

WEST PALM BEACH FIREFIGHTERS' PENSION FUND

MINUTES OF MEETING HELD

NOVEMBER 6, 2014

Chairman David Merrell called the meeting to order at 1:33P.M. in the Conference Room at Station 1, 3rd Floor; 500 North Dixie Highway, West Palm Beach, Florida. Those persons present were:

TRUSTEES

David Merrell, Chair
Brian Walker, Secretary
Guy Montante
Ron Frano
Scott Kelly (departed 3:21P)

OTHERS

Audrey Ross, Resource Centers
Bonni Jensen, KKJ&L
Troy Brown, The Bogdahn Group
Rick Dorey, WPB Firefighter (Retiree)
Rick Roberts, WPB Firefighter (Retiree)
Jeff Stefaniak, WPB FF (Active)/Union President
David Kaplan, Baron Capital

RESELECTION OF 5TH TRUSTEE

Ms. Ross stated that Mr. Merrell's term as 5th Trustee expired on September 10, 2014 and therefore the Board will need to reselect. Chair Dave Merrell passed the gavel to Secretary Brian Walker who opened the floor for nominations. The Trustees discussed if there were any other nominees for the 5th Trustee.

A motion was made by Scott Kelly to nominate David Merrell as 5th Trustee on the West Palm Beach Firefighters' Pension Board. The motion was seconded by Ron Frano and carried 5-0.

The nomination period was closed as there are no other nominees.

A motion was made by Scott Kelly to reelect David Merrell as 5th Trustee on the West Palm Beach Firefighters' Pension Board. The motion was seconded by Ron Frano and carried 5-0.

INVESTMENT MANAGER REPORT: BARON CAPITAL (PRESENTED BY DAVID KAPLAN)

Mr. Kaplan briefly updated the Board on the firm and stated that they currently have a total of 131 employees with \$25.6B in assets and they still only have one office located in New York. Baron's philosophy is long term ordinated and they are looking for great growth opportunities. They buy small companies that are going to grow and become a large company, but they are very sensitive to the prices that they pay for a stock. Mr. Kaplan reviewed the investment team and noted that that a lot of the portfolio managers are analysts too because all of their employees started out as analyst and then become portfolio managers over time. Baron retains their employees for a very long time and they also add about 6-8 new employees firm wide each year.

Mr. Baron reviewed the Plan's performance as of September 30, 2014 and commented that they tend to struggle when the market is very strong, but they do not go down as much as the market when it is down. Baron captures about 65% of the downside, with the exception in 2008. He reviewed the top 5 and bottom 5 stocks in the portfolio during the quarter and noted that they have sold out of most of the bottom 5 stocks since the quarter ended. During the quarter the portfolio had an overweight to consumer discretionary and financials and an underweight to health care and information technology. Ms. Kaplan explained that they do not add value

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by sector weightings, as they add value by stock selection. He commented that when they are creating a portfolio they do not even look at attribution, rather they look for the good companies. The performance year to date as of November 5, 2014 is up 3.3% versus the index at 1%.

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

Mr. Brown reviewed the September 30, 2014 investment report. He commented that the dollar continues to strengthen, which makes gas prices lower and consumer spending higher. During the quarter there was nowhere to invest in or earn money in but in the small cap and energy was the worst performing sector. As of September 30, 2014 the fund was down -0.65% versus the index at -0.33%, but for the fiscal year to date they are up 10.17% which is well above the Plan's assumed rate of return of 8%. That is a gain of \$16.7M for the fiscal year. The Plan is currently underweighted to international equity, but mostly inline in all other asset classes. Mr. Brown reviewed each manager's performance for the quarter and also the fiscal year. He noted that Brown Advisory was on watch for not meeting 3 of the 5 criteria and now this quarter they have not met the 4th criteria. If they fail the 5th criteria then that would call for a performance based termination. Mr. Brown explained that Brown Advisory has recently added to their staff and does think the Plan will get rewarded, but they need to have patience. Mr. Brown is still comfortable with Brown Advisory at this point, but they are still on watch. Brown Advisory was the only manager that caused the Fund's negative performance for the quarter. Mr. Brown stated that he is also still comfortable with the PIMCO DISCO 2 investment despite all the PIMCO events and the Templeton Fund is also very stable. The Trustees briefly discussed index funds and the advantages and disadvantages of them. Mr. Brown stated that index funds are more expensive and more volatile, and he commented that you also want active management for the downside protection as well. Mr. Brown stated that he has no other manager recommendations at this point. Lastly Mr. Brown briefly reviewed the flash performance report as of October 31, 2014 and noted that they are up 1.7% for the month and the fiscal year to date.

APPROVAL OF MINUTES

The Board reviewed the minutes of the regular meeting held on October 2, 2014.

A motion was made by Ron Frano to approve the minutes of the regular meeting held on October 2, 2014 as amended. The motion was seconded by Guy Montante and carried 4-0.

~~***A motion was made, seconded and carried 4-0 to accept the minutes of the meeting held May 23, 2011.***~~
DISBURSEMENTS

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

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

BENEFIT APPROVALS

The Board reviewed the benefit approval list presented for approval by the Administrator dated November 6, 2014 (1 Application for a distribution from Share Account - closeout and 1 Application for a refund of contributions).

