

West Palm Beach Firefighters Pension Fund

MINUTES OF MEETING HELD

July 1, 2004

Chairman David 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

David Allison, Chairman
Tom Sheppard, Secretary
David Merrill
Dorritt Miller

OTHERS

Bonni Jensen, Hanson, Perry & Jensen, Fund Counsel
Scott Baur & Nick Schiess, Pension Resource Center
Joni Hamilton, Assistant City Attorney
Richard Roberts

MINUTES

The Board noted a correction, where the draft minutes indicated that the Special Act was in "memo writing" instead of "messages". A motion was made, seconded, and passed 4-0 to approve the minutes as amended.

STATEMENT OF INCOME & EXPENSE

The Board noted a classification error during the month of May for expenses reported between legal and actuarial services. The Trustees received and filed the Statement of Income and Expense.

DISBURSEMENTS

The Trustees asked questions regarding the renewal of the Fidelity Bond, which had a 3-year premium and policy limit of \$500,000. A motion was made, seconded, and passed 4-0 to approved the disbursements as presented.

TRANSITION BENEFIT/ BUYBACK

The administrator explained the method used to calculate the benefit for a participant eligible for the transition benefit, who had previously purchased prior qualifying military service. The member, Glenn Hetchler, questioned the calculation of the final average salary. Scott Baur indicated that he discussed the issue with Brad Armstrong (Actuary) and Bonni Jensen (Pension Fund Counsel). All three agreed on the method used to determine the transition benefit for Mr. Hetchler. As of the meeting, Mr. Hetchler had not brought the matter to the Board himself for discussion or further review.

QUARTERLY SHARE ACCOUNT STATEMENTS

Mr. Baur then offered the Pension Fund with the option to provide quarterly Share Account statements to the members of the plan. Previously, the Board had approved a quarterly schedule for the DROP Accounts, using the quarterly return provided by the

investment consultant for participants with earnings credited at the same rate as the Pension Fund assets. The Trustees inquired about the cost for providing quarterly statements. Mr. Baur indicated that he would only charge the plan \$2.50 per statement, the actual cost to produce and mail a statement. The Board asked if Mr. Baur would charge the same amount to update the earnings quarterly and provide the information online, and Mr. Baur indicated that he would not charge the plan if his office did not actually mail statements. A motion was made, seconded, and approved 4-0 to direct the administrator to update the Share Account balances quarterly based on the investment return reported by the investment consultant and provide the information to members of the plan via the online inquiry system through the Pension Resource Center website.

Mr. Baur then reviewed the method to update the earnings on the account. The administrator determines the earnings based on the minimum non-zero balance each quarter as opposed to the average quarterly account balance, consistent with the method previously used by the actuary to update account balances for members of the plan. Some participants in the DROP plan had recently questioned the earnings applied to their accounts when they received their last annual DROP Account statement.

ATTORNEY REPORT

Bonni Jensen reported that the Pension Fund could invest in any asset class, so long as the Special Act allowed for such an investment. She indicated, however, that the current language in both the Special Act and the Investment Policy would need to change if the Board desired greater discretion over the investment of the assets in the plan. Tom Sheppard requested that the administrator place the item on the agenda for the next meeting.

Ms. Jensen then reviewed information presented at the recent FPPTA conference over disclosure of compensation by investment consultants. She had previously sent a questionnaire to Mike Callaway to address questions and concerns raised by the Board regarding compensation. She suggested that the Board might also wish to send a similar affidavit to the investment managers requiring disclosure of all compensation paid to the investment consultant for the Pension Fund. A motion was made, seconded, and approved 4-0 to direct Bonni Jensen to draft an affidavit form for the investment managers with an appropriate limit on the time allowed for each manager to respond.

Bonni Jensen reported that all members eligible for the Transition Benefit Package signed forms indicating receipt of the election forms and disclosures except for Don Widing. She also notified the Trustees of problems with the review of medical records for new hires by Dr. Lamelas. Dr. Lamelas did not provide information back to her office in a timely manner on the two most recent new hire groups. Mr. Roberts indicated that he would file a grievance over the matter, since the department should not have completed the hire of any new firefighter/ paramedics prior to review of the medical files by Dr. Lamelas. Even though the Pension Fund still had documentation from the process of any pre-existing conditions prior to the hire of the new employees, Ms. Jensen noted that the employees did not receive any notification from the plan regarding the findings. A motion was made, seconded, and approved 4-0 to conduct a Request for Proposal for a

new medical advisor for the Pension Fund. The Board then directed the administrator to provide an update at the next meeting of the 5-year schedule for review of relationships with all service providers.

