

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MINUTES OF MEETING HELD
SEPTEMBER 13, 2012

Chairman Rick Dorey called the meeting to order at 1:33 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 (departed 2:46)
Ron Frano

OTHERS

Audrey Ross, Resource Centers
Bonni Jensen, The Law Offices of Perry & Jensen
Troy Brown, The Bogdahn Group
Chris Crawshaw, Advisory Research
Matthew Swaim, Advisory Research
Frank Latuda, Kennedy Capital Management
Tracy Musser, TSW
Brett Hawkins, TSW
Tom Wesolek, City of WPB Firefighter
Rick Roberts, City of WPB Firefighter (Retiree)

PUBLIC COMMENTS

N/A

Mr. Green stated that he will only be able to attend today's meeting for an hour and would like to ask the Board's permission to rearrange the agenda. He noted that he would like to be present to discuss the memo regarding David Gressler; therefore he is asking that we move that item up to the first on the agenda.

BOARD DISCUSSION

Memo: Gressler, David – Beneficiary Claim for Benefits

Ms. Jensen explained that at the last pension board meeting the board approved paying a benefit on behalf of Mr. Gressler in accordance with the Special Act. The Board did not feel comfortable with this decision and after the last meeting the Union's Attorney wrote a letter to the pension board asking them to reconsider/look over the Plan's document regarding non-duty deaths. Ms. Jensen briefly reviewed the facts around Mr. Gressler's case and stated that he did not have a surviving spouse or any dependent children at the time of his death and therefore a payment under the non-duty death benefit would go to his estate. Ms. Jensen stated that a refund of contribution payment would be paid out directly to the family since they are listed as his beneficiaries, but then they are forfeiting his Share account. Realistically there are 2 different benefits that could be paid out; either a non-duty death benefit to the estate or a refund of contributions to the designated beneficiaries. The board discussed the difference of paying it out to an Estate or to his designated beneficiaries.

Mr. Wesolek stated that he has been working close with the Gressler family through out this whole process and they have decided that they will be applying for a refund of contributions in accordance with the Special Act. He explained that the family has sought legal advice and they will not be opening up an estate. The board discussed multiple situations including creditors. Ms. Jensen commented that any creditor can come back and sue the family, but not the pension board under the case law and the provisions of the pension plan. Also, Ms. Jensen recommended that the Board should get a release waiver signed by Mr. Gressler's parents and sister if they take

the refund of contributions since they are forfeiting his Share account. Ms. Jensen commented that the board approved his benefit according to the Special Act, so based on what benefit the Gressler family applies for it may have already been approved.

A motion was made by Brian Walker to request Mr. Gressler's mother, father, and sister sign a release waiver if applying for a refund of contributions. The motion was seconded by Dave Merrell and carried 5-0.

INVESTMENT MANAGER INTERVIEWS (SMID CAP VALUE)

- **Advisory Research – Presented By: Chris Crawshaw & Matthew Swaim**

Mr. Crawshaw introduced himself and Mr. Swaim. He explained that Advisory was founded in 1974 and they currently manage \$8.5B in assets. Advisory is a Chicago based firm that manages value equity and SMID cap. They have a very large research team that spends most of their time out in the work force with hands on researching. Mr. Crawshaw reviewed the investment team and stated that there are 3 lead portfolio managers. Advisory uses a bottom up investment process and only invests in company's that are stable. He explained that they have been using the same bottom up research for the past 20 years and they will not change their process depending on the market environment.

Mr. Swaim reviewed the investment process and commented that they usually have between 35-50 positions in the portfolio and their average turnover is about 30-40%. Also they do have sector limits, which are generally 40% or less in finance and 20% or less in all other sectors at cost. Mr. Swaim also reviewed the sell discipline and some of the reason as to why they would sell off a stock. Lastly he commented that their fee is 1% on the assets. Mr. Crawshaw and Mr. Swaim thanked the board for inviting them here today.

