

WEST PALM BEACH FIREFIGHTERS' PENSION FUND

MINUTES OF MEETING HELD

FEBRUARY 10, 2011

Chair Dorritt Miller called the meeting to order at 1:36 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, Chair
Rick Dorey, Secretary
Brian Walker, Trustee
Dave Merrell, Trustee
Randy Sherman, Trustee

OTHERS

Bonni Jensen, the Law Offices of Perry & Jensen
Audrey Ross, Resource Centers
Troy Brown, the Bogdahn Group
Charles Constable, Brown Investment Advisory
Paul Li, Brown Investment Advisory
Dann Smith, Wells Capital Management
John Krueger, Wells Capital Management
Tom Sheppard, City of WPB Firefighter (Retiree)

PUBLIC COMMENTS

N/A

INVESTMENT MANAGER INTERVIEWS – LARGE CAP GROWTH

- **Brown Investment Advisory – Presented By: Charles Constable & Paul Li**

Mr. Constable introduced himself and Mr. Li to the Board. He stated that their firm is based out of Baltimore and is employee owned. There are 30 investment professionals that all work together in the decision making process. Brown advisory holds about \$8.1B in assets, with \$3.9B of that in the large cap growth fund. Mr. Constable reviewed the firm's investment philosophy which states that "they believe that a concentrated portfolio of companies with sound, sustainable, business models will deliver superior returns over time. We are also disciplined, and invest where we believe outcomes are skewed heavily in favor".

Mr. Li commented that they only hold about 30-35 names in their portfolio at a time. He explained their investment process they go through to narrow it down to those names. One process is that the business must grow 14% over one market cycle for them to consider entering them into the portfolio. Mr. Li also reported that they have a great research team. They have full time analyst who go out into the market environment and do their own research. They also create their own financial models and before they add a company into their portfolio they will always physically go out and visit the place of business to gather more information. Mr. Li then explained their trimming philosophy and reviewed the three reasons why they would sell off a stock; if the underlying investment thesis is violated, if their market expectations change suddenly and also if there are alternative opportunities.

Lastly, Mr. Constable reviewed the fee schedule and stated that they will negotiate for the life of the agreement. The Trustees' then concluded the presentation by asking some remaining questions regarding the firm structure.

- **Wells Capital Management – Presented By: Dann Smith & John Krueger**

Mr. Smith introduced himself to the board and stated that he was the sales director at Wells. Mr. Krueger also introduced himself and commented that he was a product specialist at Wells. Wells Capital is located in California and was formed in 1986. They currently manage about \$365B in assets with \$5.2B of that invested in the Heritage All Cap Growth Equity fund, in which this board is looking at. Mr. Smith reviewed Wells distinguishing characteristics. They have a 30 year history with the same investment philosophy and process that works, they have a nimble team dedicated to pure growth, they have a true all cap strategy with consistent all cap exposure, and they have a successful sell discipline highlighting integration of risk management with investment process.

Mr. Krueger reviewed the firms' investment process and explained that a company/stock must have all three characteristics in order to get into the portfolio. Those characteristics are; robust, sustainable and underappreciated. They have one investment philosophy and one investment strategy that they stick to at all times. He also commented that they have a dedicated team that spends most of their time on the road visiting companies. Mr. Krueger stated that they are very flexible with their investments and they have most of their weighting in large cap. He explained that they will sell off a company or trim them under the following circumstances; when the "gap" between the company's true earning power and the market expectations narrows, to avoid deteriorating growth before it's captured in the stock price, and to also manage portfolio risk. They have a bottom up fundamental process and they keep their beta inline with the market. Also he commented that they hold about 60-65 names in the portfolio at one given time and their average holding is about 1½-2 years.

Lastly, Mr. Smith stated that their fee is 80 basis points and they can come down a little to find a happy medium. Also he commented that they would waive the \$80K minimum annual fee. The Trustees then asked some additional questions in regards to the investment process and philosophy.

Board Discussion:

The Trustees discussed both Manager presentations. They noted that they have two totally different investment philosophies, although neither one of them is riskier than the other.

A motion was made by Randy Sherman to hire Brown Investment Advisory, replacing Aletheia Management as their large cap growth manager. The motion was seconded by Dave Merrell and carried 5-0.

Mr. Brown stated that he would recommend using the commission recapture program ConverqEX for the transition and reviewed the process.

A motion was made by Rick Dorey to engage converqEX for the transition from Aletheia Management to Brown Investment. The motion was seconded by Brian Walker and carried 5-0.

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

Mr. Brown reviewed the current market environment. He noted that within the quarter all cap managers are moving into large cap and growth outperformed value. International is still struggling and they still remain to have negative double digits.

