years where large cap stocks beat small cap stocks. Mr. McCann presented an asset allocation report, reviewing additional alternatives for further diversification. He noted that real estate does not move in conjunction with the market and it tends to help add additional diversification. He reviewed each of the additional allocation options in detail.

Mr. McCann went on to review the quarterly report in detail. He noted December 31, 2012 was a much better quarter than September 30, 2012. Mr. McCann reviewed the compliance report. He noted the total fund was up 7.0% for the quarter end, beating the policy of 6.71%. Equities were up 12.82% beating the policy of 10.38%, fixed income was up 1.51% beating the policy of 1.12%, Large cap value was up 13.95% beating the policy of 11.82%, the ADR portfolio was up 5.38% beating the policy of 3.38% and large cap growth was up 11.91% beating the policy of 10.61%. He noted the total fund ranked in the top 46 percentile in the public fund universe comparison; while equities and large cap value ranked in the top one percentile. Mr. McCann noted fixed income is doing well.

Discussion followed regarding asset allocation. Mr. McCann reminded the Board the allocation is for long term. He explained that he would like to see further diversification and feels it is a good time for the Board to consider real estate; inclusive of property management and commercial space, not home mortgages. Mrs. Jensen explained how the real estate manager process would work. Mr. McCann explained he can either bring a manager search to the next meeting or short list the companies and invite managers to the next meeting. Mr. McCann recommended taking 10% from ICC (5% fixed income and 5% equities) for a real estate investment.

Maria Walden re-entered the room at 3:06 PM.

- Jacob Stone made a motion instructing the investment consultant to invite two real estate managers for presentation to the next quarterly meeting scheduled for May. The motion received a second from Henry Maki and was approved by the Trustees 4-0.

### **2011 AUDITED FINANCIAL STATEMENT REPORT**

Richard Cristini and Jeannine Bitteringer appeared before the Board to present the audited financial report for the plan year ending September 30, 2011. Mr. Cristini presented an audit representation letter to be signed by the Board and administrator. He explained the process advising they review the administrator's processes to confirm they are following their own internal controls and procedures. Mr. Cristini advised there were no significant deficiencies and no material weaknesses to report therefore he is able to provide a clean opinion. He noted the Plan is running according to the Board's intent. Mr. Cristini reviewed the assets noting the reduction in assets related predominantly to the investment loss. He reported the total assets as of September 30, 2011 were \$10,396,164. He explained the special note for designations reflects the funds to be paid for remaining lump sum distributions. He reviewed the schedule of administrative expenses noting the fund is running well under 1% and the rule

# **Village of North Palm Beach Police and Fire Pension Fund**

## **MINUTES OF MEETING HELD**

**February 21, 2012**

of thumb is for such costs not to exceed 1%. He feels they cannot do any better than their current expense ratio. The Trustees did not have any additional questions for Mr. Cristini. Mr. Cristini then commented on the real estate investment. He described the process of how a real estate investment fund is valued and he explained setting market value is key. He recommended the Board request copies of the prospectus and market memorandum. Mr. Cristini explained some managers have the executive manager set the price and he believes that companies who use an outside influence to set the rate is the most appropriate approach. Mr. Cristini presented a separate report regarding the Plan's general control structure noting there were no irregularities reported in the preceding audited financial report.

### **ACTUARIAL VALUATION REPORT – FOSTER & FOSTER**

Doug Lozen appeared before the Board to present the October 1, 2011 Actuarial Valuation Report in detail. He noted the results are good with little change between the prior year and current year. He explained that due to the investment loss, the Plan fell short of their need however they gained on the administrative side with salary decreases. The expected salary assumption is 6% while the Plan experienced an overall reduction of -2%. Mr. Lozen explained the Village's contribution rate will change from the current 19.97% to 20.22% effective 10/01/12. He noted the Plan has weathered the investment loss well. Mr. Lozen explained the Plan's funded ratio is 79.69% which is very good in the current environment where many other pension plans have dropped into the 60's and low 70<sup>th</sup> percentile. He explained that overall, the Plan is in very good shape in relation to stability and funding requirements. He noted that leading up to 2009, the Plan has been well funded and therefore the Village cost is lower than average. The two strong points he wished to share is that the Plan has a lower employer contribution rate than average (20.22%) and a higher funded ratio than average (79.69%); both of which are positive aspects. Mr. Lozen went on to review the report in detail. He noted that given the favorable results, the Village funding could increase 2-3% over the next five years which is extraordinary as most of his public plans expect 6-8% increases.

