

West Palm Beach Firefighters Pension Fund
MINUTES OF MEETING HELD
December 2, 2004

Chairman David Merrell called the meeting to order at 1:37 P.M. in the meeting room at Station 2, West Palm Beach, Florida. Those persons present were:

TRUSTEES

David Merrell, Chairman
Tom Sheppard, Secretary
Tom Harris
Dorritt Miller
Matt Young

OTHERS

Bonni Jensen, Hanson, Perry & Jensen, Fund Counsel
Scott Baur & Nick Schiess, Pension Resource Center
Richard Christini & Jeanine Bittinger, Davidson, Jamieson, & Christini

MINUTES

The Trustees reviewed the minutes for the meeting of November 4, 2004. A motion was made, seconded, and passed 5-0 to approve the minutes for the meeting of November 4, 2004.

STATEMENT OF INCOME AND EXPENSE

Scott Baur deferred providing the Board with a Statement of Income and Expense until the next meeting in order to incorporate audit adjustments resulting from the recent audit. He noted that due to the timing of the audit, these audit adjustments would be made to the ending balance of the prior fiscal year rather than the beginning balance of the current fiscal year, which would provide the Board with more accurate statements. Richard Christini requested to be provided future copies of financial statements provided to the Board. A motion was made, seconded, and passed 5-0 to provide Richard Christini future copies of financial statements provided to the Board.

DISBURSEMENTS

The Trustees reviewed a list of disbursements presented for approval by the Administrator. A motion was made, seconded, and passed 5-0 to approve the disbursements as presented.

BENEFIT APPROVALS

The Trustees reviewed the list of benefit approvals provided by the Administrator. Mr. Baur was questioned whether the list of benefit approvals included all Participants in the transition group. Mr. Baur reported that the list contained all Participants except David Dyal who had not submitted a tax withholding form to finalize his paperwork.

Tom Sheppard reported that Participant Bill Krick had criticized the Administrator's disbursement of his share and DROP accounts. Mr. Baur explained that Mr. Krick had mistakenly believed that there were adverse tax consequences from his DROP versus his share account. He noted that the tax ramifications were the same whether a distribution was received from either a share or DROP account. Mr. Baur was questioned whether other personnel at the Pension Resource Center were available to assist Participants. Mr. Baur discussed the measures in place to assist Participants including incoming call procedures and an e-mail contact feature on the website maintained on behalf of the Plan by the Administrator. He noted that Rachel Valdez was a contact person for retired Participants and Nick Schiess assisted Mr. Baur with service requests from active Participants. The Board requested that the Administrator send notification to retired Participants announcing Ms. Valdez as their contact person at the Pension Resource Center.

AUDIT (Richard Christini)

Richard Christi provided the Board with a draft audit. He explained that accounting standards specified the preparation of a Management Discussion and Analysis, which was a narrative overview of the financial statements and a new supplement to financial statements. He explained that since the Division of Retirement did not require this supplemental information, the Management Discussion and Analysis had not been prepared.

Mr. Christini reported that the net assets of the Plan for the fiscal year ending September 30, 2004 were \$86,355,733, which had increased from \$78,059,867 for the prior year, which was primarily attributable to market gain on investments. He noted a decrease in City contributions, which were attributable to the new Special Act. Mr. Christini reviewed the notes to the financial statements including the provisions of the new Special Act, accounting policies, and deposits and investments. He noted that while the figures contained within the financial statements were correct, the notes might require revision. Mr. Christini explained that under GASB 40, a prior requirement was the reporting of custodial risk, however, the primary concern had shifted to the credit and interest risk of bonds. He noted that the Plan's fixed income allocation is held by PIMCO, which was an open-ended mutual fund. Mr. Christini then provided the Board with a risk and return profile comparison of the mutual fund. He noted that there were no concerns with the mutual fund and advised the Board that the new guideline had been satisfied. Mr. Christini then provided the Board with a schedule of the Plan's investment and administrative expenses noting that the administrative expenses had increased from the prior year primarily due to the increased cost associated with the implementation of the new Special Act. He noted that these expenses were .69% and any percentage less than 1% was satisfactory. Mr. Christini provided the Board with a memorandum on internal controls and procedures noting that no material errors were found.