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MEETING OF FEBRUARY 10, 2011

Also there was a huge reversal in rates during the quarter and the investment grade bonds are now negative. Mr. Brown reviewed a chart the he produced which represents the historical annualized performance over various investor holding periods based on the S&P500 annual returns from 1926 thru 2010. He stated that this chart represents that the only way to reach the funds assumed rate of 8%, is to have equities in the portfolio. Mr. Brown stated that this fund has a greater allocation to equities then normal, which have been negative for over the past 3 years. He also announced that the fund has now recovered from the downturn and they are now at a zero value.

For the quarter ending December 31, 2010 the total fund was ahead of the benchmark at 7.27% versus 6.75%. Mr. Brown commented that this fund has a very strong portfolio and only have 2 managers that have underperformed since inception. He then reviewed each manager's performance for the quarter and stated that they are watching Oppenheimer closely because they are doing a different strategy then PIMCO, in which they are not suppose to be doing. Mr. Brown noted that he will be making a recommendation to the board if they keep underperforming.

APPROVAL OF MINUTES

The Board reviewed the minutes of the January 18, 201 regular meetings.

A motion was made by Randy Sherman to approve the minutes of the January 18, 2011 regular meeting as amended. The motion was seconded by Dave Merrell and carried 5-0.

DISBURSEMENTS

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

A motion was made by Brian Walker to approve the disbursements that were presented by the Administrator. The motion was seconded by Randy Sherman and carried 5-0.

BENEFIT APPROVALS

The Board reviewed the application for retirement (vested deferred) for Kim Couden, the application for an April 1, 2011 distribution from share account for Dennis Withington and the applications for an April 1, 2011 distribution from DROP account for Phillip Dudley and Tom Sheppard.

The Trustees' discussed Mr. Dudley's distribution and want to check with the Actuary first in regards to the IRS minimum distribution rules since the member is over the age of 70 ½.

A motion was made by Brain Walker to approve the application for retirement (vested deferred) for Kim Couden. The motion was seconded by Rick Dorey and carried 5-0.

A motion was made by Dave Merrell to approve the application for an April 1, 2011 distribution from share account for Dennis Withington. The motion was seconded by Brian Walker and carried 5-0.

The board tabled Phillip Dudley's DROP distribution until more information is provided by the Actuary.

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MEETING OF FEBRUARY 10, 2011

A motion was made by Randy Sherman to approve the application for an April 1, 2011 distribution from DROP account for Tom Sheppard. The motion was seconded by Brian Walker and carried 5-0.

REPORTING OF PLAN FINANCIALS

The Administrator provided the Board with an unaudited financial statement and an income and expense report for review through the month of December 2010.

The Board received and filed the un-audited financial statements through the month of December 2010.

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

Ms. Jensen briefly reviewed House Bill 303, which has since been withdrawn.

Ms. Jensen presented the board with the revised statement of policy regarding payments.

A motion was made by Dave Merrell to approve and adopt the revised statement of policy regarding payments that was prepared by the Plan's Attorney. The motion was seconded by Rick Dorey and carried 5-0.

ADMINISTRATOR REPORT: RESOURCE CENTERS (PRESENTED BY: AUDREY ROSS)

Ms. Ross stated that now that we got the return for the quarter we will start working on preparing the December 31, 2010 DROP and share statements.

SEPTEMBER 30, 2010 ACTUARIAL VALUATION PRESENTATION: GRS (PRESENTED BY: BRAD ARMSTRONG)

Mr. Armstrong reported that the City contribution rate has increased to 36.96% of covered payroll for the fiscal year beginning October 1, 2011, which is compared to 31% of covered payroll from last year. In dollar amounts the City will have to contribute \$6,156,287. He reported that for the fiscal year the plan experienced a net loss of \$8,101,481, which was primarily due to investments. Also we are still making up for the losses that we incurred a couple years ago, but after 2011 those negative years will drop off. Mr. Armstrong explained that the longevity assumption is higher than expected or needs to be, and that the payroll was down directly due to the 9 vacant positions. He also reminded the board that they have the right to change their assumptions, which might be beneficial at this time.

Mr. Armstrong reviewed the unfunded liability which is now up to \$61,929,651 versus at the beginning of the year when it was at \$52,519,884. Also the funded ratio dropped down to 68.2% from 71.4%, and Mr. Armstrong stated that he thinks it will drop a little more next year as well. Lastly, he reviewed the participant data and stated that there are 168 retirees/beneficiaries currently receiving payments, 7 vested members and 193 active members.

A motion was made by Randy Sherman to approve and accept the September 30, 2010 Actuarial Valuation that was presented by the Actuary. The motion was seconded by Rick Dorey and carried 5-0.

OTHER BUSINESS

N/A

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MEETING OF FEBRUARY 10, 2011

There being no further business and the next Pension Board meeting having been rescheduled for March 10, 2011, the meeting adjourned at 4:54PM.

Rick Dorey, Secretary