

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MINUTES OF MEETING HELD
JULY 16, 2012

Chairman Rick Dorey 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

Rick Dorey, Chair
Brian Walker, Secretary
Dave Merrell
Jeff Green

OTHERS

Audrey Ross, Resource Centers
Scott Baur, Resource Centers
Bonni Jensen, The Law Offices of Perry & Jensen
Troy Brown, The Bogdahn Group
Tracy Musser, TSW
Paul Ferwerda, TSW
Josh Goodfellow, City of WPB Firefighter (former)
Doug Greene, City of WPB Firefighter
Ken Woodcum, City of WPB Firefighter (Retiree)
Rick Roberts, City of WPB Firefighter (Retiree)

The Board welcomed Mr. Jeff Green to the Board. Mr. Green is the new Finance Director for the City and was also appointed to the Fire pension board.

PUBLIC COMMENTS

N/A

BENEFIT APPROVALS

The Board reviewed the application for a refund of contributions for Josh Goodfellow. Mr. Goodfellow was present at the meeting to explain that he understood the consequences of taking a refund of his contributions at this time. Ms. Jensen wanted to review and explain to Mr. Goodfellow and to the other Trustees that since Mr. Goodfellow is vested in the pension plan, he is forfeiting his future monthly lifetime retirement benefit which would commence at age 50, and also his lump sum Chapter 175 account (share account) by taking a refund of his employee contributions at this time. Ms. Jensen also explained that if Mr. Goodfellow did not need to access or use the funds right away, then he can still leave his money in the plan and come back at a later time and make a decision what to do with it then. Mr. Goodfellow stated that he understands what his options are and has consulted with a tax advisor, financial advisor, and also his family and friends prior to making his decision. At this time due to his personal situation he still needs to move forward with taking a refund of his contributions. He commented that he is not taking a cash withdraw from the Plan, but he is rolling his funds over to an IRA and will take distributions from there. Ms. Jensen stated that she has a waiver (refund of contributions to vested member and waiver of rights and benefits) here today that needs to be signed by Mr. Goodfellow and notarized once the board approves his refund, and before his refund payment is issued. This waiver states that Mr. Goodfellow was vested in the Fire pension plan and is waiving his right to a future retirement benefit at age 50 and his Chapter 175 account by taking a refund of his employee contributions now. Mr. Green recommended for legal purposes that Mr. Goodfellow's spouse should also sign a waiver acknowledging the situation and consequences of withdrawing his contributions as well. The other Trustees concurred. Ms. Jensen commented that she will draft up a separate waiver for Mr. Goodfellow's wife to sign in addition to his. She will send both waivers to the Plan administrator, who will then need to get both signed waivers returned before the refund check is issued.

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A motion was made by Dave Merrell to approve the application for a refund of contributions for vested member Josh Goodfellow pending the return of the necessary signed waivers by both Mr. Goodfellow and his spouse. The motion was seconded by Jeff Green and carried 4-0.

The Board reviewed the application for distribution of DROP account due to hardship withdrawal for Don Triana, the application for retirement for Jim Sprow, and the applications for DROP loans for David Abdo and Marc Leatherwood.

Ms. Ross explained Mr. Triana's situation regarding his divorce order and the coinciding hardship withdrawal.

A motion was made by Dave Merrell to approve the application for distribution from DROP account due to hardship withdrawal for Don Triana. The motion was seconded by Brian Walker and carried 4-0.

A motion was made by Dave Merrell to approve the application for retirement for Jim Sprow. The motion was seconded by Brian Walker and carried 4-0.

A motion was made by Brian Walker to approve the applications for DROP loans for David Abdo & Marc Leatherwood. The motion was seconded by Dave Merrell and carried 4-0.

INVESTMENT MANAGER REPORT: THOMPSON, SIEGEL & WALMSLEY – TSW (PRESENTED BY TRACY MUSSER & PAUL FERWERDA)

Ms. Musser welcomed herself back and introduced Paul Ferwerda to the Board. Mr. Ferwerda is a portfolio manager at TSW and has 25 years experience. TSW has 27 professionals whom own their own equity in the firm, and today that ownership stands a little over 22%. At the end of the quarter the firm had \$6.4B in assets and the SMID cap portfolio that this plan is invested in is closed out to new investors. Also Ms. Musser notified the Board that they did have 2 clients recently leave TSW which were a large portion of the SMID cap assets. Also it was noted that TSW was previously on the watch list with the Town of Palm Beach General Employees' Pension Board, but did come off about 6 months ago. Ms. Musser explained that they have 10 client service professionals that service this fund and it has been the same people in place since they were hired.

