

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MINUTES OF MEETING HELD
NOVEMBER 7, 2013

Chairman David Merrell called the meeting to order at 1:32 P.M. in the Third Floor Conference Room at Station 1; 500 N. Dixie Highway, West Palm Beach, Florida. Those persons present were:

TRUSTEES

David Merrell, Chair
Brian Walker, Secretary
(arrived at 2:37PM)
Guy Montante
Ron Frano
Scott Kelly

OTHERS

Audrey Ross, Resource Centers
Bonni Jensen, The Law Offices of Perry & J
Troy Brown, The Bogdahn Group
Ray Reza, Faye Sarofim
Rick Dorey, City of WPB Firefighter (retired)
Rick Roberts, City of WPB Firefighter (retired)

PUBLIC COMMENTS

N/A

INVESTMENT MANAGER REPORT: FAYEZ SAROFIN (PRESENTED BY RAY REZA)

Mr. Brown gave some background on Faye before they presented to the board. He commented that Faye has been consistently underperforming for the last 9 months, and their return since inception is equal to the benchmark. Faye was originally put into this portfolio to balance out Aletheia, but Aletheia is no longer a manager for this fund anymore either. Mr. Brown commented that out of today's presentation, he wants the board to either decide to stay with Faye, or to move on and consolidate their portfolio into the Brown portfolio. Also he noted that Faye was put into the portfolio as a growth manager, but Bogdahn classifies them as a core-value manager. The Trustees briefly discussed what costs are associated with transitioning a portfolio (if it lead to that decision), and Mr. Brown commented that they would use their transition manager Abel Noser to make consolidate the portfolios.

Mr. Reza welcomed himself back and introduced himself to the new Trustees. He briefly noted that there have been no changes to the investment team and that their average client has been with them for 25 years. He moved right into the fund's performance for 2013, which has recently been up. Mr. Reza discussion the current market environment and explained how it has not been beneficial to their investment style. Faye only buys high quality stocks and recently the high quality stocks have not been rallying in the market place. During the last quarter the portfolio had an overweight to consumer staples, energy, and apple (more specifically), which actually hurt them. As of October 25, 2013 the fund was up 4.2% versus the benchmark at 4.8%, and over the last 9 months they are still behind the benchmark but positive at 11.5% versus 19.8%. Mr. Brown noted that Faye is comparing themselves to the S&P 500 index throughout their presentation, but according to Bogdahn and the investment policy guidelines, they should be comparing themselves to the Russell 1000 Growth index. Mr. Reza commented that it is very difficult for them to get information on the Russell 1000 Growth index, so they used the S&P 500 for presentation purposes. Mr. Reza explained that Faye's intention is to offer a lot of downside protection, which is very important to have in a portfolio of this size. He also stated that Faye does not hug the benchmark because they are making their own bets. Since the last time Mr. Reza met with this board, Faye has moved into more consumer discretionary stocks which seem to be working out in their favor. He briefly reviewed some other specific holdings in the portfolio that either hurt their performance or added to their performance.

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Mr. Reza commented that Fayeze has not lost any of their clients due to their performance yet, although he did state that his firm is having this same kind of conversation with their other plans as well. He noted that their other clients have been with them longer and therefore they have seen Fayeze perform well coming out of a market environment like this one. Lastly he stated that nothing has changed with their firm as the investment personal and philosophy have remained the same. The market has not been in favor of their investment style.

BOARD DISCUSSION:

The Trustees had a lengthy discussion on the Fayeze presentation they just saw and heard. The Trustees did not understand why Fayeze would compare themselves to a benchmark that they are not even measured against according to our plan documents. Mr. Brown noted that he would not let that be a factor in deciding to keep them or not. Each Trustee gave their opinion on the presentation and also on Fayeze as a firm overall. It was noted that since inception Fayeze is about 1% behind the benchmark net of fees, and they have also failed 3 of the 4 criteria objectives.

The Trustees discussed the risk associated with terminating Fayeze and moving their portfolio over to Brown. Mr. Brown explained that there is not a lot of risk involved, because there will be a transition manager, and secondly Fayeze and Brown hold a lot of cross stock positions anyways.

A motion was made by Ron Frano to terminated Fayeze immediately and to transfer their portfolio over to Brown Advisory using Abel Noser as the transition manager. The motion was seconded by Scott Kelly and carried 5-0.

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

Mr. Brown announced that a couple of months ago he was promoted to the Director of Consulting, and now just more recently he was again promoted to the Executive Director of Consulting. With his new title comes along more responsibility and therefore Mr. Brown stated that he will need to bring in another Consultant to help him out in attending the monthly meetings for this plan (he noted that he is doing this with all this clients). Mr. Brown made it clear that he will still be very involved with this plan in making all the decisions and recommendations, although he just can't commit to attending every monthly meeting going forward because traveling has become an issue for him due to his new schedule. He noted that as soon as he finds another consultant that would be a great fit for this plan, he will bring them in and introduce them to the board. He commented that this transition will take place over time and not immediately.

Mr. Brown presented the board with a handout that reflected the allocation of the 2014 City contribution money that was received into the plan in October 2013. The total amount of the City's contribution for the fiscal year beginning October 1, 2013 was \$4.8M. \$2M was allocated to domestic equity, \$1.8M was allocated to fixed income, and the remaining \$1M was allocated to International. Mr. Brown noted that we can start using the Vanguard index account to fund benefit payments effective December 1, 2013.

