

**WEST PALM BEACH FIREFIGHTERS PENSION FUND**  
**MINUTES OF MEETING HELD**  
**December 11, 2002**

Tom Harris called the meeting to order at 1:50 P.M. at Station 2, West Palm Beach, Florida. Those persons present were:

**TRUSTEES**

T. Harris  
D. Miller  
D. Merrell (2:40 P.M.)

**OTHERS**

Bonni Jensen, Hanson, Perry & Jensen, Fund Counsel  
Scott Baur and Margie Adcock, Pension Resource Center

It was noted that a quorum was not present and no Board action could be made until David Merrell entered the meeting.

**ANNUAL AUDIT: DAVIDSON, JAMIESON & CRISTINI**

Richard Cristini and Jeanine Bittinger appeared before the Board to present the Annual Audit for the fiscal year ending September 30, 2002. Ms. Bittinger advised that they have issued an unqualified opinion, also referred to as a clean opinion and is the highest opinion that can be rendered. Ms. Bittinger reviewed the statement of Plan net assets as of September 30, 2002. She noted that the Plan net assets came down quite a bit because of the bad economy, especially with September 30, 2002 being the fiscal year end. She advised that the total assets of the Fund were \$65,880,715, with total liabilities of \$207,900. The total net assets of the Fund as of September 30, 2002 were \$65,678,815. Ms. Bittinger reported that the Employer and Employee contributions were increased from the prior fiscal year, as well as the Chapter 175 monies. There was a large net depreciation in the fair market value of the investments of \$7,064,827. This was significantly higher than last year's depreciation of \$4,878,700. Ms. Bittinger reported that the net decrease in Plan assets for the fiscal year was \$5,471,850. Ms. Bittinger reviewed the notes to the financial statements. She advised that the market value at the year end of \$64,312,738 was lower than the cost of \$67,401,506. Ms. Bittinger advised that the Plan is well funded at a level of 93.3%. The City contributed a total of \$2,138,491 for the fiscal year. Ms. Bittinger then reviewed the schedule of investment and administrative expenses.

Mr. Cristini then reviewed with the Board their memorandum on review of internal control structures. He noted that this is simply a review of the operational aspects of the Fund and will not affect the numbers of the financial statements. He advised that he was informed that the Board is moving forward with a plan to post the results of the investment activities directly into the general ledger and financial statement reporting system. He noted that he fully supports this improvement. He noted that the foreign equity investments did not agree to the Salem Trust statements. He recommended that Salem Trust be contacted to correct their cost basis for these investments. Mr. Cristini reported that their three comments from the prior year have all been implemented.

## **ATTORNEY REPORT**

Bonni Jensen advised that Robert Atchison has asked a question and would like a response in writing. She noted that she does not usually directly deal with the Participants, but apparently a response needs to be provided to this Participant. She reported that Mr. Atchison left in 1997 as a vested deferred Participant and is requesting a 3% multiplier. She noted that he is not eligible for the 3% multiplier as he is only entitled to the benefits in effect at the time he left. She noted that there is case law on this matter. Ms. Jensen suggested that when a person leaves as a vested deferred Participant, the Board should calculate their benefit as their benefit will not change. Ms. Jensen advised that she would provide the Board with a response to Mr. Atchison's question at the next meeting.

Ms. Jensen reported that the City Commission passed the amendment to the Special Act on Monday.

Ms. Jensen reported that all of the investment managers responded to the ADV request. She provided the Board with a Memorandum with information she thought they would be interested in. She reviewed the Memorandum with the Board. Ms. Jensen noted that she would provide the Memorandum to Mike Callaway for him to comment on at the next quarterly meeting.

David Merrell entered the meeting and a quorum was now present.

## **MINUTES**

The Board reviewed the minutes of the meeting held November 6, 2002. Bonni Jensen noted that she thought the Board tabled the matter concerning the interest rate on the DROP loans. The Administrator and Trustees advised that the Board did make a motion to change the interest rate on the DROP loans to 8.25%. Ms. Jensen noted that if the Board actually would like this option, it needs to be moved forward now as an amendment would need to be made to the Special Act. She explained to the Board another available option that would only require an administrative change. It was noted that no one currently has an outstanding DROP loan. A motion was made, seconded and carried 3-0 to select option number 2 which provides that interest charged on the loan would be equal to the prime rate charged at a local bank in the month preceding the loan origination and would be fixed for the term of the loan. The DROP participant's balance, excluding the outstanding loan amount, would earn the rate of interest that was selected by the member (fixed or variable). The payments, including interest, would be credited to the participant's DROP account. The Union would be notified of the Board's decision and if the Union thinks this should be changed then the Union should advise the Board. A motion was made, seconded and carried 3-0 to rescind the action taken at the November 6, 2002 meeting of changing the interest rate on the DROP loans to 8.25%. A motion was made, seconded and carried 3-0 to approve minutes of the meetings held November 6, 2002.

