

West Palm Beach Firefighters Pension Fund
MINUTES OF MEETING HELD
June 2, 2005

Chairperson David Merrell called the meeting to order at 1:25 P.M. in the meeting room at Station 2, West Palm Beach, Florida. Those persons present were:

TRUSTEES

David Merrell, Chairperson
Tom Sheppard, Secretary
Matt Young
Tom Harris

OTHERS

Bonni Jensen, Hanson, Perry, & Jensen
Nick Schiess, Pension Resource Center
Jack Reise, Lerach Coughlin
Brad Armstrong, Gabriel, Roeder, & Smith

MINUTES

The Trustees reviewed the minutes for the meeting of May 5, 2005. A motion was made, seconded, and passed 4-0 to approve the minutes for the meeting of May 5, 2005 as presented.

LERACH COUGHLIN – CLASS ACTION LAWSUIT

Jack Reise appeared before the Board on behalf of Lerach Coughlin to request the Board's consideration in becoming lead plaintiff in class action lawsuit proceedings against Startek and Krispy Kreme. He advised that while the Lerach Coughlin monitors pending class action securities fraud lawsuits, the firm also identifies potential lawsuits and presents meritorious cases to pension boards and initiates class action proceedings on the behalf of the boards.

Mr. Reise discussed the Plan's investment loss from a prior holding within the portfolio, Startek. The firm's principal business was the outsourcing of support services. The allegation against the firm was that the firm misrepresented in an acquisition an extension of the firm's outsourcing contracts. Mr. Reise explained that the firm did not disclose the fact that the price of the services must be reduced to ensure the extension of the contracts and after the acquisition the firm announced that revenues would decline. He advised that a case must be filed within a thirty-day window. Mr. Reise was questioned regarding the reason the Plan was chosen by Lerach Coughlin to become lead plaintiff. Mr. Reise responded that not all of the firm's clients had purchased Startek and usually Lerach Coughlin selects those clients with a loss greater than \$25,000. He added that the equity was no longer within the portfolio, however, it was a holding at the date of the acquisition and resulted in an investment loss by the Plan. He was questioned regarding the percentage of the Plan's loss that was anticipated to be recovered and replied that he was unsure of the percentage of recovery but it would likely not equal the full amount of the loss. Mr. Reise was then questioned regarding the obligations of the Board as lead plaintiff and he responded that the Board's involvement was minimal and all initial costs

were the responsibility of the Lerach Coughlin. He added that Lerach Coughlin would charge a contingency fee in the event of a judgment and recovery, which would be negotiated at a latter date but before the proceedings commenced. Bonni Jensen questioned Mr. Reise regarding the Plan's attorney fees associated with her involvement with the proceedings and whether these fees were acceptable as a cost by Lerach Coughlin. Mr. Reise acknowledged that these fees would be considered a cost incurred by Lerach Coughlin and not the responsibility of the Plan. Mr. Reise was questioned regarding any potential risks to the Plan in the event that the Plan became lead plaintiff and Mr. Reise responded that no risk existed because the equity was no longer a holding within the portfolio. He explained that if the equity was still a holding within the portfolio, a potential risk might be a downgrade in the value of the equity as a direct result of the lawsuit. Mr. Reise was questioned regarding what qualifications are required to become lead plaintiff and he responded that ideally the lead plaintiff was the investor with the greatest loss. He explained that other investors might also come forth within a sixty-day window to request to become lead plaintiff and inevitably the Court must appointment the lead plaintiff.

Mr. Reise discussed the applicable authorizations required by the Board to file a claim and it was noted that the Board meets monthly and authorizations might be required in the interim between meetings. Bonnie Jensen noted that the Board could authorize the filing of the claim and subsequent actions and then an individual Trustee could be authorized to execute documents between meetings.

Mr. Reise explained that a class action proceeding was already in progress against Krispy Kreme for massive accounting fraud and a lead plaintiff had already been appointed. He discussed an opportunity for the Board to become lead plaintiff in a separate claim for insider trading against the insiders themselves to recover profits they specifically received as a result of their activities. In the year 2002, the Plan purchased equities at the same date as the insider trading occurred.

Ms. Jensen advised that contingency fees for Lerach Coughlin might be significant and subsequently her percentage might also be a significant amount for her participation. A discussion arose regarding the concern of appearance and noted that Plan itself was not responsible the costs associated with her participation in the proceedings.

