

WEST PALM BEACH POLICE



PENSION NEWS



A West Palm Beach Police Pension Fund Publication

Issue 5

Date of Issue:
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Inside this issue.....

2	COLA Review
3	Earnest Partners
4	Track The Fund
5	Retiree Corner
5	Web Update
6	Davis Hamilton
7	SB 1902
8	COLA Part II
8	Death Notifications



For the last twelve months, our fixed income portfolio returned 10.83% vs. our benchmark return of 5.93%

Source: Thistle Asset Consulting

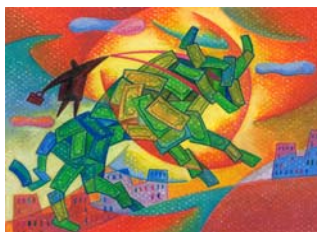
QUARTERLY PENSION FUND SUMMARY

Each quarter, this section of the newsletter will outline investment details for the most recent time period. Please consider that this is a long term investment program when reviewing quarterly returns.

On December 31, 2009 our fund had a total market value of \$174,095,000. For the quarter the fund experienced an increase of \$8,706,000. That equates to a total fund return of 3.49%. In the previous quarter that ended September 30, 2009, the fund return was 11.5%.

For the quarter the average allocation of our fund was 46.9% invested in domestic equities, 8.2% in international equities 37.7% in bonds, and the balance in cash equivalents (i.e., short term liquid

interest bearing investments similar to money market funds. Our ongoing target for investment in stocks remains at 60% of the total fund.



Calendar Year to Date

As December 31, 2009, the total fund return for the calendar year was 21.31%, while its benchmark return was 22.40%. The stock return was 30.86%, while the benchmark return was 31.01%. The bond return was 10.83%, while the benchmark return was 5.93%.

Major Economic Indicators

For 2009 the best performing sector among S&P 500 stocks was Information

Technology which increased 59.92% and the worst sector was Telecommunications which increased 2.63%.

Among the major economic indicators, the Consumer Price Index (CPI-Urban) increased 2.7% for the twelve months ended in December. In the fourth quarter the seasonally adjusted annual CPI is 3.3%. The Producer Price Index (PPI) for finished goods advanced 4.4% for the twelve-month period which ended in December.

The seasonally adjusted unemployment rate was 10.0% in December compared to 9.8% in September. Real Gross Domestic Product (GDP) increased at an annual rate of 2.2% for the third quarter of 2009, compared with a decrease of 0.7% in the second quarter.

From the Board of Trustees

City of West Palm Beach Police Pension Fund

Cost of Living Adjustment (COLA)

In general, each January 1 the retirement benefits for retired police officers over age 65 will increase by 3% per year. The 3% may be limited depending on how the Consumer Price Index (CPI) for urban wage earners and clerical workers is published by the United States Department of Labor, and has increased since the retired officer reached age 64. If the cumulative increase in the CPI since the retiree reached age 64 through October 1 is less than 3% per year, the COLA will be limited.

The CPI is generally a measure of the average cost of all goods and services purchased by consumers including food, housing, medical care, and fuel as examples. From October 2008 through October 2009, fuel costs decreased substantially and this more than offset increases in the other categories, resulting in a reduction in the Consumer Price Index for this period. This caused the COLA to be limited for recent retirees.

The following examples illustrate how the COLA is calculated for retired police officers:

Example #1

Month and year retiree turned age 64 (base month)	December, 2003
Cumulative COLA received through January 1, 2009	15%
Cumulative CPI increase from December, 2003 through October, 2009	17.2%
COLA on January 1, 2010	2.2%

This member's COLA on January 1, 2010 will be limited to 2.2%. If this member received a 3% COLA on January 1, 2010 his cumulative COLA's would be 18%, which would exceed the cumulative CPI increase from December, 2003 through October, 2009.