A motion was made, seconded and approved 3-0 to accept the Annual Audit. A motion was made, seconded and approved 3-0 to forward the cost basis changes concerning the foreign equity investments to Salem Trust Company and request that they make the change or provide a response within 60 days.

### **STATEMENT OF INCOME AND EXPENSE**

Scott Baur presented a Statement of Income and Expense for the month of October 2002. The Trustees received and filed the Statement of Income and Expense for the month of October 2002.

### **DISBURSEMENTS**

Margie Adcock reviewed the disbursement list. A motion was made, seconded and approved 3-0 to pay all listed disbursements.

### **ATTORNEY REPORT CONTINUED**

Bonni Jensen presented an Addendum to the Administrative Agreement with The Pension Resource Center. A motion was made, seconded and approved 3-0 to approve the Addendum to the Administrative Agreement.

Ms. Jensen advised the Board that the attorney for Mildred Hubbard has not scheduled the depositions yet of Brad Armstrong and Scott Baur. Ms. Jensen asked for direction from the Board on moving this matter along. The Board directed Ms. Jensen to correspond with the attorney for Mildred Hubbard to move the matter along.

Ms. Jensen reported that she sent a letter to Paul Polisena advising that he is required to submit medical records with his affidavit and requested a response by December 19th. Ms. Jensen advised that she had not yet received a response from Mr. Polisena. There was discussion on stopping his pension payments if the documentation was not received within the requested time frame. Ms. Jensen advised that she would direct the Administrator what to do should the documentation not be received as requested.

Ms. Jensen provided the Board with a Memorandum dated April 3, 2002 concerning DROP participation. This was a copy of a Memorandum given to the Board previously that set forth the DROP language in FRS. There was a lengthy discussion on this matter. It was noted that the Board has a contract with each DROP member that they will leave employment by a certain date. Ms. Jensen advised that the Board could treat that contract as having been breached should a DROP participant not leave employment by the date required. Ms. Jensen reported that there may be a tax implication if a DROP participant were allowed to stay beyond their DROP period. Ms. Jensen recommended that the language currently in the amendment to the Special Act be kept. She opined that it is worded as strongly as it can be without creating an option.

Ms. Jensen then provided a revised Statement of Policy Regarding DROP/Share Account. She reported that this revised Statement included language allowing a fixed monthly benefit. This type of benefit was the Board's response to the request by some participants

for interest only payments. It was noted that there could be withholding and administrative issues that go along with such an option. Scott Baur reminded the Board that they asked him to determine how difficult this would be if the Board were to allow the option of a fixed amount to be adjusted every year. Mr. Baur stated that there would be an administrative impact which would be the additional cost and modification to their computer system to provide for this option. Mr. Baur noted that he was unable to determine the cost for upgrading the system to include this option in time for the meeting. The Board decided that if they were to consider this option, they would need to know from Mr. Baur how much it would cost to upgrade the system. Mr. Baur noted that he could provide the Board with the cost of upgrading the system most likely by the February Board meeting. The Board decided that they would wait for the total analysis before it could make a final decision on this matter.

Ms. Jensen reported that Dean Oen passed away. She advised that she was provided with a request from his ex-wife asking what benefits were available. Ms. Jensen noted that the records of the Fund indicate that Mr. Oen chose the standard form of benefit. She noted that according to the provision of the Plan, since he was divorced and had no spouse, his unmarried minor children would be entitled to a benefit. She noted that he has one unmarried daughter who will turn 18 next year. Ms. Jensen advised that Mr. Oen's daughter who is under 18 is entitled to 20% of the benefit until she reaches 18.

#### **OTHER BUSINESS**

There being no further business and the next meeting being scheduled for Wednesday, January 8, 2003 at 1:30 P.M. The meeting was adjourned at 3:55 P.M.

Respectfully submitted,

Tom Sheppard, Secretary