

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MINUTES OF MEETING HELD
MARCH 12, 2009

Chairperson Dorritt Miller called the meeting to order at 1:30 P.M. in the Third Floor Conference Room at Station 1; 500 N. Dixie Highway, West Palm Beach, Florida. Those persons present were:

TRUSTEES

Dorritt Miller
Tom Sheppard
Randy Sherman
Rick Dorey

OTHERS

Bonni Jensen – Hanson, Perry & Jensen
Audrey Ross – Tegrit Plan Administrators
Troy Brown – The Bogdahn Group (1:38PM)
Brad Goldman – PIMCO/Oppenheimer (1:38PM)
Brad Armstrong – Gabriel, Roeder, Smith & Company
Brian Walker – City of West Palm Beach Firefighter

PUBLIC COMMENTS

N/A

APPROVAL OF MINUTES

The Board reviewed the minutes of the February 12, 2009 regular meeting.

A motion was made by Randy Sherman to approve the minutes of the February 12, 2009 regular meeting as amended. The motion was seconded by Rick Dorey and carried 4-0.

ACTUARIAL VALUATION REPORT 10/1/2008: GABRIEL, ROEDER, SMITH & COMPANY (PRESENTED BY BRAD ARMSTRONG)

Mr. Armstrong stated that he primarily does this report every year to determinate the funds contribution requirements, the funded ratio and also does a comparison from last year to this year. He commented that the market went down in April, but we did not really recognize it until June. Mr. Armstrong reviewed the normal cost pay for benefit to the active members for the next year assuming there will be no benefit changes. The members' contribution rate is 19.20% and the City's contribution rate deceased from 27.14% to 27.11%. Mr. Armstrong commented that the City makes their contribution in a single lump sum payment at the beginning of the fiscal year in order to receive their discount. On October 1, 2008 the City contributed \$4,393,701 which was approximately \$600,000 more than last year. He also noted that the plans unfunded liability as of September 30, 2008 remains around \$40M. The unfunded liability increased from last year just as the payroll did. Mr. Armstrong pointed out that the administration expenses had decreased about 20 basis points from 2007 to 2008, which was a positive impact on the fund.

Mr. Armstrong reviewed the funds historical schedule of recommended and actual contributions. Also, he reported to the board that the money they hold in their reserve account has been released so that the members' contribution rates didn't increase by to much this year. Mr. Armstrong explained that the asset valuation method recognizes

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gains or losses over the past 4 years. He commented that there will still be a recognition of the short fall we had in 2008 and the one we will probably have in 2009 for the next 3 years, and that the contribution rates will probably increase even more next year.

Lastly, Mr. Armstrong reviewed the funds funded ratio. The funded ratio decreased from 78.3% in 2007 to 76.3% in 2008. He commented that usually the funded ratio increases from year to year, but this year it decreased and it will probably drop even more next year. Mr. Armstrong wanted to emphasized to the board that as long as contributions are being made into the plan, then benefit payments will always be made

A motion was made by Randy Sherman to approve the October 1, 2008 Actuarial Valuation Report presented by Gabriel, Roeder, Smith & Company.. The motion was seconded by Rick Dorey and carried 4-0.

Mr. Sheppard addressed the buyback situation. He stated that he had been getting complaints that the calculations were taking to long to get back to the members. The board had a discussion on the different producers and they agreed that the Actuary will have 30 days from when they received the calculation to complete it and return it back to the member.

DISBURSEMENTS

The Board reviewed the disbursements presented for approval by the Administrator.

A motion was made by Tom Sheppard to approve the disbursements that were presented by the Administrator. The motion was seconded by Randy Sherman and carried 4-0.

BENEFIT APPROVALS

The Board reviewed the application for an April 1st distribution of share account for David Abdo, the application for an April 1st distribution of DROP account for John Boccanfuso, Marc Leatherwood, Matt Young, Robert Henderson and William Cejmer.

A motion was made by Rick Dorey to approve the application for an April 1st distribution of share account for David Abdo. The motion was seconded by Tom Sheppard and carried 4-0.

A motion was made by Tom Sheppard to approve the application for an April 1st distribution of DROP account for John Boccanfuso, Marc Leatherwood, Matt Young, Robert Henderson and William Cejmer. The motion was seconded by Rick Dorey and carried 4-0.

ATTORNEY'S REPORT: THE LAW OFFICES OF PERRY & JENSEN (PRESENTED BY: BONNI JENSEN)

Ms. Jensen commented that the board hired Steve Lapidus to get a second opinion in regards to the after tax situation. Mr. Lapidus looked at what further items or options could be done. Ms. Jensen reviewed the engagement letter with the board and stated that she did not see any concerns. Mr. Lapidus concluded that the plan can not accept after tax contributions from retirees that will be deposited into their DROP account. The

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members who have already done this will have to be refunded their money including any interest earned on it.

A motion was made by Tom Sheppard to delete section 10 of the arbitration and to approve the engagement letter from Steve Lapidus. The motion was seconded by Randy Sherman and carried 4-0.