Example #2

Month and year retiree turned age 64 (base month)	June, 2006
Cumulative COLA received through January 1, 2009	6.0%
Cumulative CPI increase from June, 2006 through October, 2009	6.5%
COLA on January 1, 2010	0.0%

This member's COLA on January 1, 2010 will be 0%. This member is eligible for a 0.5% COLA without exceeding the 6.5% cumulative CPI increase from June, 2006 through October, 2009. However, there is a provision in the Ordinance that states if the COLA that is calculated is less than 1%, no adjustment will be made during that specific year.

Please continue to last page for conclusion.....


EARNEST PARTNERS

The U.S. equity markets posted positive returns for the third straight quarter, wrapping up a strong year despite a dismal start. During the 4th quarter, the large cap market, as represented by the Russell 1000, gained 6%. The Russell 2000 small cap market increased 4%. The rally from the market bottom in March was one of

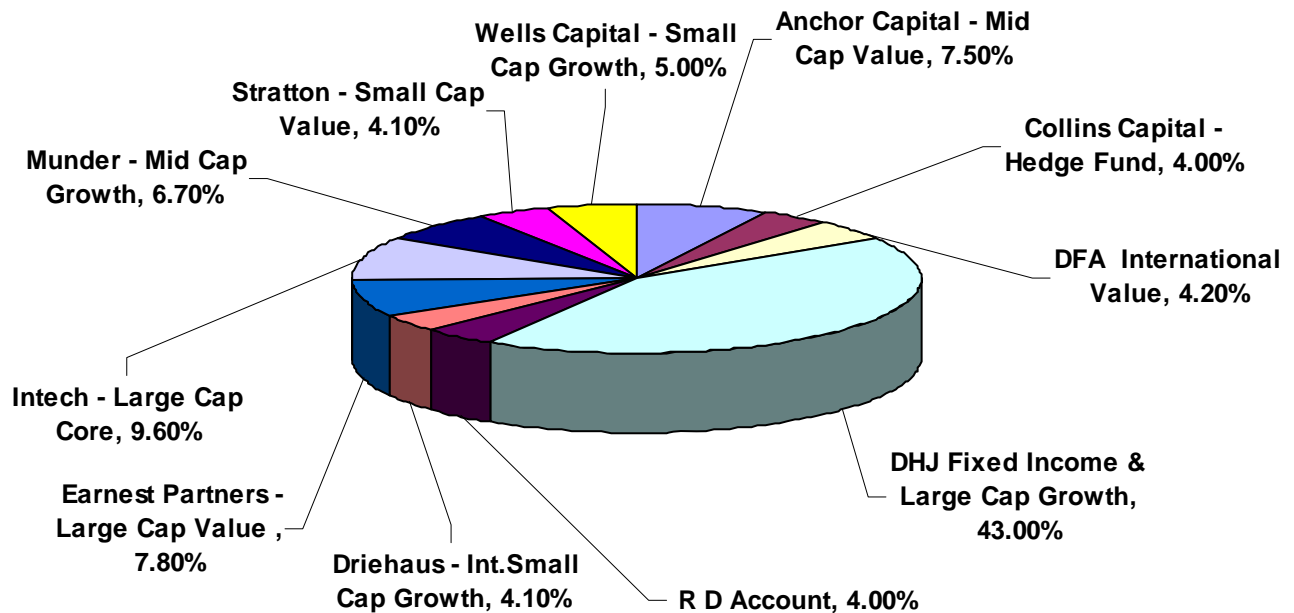
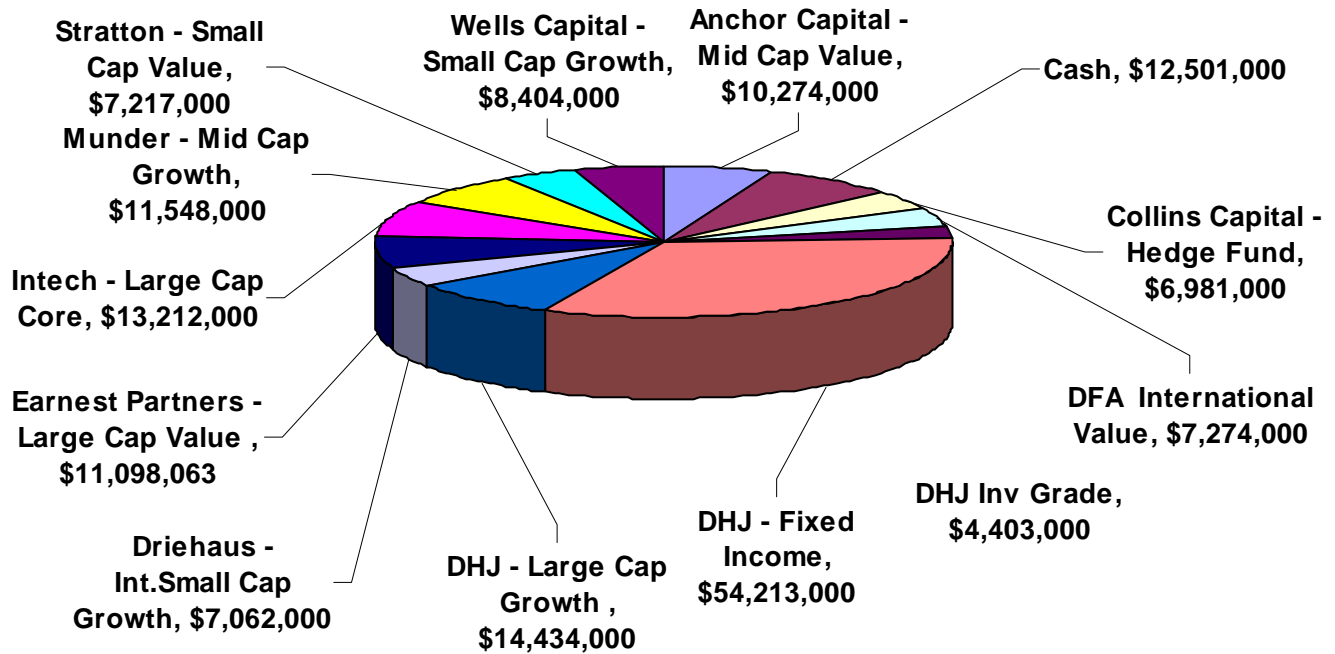
the quickest and strongest ever. From mid-March through the end of the year, the large cap market rebounded 65%, while the small cap market gained 82% - resulting in full year gains of 28% and 27%, respectively. After a rocky start in 2009, equity markets recovered as credit markets stabilized, the housing market showed signs of bottoming, and the economy began to grow again. In the 4th quarter, Bank of America, Citigroup, and Wells Fargo followed J.P. Morgan's lead in repaying TARP funds to the federal government, largely freeing the four largest banks from government assistance. The housing market, helped by low interest rates and tax credits, gained further traction as shown by a 7.4% rise in existing home sales in November. And the overall economy, as represented by U.S. GDP, grew over 2% in the 3rd quarter with expectations of 3-5% growth in the 4th quarter, following four straight quarterly declines. Investors responded to the improving outlook by seeking out riskier assets after scrambling into U.S. Treasuries and other safe havens at the turn of the year. Even those investors that weren't quite ready to embrace equities again sought higher yields in corporate bonds. During 2009, inflows into investment grade corporate bond funds doubled the previous annual record set in 2007. In contrast, after being the best performing major asset class in 2008, ultra-safe U.S. Treasuries lost ground in 2009.