The term for David Allison expired on March 31, 2004, while the term for Tom Harris expired on June 3, 2004. The City of West Palm Beach reappointed Dorritt Miller to another two-year term at the expiration of her current term on August 3, 2004. The term for David Merrell ends on September 30, 2004, so the administrator will hold an election for his seat during August and September. A motion was made, seconded, and approved 4-0 to reappoint Chairman David Allison to a two-year term retroactively, to begin March 31, 2004. Ms. Jensen advised that Board that any current Trustee could serve as a holdover at the end of a term pending the appointment of a new Trustee. A motion was made, seconded, and approved 4-0 to reaffirm all motions passed during public meeting of the Board since April 1, 2004.

Bonni Jensen stated that GRS is updating the Summary Plan Description for the Pension Fund, to reflect the recent changes to the benefits. Tom Sheppard reported on issues presented at the FPPTA conference regarding limits to professional liability in agreements with service providers.

ADMINISTRATIVE REPORT (Nick Schiess & Scott Baur)

Nick Schiess provided information on the renewal for the Fiduciary Liability Policy. The Pension Fund Board had a policy with a 3-year term that expires in 2004. The prior annualized premium increased from \$15,659 in 2001 to the renewal premium of \$19,956 for one year. No company will currently provide a policy with another 3-year term. Tom Sheppard suggested that the Board consider raising the deductible or reducing the policy limit from \$3 million to \$1 million. Bonni Jensen commented that defense costs are included within the \$3 million policy limit. A motion was made, seconded, and approved 4-0 to renew the Fiduciary Liability Policy at the current deductible and policy limit. David Merrell recommended that the administrator seek additional alternatives for coverage prior to the next annual renewal.

The Trustees requested an updated list of upcoming conferences for the next meeting. Tom Sheppard also requested information regarding the next NCPERs conference.

OTHER BUSINESS

Richard Roberts raised issues regarding the recent performance for some of the investment managers engaged by the Pension Fund. Specifically, Richard Wells recently indicated that DePrince, Race, & Zollo plans to close the small cap value portfolio again with the addition of another \$100 million in assets. The Pension Fund originally invested with DePrince, Race, & Zollo when the manager capped the portfolio at \$500 million, but the manager has since opened and closed the portfolio more than once to allow the investment of additional assets. Mr. Roberts suggested that the Board consider replacing DePrince, Race, & Zollo with another manager, since the firm failed to manage the assets within the guidelines and limits originally proposed to the Pension Fund.

The Board noted that Mike Callaway, investment consultant to the Pension Fund, was scheduled to attend the next meeting. Tom Sheppard noted that Richard Wells stated in recent conversations that, while investment limits and market capitalization have changed over time, the firm of DePrince, Race, & Zollo is still doing the job that the Board originally hired the manager to do. The Trustees directed the administrator to invite the firms of DePrince, Race, & Zollo and Davis, Hamilton, Jackson to the meeting in August.

Tom Sheppard reported that Davis, Hamilton, Jackson sold an interest in the firm six years ago, but Jack Hamilton and his partners remained majority stock holders and operate the portfolios with the same mandates and management as in the past. Mr. Roberts raised concerns at the June meeting regarding possible changes in management at Davis, Hamilton, Jackson. Furthermore, Merrill Lynch will present a full review of the firm at the August meeting. Scott Baur noted that Baron has not yet responded to requests for additional information regarding high levels of cash held by the small cap growth portfolio.

Richard Roberts requested a brief recess to the meeting. After the meeting resumed, Mr. Roberts presented a request on behalf of Don Widing to purchase Tier II benefits from the VEBA, by reducing the value of his DROP account to offset the City contribution so the City could contribute an equivalent amount to the VEBA for the benefit. Members of the Pension Fund have recently purchased Tier II benefits with a portion of their separation pay. The City should make the contribution to the VEBA, as opposed to Don Widing. Dave Merrell requested that Bonni Jensen provide additional feedback at the next meeting regarding any potential ramifications of the request. Rick Roberts indicated that a similar situation may also exist with two other members that may not have enough separation pay to make up contributions or purchase the Tier II VEBA benefits. A motion was made, seconded, and approved 4-0 to table the issue until the August meeting.

There being no further business and the next meeting having been scheduled for Thursday, August 5, 2004 at 1:30 PM, the meeting was adjourned at 4:00 PM.

Respectfully submitted,

Tom Sheppard, Secretary