Ms. Jensen stated that she read and reviewed the updated Sun Trust spectrum CD offer with BNP. She reviewed with the board the background and the limitations of the CD and how it works (terms and conditions). A FDIC insured CD will be issued by SunTrust Bank, with a \$5M minimum. BNP will not act as a Fiduciary to the plan as your deposit will be made with SunTrust, but all your contacts and communication will be with BNP. Ms. Jensen explained that the fee is either 75 or 105 basis points and that Mr. Brown was looking into which one it is. Also, the CD would be recorded in the records as a certificate from SunTrust Bank.

Ms. Jensen reported that the Police pension fund will be presenting in front of the City's Audit Committee and she will give another update after the meeting.

The House bill 5, which has been around for about 5 years is regarding increasing the foreign investments from 10% has been amended to add that the 175 and the 185 money is to be used to help reduce the City's contributions. Also, the House bill 673 which proposes to allow past service credited by the FRS to be purchased at 3 for 3 has also been amended to allow City's that merge with the FRS to keep their 175 money. Ms. Jensen commented that neither of these bills have been passed yet.

INVESTMENT MANAGER REPORT: PIMCO/OPPENHEIMER (PRESENTED BY BRAD GOLDMAN)

Mr. Goldman reported that the account value as of December 31, 2008 was \$26,258,334 with year to date withdrawals of \$5,178,000. They were behind the index at 0.9% versus 4.6%, and their calendar year to date was negative at -1.7% versus the index at 5.2%. For the year to date in 2009 they have performed a little better at 0.5% versus the index at -1.3%. He explained that through April of 2008 they were ahead of the fund and even in August, but the last quarter in 2008 was very turbulent for them and they underperformed. Mr. Goldman discussed why they have been underperforming for sometime. He explained that in March of 2007 they made a change to the portfolio which slightly benefited the fund, and under normal market situations these changes would have not made a difference. They owned a little of AIG and the Lehman Brothers which decreased the fund by 10-15%, and Pimco had to liquidate some of the portfolio so they liquidated in treasuries which also brought down the fund. Mr. Goldman discussed with the board the withdrawals and how it did not help the portfolio. He explained that they had to liquidate their most conservative funds to pay out the withdrawals. Mr. Goldman stated that in the future he will have no duration risk and that they will be more market neutral. They are also being more conservative and buying things that are FDIC insured.

Mr. Goldman stated that they are doing better as the year goes on, and he does not think that they will get more than 5% back in stocks this year. Mr. Brown commented that Mr.

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Goldman and he have been having a lot of conversations recently regarding PIMCO's performance and he feels better at this point. Mr. Brown explained that their bad performance was mostly in the fourth quarter, and they are already turning around their performance in 2009. Ms. Jensen asked when do we become concerned about the withdrawal sizes of PIMCO/Oppenheimer. Mr. Brown responded that the board has Fiduciary contract with Oppenheimer and they paid for that in the fourth quarter and does not expect it to happen again.

Lastly, Mr. Goldman wanted to inform the board that they do have a fixed income portfolio with his company and it does great. He wanted to let the board know in case they were ever interested in more fixed income.

**INVESTMENT CONSULTANT REPORT: THE BOGDAHN GROUP
(PRESENTED BY TROY BROWN)**

Mr. Brown commented that he will invite BNP to the next meeting so the board can ask them any remaining questions. The board can then make a final decision as to whether they will invest with BNP or not.

Mr. Brown reviewed PIMCO's fixed income portfolio and wanted to clarify with the board that if they ever decided to proceed in that direction then he would bring in a search and follow the normal procedures.

Mr. Brown passed out the revised investment policy guidelines and reviewed the changes that were made. The board discussed some of the language that needed to be added.

A motion was made by Tom Sheppard to change the Investment Policy Guidelines to reflect the language "5% of cost at purchase), and to revise the mutual fund language. The motion was seconded by Rick Dorey and carried 3-0.

Mr. Brown confirmed with the board that BNP's fee is set at 75 basis points.

**ADMINISTRATOR REPORT: TEGRIT PLAN ADMINISTRATORS
(PRESENTED BY: AUDREY ROSS)**

Ms. Ross provided the board with the class actions that have been settled from Salem Trust in the quarter ending December 31, 2008.

OTHER BUSINESS:

Ms. Miller updated the board on some current items that she heard about at the last conference that she attended. First she commented that there is a House Bill 710 out there that would allow public pension funds to invest in banks with a guarantee of 8.5% and with annual resetting rates. Also, a lot of the speakers there were reporting about investing in hedge funds and timbers, which could be another alternative to Investment Consultants. Ms. Miller commented that there was a really good speaker there comparing defined benefit plans with defined contribution plans. She stated that defined benefit plans are less costly in the long run. Lastly, Ms. Miller wanted to thank Mr. Sheppard, Mr. Young and Mr. and Mrs. Dorey for the excellent retirement dinner.

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There being no further business and the next Pension Board meeting having been scheduled for April 9, 2009, the meeting was adjourned at 4:34PM.

Tom Sheppard, Secretary