A motion was made by Brian Walker to approve the benefit approval list as presented dated November 6, 2014. The motion was seconded by Ron Frano and carried 4-0.

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

Ms. Jensen stated that at the last meeting the Board terminated one of their class action law firms RGR&D. Ms. Jensen stated that when she relayed this information to them, they asked if they could have the opportunity to attend a board meeting to explain what happened with their case. The Trustees discussed and the Board's consensus was that RGR&D did not need to attend a meeting.

Ms. Jensen presented the Board with information on some other class action law firms; Berman DeValerio (BD) and Bernstein Litowitz Berger & Grossman (BLB&G). She commented that she would recommend either firm as she works with both of them. The Trustees reviewed both firms information and weighed the pros and cons of having more than one class action firm. Ms. Jensen reminded the Trustees that there is no cost to the Board for their services and that there is no downside to having multiple class action firms (the Board currently has 2 other class action law firms as well).

A motion was made by Brian Walker to hire both class action law firms; Berman DeValerio & Bernstein Litowitz Berger & Grossman. The motion was seconded by Ron Frano and carried 4-0.

Ms. Jensen reviewed the updated summary plan description (SPD). The Trustees' tabled the SPD approval until the next meeting after they have more time to review the updated document.

Ms. Jensen discussed the new Senate Bill 534 that was passed by the Legislator back in 2013 and is effective beginning in the October 1, 2014 Actuarial Valuation reports. She explained that this new law will require 5 additional reports to be completed by the Plan's Actuary within 60 days of the regular Actuarial Valuation reports. Ms. Jensen briefly described some of the new reports that the Actuary will have to produce, but clarified that this additional reports are for informational and reporting purposes only and do not actually affect the Plan's assets or funding. GRS is proposing a fee to complete this additional reports and the fee range is from \$2,500-\$3,000. The Trustees discussed the new requirements and what would happen if they did not comply. Ms. Jensen stated that if the Board did not submit the required information on time then the Plan would be considered noncompliant and the State could withhold their money. Lastly she commented that she is recommending that the Board approve GRS's fee range (not to exceed \$3K) now so that the Actuary can start on these reports with the Actuarial Valuation report.

A motion was made by Brian Walker to approve GRS's fee of \$3k to produce the required disclosures under the new Senate Bill 534 to be noncompliant. The motion was seconded by Guy Montante and carried 4-0.

Ms. Jensen stated that Leroy Collins has once again issued a study that graded the defined benefit Plan's in the state of Florida. They have published this study and the article in the Palm Beach Post once again, but the issue is that the study is not accurate. She recommended putting something together for the Plan members as well as the City Council showing that this Plan is a lot better off than what is being depicted in the Leroy Collins report. Ms. Jensen commented that she can work with

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some other professionals to come up with a 2 page report with graphs that will help get the point across in a simple and easy way. She estimated the cost for this type of project to be somewhere between \$1,500-\$2,000. The Trustees discussed the Leroy Collins article and the information that was contained in it and how they wanted to respond.

A motion was made by Brian Walker to approve and authorize Ms. Jensen to prepare a report/presentation in response to the Leroy Collins Article which will be presented to the members of the Plan, with costs not to exceed \$2K. The motion was seconded by Ron Frano and carried 4-0.

Ms. Jensen updated the Board on the pending duty disability case and stated that Dr. Zahn has reviewed all the member's medical records and she is referring him out to an Orthopedic doctor for an independent medical exam (IME). Dr. Zahn is recommending Dr. Chaim Arlosoroff.

A motion was made by Ron Frano to authorize Dr. Chaim Arlosoroff to perform the IME on the duty disability applicate as recommended by Dr. Zahn. The motion was seconded by Brain Walker and carried 4-0.

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

Ms. Ross presented the Board with the 2015 meeting dates.

OTHER BUSINESS

N/A

PUBLIC COMMENTS

Mr. Stefaniak updated the Board on the current negotiations and reminded the Trustees that last year the Board wanted to expand the language regarding the investments in the Plan's Special Act and investment policy guidelines (IPG). At that time the City's finance director was not comfortable with the change until he had more time to review the language. Mr. Stefaniak commented that this issue has been brought back up during negotiations and the City would like to move forward with the language change, but with the caveat that the Union and City would need to review all the investment changes before they are made. The Trustee's had a very lengthy discussion and stated that it is the pension Board's fiduciary responsibly with the guidance from their Investment Consultant to make the changes to the Plan's investments, and it is not up to the Union or the City. Mr. Stefaniak commented that he will pass this information along to the City.

Mr. Stefaniak explained that the City and the Union would like to add a clause into the Special Act that would allow the Fire Chief to opt out of the pension plan at their own discretion. Ms. Jensen stated that she can add this clause in for the Fire Chief only, but reminded the Trustees that this Plan does not allow for in-service distributions. Therefore this opt-out clause would not necessarily allow a current employee to stay beyond the end of the BacDROP. The Trustee's discussed different scenarios that would be allowed and that would not be allowed in regards to opting out and in-service distributions.

Lastly Mr. Walker stated that he ordered the axes for the upcoming retirement dinner so the invoice should be arriving soon.

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There being no further business and the next Pension Board meeting having been scheduled for Thursday December 4, 2014 @ 1:30PM, the meeting adjourned at 5:30PM.

Brian Walker, Secretary