PALM BEACH GARDENS FIREFIGHTERS' PENSION FUND
MINUTES OF MEETING HELD
May 17, 2004

A meeting of the Board of Trustees was called to order at 11:05 A.M. at the Main Station, Palm Beach Gardens, Florida. Those persons present were:

TRUSTEES	**OTHERS**
Ed Morejon	Margie Adcock, Pension Resource Center, Administrative Manager
Richard Beladino	Joe Bodgahn, Bogdahn Consulting, Investment Monitor
Philip Buttaravoli	Ken Harrison, Attorney
	Mike Dana, Investment Manager
	Doug Lozen, Actuary

MINUTES

The Board reviewed the minutes of the meeting held February 17, 2004. A motion was made, seconded and carried 3-0 to accept the minutes of the meeting held February 17, 2004.

ACTUARY REPORT

Doug Lozen appeared before the Board to present the Actuarial Valuation as of October 1, 2003. It was noted that the final Audit had not been released by Steve Gordon as he raised an issue regarding the amount of administrative expenses that the Actuary was using in the Valuation and the amount he had determined for the Audit. The Board decided they would call Steve Gordon for a teleconference later in the meeting.

Mr. Lozen then presented the Valuation. He noted that the City's contribution went up from $1,151,641 to $1,745,367. The increase is due to net unfavorable experience of which the primary component is investment return. He reminded the Board of the 4 year smoothing and that there is still a 4 year average of negative 1%. He stated that the City's funding requirements went up significantly so they were recommending two changes to the funding methods. The first recommendation was to change the funding method to entry age actuarial cost method from the frozen entry age actuarial cost method. The second recommendation was to project the City's contributions for the fiscal year that commences 12 months following the Valuation date. Mr. Lozen then discussed further the changes they were recommending. He stated that the entry age actuarial cost funding method is used by about 80% of the pension plans they represent. He noted that the City's cost will be much more stable and predicable over time. It takes past liabilities and spreads them out over 30 years. He noted that the changes to the funding methods are safer from the standpoint of the State Actuary in that the State Actuary has hinted that he does not like the methods that are currently used by the Plan. The Board inquired about the impact of the City's hiring an older workforce and that the trend seems to be continuing. Mr. Lozen stated that they would continue to watch the assumptions with respect to the average age at hire.

Steve Gordon appeared by teleconference. Mr. Gordon reported that there is some amount of difference in the amount of administrative expenses. He noted that the amount is not a lot so it does not materially affect the Audit. However, the difference affects the amounts allocated to the Share Accounts and that he knows that is material to the Participants. Mr. Lozen stated that there appears to be a $3,000 to $4,000 difference in the administrative expenses that is used in the Valuation versus the Audit. He stated that the difference is due to the accrual methods used. Mr. Lozen stated that they could look at using accruals next year, but for this year it would only slightly help the Share Accounts. Mr. Gordon stated that the amount will not affect the total bottom line. It is only a matter of breaking it up between the defined benefit portion of the Plan and the defined contribution portion of the Plan. There was a lengthy discussion on the matter. Mr. Lozen stated that going forward they will use the same numbers as is used in the Audit.

Steve Gordon departed the meeting.

There was then discussion on whether the 2% employee cost for the benefit improvements were going to come out of the Share Account portion of the Plan in a lump sum prior to the premium tax monies being distributed to each Account or whether the premium tax monies would be distributed to each Account and then the 2% would come out of each individual Account. It was noted that if it comes out as a lump sum then the members with 10 years or more of service will be paying more as the money goes into the Share Accounts based on tenure. Mr. Harrison stated that the Ordinance states that it will be "2% of the total salaries for all members during the prior plan year should be deducted from the monies received from 175". He interprets that to mean that they are taken out of the individual accounts. Margie Adcock then provided the Board with the Ordinance that was passed and the letter from the State dated April 27, 2004. Mr. Harrison noted that the letter from the State came back without any objections. There was then discussion on the calculation of the COLA that is provided for in the Ordinance. It was determined that the Actuary will be doing a schedule for the COLA.

Ed Morejon stated that the job description has been changed. He noted that the job description used to require that an employee be able to lift 100 pounds frequently. The job description has been changed and it has been approved by City Council. There was then discussion on how the change in the job description might affect the review of the disability retirees. Mr. Harrison stated that the disability retire would have to recover from his disability and have to be reemployed. The Board would obtain information and provide it to the City. Mr. Harrison stated that, since the current retirees were disabled under the old job description, he thinks the old job description should apply. The Board reviewed the minutes of the November 17, 2003 meeting where the Attorney suggested that before spending money on having the disability retires reexamined, the Board should ask the City if they would rehire them if they were found to be fit to be a firefighter. It was noted that the letter was sent to the City and no response was ever received. A motion was made, seconded, and passed 3-0 to have the two disability retirees at issue reexamined. Mr. Harrison was directed to make the necessary arrangements.

