

WEST PALM BEACH POLICE

PENSION NEWS

A West Palm Beach Police Pension Fund Publication

Issue 22

Date of Issue:

Second Quarter 2014

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The Board would like to recognize Intercontinental Real Estate for their 13.94% return over the last three years!

Keep up the great work

Source: Thistle Asset Consulting

QUARTERLY PENSION FUND SUMMARY

On March 31, 2014 our fund had a total market value of \$258,960,000.

For the quarter the total fund return was 0.98% (net) and its benchmark return was 1.70%.

For the quarter the stock return was 0.77% and the benchmark return was 1.88%. The bond return was 1.67% and the benchmark return was 1.20%.

For the quarter end, the allocation of our fund was 54.2% invested in domestic equities, 8.9% in international equities, 3.0% in emerging markets, 22.3% in bonds, 4.9% in Real Estate, and balance in cash equivalents (i.e., short term liquid interest bearing investments similar to money market funds). Our ongoing target for investment in stocks (domestic, international and emerging markets) is 65% of the total fund.

For the fiscal year, the total fund net return was 7.19% and its benchmark return was 7.46%.

The stock return was 8.62% and the benchmark return was 10.60%. The bond return was 2.75% and the benchmark return was 1.06%.

For the fiscal year-to-date or rolling twelve months, the Garcia Hamilton & Associates large cap growth stock return was 16.68%, the Anchor mid-cap value stock return was 12.91%, the Oak Ridge mid cap growth stock return was 19.46%, the GW Capital small cap value stock return was 16.85%, the Eagle small cap growth stock return was 16.01%, the WHV international stock return was 12.32%, the OFI emerging Markets International stock return was 8.82%. The Intercontinental Real Estate return was 15.34%, and the Garcia Hamilton & Associates aggregate fixed income return was 2.12%. The S&P 500 index twelve month return was 21.86%.

For the calendar year the best performing sector among S&P 500 stocks was Utilities which increased 9.02% and the worst sector was

Consumer Discretionary which decreased 3.16%.

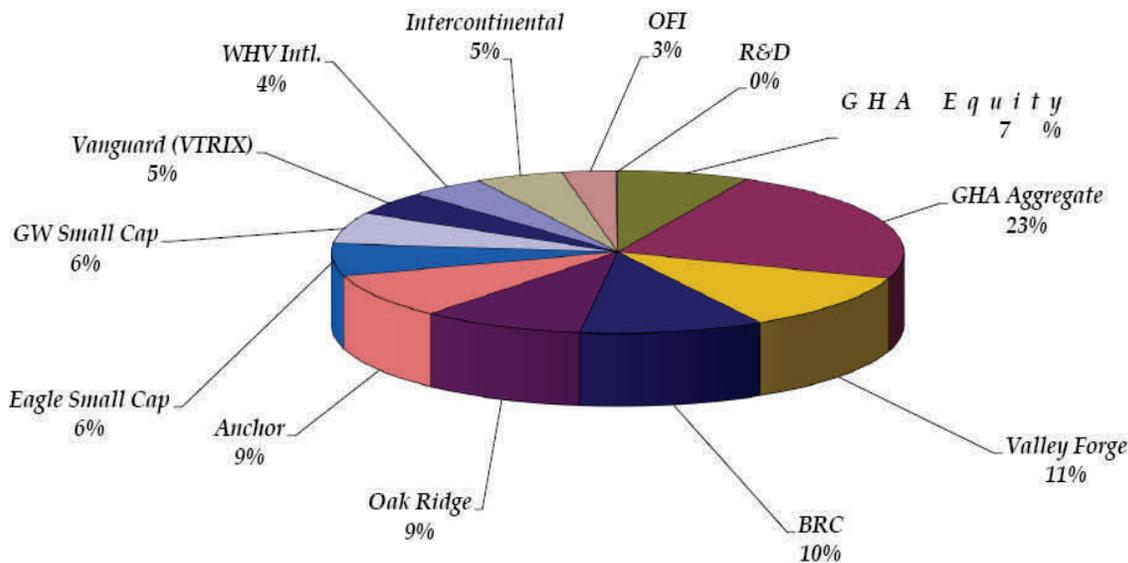
Among the major economic indicators, the Consumer Price Index (CPI-Urban) increased 1.5% before seasonal adjustment for the twelve months ended in March. The Producer Price Index (PPI) for finished goods advanced 1.4 before seasonal adjustment for the twelve months ended in March.