Mr. Christini advised the Board that the deadline for the completion of the audit was nearly not met due to a delay in the flow of information from the Administrator. Scott Baur noted that the deadline was relatively soon after the end of the fiscal year leaving only a modest timetable to provide the auditor with information and with no margin for

error. Mr. Christini expressed concern that future deadlines might affect the accuracy of information provided for the audit. A discussion arose to the time frame for the preparation and deadline for future audits.

Mr. Christini noted the financial statement provided to the Board by the Administrator for the period ending September 30, 2004 was inaccurate. Mr. Baur explained that while the account entries were accurate the totaling mechanism for the year-to-date figures had malfunctioned within the program used to generate the report.

Mr. Christini reported that a variance in the amount of \$710.10 was discovered in the employee contribution account. Mr. Baur noted that the City had reported the deductions from three Participants totaling this amount however did not actually remit the contributions. A discussion arose regarding the reclassification of the account for these funds and it was determined that the amount would be reclassified as other receivables.

A motion was made, seconded, and passed 5-0 to accept the audit as amended by Mr. Christini. Richard Christini and Jeanine Bittinger departed the meeting.

REQUEST FOR PROPOSAL - MEDICAL DIRECTOR

Bonnie Jensen reported that pursuant to the direction of the Board, an RFP for medical director had been resent, however, there were not any additional responses received. Ms. Jensen provided the Board with the original responses for the Request for Proposal for Medical Director from Coach Comp America, Dr. Lamales, and Dr. Lupo. Matt Young noted that Dr. Lupo was located in Miami and questioned whether the distance would become a hindrance. It was noted that Dr. Lamales had opened a new clinic and had recently been prompt in the performance of pre-employment medical evaluations. Tom Shepard noted that fourteen firefighters had been recently hired and required medical evaluations. A motion was made, seconded, and passed 5-0 to table the matter until after the medical evaluations were completed on the recently hired firefighters.

ATTORNEY REPORT (Bonni Jensen)

Bonnie Jensen provided the Board with a revised buy-back policy for execution, which was previously adopted by the Board at the meeting of November 4, 2004.

Ms. Jensen announced that the modifications to the revised Special Act had been completed and the document had been submitted by the deadline for a committee hearing scheduled for December 7, 2004. She noted that the revised Special Act must be approved by the membership and the City, however, due to a timing issue she recommended that it be presented to the committee in advance of the approval of the membership and the City. A motion was made, seconded, and passed 5-0 to proceed with the December 7, 2004 committee hearing on the revised Special Act. A question arose regarding the Back-DROP loan provisions contained within the revised Special Act and Ms. Jensen advised that the provisions were equivalent to the DROP provisions contained within the prior Special Act.

Dorritt Miller departed the meeting at 3:20 P.M.

Ms. Jensen reported that the revised Summary Plan Description was completed except for a few minor cosmetic changes and would be printed. It was noted that a new Summary Plan Description should be provided to all active Participants.

Ms. Jensen reported that the matter of the QDRO submitted by Al Ashby had not been resolved. She explained that the Plan could not honor a QDRO and the Plan may have to file an action if Mr. Ashby did not repeal the QDRO he submitted.

Ms. Jensen reported that despite several attempts, her office had not received back an Affidavit from PIMCO attesting to any compensation from Merrill Lynch Consulting services. She reported that she had contacted Tagen Goddard via telephone regarding the matter and provided him with another Affidavit for completion.

ADMINISTRATIVE REPORT (Scott Baur)

Tom Sheppard questioned Scott Baur whether the Chapter 175 supplemental distribution had been received and Mr. Baur confirmed receipt of the distribution.

A discussion arose regarding the underperformance of DePrince, Race, and Zollo and whether to authorize Merrill Lynch Consulting Services to initiate an investment manager search for their replacement. The Board decided that to postpone consideration of the investment manager search and requested that Mike Calloway provide the Board with any concerns over the performance of DePrince, Race, and Zollo at the next meeting.

OTHER BUSINESS

Tom Sheppard reported that he had been requested along with Bonni Jensen and Brad Armstrong to provide a presentation at the upcoming FPPTA conference regarding the recent changes in the Plan.

There being no further business and the next meeting having been scheduled for Thursday, February 3, 2005 at 1:30 PM, the meeting was adjourned at 3:55 PM.

Respectfully submitted,

Tom Sheppard, Secretary