

West Palm Beach Firefighters Pension Fund
MINUTES OF MEETING HELD
December 4, 2003

Chairman Dave Allison called the meeting to order at 1:40 P.M. in the meeting room at Station 2, West Palm Beach, Florida. Those persons present were:

TRUSTEES

Dave Allison, Chairman
Tom Sheppard, Secretary
David Merrell
Tom Harris
Dorritt Miller

OTHERS

Bonni Jensen, Hanson, Perry & Jensen, Fund Counsel
Scott Baur and Margie Adcock, Pension Resource Center
Richard Cristini and Jeanine Bittinger, Davidson,
Jamieson & Cristini, P.L. (Auditor)

MINUTES

The Board reviewed the minutes of the meeting held November 6, 2003. A motion was made, seconded, and passed 5-0 to approve the minutes.

Richard Cristini and Jeanine Bittinger (Davidson, Jamieson & Cristini, P.L.)

Richard Cristini and Jeanine Bittinger reviewed the audited financial statement for the Board. The auditors presented a clean unqualified opinion regarding the financial statement. They reviewed the balance sheet and assets in detail, as well as changes to the administrative expenses for the past fiscal year.

Mr. Cristini then reviewed the accounting policies used during the audit, the description of the plan, and the notes to the financial statements. He noted that the Pension Fund does not earn anything on amounts borrowed by the DROP participants. He also reviewed the amendments to the plan during the fiscal reporting period. A motion was made, seconded, and approved 5-0 to authorize the auditor to issue the final audit report and financial statement following review of the notes by the attorney and the administrator. A motion was made, seconded, and approved 5-0 for the administrator and the chairman of the pension board to sign the representation letter on behalf of the Pension Fund.

STATEMENT OF INCOME & EXPENSE

Tom Sheppard updated the Board on payroll problems he encountered while reviewing payroll for firefighters and paramedics. Apparently, the City did not properly administer the pay for some firefighters and paramedics per the terms of the contract. Tom Harris requested that he be copied on all correspondence relating to payroll or pension pay reporting problems.

The Trustees received and filed the Statement of Income & Expense. The administrator will add the prior year totals to the financial statements for budgetary purposes.

ATTORNEY REPORT

Bonni Jensen reviewed the revised policy for retiree certification. A motion was made, seconded, and approved 5-0 to adopt the policy. Ms. Jensen also noted that Al Ashby presented himself at her office for verification.

She reminded the Board of the hearing scheduled on January 8, 2004, at 1 PM for Mildred Hubbard.

Richard Strong, the CEO of Strong Capital Management, resigned from the company. Mike Callaway joined the meeting by phone to recommend that the Pension Fund terminate its relationship with Strong. Mr. Callaway expects that poor morale and employee turnover will eventually impact the quality of investment management provided by Strong. Tom Sheppard requested that Merrill Lynch send all materials for Trustees directly to each of them in advance of the scheduled meeting.

Mike Callaway recommended that the Pension Fund continue allocating assets to small cap growth. He also recommended that the Board not liquidate the portfolio currently managed by Strong until a replacement manager could take over the portfolio. Ultimately, the commitment to the asset class outweighs any short-term concerns about issues with the current manager. Strong currently manages about \$4 million on behalf of the Pension Fund.

Mr. Callaway also noted that the Pension Fund may ultimately have to address issues with other managers engaged by the Board as new allegations of improper trading and management practices by mutual fund companies continue to unfold.

The Trustees reviewed the recommendations presented by Mike Callaway for a manager to replace Strong. The Board reviewed the style characteristics of the managers, the returns for various reporting periods, fees, and other portfolio statistics. The Trustees also discussed the preference for an individual manager as opposed to a mutual fund. A motion was made and seconded to hire Baron to individually manage a small cap portfolio on behalf of the Pension Fund by investing \$5 Million in assets. Dave Merrell questioned the resulting asset allocation of the Pension Fund. The motion passed by a vote of 4-1, with Dave Merrell dissenting.

A motion was made, seconded, and approved 5-0 to terminate the contract for investment management with Strong once the Board executed a contract with Baron.

OTHER BUSINESS

Tom Sheppard reviewed a contract proposal submitted by the Local 727 to the City. The proposal includes changes to the Pension Fund. He requested authorization for the actuary to calculate pensions for 21 people who would leave the department if the City accepts the proposal. The proposal, estimated to cost \$1.6 million annually, would be funded by a combination of the chapter 175 receipts and the projected payroll savings to

the City. Other features of the proposal include a 4% multiplier, a 26-year career with a 3-year bac-DROP, a 2-year final average salary calculation, and a maximum benefit equal to 92% of the final average salary. Participants working longer than 29 years would lose the option to bac-DROP. The changes would cost 15.17% of payroll, with an estimated 1% of payroll savings to the City. The City could potentially derive additional savings from items not addressed by the study completed by the actuary.

The City and the Union have reached a memo of understanding regarding the proposed pension changes. A motion was made, seconded, and approved 5-0 to authorize the actuary to complete the pension benefit calculations for the 21 participants.

There being no further business and the next meeting being scheduled for Thursday, January 8, 2004, at 1:00 P.M. at Station 2, the meeting was adjourned.

Respectfully submitted,

Tom Sheppard, Secretary