Ms. Jensen provided and reviewed the agreements for proceeding in the filing of both lawsuits. A motion was made seconded and passed 4-0 to execute the agreements.

STATEMENT OF INCOME AND EXPENSE

The Board reviewed the financial statement for the Pension Fund through April 31, 2005. The Trustees received and filed the monthly financial statement.

DISBURSEMENTS

A motion was made, seconded, and passed 4-0 to approve the disbursements as presented by the Administrator.

BENEFIT APPROVALS

A motion was made, seconded, and passed 4-0 to approve the benefit approvals as presented by the Administrator.

ATTORNEY REPORT (Bonni Jensen)

As a legislative update, Bonni Jensen reported that pending HB 1159 would permit Plans to collect the premium tax revenues collected outside of the City limits for other areas that the membership provided fire protection services. It was noted that the membership provided fire protection services to Magnonia Park. In the event that the legislation passed, the Board was obligated to request the City to correspond with Magnonia Park regarding the matter.

Ms. Jensen reported that Trustee Tom Sheppard's term of office expires June 31, 2005. Nick Schiess reported that the election process had commenced and the Administrator had received no other nominations except for Mr. Sheppard.

Ms. Jensen reported that an Income Deduction Order had been received from retired Participant Ray Carter and additional information was required before consideration and compliance with the Order could be given.

Mr. Jensen provided the Board with a Medical Evaluation Form for the pre-employment physical evaluations completed by the Medical Director. The Board discussed the process and the form and a recommendation was made for the addition of tracking dates to ensure that the process was completed in a timely manner. Tom Harris recommended that a meeting be scheduled between all parties involved to ensure that evaluations are completed prior to employment. Mr. Jensen agreed to schedule the meeting.

Ms. Jensen presented for execution the previously approved Resolution for escalator clause benefits.

ADMINISTRATIVE REPORT (Nick Schiess)

Nick Schiess reported that requests for the medical records of disability pension applicant Robert Brooks had been submitted to Mr. Brooks' treating physicians. After the records were received by the Administrator then the records would subsequently be provided to the Medical Director for review.

OTHER BUSINESS

Tom Sheppard recapped the investment manager presentation at the last meeting. He reported that the Investment Consultant would present three alternatives managers for consideration as a replacement for Deprince, Race, & Zollo at the next meeting. He noted that the Boston Company small cap product was not on the original list of products under consideration, however, the manager might also deliver a presentation if the Investment Consultant considers the product appropriate. He noted that the Boston Company

acquired the small cap product only several years ago, which might not be a long enough track record to be considered as a candidate.

Mr. Sheppard discussed the international equity allocation noting that a letter was not required to be sent to the State because the allocation did not exceed the maximum permitted allocation on a cost basis.

ACTUARIAL VALUATION (Brad Armstrong)

Brad Armstrong appeared before the Board on behalf of Gabriel, Roeder, & Smith to present the 2004 Actuarial Valuation. Mr. Armstrong noted that the City funding requirement was based upon monthly contributions and a lump-sum payment funding option was available, which the City might consider in order to avoid interest on the contributions.

Mr. Armstrong noted that the actual number of active Members was skewed due to many terminations of service and twenty-three replacement lives were added to the total number of active members to ensure the reasonableness of the Valuation.

Mr. Armstrong discussed the increase in the City's funding requirements, which was primarily attributable to the investment losses in the year 2001 included in the four-year smoothing technique to compute the actuarial value of assets. He reviewed the actual Plan experience versus the Plan assumptions noting that the payroll increase of 5.9% was close to assumption and the investment return exceeded the 8.25% actuarial assumption for investment return plus inflation.

Mr. Armstrong discussed the status of the supplemental distribution noting that the Statutes specify the consideration of the cumulative investment experience. He advised that the computation of the cumulative investment experience as of September 30, 2004 was a negative \$752,859 therefore a supplemental distribution was not permitted.

Mr. Armstrong concluded his report with a review of the funding progress of the Plan noting that the funding ratio was 68.5% as of September 30, 2004. A motion was made, seconded, and passed 4-0 to approve the 2004 Actuarial Valuation.

There being no further business and the next meeting having been scheduled for Thursday, July 7, 2005 at 1:30 PM, the meeting was adjourned at 3:47 PM.

Respectfully submitted,

Tom Sheppard, Secretary