As we enter a new year and a new decade, investors are likely to focus on a few key questions. First, how soon will the Federal Reserve increase its target short term interest rate, and how will higher interest rates impact consumers and businesses? The Federal Reserve must take action before inflation takes hold, but not so soon as to jeopardize the nascent economic recovery. The Fed has already started to withdraw some of its massive monetary stimulus. It is no longer buying Treasury debt and it has announced intentions to stop purchasing mortgage-backed securities in the first quarter of 2010. In an attempt to pump liquidity into the financial system, the Fed grew its balance sheet 140% in 2009 to \$2.2 trillion of assets. In anticipation of higher inflation, the bond market has already raised long term interest rates. Benchmark 10-year Treasury yields increased to 3.8% at the end of 2009 from 2.3% at the beginning of the year, with a particular spike in December. Another question mark is how quickly employment begins to recover, and with it, consumer spending. Unemployment jumped to 10.2% in October before falling slightly to 10.0% in November. It marked the first time unemployment hit double-digits in more than 25 years and was twice the rate from just two years earlier. Preliminary figures from the holiday season show that spending increased only modestly from 2008 due to employment uncertainty. Other questions include the potential impact of higher commodity prices and tight bank credit. Oil closed the year at \$80/barrel, up almost 80% from the prior year-end, with a broad commodity index up over 50% for the year. And although the public debt markets have thawed considerably, private bank lending remains extremely tight as banks continue to replenish capital. Despite these outstanding questions, equity market strength indicates that most investors believe the underlying economic and company fundamentals will continue to improve in 2010. S&P 500 operating earnings are expected to grow more than 30% in 2010, albeit off a much lower base in 2009. In any case, the new decade begins with an economy and financial system in much better shape than one year ago.

The EARNEST Partners Large Cap Value portfolio outperformed its benchmark, the Russell 1000 Value, for both the fourth quarter and full year periods. Stock selection across the portfolio drove the relative outperformance, while holdings in the Industrial, Telecom and Technology sectors were among the strongest absolute performers for the portfolio. Telecom holding American Tower rose 19% for the quarter. AMT is a leading provider of antenna space to cellular, television and radio broadcast companies, owning and/or managing more than 25,000 telecommunications towers and communication sites in the US and abroad. The company's broad footprint and established client relationships, along with the high cost of market entry, help protect its market share in a growing market. New mobile phone subscribers, particularly in emerging markets, and new broadband applications requiring more tower space should continue to drive already strong revenue and cash flow growth. IBM, a global provider of information technology hardware, software and services, rose 10% in the quarter. The company's strategic shift toward higher margin software and services continues to drive its earnings growth. The company is also benefitting as corporations outsource more IT and business process operations. IBM reported better-than-expected earnings as corporate clients around the world consolidated IT vendors and spent a higher percentage of their dollars with IBM for its comprehensive hardware, software and services offering. Union Pacific, one of the largest railroads in the country, rose 10% for the quarter. UNP serves the western 2/3 of the United States with more than 30,000 route miles for the transport of various commodities, chemicals, automotive products, plastics and industrial and energy products. The company has grown its transportation market share with improved efficiency and leverage to exports, while still maintaining pricing power with customers. UNP has outperformed analyst expectations by reducing many variable costs (e.g. taking excess rail-car and engine capacity offline) in a difficult economic environment. Consumer Staples holding Kimberly-Clark is the largest global provider of disposable paper products with a number of brands including Kleenex, Cottonelle, Scott, Huggies and Pull-Ups. International penetration and broader market growth in emerging economies (related to a behavioral shift toward convenience and brand awareness) are driving long term growth opportunity. Consumer brand loyalty and the resilience of emerging markets, even in a global economic slowdown, drove better than expected earnings in the most recent quarter. As a result, shares rose 9% in 4Q.

Track the Fund

Plan Asset Allocation as of December 31, 2009



Retiree Corner



Congratulations to our latest DROP Members

<i>Daniel Sargent</i>	<i>12-28-2009</i>
<i>John Riddle</i>	<i>01-31-2010</i>

Congratulations to our latest Retired Members

<i>Mark Anderson</i>	<i>12-12-2009</i>
<i>Williams Sandman</i>	<i>01-02-2010</i>
<i>Christopher Fahey</i>	<i>01-14-2010</i>
<i>Jeffrey Nathanson</i>	<i>03-02-2010</i>
<i>Patrick Maney</i>	<i>03-31-2010</i>

Welcome New Pension Members!