- **Kennedy Capital Management - Presented By: Frank Latuda**

Mr. Latuda explained that Kennedy Capital created a SMID cap product in 2010 by the request of one of their clients. Mr. Latuda commented that he is the portfolio manager on all 3 Value portfolios; small, SMID, and large. Kennedy Capital is 100% employee owned with the largest ownership position at 20%. Kennedy has been around for 30 years and they have 25 investment professionals. Mr. Latuda stated that they are a bottom up firm that spends most of their time out their researching the companies. He reviewed their client list and commented that they have multiple police and fire plans around the County, with 2 in Florida.

Mr. Latuda reviewed the firm's investment process as well as the SMID cap investment team. The SMID cap fund has about \$73M in assets and will hold anywhere between 80-120 stocks in the portfolio at one time. Mr. Latuda stated that all positions in the portfolio are always equally weighted and that the turn over for the SMID cap fund can get as high as 50%. Also, he explained that they do have products that they move from the small cap to the SMID cap when they do grow in size. The SMID cap fund is a sector neutral portfolio and they keep within 5% (up or down) on all sectors. Mr. Latuda reviewed the portfolio team and how it is structured. He explained that the managers and analyst are separated by Industry and/or product specialty, although they do have about 1 or 2 analyst per year leave the firm. Lastly Mr. Brown stated that he has heard that the co-founder (Richard) of Kennedy Capital is getting ready to retiree. Mr. Latuda confirmed that Richard has been talking about it for the past couple of years, but that currently he is not

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involved in any of the day to day operations so when he does retiree the same portfolio teams will still be in place without any disruption.

- **Thompson, Siegel & Walmsley (TSW) - Presented By: Tracy Musser & Brett Hawkins**

Ms. Musser thanked the board for letting them come back a second time to present. She addressed the boards concerns with the recent performance of the fund and also their presentation at the last meeting that they attended. Ms. Musser explained that she has brought here with her today Mr. Hawkins who is the portfolio manager on the SMID cap fund that this board is invested in.

Mr. Hawkins introduced himself to the board and commented that he is the person that will come to the meetings from now on if the board so wishes. Mr. Hawkins has been with TSW for 12 years and is the portfolio manager on the SMID cap fund along with his co-partner Frank Reichel. In addition, they have 2 other senior analysts and a number of other client service reps that work on this portfolio as well. Mr. Hawkins explained that they look for the best stocks with risk adjusted returns. TSW has a discipline process in which Mr. Hawkins reviewed in depth and commented that they are basically looking for names that capture the upside and less of the downside. He stated that they have been practicing the same process with the same investment team for the last 7 years and 3 years ago when the market tanked they went down 70-80%, but then again they capture 100% of the upside as well. Mr. Hawkins stated that what hurt them during the down markets was their sell process. They got into stocks that they should not have and then the market starting deteriorating so fast that there was no time to change anything. He noted that they should have stuck to their original mindset and expected the worst, but instead they held onto and froze everything that they had at that time. Lastly Mr. Hawkins stated that now is a great time to buy and that they will also stick to their same investment process as in the past.

BOARD DISCUSSION:

The board discussed the presentations and Mr. Brown stated that he still thinks the boards money is still in the right place and still recommends TSW. Mr. Brown commented that TSW has also offered a performance based fee structure which is beneficial to the fund. He explained how the fee would be measured and noted that TSW would have to outperform by 2% to get back to their old fee. The Trustees had a lengthy discussion and commented that they also liked Advisory Capital as well.

A motion was made by Dave Merrell to retain Thompson, Siegel & Walmsley as their SMID cap manager and to also switch to their performance base fee structure effective immediately. The motion was seconded by Ron Frano and carried 4-0.

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

Mr. Brown reviewed the funds performance through August and commented that for the fiscal year to date they are up 17.7% and for the quarter to date they are also up about 3.6%.

Ms. Jensen reviewed the revised addendum to the Bogdahn Group agreement to reflect the recent fee increase that the board accepted.

A motion was made by Brian Walker to approve and authorize the execution of the revised addendum to the Bogdahn Group agreement to reflect their

recent fee increase. The motion was seconded by Dave Merrell and carried 4-0.

