West Palm Beach Firefighters Pension Fund
MINUTES OF MEETING HELD
January 5, 2006

Chairperson David Merrell called the meeting to order at 1:42 P.M. in the Third Floor Conference Room at Station 1, 500 N. Dixie Highway, West Palm Beach, Florida. Those persons present were:

<u>TRUSTEES</u>	**<u>OTHERS</u>**
David Merrell, Chairperson	Bonni Jensen, Hanson, Perry, & Jensen
Matt Young	David Jakubiak and Scott Baur, Pension Resource Center
Dorritt Miller	Richard Cristini & Jeanine Bittinger, Davidson, Jamieson
Tom Sheppard , Secretary	& Cristini, P.L.

<u>Minutes</u>

The Trustees reviewed the minutes for the meeting of December 1, 2005. ***A motion was made by Tom Sheppard, seconded by Dorritt Miller, and passed 4-0 to approve the minutes for the meeting of December 1, 2005, as amended.***

<u>Reporting On Plan Financials</u>

Scott Baur advised that there was excess cash of approximately $950,000 from the State, in the checking account. Mr. Baur advised that he has asked Mike Calloway to provide direction on where the money should be invested. Mr. Baur also mentioned that Account 1220 includes adjustments provided by the auditors. ***The Trustees received and filed the financial statement.***

After considering the disbursements, ***a motion was made by Tom Harris, seconded by Dorritt Miller, and passed 4-0 to approve the disbursements.***

<u>Benefit Approvals</u>

After a brief discussion, ***a motion was made by Dorritt Miller, seconded by Matt Young, and passed 4-0 to approve the benefit approvals as presented by the Administrator.***

<u>Audited Financial Statement: Davidson, Jamieson & Cristini, P.L.</u>

Richard Cristini presented the Audit report to the Board. He explained that their comments relative to the audit are broken into the financial aspects, the investment aspects, actuarial aspects and general aspects. He also advised the Board that State Statutes determine whether stand-alone pension reports will include a management report.

Mr. Cristini referred to page 3 on Net Assets and explained that there was an increase of $12.5 million in total assets. He mentioned that there was growth in the Plan and payables have stayed the same. He also stated that both normal and supplemental distributions are growing.

In reference to page 4, Mr. Cristini discussed the revenues and expenses of the Plan. He mentioned that employer contributions have increased. Dorritt Miller added that the contributions have doubled and the City's contribution rate has increased 4.5% for 2005. She also stated that payroll was up as well. Mr. Cristini mentioned that the175 excise tax rebate increased and that net investments increased significantly. He also stated that age and service benefits went up and that DROP applications increased significantly.

Mr. Cristini announced that a favorable determination letter was received by this Plan. He emphasized that most Plans do not earn this distinction.

Mr. Cristini provided an explanation of the breakdown of investments. He distinguished between realized investments, which had a gain and unrealized investments that are being held at the end of the year and have a gain.

Richard Cristini provided a brief review of the Plan amendments. He mentioned that Plan termination disclosure is required even if the Board doesn't intend to terminate the Plan. Scott Baur added that the Special Act originally required a Back Drop of 3, 4 and 5 years. He stated that now participants can go month to month.

Mr. Cristini advised the Board that actuarial report numbers were provided as required. He mentioned that payroll which was 38.6% in 1999 is now 356% in 2004?

Richard Cristini addressed information previously requested by the Board on investment and administrative expenses. He advised that custodial fees went down slightly.

Mr. Cristini explained that it was a good year for the Plan with a $12 million increase based on beginning net assets. He summarized his memo on the review of control structure and advised the Board that they audit the legal aspects of the Plan, the Board policy and good business practice. He stated that the Board does not have to follow the comments that are made in the audit. The Board has established policy and is in compliance with those policies, however, he specified his concerns with the $20,996 expense for the retirement dinner and its listing under the account for miscellaneous expenses. He advised the Board to tell is like it is and to create a new account title that addresses the item. The Board briefly discussed the issue and agreed that the title for this expense should be "Retirement Dinner".

The Board briefly discussed the timing of the audit. Mr. Cristini explained that the draft was to be out by December 12th and that the banks cooperated better this year. The only changes required are the footnotes and the numbers are ready for the City. **A *motion was made by Tom Sheppard, seconded by Dorritt Miller, and passed 4-0 to approve the audit contingent on Bonni Jensen's review and approval of the footnotes.***

Review of Service Providers

Custodial Services

A motion was made by Tom Sheppard, seconded by Dorritt Miller, to go out for an R.F.P. for custodial services on Salem Trust. A discussion ensued prior to voting on this matter.

