

**WEST PALM BEACH FIREFIGHTERS PENSION FUND**  
**MINUTES OF MEETING HELD**  
**May 1, 2003**

David Allison called the meeting to order at 1:38 P.M. at Station 2, West Palm Beach, Florida. Those persons present were:

**TRUSTEES**

D. Allison  
T. Sheppard  
T. Harris  
D. Merrell

**OTHERS**

Bonni Jensen, Hanson, Perry & Jensen, Fund Counsel  
Scott Baur and Margie Adcock, Pension Resource Center  
Brad Armstrong, Actuary  
Jeff Swanson, Merrill Lynch  
Ann Thompson, Salem Trust Company

**MINUTES**

The Board reviewed the minutes of the meeting held April 3, 2003. A motion was made, seconded and carried 4-0 to approve minutes of the meeting held April 3, 2003.

**DON WIDING**

Don Widing appeared before the Board to thank them for the lobbying effort they are doing trying to improve the benefits of the Plan. He told them that all of the retirees appreciate the work the Board is doing.

**INVESTMENT MONITOR REPORT**

Jeff Swanson appeared before the Board. He advised that the data for the quarter ending March 31, 2003 comes out tomorrow, so he is limited in the information he has for the Board. He has no universe information to provide. He reported that the total market value as of March 31, 2003 was \$66,931,210. It was a difficult quarter for stocks, but things have improved in April. The asset allocation is 61.3% in equities; 36.1% in bonds; and 2.6% in cash. He noted that most funds have 50% allocation to equities so that is why this Fund will compare less favorably than others for the quarter. The total Fund was down 2.4% for the quarter with the benchmark down 2.0%. Domestic equities were down 3.9% and the Russell 3000 was down 3.1%. International equities were down 8.7% and the EAFE was down 8.1%. The fixed income portion of the portfolio was up .8% and the benchmark was up 1.4%. The bond class was the only positive class for the quarter. Mr. Swanson noted that it was a tough quarter for DePrince, Race & Zollo with them being down 10.5%. Davis Hamilton was down 1.6%; The Boston Company was down 4.1%; and Strong Capital was down 2.9%. Mr. Swanson advised that PIMCO has done well the last quarter and has taken a bite out of the equity losses. There was then discussion regarding DePrince, Race & Zollo. Mr. Swanson advised that they are still in the top 6 managers when Merrill Lynch does a manager search. He stated that a lot of small cap managers who try to meet the index set up the portfolio just like the index. DRZ does not do that. If the Board wants to parallel the index, then maybe they should consider changing managers. It was just a bad quarter for value. The Board advised that

they would like to see some comparison between DRZ and their peers and maybe have them attend a future meeting.

Jeff Swanson departed the meeting.

### **SALEM TRUST COMPANY**

Ann Thompson appeared before the Board. She advised that their fee guarantee was expiring and they are going to extend the fee guarantee for another two years. She provided the Board with a recap of their services for the period of May 1, 2002 to April 30, 2003. She noted that because they were combined with the Police Plan, the Fund saved about \$39,009. Bonni Jensen advised that she had an Addendum to the Custody Agreement to extend the guarantee out to September 30, 2005. A motion was made, seconded and carried 4-0 to approve the Addendum to the Custody Agreement. Ms. Thompson then asked for an updated Signature Authorization Form. A motion was made, seconded and carried 4-0 to have all the Trustees and Scott Baur and Margie Adcock listed as authorized signors on the Form.

### **ACTUARY REPORT**

Brad Armstrong appeared before the Board to present the Actuarial Valuation as of September 30, 2002. He reported that the total normal cost was 22.07% with a total unfunded actuarial accrued liability of 8.57% and administrative and investment expenses of 4.65%. The total adjusted contribution requirement is 35.29%, with the member portion being 9.85% and the City portion being 25.44%. The member contribution for last year was 8.85% and the City contribution for last year was 22.18%. Mr. Armstrong advised that the City will need to budget for \$2,554,681. He noted that 25.44% was not the historical high. There were 5 years in the late 1990's where the City's contribution was in the 30% range. Mr. Armstrong reported that the experience loss from all sources totaled \$6,678,036. It is amortized over 20 years.