The seasonally adjusted unemployment rate was 6.7% in March unchanged from 6.7% in December. Real Gross Domestic Product (GDP) increased at an annual rate of 2.6% for the fourth quarter of 2013, compared with an increase of 4.1% in the third quarter of 2013.

During the fourth quarter of 2013 the Federal Reserve Open Market Committee kept the target range for the federal funds rate of 0.00% to 0.25%.

Remember the entire investment report may be viewed on-line.

Track the Fund



Plan Asset Allocation & Diversification as of March 31, 2014

	Domestic Equities	Int'l Equities	Emerging Markets	Fixed Income	Real Estate	Cash	Total	% of Total
GHA Equity	\$18,870,000					\$382,000	\$19,252,000	7.4%
GHA Aggregate				\$57,842,000		\$1,285,000	\$59,127,000	22.8%
GHA Total							\$78,379,000	30.3%
Valley Forge	\$23,964,000					\$5,685,000	\$29,649,000	11.4%
BRC	\$24,864,000					\$2,052,000	\$26,916,000	10.4%
Oak Ridge	\$21,711,000					\$2,101,000	\$23,812,000	9.2%
Anchor	\$20,908,000					\$2,243,000	\$23,151,000	8.9%
Eagle Small Cap	\$14,715,000					\$1,878,000	\$16,593,000	6.4%
GW Small Cap	\$15,244,000					\$839,000	\$16,083,000	6.2%
Vanguard (VTRIX)		\$12,199,000				\$0	\$12,199,000	4.7%
WHV Intl.		\$10,796,000				\$467,000	\$11,263,000	4.3%
Intercontinental					\$12,795,000		\$12,795,000	4.9%
OFI			\$7,867,000				\$7,867,000	3.0%
R&D						\$253,000	\$253,000	0.1%
Totals	\$140,276,000	\$22,995,000	\$7,867,000	\$57,842,000	\$12,795,000	\$17,185,000	\$258,960,000	100.0%
% of Total	54.2%	8.9%	3.0%	22.3%	4.9%	6.6%	100.0%	
Target %	52.0%	10.0%	3.0%	30.0%	5.0%	0.0%	100.0%	

Fla. Cities 'Mostly Unscathed' This Session, *Still Hope To Revisit Local Pension Reform*

BY SASCHA CORDNER

Florida League of Cities Spokesman Ryan Matthews says overall, it was a successful Legislative Session for local governments.

“I think it was a successful legislative Session for local governments in general. We managed to defeat a number of preemptions and unfunded mandates and really came out relatively unscathed. I think the election year really loomed large over the session as a whole. Only 264 bills passed this year, and that’s really the lowest since 2011,” said Matthews.

One major priority for the cities that passed is a bill that allows local governments to resume control over the regulation of vacation rentals—something that Matthews says was preempted by the Legislature in 2011. He adds city officials were also happy with tax incentives and economic development issues.

“The Governor had a priority of cutting \$500 million from the state budget and mainly did so through licensing vehicle fees. So, the pot of local government money really fared well, and that was something we worked very diligently on throughout the session,” added Matthews.

Still, Matthews says it wasn’t all good news.

“Our major issue that unfortunately that did not pass was reform of local police and firefighter pension plans. We have a number of cities throughout the state, whose budget are dominated by incentives and extra benefits for local police and firefighters. So, that’s something that’s certainly needs reform in the near future,” Matthews continued.

The bipartisan local pension reform effort died during the 2014 Session, after it was tied to a controversial state pension reform effort in the House that never got taken up in the Senate. [Matthews says the cities hope to revisit the issue next year.](#)

Did you know.....

The Florida League of Cities is the united voice for Florida’s municipal governments. Its goals are to serve the needs of Florida's cities and promote local self-government. The League was founded on the belief that local self-government is the keystone of American democracy.

Florida’s city officials formed as a group of municipal governments for the first time in 1922. They wanted to shape legislation, share the advantages of cooperative action, and exchange ideas and experiences. Growing from a small number of cities and towns, our membership now represents more than 400 cities, towns and villages in the Sunshine State. The League is governed by a Board of Directors composed of elected municipal officials.