Tom Sheppard advised that there have been some problems with Salem Trust with fees and disclosure and he has some concerns. Scott Baur referred to Salem's requirement for the filing of a Statement of Auditing Standards known as the SAS 70 and any control issues on the settlement date reporting and the trade date reporting. Salem Trust was to complete the SAS 70 by December 31, 2005.

Richard Cristini added that this disclosure issue is a Salem problem and not an industry problem. He advised that their liability for security was on a trade date basis. Obligations are recorded and added to the total cost in the financial statement. From an accounting standpoint, it adds to everyone's cost.

A second issue related to the new Salem's four proprietary money market funds. Mr. Cristini explained that these funds include cash before it is invested. Once a Board makes a selection of these four funds, Salem gets 25 basis points. Bonni Jensen added that Salem is not disclosing to its clients and no one knew what they were doing. Scott Baur mentioned that Salem attempted to disclose through a newsletter and then they had a black out period. Richard Cristini added that Salem's software is difficult to work with as well.

In response to the Board's inquiry, Scott Baur advised that Salem Trust has been very helpful to the Pension Resource Center. Bonni Jensen added that every client is having problems with their Salem Trust statements.

Mr. Baur and Mr. Cristini explained the differences between the Type I and Type II SAS 70 reports. With the Type I report, the auditor looks at the financial data and does nothing. With the Type II report, the auditor looks at the data and tests the data. Mr. Cristini added that there are auditors in the industry who are not giving opinions.

In response to a Board member, it was reported that Salem Trust has been used by the Fund since 1999 and that Salem Trust use to be Barnett Bank.

Upon the conclusion of this discussion, the motion passed 4-0

Actuarial Services

Tom Sheppard advised the Board that everyone, including the Union was happy with Brad Armstrong. Mr. Baur advised that Brad Armstrong is difficult to replace, since this is a very complicated Pension Plan. Bonni Jensen advised the Board that Mr. Armstrong's fees are to be increased. Ms. Jensen summarized the current fees and the proposed increases. The Board agreed that they would not pursue an RFP for Actuarial Service Providers.

Investment Monitor

Tom Sheppard discussed with the Board the performance of Merrill Lynch. He stated that the Fund has performed at the top level for the last two years. Concerns were expressed about potential charges that may be filed against Merrill Lynch and that 70 Plans that are using Merrill Lynch may be put into a position of seeking a new investment monitor at one time. Mr. Sheppard felt that a contingency plan should be in place which will begin a search for a new investment monitor in the event that happens.

The Board discussed the potential that future charges might be filed and considered options relating to starting a search. Bonni Jensen advised that the Board might want to consider advertising an RFP in a national publication or to perform its own diligence without a formal RFP. She mentioned that many providers are at the conferences that the Trustees attend and they can address this matter with them informally. The Board concurred that they will hold off advertising for the immediate future and would separately discuss this matter with potential investment monitors.

Auditor

Tom Sheppard advised that Davidson, Jamieson & Cristini, are one of 4 service providers that are up for a five-year renewal. Mr. Sheppard sought the opinion of Mr. Baur about this firm. Mr. Baur explained to the Board that he does not have a problem with keeping Davidson, Jamieson & Cristini. Mr. Baur also mentioned that this firm is competent and provides high quality reports. He also explained that the fees charged by this firm are very reasonable. The Board concurred that they would not pursue an RFP for an Auditor.

Share & Drop Distribution Policy

Bonni Jensen addressed the issue of the Share and Drop policy and advised the Board that she does not believe they need to change the policy but explained that members of the Plan want this matter to be considered. Currently, participants have an enrollment period each year in which they can elect a distribution from the Share and Drop accounts.

Scott Baur explained that members of the Plan want to receive funds from their Share and Drop accounts more than once a year. He stated that to do this, the Pension Resource Center has to get the money from various money managers. If this becomes an administrative burden, Mr. Baur advised that he may have to increase his firm's fees.

Tom Sheppard inquired whether or not a fee schedule such as $75 would be helpful. Bonni Jensen added that the fee can be spelled out and the participant can be advised what it is. Mr. Baur expressed his concern about the administrative costs and mentioned that the matter includes such things as the processing of an application and the issuance of both a check and a 1099.

