

**West Palm Beach Police Pension Fund
2100 North Florida Mango Road
West Palm Beach, Florida 33409**

Minutes

**April 15, 2011
10:00 AM**

CALL THE MEETING TO ORDER

Mr. Mitchell called to order the West Palm Beach Police Pension Fund Special Meeting on April 15, 2011 at 10:00 AM, in the conference room of the Palm Beach County Police Benevolent Association.

Present at the meeting: Edward Mitchell, Chairman, Jonathan Frost, Board Secretary, Troy Marchese, Board Trustee, Chris Fragakis, Board Trustee and Wilton White, Board Trustee.

Also present: Ernest George and Robb Robertson, Retired Plan Members; Jeff Amrose & Steve Palmquist, Gabriel, Roeder Smith; Bonni Jensen, Board Attorney, Law Offices of Perry & Jensen, LLC; and Dave Williams, Plan Administrator.

APPROVAL OF DISTRIBUTIONS

New Warrants were presented for review and execution. Mr. Williams also presented an Administrative Report of distributions (Share/DROP), DROP Loan Request and approval of a benefit selection. Mr. Marchese made the motion to approve, which was seconded by Mr. Frost. All Trustees voted yes, and the motion was passed 5-0

ATTORNEY'S REPORT

Mrs. Jensen provided a proposed form to the Trustees to consider. The form entitled "Interim Election Form for Selection of Payment Option". Mrs. Jensen advised the form would be used for members who wish to exercise an option other than the standard form of payment due to a pre-retirement death. The Board approved in consensus to the adoption of the form.

ADMINISTRATOR'S REPORT

Mr. Williams presented no formal report

ACTUARIAL VALUATION PRESENTATION, ASSUMPTION CHANGES & DROP INVESTMENT FEES – Tabled on 04-08-2011

Mr. Jeff Amrose and Mr. Steve Palmquist, Board Actuary's of Gabriel Roeder Smith came before the Board and presented the September 30, 2010 Actuarial Valuation Report. Beginning October 1, 2011 the City of West Palm Beach will have to contribute 28.25% of payroll excluding DROP Members or 24.52% if DROP Member payroll is expressed. If the payment is made on October 1, 2011, the contribution amount will be \$5,793,034. If the payment is made over the fiscal year, the cost is valued at \$6,027,261.

It was conveyed that the activities of the Pension Fund and its members generated an experience loss of \$6,544,967 during the plan year ended September 30, 2010. The principal source of the loss was the recognized investment return of -0.7% vs. what was expected, 8.25%. The net investment return on market value was 10.8% for the total fund and 12.3% for the defined benefit program.

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Mr. Amrose cited that currently the actuarial value of assets, which is used to determine the contribution requirements and funded ratios for the Fund, is greater than the market value by 8%, or \$14.0 million. This is an unfavorable situation and means that there are losses from prior periods as well as the current fiscal year that will be recognized in the 2011-2013 reports. These losses will put substantial upward pressure on the contribution requirements and downward pressure on the funded ratios in those reports.

Mr. Palmquist advised that it was his opinion that the required contribution rate determined by the actuarial valuation is sufficient to meet the Fund's funding objective, presuming continued timely receipt of required contributions.

Mr. Frost spoke about the unfunded actuarial accrued liability, the source, the initial amount, the current amount and the remaining financing period. Mr. Palmquist stated that he felt that it would be reasonable to merge the foregoing and amortize the balance for a specific time to be determined. Mr. Palmquist felt it would result in a more stable and level contribution amount. The Board directed Mr. Palmquist to prepare a report for them to consider.

Once the valuation presentation concluded, discussion ensued relative to the experience study presented at the March 11, 2011. Each of the proposed changes was discussed. The consensus of the Board was to make recommended changes of the assumptions to the city and the union. The Board clearly understood the ultimate decision was for them to make, but wanted to allow for input from all stakeholders.

Mr. White outlined his position on each assumption issue as follows:

Investment Return: Actuary proposal was to decrease the assumed investment rate of return from 8.25% to a rate between 7.0% and 7.75%. (COST: 4.48 % of payroll). Mr. White felt that an assumed net investment return of 8% was reasonable.

Salary Scale: Actuary proposal was to revise the assumed annual salary increases from an age-based table of rates to 5% or 6% per year. (COST: (1.18) % of payroll). Mr. White concurred with 5%.

Termination Rates: Actuary proposal was to adopt select (service based using 10 years of service) and ultimate (age based) rates of assumed employment termination. (COST: (0.19) % of payroll). Mr. White concurred.

Retirement Rates: Actuary proposal was to revise probabilities of normal retirement based on actual experience using number of years eligible. Maintain the current early retirement rates. (COST: 1.06 % of payroll). Mr. White concurred.

Mortality Rates: Actuary proposal was to Change the mortality table from the 1983 Group Annuity Mortality Table to the RP-2000 Generational Mortality Table. (COST: 2.70 % of payroll). Mr. White agreed to adopt, if phased in over a five-year period. During this discussion, Mr. George protested against the change as he felt the current tables were reasonable.

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Payroll Growth: Actuary proposal was to lower the payroll growth assumption from 5% per year to 3.5% per year. (COST: 1.49 % of payroll). Mr. White suggested a 4.5% payroll growth assumption.

Disability Rates: Actuary proposal was to maintain the current age based disability rates. (COST: 0.00 % of payroll). Mr. White concurred.

After Mr. White cited the foregoing in the form of a motion, the matter was seconded by Mr. Frost. All Trustees voted, and the motion was passed 3-2 (Mr. Marchese and Mr. Fragakis voted against the matter).

The Board of Trustees accepted the September 30, 2010 Actuarial Valuation Report at this juncture. Final adoption is pending the stakeholder's feedback.

No action was taken on the DROP/SHARE Administrative Fee matter.

OPEN DISCUSSION

No open discussion ensued

ADJOURNMENT

Being there was no other business; the meeting was adjourned at 11:30 AM.

Next meeting is scheduled for May 13, 2011 at 8:15 AM

Jonathan Frost, Board Secretary