A motion was made, seconded, and passed 3-0 to approve the changes to the funding method that were recommended by the Actuary. A motion was made, seconded, and passed 3-0 to approve the October 1, 2003 Actuarial Valuation.

Doug Lozen departed the meeting.

INVESTMENT MONITOR REPORT

Joe Bogdahn appeared before the Board to discuss investment performance for the quarter ending March 31, 2004. The Fund was up 3.13% for the quarter and 25.08% for the year. The Fund was in the 5th percentile for the quarter. The total market value of the Fund as of March 31, 2004 was $9,060,000. The asset allocation at cost was 65% in equities; 34% in fixed income; and 1% in cash. The fixed income was up 1.94% for the quarter while the benchmark was up 2.48%. The fixed income portion of the portfolio trailed the benchmark and was in the 67th percentile. Equities for the quarter were up 3.84% versus the S&P 500 which was up 1.69%. The equity portion of the portfolio was in the top 5th percentile.

INVESTMENT MANAGER REPORT

Mike Dana appeared before the Board to discuss the investment performance. He stated that heat year to date number is ahead of the benchmark due to the adjustable rate mortgages that are in the portfolio. He noted that the fixed income market will be a hard place to be invested in the future. He stated that they have put their sell discipline in the booklet and discussed that with the Board.

Mr. Dana reported that the asset allocation as of March 31, 2004 was 68.5% in large cap equities; 18.3% corporate bonds; 1.4 federal agencies; 10.3% ARMs; and the remainder in cash. He reviewed the sector distribution and the current holdings. He stated that they are sector neutral and invest in every single sector. Mr. Dana reviewed the investment policy and discussed compliance. He reviewed the Value Line Ratings, corporate governance and supporting data. He also provided a proxy voting summary. Mr. Dana stated that he wants to lower expectations from last year. He thinks things will get a little more stable by the end of the year.

Mr. Bogdahn stated that as of December 31, 2003, the capture ratios for Dana for a 5 year period are 11% on the upside and only 67% on the downside. He stated that Dana has continued to do well for both the short and long term.

ATTORNEY REPORT

Ken Harrison reported that he sent a letter to the Investment Monitor expressing concern on the mutual fund scandals. Mr. Bogdahn responded that he does not advise or do anything with mutual funds with respect to this Fund.

Mr. Harrison stated that he previously drafted a letter regarding military entitlements and sent it to the City as the Board requested. It was reported that he City has not responded to the letter or made any adjustments for a certain individual who was called out on military leave. It was noted that others have accrued time when they have been out on maternity leave or similar leave. Mr. Harrison stated that it is on the individual to do something on the matter. They might be able to obtain legal assistance with JAG or hire an attorney on their own. He is not sure what else the Board can do but alert the City as to the federal and state laws. The law is clear on this matter and there is plenty of case law on the matter.

Mike Dana departed the meeting.

Mr. Harrison reported that Steve Rogers requested an extension of time to respond concerning the matter of the Financial Disclosure. Mr. Harrison stated that he received the package of documents from Mr. Rogers. He stated that Mr. Rogers needs to file the Financial Disclosure Form, even if it is late.

Mr. Harrison then provided a legislative update and discussed a recent Attorney General Opinion from Louisiana regarding DROP Plans.

There was discussion on whether a member who left the City for 4 years and came back could buy time from the prior service and have it count towards vesting. Mr. Harrison stated that the state law allows a member to leave their money in a public pension plan for five years. If they have withdrawn their money, then they are not in the Plan. The Ordinance provides for the purchase of time and states that it is only for the calculation of benefits and not for vesting or eligibility for retirement. Mr. Harrison advised that the member can purchase the prior service he had with the City but it does not count towards vesting.

ADMINISTRATIVE REPORT

Margie Adcock presented the list of disbursements to be made. A motion was made, seconded and carried 3-0 to approve the disbursements listed.

Ms. Adcock discussed the matter of Shawn Thurman.

Ms. Adcock advised that the Actuary provided the employee benefit statements that were to be distributed to the employees.

OTHER BUSINESS

There being no further business, and the next meeting being scheduled for Monday, August 16, 2004 at 11:00 A.M., the meeting adjourned at 1:50 P.M.

Respectfully submitted,

Ed Morejon, Secretary