Julian Santana	02-08-2010
Covelle Padgett	02-08-2010
Matthew Ladd	02-08-2010
Christopher Tatum	02-08-2010
Thomas Walsh	02-08-2010

We all wish you all continued success!



WEST PALM BEACH
POLICE PENSION FUND

WEB UPDATE

To All Members: The Board of Trustees remind you that all the latest forms used by the Fund are available on-line at wbppf.com. Need to change your beneficiary? Change your address? Change your withholding? Simply download the form complete it and mail or drop it by the Office of Retirement.

Also the West Palm Beach Police Pension Fund Special Act is being restated due to the many amendments along the years. The changes were condensed into a new restated plan document. That restatement is currently being considered in Tallahassee. You may go to the announcement page and click on HB 859 for the latest details.

Davis Hamilton Jackson

Financial markets made continued progress during the quarter, marking the third consecutive quarter of rising stock prices, narrowing credit spreads, and reduced volatility. The sustained financial recovery was accompanied by economic progress as data points improved from “less bad” to “accelerating” to “year over year gains”. The domestic stock market, as measured by the S&P 500 Index, gained 6.0% for the quarter ending December 31 and closed the full year with an impressive increase of 26.5%.

Stock market gains were rather broad-based during the fourth quarter, with few sectors, styles, or capitalization ranges left behind. The most distinguishing characteristic of the quarter was the outperformance of Information Technology stocks, as demand for all things digital and mobile surged over the course of the year. In fact, the S&P 500 Information Technology sector climbed 11.2% during the quarter, capping a 61.9% improvement on the year. A larger weighting of technology stocks was a major reason the Russell 1000 Growth Index exceeded the Russell 1000 Value Index for the final three months, gaining 7.9% versus 4.2%, respectively.

During the most difficult operating environment in decades, corporate managements have responded rapidly to new demand levels, reducing cost structures and production levels, retaining internal cash flows, and setting modest expectations for all stakeholders. Capital markets have been quite receptive to firms seeking to shore up balance sheets through refinancings and equity issuances. Modest inflation expectations and a very accommodative Federal Reserve suggest interest rates will remain low for the intermediate term. Accordingly, equity valuations are reasonable and stock price movements should match forward earnings growth.

Healthy and unhealthy companies alike have benefited in the stock market recovery to date. From here, companies able to generate sustained top line and earnings growth without much help from external forces are apt to attract investor attention. Large cap, high quality companies seem particularly well-positioned, with strong balance sheets and access to developing markets around the globe.

Air Products & Chemicals, Inc. (Ticker = APD)

Sector: Materials

Industry: Industrial Gases

Market Capitalization: \$17.3 Billion

Air Products & Chemicals is one of the dominant global industrial gas suppliers servicing multiple customers in the energy, industrial, healthcare and technology sectors. APD has built a moat around its helium and hydrogen gas supply business so as to take a leading position in growing markets like semiconductors, natural gas liquefaction, and advanced coatings and adhesives. They currently have operations in 40 countries with over 50% of revenues generated outside the U.S. In addition, their focus on penetrating emerging markets (namely China) will bolster future growth as the global economy recovers. Their capital expenditure projections over the next five years indicate two-thirds budgeted to emerging markets where they believe growth opportunities exist. This coupled with continued focus on operating efficiency will result in healthy margin expansion and multiple earnings growth opportunities that we find attractive. Relative to their peers APD’s revenue stream is more insulated from cyclical swings as they have a higher mix of sales to less cyclical sectors like medical and food.

Average Cost in WPB Police Portfolio: \$68.18 per share, currently trading at \$81.48.

Florida Legislative Update - Pensions At Risk?

There is a pension storm brewing in Tallahassee this year, and its called Senate Bill 1902. While it will surely be challenged, its good for all members to understand what it entails.