APPROVAL OF MINUTES

The Board reviewed the minutes of the August 9, 2012 regular meeting.

A motion was made by Brian Walker to approve the minutes of the August 9, 2012 regular meeting. The motion was seconded by Ron Frano and carried 4-0.

DISBURSEMENTS

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

A motion was made by Ron Frano to approve the disbursements that were presented by the Administrator. The motion was seconded by Brian Walker and carried 4-0.

BENEFIT APPROVALS

The Board reviewed the application for distributions of share account (October 1, 2012) for David Baxter, John Boccanfuso, William Dahl, Kevin Green, David Koenig, Nate McCray, Michael Pait, Mike Ranieri, Mike Wennergren, Ed Willard, and Mark Yates, the applications for distributions of DROP account (October 1, 2012) for Steve Barnard, Chris Cannon, George Hannah, Kerry Heath, George May, and Mike Ranieri, the application for retirement for Alan Ineson and Walter Barndt, the application for a distribution of share account due to retirement for Walter Barndt, and the applications for a refund of contributions for Austin Schoor and Daniel Jacobson.

The board discussed Mr. Ineson's termination date. He is a vested deferred member and Ms. Ross stated that the Actuary has his termination date as 3/20/2002, but the Chair would like it to be double checked with the Actuary to confirm.

A motion was made by Brian Walker to approve the applications for distribution from share accounts (October 1, 2012) for David Baxter, John Boccanfuso, William Dahl, Kevin Green, David Koenig, Nate McCray, Michael Pait, Mike Ranieri, Mike Wennergren, Ed Willard, and Mark Yates. The motion was seconded by Dave Merrell and carried 4-0.

A motion was made by Ron Frano to approve the applications for distributions from DROP accounts (October 1, 2012) for Steve Barnard, Chris Cannon, George Hannah, Kerry Heath, George May, and Mike Ranieri. The motion was seconded by Ron Frano and carried 4-0.

A motion was made by Ron Frano to approve the application for retirement for Walter Barndt and to table the application for retirement for Alan Ineson. The motion was seconded by Brian Walker and carried 4-0.

A motion was made by Brian Walker to approve the application for a distribution of share account due to retirement for Walter Barndt. The motion was seconded by Ron Frano and carried 4-0.

A motion was made by Ron Frano to approve the applications for a refund of contributions for Austin Schoor and Daniel Jacobson. The motion was seconded by Brian Walker and carried 4-0.

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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 July 2012.

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

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

Ms. Jensen presented the board with a letter that she prepared for all participants regarding the Special Act Amendments. Ms. Ross stated that she will email this letter out to all the participants.

A motion was made by Brian Walker to approve and email out the letter drafting by Ms. Jensen to the participants regarding the Special Act Amendments. The motion was seconded by Ron Frano and carried 4-0.

Ms. Jensen reviewed the statement of policy regarding class action litigation that the board approved and adopted at the last meeting.

Ms. Jensen stated that she sent a letter to Mr. Green as Finance Director regarding the City's contribution amount for October 1, 2012.

Ms. Jensen noted that she is still waiting on a revised page from the Actuary for the summary plan description before it can be distributed.

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

Ms. Ross presented that board with a letter from Robbins, Geller, Rudman & Dowd. They are asking the boards permission to attend one of their meetings to review and explain what services they provide for the board. The Trustees declined.

OTHER BUSINESS

Mr. Dorey explained that he has received the prices for the axes for the upcoming retirement dinner. The company has kept the prices the same at \$495 per axe. Mr. Dorey needs to boards permission to pay for the axes.

A motion was made by Dave Merrell to approve and authorize Mr. Dorey to purchase and pay for the axes (\$495 each) for the upcoming retirement dinner. The motion was seconded by Brian Walker and carried 4-0.

There being no further business and the next Pension Board meeting having been rescheduled for Thursday October 11, 2012 @ 1:30PM, the meeting adjourned at 4:56PM.

Brian Walker, Secretary