Mr. Ferwerda introduced himself to the board and stated that he does not work directly with this fund's portfolio. He reviewed the discipline process TSW uses and stated that it is consistently implemented. TSW looks for companies that have stable value performance and are consistent with good returns. They do not want companies in their portfolio that are volatile and do not have good cash flows or balance sheets. Mr. Ferwerda reviewed the West Palm Beach Firefighters' Pension Fund performance for the quarter ending June 30, 2012. Net of fees the fund was negative but ahead of the benchmark at -2.20% versus -3.02%, and for the calendar year to date they are behind the benchmark net of fees at 5.12% versus 8.15%. Ms. Jensen noted that this Plan's does not run off a calendar year, but off a fiscal year which ends September 30. Mr. Ferwerda commented that he does understand that TSW is on watch with this Plan and he explained that their underperformance was mostly due to them not keeping up as much during the down markets. It was noted that TSW has underperformed for all time periods such as the 1 year, 3 years, 5 years and since inception. Mr. Ferwerda reviewed a chart which reflected the

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volatility of the market place over the last 48 months. This last 48 month period was the most volatile period in the 27 year history and Mr. Ferwerda commented that he does think this volatility will start to come down because the economy is starting to make progress. He reviewed some of the challenges that TSW was having out there during the bad market environments and what they have done to overcome that.

The Trustees' asked some questions pertaining to the firm and their performance. It was noted that TSW had 1 senior large cap portfolio manager leave last year, and also the net out flow from the 2 clients that recently left TSW was about \$220M. Ms. Musser stated that their tracking error is about 4% and has been as high as 7% before. Also TSW is not sector neutral and only does bottom up research on their stocks and companies. Currently their cash level is low, but they do try to always be invested in the market place. The board discussed TSW's underperformance and what they are looking to do to turn things around going forward. Mr. Ferwerda reiterated that what hurt them in the past was due to them not being aggressive enough in the market place. He doesn't think their performance will continue to be this way because there has been more volatility in the market place then their performance. Ms. Musser also stated that they recently added more key research staff to their portfolio team which they have been benefiting from.

Board discussion: The Trustees' and Mr. Brown reviewed TSW presentation. Mr. Brown reiterated his support for TSW because he pointed out the all SMID cap managers will underperform at times and especially in recent markets. Mr. Brown recommended holding onto TSW until at least the end of the fiscal year because then their 3 year numbers will be dropping off and then the Board can take another look at them then. He commented that he has a SMID cap manager search with him today and there are 2 other managers that look attractive, but not attractive enough to replace TSW.

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

Mr. Brown reviewed this SMID cap manager search. He noted that there are 2 other managers, Advisory and Kennedy Capital that he works with and is familiar with. These managers have lower turnover, generate lower volatility, and are deeper value managers. Mr. Brown stated that he is not recommending a change from TSW, but if the Board did want to interview other managers then he would recommend Advisory and Kennedy Capital. The Trustees' discussed their options and how they wanted to proceed. It was the Boards consensus to invite the 2 other SMID cap managers that Mr. Brown recommend; Advisory and Kennedy Capital to the September meeting for an interview. Mr. Brown noted that he will send an invitation to both managers.

Mr. Brown reviewed the funds preliminary performance for the quarter ending June 30, 2012. He noted that the quarter to date return was -2.3% and this was due to the down markets in the domestic equity. Mr. Brown commented that he will have the full quarterly report available at the August meeting.

Mr. Brown briefly updated the board on Abby Capital and Templeton. He noted that Abby Capital was in Bogdahn's office recently for a strategy update and a due-diligence review. They discussed many items and one important item they covered was the recent press regarding the Chapter 7 filing by PFGBest, a U.S futures broker. Abby confirmed that neither they nor any of the CTA's utilized by the ACL fund have any exposure to or use PCGBest in their operations. Also the Plan received a notice that the CEO from Templeton had passed away unexpectedly. They already have a new CEO in place and she has been with Templeton for quite

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some years. Mr. Brown commented that this change will have no impact on this plans portfolio.

The board briefly discussed what they can do or what they can advise their investment managers to do to protect on the downside. Mr. Brown stated that managers cannot and will not move into all cash when the markets go down because that is not what we hired them to do.