In summary the bill amends:

- Florida Statutes 112.63 to add a new paragraph to require that all pension system include a 5 year projection of employer contributions using the previous 5 years of actual experience.
- Florida Statutes 112.63 to add a new paragraph requiring an experience study once every 5 years.
- Florida Statutes 112.65 to provide that the pension benefit for members hired after July 1, 2000 may not exceed 70% of the member's highest annual base pay (base pay does not include overtime and "additional compensation.") If, however, the member's employer does not participate in federal Social Security, the member's benefit may not exceed 90% of the highest base pay excluding overtime and other additional compensation.
- Florida Statutes 112.66 to add a new paragraph requiring all retirement systems to provide a detailed accounting of the expenses to the plan sponsor and the Department of Management Services and to require submission of a proposed administrative budget to the plan sponsor 120 days before the beginning of the Plan year. The budget cannot be amended by the Board unless there is prior approval by the plan sponsor.
- Florida Statutes 121.0515 (Florida Retirement System – FRS) changes the crediting of multiplier for the purchase of past FRS service from 2% to 3% service.
- Florida Statutes 185.02 revising the definition of "Compensation" or "Salary" from "total cash remuneration" to "fixed monthly remuneration," and deletes overtime from the definition in its entirety.
- Florida Statutes 185.05 changing the provisions related to the Board of Trustees to provide that a majority of the members of the Board cannot be members or retirees of the Plan.
- Florida Statutes 185.07 to allow increases in member contributions without an increase in benefits.
- Florida Statutes 185.16 mandating the provision of a 2% multiplier for all years of service.
- Florida Statutes 185.35 Require the premium tax dollars be used to provide extra benefits which are "equal to or greater than the value of the premium tax received. Remove the minimum benefits provisions of the section and also delete the requirement for the member to approve how the premium tax money is used. Allows minimum benefit compliance to be determined based upon the aggregate of all benefits. Defines extra benefits as benefits "in addition to those provided to general employees" regardless of when the benefit is or was provided. Adds a new section to allow for tiered benefits which meets the minimum benefits of the Chapter (can meet the minimum in aggregate). The amendment also allows a municipality to maintain the current plan, join FRS and continue to receive the premium tax dollars, including the money to fund FRS participation.
- Florida Statutes 185.38 to allow a municipality to maintain the current plan, join FRS and continue to receive the premium tax dollars until fully funded.
- Florida Statutes adds a new section to allow a municipality to maintain the current plan, create another pension system (including a defined contribution system, similar to a 401K) and continue to receive the premium tax dollars, including the money to fund the new system.

THE BOARD OF TRUSTEES

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Healthcare Deductions

When a member retires, he/she enrolls in retiree healthcare at the Office of Retirement. The forms are provided as a service to the City of West Palm Beach—Human Resources. Once enrolled any changes whatsoever must be made through the City of West Palm Beach - Human Resources Department. Once they are notified, it is their responsibility to contact the Office of Retirement so the proper deduction changes can be made in your retirement check. We must be notified by the 15th of the month to change it for upcoming month. If not received by the 15th of the month, the adjustment may take another month to take place. Please keep this process in mind when making healthcare changes.

Cost of Living Adjustment (COLA)

Continued from Page Two

Example #3

Month and year retiree turned age 64 (base month)	February, 2005
Cumulative COLA received through January 1, 2009	9.0%
Cumulative CPI increase from February, 2005 through October, 2009	12.7%
COLA on January 1, 2010	3.0%

This member's COLA on January 1, 2010 will be 3%. As of January 1, 2010, this member will have received a total of 12% in COLA's, which would not exceed the cumulative CPI increase from December, 2003 through October, 2009.

Miscellaneous Items

- If the COLA that is calculated is less than 1%, no adjustment will be made during that specific year.
- The COLA will continue to your beneficiary if you die and you had elected a form of payment which entitles your beneficiary to receive a percentage of your retirement benefit.
- The COLA is calculated using simple interest rather than compound interest.

YOUNG AT HEART
Slightly older
in other places.