Matt Young inquired as to what the Board's philosophy is about a member's money. Should they have it anytime they want or should they be encouraged to be more economical? Tom Sheppard did not believe that decision is up to the Board and the concern is about getting money from the managers. Scott Baur added that the Plan did not want the Pension Resource Center to be a bank account. He advised that annually a letter is sent to all members informing them of their opportunity to take a distribution.

Bonni Jensen advised that the law says that if you are a public safety employee and 55 years of age, the member does not have restrictions and can take out their money. If a member is less than 55 years of age, the member will experience a 10% penalty on everything they took in a distribution. Otherwise, there has to be a systematic distribution such as a monthly dollar amount and if less then 55 years of age, the distribution cannot change until they are age 591/2. A lump sum would be reported as an early withdrawal if under age 55.

The Board questioned whether or not a person could take both a lump sum and a systematic withdrawal. Scott Baur advised that it is not that simple, since if a person is under 55 year old, you would look at the account balance and the life expectancy based on a reasonable amount of return. Bonni Jensen added that the administrative reporting must be done correctly.

The Board addressed the issue whether or not to leave the policy alone or to amend the policy. Scott Baur added that we normally allow one to take a distribution at the time they retire and every October 1st thereafter. After discussing this matter further, the Board requested that Bonni Jensen spell out what is a hardship and to bring this matter back to the next meeting.

Attorney Report (Bonni Jensen)

Bonni Jensen updated the Board about Mangonia Park and stated that she spoke to Keith Davis, the Town Attorney. Mr. Davis stated they have a levying ordinance that passed on second reading on December 20, 2005. The matter will go to the State and Ms. Jensen will provide an inter-local agreement in the near future. To qualify for this year, the matter would have had to be presented to the State by December 1, 2005. However, it will be good for next year.

Ms. Jensen mentioned she has a copy of the investment guideline policy for the Board to sign. The amendments included changing fixed income from 25-35% and Real Estate from 0 to 10%.

Ms. Jensen discussed the proposed fee increase for Gabriel Roeder and Smith and suggested that the Board ask for a multi-year fee rate. She will bring this matter back to the next meeting.

Ms. Jensen mentioned that the Fund has been named the lead plaintiff for the Star Tech litigation. She suggested that she would submit her fees for reimbursement of her costs and that she will do work on an hourly and not a contingency basis. The Board directed Bonni Jensen to ask the auditor how the billing should be done.

Bonni Jensen discussed Mike Calloway's comments on the PIMCO funds. In order to change from PIMCO Total Return II to the Total Return Fund, Ms. Jensen mentioned that the Board would have to enter into a contract with OFI Trust Company. She does not know who they are and she would like to research this matter. Ms. Jensen recommends that before a transfer is made to the Total Return Fund, the Board needs to understand who these people are. She also mentioned that while OFI would accept fiduciary responsibility, their agreement couldn't be changed. Bonni Jensen added that the reason we just don't go to PIMCO is that they would not provide the fiduciary relationship, since the Fund must have $75 million, which is going to increase to $100 million. The Board concurred that the money should stay in the Total Return II Fund until Ms. Jensen completes her research. The Board also asked that Mike Calloway advise if there is anything else out there. .

Scott Baur advised the Board that in reference to the old 1996 Openheimer agreement, the Fund is suppose to be paying 40 basis points. Instead, the Fund has been paying 50 basis points on the Total Return II investments. Mr. Baur believes they will be paying the money for overcharges back to the Fund.

Bonni Jensen updated the Board on the Milberg Weiss Portfolio and monitoring report for the 3rd quarter of 2005.

Ms. Jensen provided a status report on the following two class action lawsuits: AOL Time Warner and Micro News. She mentioned that they make certain they are part of the class at the time of settlement.

Administrative Report (Scott Baur)

Scott Baur notified the Trustees that the State asked us to sign the affidavit, confirming that we received the 175 monies.

OTHER BUSINESS

David Merrell requested that his application fee for the FPPA conference be paid.

In response to the Board's inquiry, Scott Baur mentioned that he would verify attendance of any service providers for the next meeting.

There being no further business and the next meeting having been scheduled for January 5, 2006, the meeting was adjourned at 4:07 PM.

Respectfully submitted,

Tom Sheppard, Secretary