Mr. Brown explained that the Templeton Global mutual fund account has launched a new share class. The new R6 shares (retirement class) are exactly the same underlying fund as what is currently in the portfolio, however, the R6 share class is offered at a lower cost. Mr. Brown stated that he has no objection to this share class

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transfer because there are no costs associated with the transfer, it has the same benefits of the share class that we are currently in, and the new share class will actually save the plan some money. The Trustee's concurred.

Mr. Brown reviewed the funds performance for the quarter and the fiscal year ending September 30, 2013. He noted that during the quarter the risk was on in the market place because of the lack of action with the government in September. For the quarter the fund was up 4.88% versus the index at 4.28%, and for the fiscal year they were also ahead of the index at 14.84% versus 11.82%. The total plan assets are now up to \$162,565,419, which is an increase of \$20M during the year. Overall the plan had a great quarter and a great fiscal year. Mr. Brown explained that since we have now dropped off the bad performance year from 2008, the portfolio has now outperformed for all time periods since inception. During the quarter the plan had a slight overweight to domestic equity and fixed income, and an underweight to international and domestic fixed income. Mr. Brown reviewed each manager's performance for the quarter and the fiscal year. He noted that all the managers outperformed during both time periods with the exception of Fayez, Oppenheimer, and Abby.

Lastly Mr. Brown updated the Trustees on the plans performance through October 31, 2013. The plan is up another 2.8% for the month, which is a gain of \$4,575,002 already for the fiscal year ending September 30, 2014.

APPROVAL OF MINUTES

The Board reviewed the minutes of the regular meeting held on October 10, 2013.

A motion was made by Ron Frano to approve the minutes of the regular meeting held on October 10, 2013. The motion was seconded by Brian Walker 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 Guy Montante and carried 5-0.

BENEFIT APPROVALS

The Board reviewed the application for retirement for Steven Jones and the application for distribution of DROP account (due to retirement) for Steven Jones.

A motion was made by Brian Walker to approve the application for retirement for Steven Jones and the application for distribution of DROP account (due to retirement) for Steven Jones. The motion was seconded by Ron Frano and carried 5-0.

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

Ms. Jensen reviewed the draft Interim Election form for selection of payment option for vested members that she passed out at the last meeting. The Trustees commented that they have reviewed the form and that they do not have any objections to it. Ms. Jensen noted that this form should be sent out to all the current vested deferred members.

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A motion was made by Brian Walker to approve and accept the interim election for selection of payment option for vested deferred members form as presented. The motion was seconded by Ron Frano and carried 5-0.

Ms. Jensen stated that the Trustees are now obligated to watch the City's new ethics commission video every 2 years, and therefore they will need to watch the video again by the end of this year.

Ms. Jensen notified the board that the Palm Beach Post has contacted the pension plan requesting information on the disabled members that are in the pension plan. She commented that the annual report schedules were provided to them, but all the retirees personal information (including the retiree's name) was redacted from document.

Ms. Jensen updated the board on the Special Act submission. She is currently putting together a package that will be submitted to the Legislative, but the Plan still needs a sponsor at this point. In the past the Union has always provided the sponsor, so Ms. Jensen stated that she will get together with them to get the bill sponsored. Also the boards Actuary, Brad Armstrong, will be completing the economic statement that is filed along with the Special Act amendment.

Ms. Jensen reported that the City recently hired 6 new firefighters and all 6 firefighters needed waivers in regards to their pre-employment medical records.

Ms. Jensen explained that she briefly notified the Trustees at the last meeting that she would be proposing a fee increase to the board for her services. The last fee increase the board accepted was in 2008 and that was for a 3 year fee guarantee, which obviously expired a couple of years ago. Therefore Ms. Jensen is proposing an increase to her hourly fee only; from \$200 per hour to \$250 per hour with no guarantee. She noted that all her other fees will remain the same. The Trustees had a discussion on the proposed fee increase and commented that they would like to add some kind of timeframe or limit to the increase.

A motion was made by Brian Walker to approve and accept the Attorney's hourly fee increase only, from \$200 per hour to \$250 per hour effective December 16, 2013. The new hourly fee is guaranteed for 3 years. The motion was seconded by Guy Montante and carried 5-0.

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

Ms. Ross presented the board with the 2014 meeting dates. She noted that all the meetings are scheduled for the first Thursday of each month, with the exception of the January meeting which is scheduled for the second Thursday of the month because of the holidays.

Ms. Ross stated that the board needed to reschedule their December meeting due to some scheduling conflicts. The Trustees moved the December meeting date to Tuesday December 3, 2013 at 9AM.

Lastly Ms. Ross noted that Salem Trust has finally issued their September 30, 2013 custodial statements, but they were late. With that said, the Auditors have asked if they can present the September 30, 2013 audit at the February meeting versus the January meeting because of the Salem Trust delay. The Trustees agreed.

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OTHER BUSINESS

There being no further business and the next Pension Board meeting having been rescheduled to Tuesday December 3, 2013 @ 9AM, the meeting adjourned at 4:16PM.

Brian Walker, Secretary