Speaker Will Weatherford loses Senate showdown over Florida pensions

TALLAHASSEE — After months of calling pension reform a top priority in his inaugural year as Florida House speaker, Will Weatherford could do nothing in the last session as his plan went down to defeat in the Senate. A third of Senate Republicans joined Democrats in voting 22-18 against an amendment that would have banned new state workers, teachers and county workers from joining the state's \$132 billion pension system, and steer them instead toward private, 401(k)-style investment plans, shifting the risk from taxpayers to workers.



"One of the reasons they work for government is not for the salary," said Sen. Jack Latvala, R-Clearwater. "They haven't had raises in six or seven years. It's for the pension and if we want to continue to have the quality of employees that we have, we need to continue to offer that pension."

The setback came at the exact moment Weatherford, 33, faced a filibuster on the House floor among Democrats who wanted to draw attention to the House's refusal to tap federal dollars to give health care coverage to 1 million uninsured Floridians.

"You always know you're never going to get everything you asked for," Weatherford said late Tuesday. "It came up a little bit short, but it was a great debate and I'm grateful to the Senate for giving it an opportunity to be heard."

Weatherford has made much of his concern that the Florida pension system, which is about 86.9 percent funded, poses a dangerous risk to state finances. It's a concern he shares with the Florida Chamber of Commerce and the James Madison Institute, a Tallahassee libertarian think tank. Weatherford's father-in-law, former House Speaker Allan Bense, sits on the boards for both.

But Weatherford couldn't convince members of his own party in the Senate that the pension system should be closed down to new employees. Instead, he got a forceful and emotional pushback from Latvala, a frequent sparring partner, who argued the pension serves as a reliable pillar for lowly paid workers.

During a memorable floor debate, Latvala welled up as he told the story of two Lake City firefighters, Brett Fulton and Josh Burch, who perished in 2011 fighting a blaze. They made about \$26,000, he said.

"That's barely the federal poverty level," Latvala said. "They worked for their pension. One firefighter's family was able to collect the survivor's benefit, and he was in his 20s, and his family collects \$1,200 a month. That's what's left of their dad. That's what's left of their husband."

"I do not understand why we want to experiment around and why we want to take these people who are protecting us every single day and put them in a system just because it works in private business," Latvala said, pointing out that those in the private sector aren't risking their lives for the public good.

Republicans joining Latvala's insurrection were Charlie Dean, R-Inverness, a former sheriff; Nancy Detert, R-Venice; Miguel Diaz de La Portilla, R-Miami; Greg Evers, R-Baker; Anitere Flores, R-Miami; Denise Grimsley, R-Sebring; and John Legg, R-Trinity.

Latvala openly acknowledged what other Republican leaders in the Senate would not: Weatherford had demanded the vote.

"We all know this is the speaker's priority for the year," Latvala said during debate, addressing his comments to Senate President Don Gaetz, R-Niceville. "We all know the speaker asked for an up-and-down vote on this, and that's what we're doing. I appreciate very much your commitment, Mr. President, that once we do this up-and-down vote, once it's down, it goes away and we get on with other business that we have."

Minutes after the vote, Latvala explained that Gaetz promised him that once Weatherford got a Senate vote, the issue wouldn't come up again this year. "Sometimes you're the dog, sometimes you're the hydrant," he said. "I've been telling Will for two or three months that he didn't have the votes over here. Now he sees it, black and white."

Gaetz would not confirm that he had made such a promise.

"Well, I guess if Sen. Latvala said it, it must be true," Gaetz told reporters.

After the failed amendment vote, Sen. Wilton Simpson, R-Trilby, decided to withdraw the overall bill, SB 1392. Unlike Weatherford's preference to require new employees to enroll in private investment plans, Simpson's bill only encouraged them to do so while still allowing them to enroll in the pension system. But after the vote against Weatherford's measure, Simpson gave up. "There's no support for it in the House," Simpson said. "It's dead."

MARDEN REFOCUSSES THE LENS



Susan Marden, Florida Public Pension Trustees Association Public Relations Consultant, writes there is something inherently ugly about claims by private sector workers that government employees should not “get more” than they, themselves, receive in retirement benefits.