There was then a discussion on the smoothing technique. Mr. Armstrong noted that the Board picked October 1, 2000 to start smoothing so the market value and the funding value are the same. He noted that the Share Accounts are not being smoothed. They are a separate component and the danger in smoothing is that the accounts are employee monies that are getting market returns. The defined benefit portion of Plan is not necessarily getting market returns. He advised that it would produce distortions and confusions if the Share Accounts are smoothed. He is recognizing 100% of the market performance and if it is smoothed, there would be a good year, but there would still be losses from prior years. Mr. Armstrong stated that they were deliberately choosing not to segregate the DROP. It is a smaller percentage of the Fund and part of the defined benefit plan. Mr. Armstrong advised that the common practice was to take the Share Account out of the formula and not smooth it. It does not change the cost to the Plan; it just changes the timing of recognizing the losses or gains.

Mr. Armstrong then reported that the Florida Division of Retirement will not accept a report if the funding value is above or less than 20% of the market value. It needs to stay within 80% or 120% of the market value, so the Fund is accelerating some losses (\$2,030,562). There was then discussion on the supplemental distribution. Mr. Armstrong advised that the State has restrictions on when a 13<sup>th</sup> check can be paid out

relative to experience. If the net investment experience is negative, then the Fund can not pay out a 13<sup>th</sup> check. It was noted that a 13<sup>th</sup> check was paid out in the early 1990's when there was negative experience. The State developed the rule after that time.

Mr. Armstrong advised that the funded ratio of the Fund is 86.3%. He stated that he still thinks there are a lot of assets set aside for liabilities. The City and employee contributions are made on a timely basis so there is stability. And the cash flow is fine. Even in the face of this bad experience, the market value relative to cash flow is in pretty secure position for the number of years, especially with the City's commitment to fund. Mr. Armstrong advised that he still thought 8.25% was still appropriate for the investment return assumption. He noted that if the number is reduced, then the City would have to immediately realize an increase in the contribution rate.

There was then discussion on the actuarial audit that was done by Buck Consultants of GRS by the Police Plan. Ms. Jensen advised that Buck's audit reported that GRS has done a good job. The numbers were almost exactly what GRS had come up with. They made very minor comments.

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

Scott Baur presented a Statement of Income and Expense for the fiscal year through the end of March 2003. Mr. Baur noted that health deductions are included on the income and expense side under benefit payments. There was discussion on the investment manager fees. It was noted that there were not disbursements since January for manager fees as the Board has not met since then. The Board asked if the separate managers could be broken out on the report. The Trustees received and filed the Statement of Income and Expense for the fiscal year through the end of March 2003.

### **DISBURSEMENTS**

Margie Adcock reviewed the disbursement list. A motion was made, seconded and approved 4-0 to pay all listed disbursements.

### **ATTORNEY REPORT**

Bonni Jensen reported on the matter involving Mildred Hubbard. She said she provided Ms. Hubbard's attorney with the documents she could find. She advised that they paid for the records before they were picked up.

Ms. Jensen then provided the Board with 3 revised pages from the Actuary for the Summary Plan Description. She said she will have the pages prepared for distribution. Mr. Armstrong noted that the Table of Contents would need to be changed too.

Ms. Jensen advised that the Special Act is before the Senate today and is moving along.

Ms. Jensen then provided the Board with the Trustee Policy Book and reviewed the Book with the Board.

Ms. Jensen provided the Board with a revised Trustee Expense Policy. She said she updated it to match the City's Policy effective January 1, 2003. She reviewed the Policy

with the Board. A motion was made, seconded and carried 4-0 to accept the revised Trustee Expense Policy.

**OTHER BUSINESS**

There being no further business, the meeting was adjourned at 3:34 P.M.

Respectfully submitted,

Tom Sheppard, Secretary