Mr. Brown presented the board with a fee increase letter. He explained that Bogdahn is paid on a flat fee basis. Currently the fund pays 65 basis points and has since the Plan moved over from Merrill Lynch over 4 years ago. Last year Mr. Brown asked the board for a 5 basis points increase and the board denied it. Now, a year later he has come back to the board and is now asking for a total fee increase to \$72,500 per year (increase of about a 4.6 basis points), but will be implemented over the next 3 years. The fee schedule would work as follows: the first increase of \$2,500 is effective 10/1/2012, second increase of \$2,500 is effective 10/1/2013, and then the third and final increase of \$2,500 would be effective 10/1/2014 and going forward. Mr. Brown reviewed some highlights that the Bogdahn Group and himself have contributed to the plans portfolio over the course of the years. Since Mr. Brown has joined this board he has attended every monthly meeting, has provided accurate performance and compliance information, made timely recommendations regarding manager actions and proposed various revisions to the IPG to reflect changes in the portfolio structure and Florida State statutes. Also for the 3 years ending 3/31/2012, the Plan has returned 17.1% exceeding the balanced benchmark return of 16.9% and ranking in the top 26th percentile of the Public Plan Universe (over this period the Plan's assets have increased from \$88M to \$142M). The board discussed the proposed fee increase that was presented to them and what their fiduciary responsibilities were as Trustees. The Trustees' stated that they wanted to compare this fee increase to some other plans their size as a due-diligence review. Ms. Jensen, Mr. Brown and Mr. Baur stated that they will review their records and put together a Consultant fee comparison for next meeting. The Trustees' tabled Mr. Brown's proposed fee increase letter until next meeting when more information is available.

APPROVAL OF MINUTES

The Board reviewed the minutes of the June 7, 2012 regular meeting.

A motion was made by Brian Walker to approve the minutes of the June 7, 2012 regular meeting. The motion was seconded by Dave Merrell and carried 4-0.

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 Dave Merrell and carried 4-0.

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 May 2012.

The Board received and filed the un-audited financial statements through the month of May 2012.

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

Ms. Jensen presented the board with the results of the Administrator RFQ that was issued in May. 3 firms responded back that they were not going to respond to the RFQ, 5 firms did not respond at all, and 1 firm responded with quote of \$8K per month. Ms. Jensen noted that PRC is currently charging \$3K per month and is asking for a fee increase to \$3,650 per month with a 3.5% COLA increase each year thereafter. The board discussed the results for the RFQ and the current fee increase that was proposed to them from PRC. Some Trustees' expressed their concern regarding the automatic COLA increase every year. Mr. Baur commented that if the Board did not accept the COLA increase today, then he will just come back to the board each year ask for the equivalent increase of what the COLA amount would have been. He also explained his reasoning and thoughts behind implementing a COLA as we are measured up against our work load. The Trustees briefly reviewed the additional fees such as storage fees, check run fees, etc which are not going to increase. The Trustees' had a lengthy discussion on the proposed fee increase, what their options were, and when and how it would be implemented.

A motion was made by Dave Merrell to approve and accept the Pension Resource Centers proposed fee increase from \$3K per month to \$3,500 per month effective June 1, 2012, with an additional 3.5% increase each June 1 for the next 3 years (Effective June 1, 2012 the monthly fee is increased to \$3,500, and effective June 1, 2013 the monthly fee is increased to \$3,622.50, and effective June 1, 2014 and thereafter the monthly fee is increased to \$3,749.29). The motion was seconded by Brian Walker and carried 4-0.

Ms. Jensen reviewed the revised SPD that was prepared by the Plan's Actuary to reflect the recent Plan amendments that were effective May 13, 2012.

A motion was made by Dave Merrell to approve and accept the revised Summary Plan Description that was prepared by Plan's Actuary as amended. The motion was seconded by Brian Walker and carried 4-0.

Ms. Jensen reviewed with the Trustees the statement of Policy regarding the implementation of the 2012 Special Act amendment (HB 1325). The board reviewed the document and noted a couple of revisions. Ms. Jensen stated that she will document the revisions as discussed and will bring the policy back to the next meeting for final review and approval.

ADMINISTRATOR REPORT: RESOURCE CENTERS (PRESENTED BY: AUDREY ROSS & SCOTT BAUR)

Ms. Ross stated that she sent out the revised application to elect earnings forms to the members that were affected by the fixed rate. She commented that she did not receive all the forms back.

OTHER BUSINESS

N/A

There being no further business and the next Pension Board meeting having been rescheduled for Thursday August 9, 2012 @ 1:30PM, the meeting adjourned at 5:06PM.

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Brian Walker, Secretary