At the core of the matter, taxpayers seem to have been led to feel especially resentful of the life-time guarantee that public employees receive. They have been encouraged to feel angry their hard earned dollars might finance a more secure retirement for public employees who work for them. But is there not something fundamentally wrong with that attitude? Such a view presumes that public workers should be somehow less valued and at the same time more grateful for their compensation. It presumes their salaries, benefits, their very jobs are a gift given at the beneficence of public whim, and which can be taken away as easily as bestowed.

In reality, public workers are a highly skilled, highly educated workforce, saddled with the prodigious responsibilities of maintaining and operating our civic functions and government services ~ from public schools, to judicial courts, from maintaining roads and infrastructure, to public safety.

They are no more or less worthy of their paycheck or their benefits than those in the private sector. In fact, there are some very practical reasons why private sector workers have been losing their (guaranteed) defined benefit pensions over the past 40 years, and those reasons have nothing whatsoever to do with comparisons between public and private sector workers, their skill set, what services they perform, or what they are compensated. It is not about the value of the workers, it is about the viability of pension plans as they now are governed.

Beginning with passage of Employee Retirement Income Security Act of 1974, and through the Pension Protection Act of 2006, Congress passed a series of laws intended to be consumer protections, but which had the unintended consequence of making pension funding very unattractive to private sector employers. The reason for this series of laws and regulations is that too many corporations had been failing adequately to fund their pension plans, were using the funds for other expenses and were lacking in transparency about where the funds were invested. (It was not all that long ago that General Motors was being basically kept afloat by the over funding of its pension plans. Some may remember the-then chairman’s famous quote that “GM is a pension plan running an automobile company.”) But the laws intended to protect these workers were enacted through complex regulations that are difficult to adhere to (not to mention expensive). American businesses have been pulling back from the old school pension system ever since. Pension plan coverage among all private industry workers was down to 35% in the early 1990s; by 2011, that coverage stood at only 18%. But the new rules were at very least a challenge, especially to small businesses with limited financial resources. Today, private sector pension plans are required to be 100% funded, funding shortfalls must be amortized over just 7 years (down from 30), and employers must average over just 2 years the interest rates used to calculate assets and liabilities (down from 4-5 years).

The public sector has had unparalleled stability in terms of staffing, projected costs, contributions. Its larger and more diverse labor force enables public systems to better pool risk and average returns over a very long investment horizon. Recent statistics showed among **private sector** establishments with fewer than 50 workers, just 8% offered a defined benefit pension plan. In contrast, among establishments with 500 or more workers, 48% offered such a plan. This statistic reinforces the notion that a large and diverse labor pool makes financing a DB plan vastly more supportable. Cost efficiencies are significantly more achievable for larger businesses and especially for public sector systems.

STOCK SPOTLIGHT

Manitowoc (Ticker = MTW)

Sector: Industrials

Industry: Machinery

Market Capitalization: \$4.2 B

Manitowoc is a capital-goods manufacturer that produces cranes and other heavy equipment used by the construction industry. The firm benefited from solid quarterly results. In addition, an industry event in March showcased several new cranes by Manitowoc and that resulted in substantial orders and further provided a boost to shares of the stock.

Average Cost in West Palm Beach Police Portfolio: \$12.78 per share, trading at \$31.45 as of 3/31/14

Michael Kors Holdings Ltd. KORS

Market Cap: \$12.6 billion

Sector: Consumer Discretionary

Michael Kors Holdings Ltd. engages in the design and distribution of sportswear, accessories, footwear and apparel. The company's product portfolio includes: handbags, small leather goods, eye wear, jewelry, and watches. It offers three collections, namely, Michael Kors, MICHAEL Michael Kors, and KORS Michael Kors. The Michael Kors collection provides accessories which include handbags and small leather goods, and footwear and apparel which provides ready-to-wear womenswear and menswear. The Michael Kors collection offers handbags, small leather goods such as, clutches and wallets, women's footwear, and women's wear such as dresses, tops, and jeans. The KORS Michael Kors collection provides select footwear and outerwear. The company's operations are carried through three segments: Retail, Wholesale, and Licensing. The Retail segment focuses on operations of collection stores, lifestyle stores and outlet stores. The Wholesale segment sells the company's products to department stores, as well as specialty retail stores and travel shopping locations. The Licensing segment licenses third parties certain production, sales and/or distribution rights. Michael Kors Holdings was founded on December 13, 2002 and is headquartered in Hong Kong.