Lengthy discussion followed regarding the assumed rate of return. Mr. Lozen explained the State would like to see the assumption rate reduced from 8%; however he noted that long term, the 8% should be achievable and such a reduction could increase the Village's cost. He explained it is possible the State may write a letter to the Plan advising of "non acceptance" with an 8% assumption rate. Discussion followed regarding if it is possible to reduce the assumption rate without increasing the Village's cost. Mr. Lozen explained the salary assumption could be reduced, but not enough to offset the full cost of an assumption rate reduction.

- Maria Walden made a motion to approve the actuarial report as presented. The motion received a second from Henry Maki and was approved by the Trustees 3-0. (Jake Stone had stepped out of the meeting for a few minutes and was not present for the vote.)

Henry Maki requested the agenda be re-ordered to address the disability application next. Mrs. Jensen explained there is a confidentiality disclosure for the Trustees to discuss the matter for their meeting. All other service providers departed the meeting at 4:04 PM.

# **Village of North Palm Beach Police and Fire Pension Fund**

## **MINUTES OF MEETING HELD**

**February 21, 2012**

### **DISABILITY APPLICATION REVIEW**

Denise McNeill reviewed the process followed in addressing the disability application. She explained that Dr. Greer had agreed to do the review process as per his original agreement with the Board in 2006 with only a minor increase in the cost. The packets had been delivered to each Trustee the week prior to the meeting for review. Mr. Maki advised that the order and detail of the documentation provided was very detailed and helpful in reviewing the application request. Bonni Jensen reviewed the disability rules from the Ordinance. Lengthy discussion followed regarding line of duty disability (LDI) and non-line of duty disability (NLDI). It is not known if the Village will allow for a permanent light duty position. Discussion followed regarding a retiree's disability status and follow up. Mrs. Jensen explained many Boards have a position they do not wish to take people back into member status from retirement as it is a re-hire into a new benefit level. The Trustees discussed the letters from the member's physician and the Pension Fund's medical director. Further discussion followed regarding the medical records provided.

- Henry Maki made a motion to accept and approve the non-duty disability pension benefit for Police Officer Scott Hindle. The motion received a second from Jake Stone and was approved by the Trustees 4-0.

Bonni Jensen reviewed the Ordinance and confirmed the benefit effective date requirements. Mrs. McNeill noted the member had been out on long term disability, meeting the timing requirement; therefore the benefit is effective the day of the meeting with benefit payments to begin March 1, 2012. The administrator will have the benefit calculated by the actuary accordingly.

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

Henry Maki departed the meeting at 4:27 PM.

### **ATTORNEY REPORT**

COLA POLICY: Mrs. Jensen reviewed the updated COLA Policy in detail inclusive of the examples used.

- Maria Walden made a motion to approve the COLA Policy as presented. The motion received a second from Jake Stone and was approved by the Trustees 3-0.

SUMMARY PLAN DESCRIPTION (SPD): Mrs. Jensen explained the Summary Plan Description is due for an update. She reviewed the revised document inclusive of all recent Ordinance changes. The Trustees discussed the calculation at 30 years of service and requested an additional explanation. Mrs. Jensen will update the document accordingly. The Trustees discussed the disability portion of the SPD. They expressed concern that the disability benefit is so low. Mrs. Jensen reminded the Trustees the disability benefit is a bargaining item. Mr. DiGloria advised he would like to discuss the process in more detail at the next meeting. Mrs. Jensen explained that Police Officers and Firefighters have to re-certify

# **Village of North Palm Beach Police and Fire Pension Fund**

## **MINUTES OF MEETING HELD**

**February 21, 2012**

at some point and if a member is not physically capable of performing the duties of their position, they would not be able to recertify.

LEGISLATIVE UPDATE: Bonni Jensen reported on House Bill 1499. She explained that she does not believe it will pass this time around.. She explained the task force assigned to reviewing the presumptions has come up with 29 different recommendations; however none of the recommendations are currently in a pending bill. She reviewed the details of House Bill 1499 as outlined in her memo to the Board dated January 23, 2012.

Mrs. Jensen then presented the actuary's fee addendum to the contract. It was noted the fee had been approved at a prior meeting and therefore the Trustees signed the document accordingly.

### **ADMINISTRATIVE REPORT**

BENEFIT APPROVAL: Denise McNeill presented a benefit approval for William Smith.

- Jacob Stone made a motion to approve the benefit for William Smith as presented. The motion received a second from Maria Walden and was approved by the Trustees 3-0.

Maria Walden departed the meeting at 5:15 PM. The meeting continued as a workshop without a quorum.

DEPARTMENT OF MANAGEMENT SERVICES (DMS): Denise McNeill explained as per the recent requirement made by the State, Department of Management Services, a link has been added to the Resource Centers website under the Pension Fund's main page, allowing people to see the fact sheet provided by the DMS.

There being no further business, the workshop adjourned at 5:17 PM.

Respectfully submitted,

Henry Maki