Michael Kors Holdings (KORS) is a leading designer and retailer of handbags, accessories, leather goods, eyewear, jewelry and watches. KORS has consistently seen double-digit growth, exceeding estimates, in revenue across all geographies that it has stores, most favorably in Europe and North America. KORS have an aggressive growth model in store expansion across North America, Europe and select licensed travel markets as well as e-commerce expansion. Brand momentum especially among competitors is evidenced by consistent gain in market share, even in Europe among heavyweights such as Burberry and Prada. KORS were added to 2% in the Mid Cap strategy.

Quantity	Security	Cost	Cost	Price
6043	MICHAEL KORS HOLDINGS LIMITED	62.58	378162.5	93.21

Please note that the Board of Trustees provide this data for informational purposes only. It is in no way to be interpreted as investment advice.

ECONOMIC ENVIRONMENT

Key Indicators Remained Encouraging

The latest statistics point to weak economic growth during the past quarter. Estimates for the first quarter real GDP growth rate had been a bit below 2% following the previous quarter's 2.6% figure. However, the preliminary numbers from the Dept. of Commerce indicate an anemic 0.1% figure. The drop off has been attributed to the unusually cold and snowy winter in the East rather than any fundamental weakness. Nonetheless, job growth averaged 183,000 during the last 12-months. Home prices edged upward during the quarter, increasing by double digits for the fiscal year. Manufacturing and service sector activity were appreciably positive and well above the expansion level. Consumer confidence remained surprisingly healthy. Inflation continued to be low, 0.4% for the quarter and 1.5% for the trailing year.

Below are the first quarter economic highlights:

- The final real GDP growth rate for the fourth quarter was 2.6% vs. 4.1% for the 3rd quarter. While lower than the prior quarter, there were gains from consumer spending, net exports and capital spending. Federal Government expenditures continued a multi-year decline. Preliminary economic estimates for Q1 indicate continued positive growth, but at a slower rate.
- The Bureau of Labor Statistics reported a gain of 192,000 jobs in March and a healthy 183,000 average monthly gain during the latest 12-months. The unemployment rate remained at 6.7%. Unfortunately, the number of job seekers remained a relatively high 10.5 million. There were 3.7 million long-term (more than 6-months) unemployed workers in March, down by 837,000 from a year ago.
- Home prices rose 0.8% in February and are expected to increase another 0.5% in March. Homeowners feel wealthier, as prices have gained 12.2% during the latest 12-months. Importantly, there have been 24 months of consecutive annual price increases. Still, prices remain 16.9% below their 2006 peak.
- The manufacturing and service sectors expanded briskly in March, continuing a stretch of more than four years of monthly growth. The March ISM manufacturing Index registered 53.7%, with new orders at 55.1% and production rising to 55.9%. (Any percentage above 50% indicates net growth.) Fourteen of eighteen manufacturing industries gained ground. Only apparel, wood products, electrical equipment and a miscellaneous manufacturing category declined. The service index also climbed to 53.1%, as most service industries performed well; only mining, education, rental agencies and health care assistance declined.
- The Consumer Confidence Index rose from 78.1 to 82.3, during the quarter. A consumer poll showed that consumers were satisfied with current salary and job security, but even more optimistic regarding their future prospects. The expectations index climbed from 76.5 in February to 83.5 in March.
- The DJ-UBS Commodity Index posted its best quarterly start since 2008 (+7%). The gain was largely induced by: (1) Russian-Ukrainian tensions, which are expected to spur higher commodity prices; (2) bad weather; (3) livestock disease issues; and (4) a stabilized dollar in the currency markets. Gold climbed 6.8% and energy gained 4.2%, but copper dropped almost 10% on expectations for slower growth in China.
- CPI inflation was remarkably quiescent, given the Fed's tapering program. The March inflation rate was a low 0.2%, producing a 0.4% figure for the quarter and 1.5% for the trailing year.
- Beginning in April, the Fed's mortgage and long maturity Treasury purchases will be reduced to \$55 billion per month from the \$85 billion that was in effect before the taper. The latest reduction reflects the Fed's assessment that the economy and related employment are making cumulative progress. Nonetheless, the Fed believes that the lower bond-buying program will exert enough downward pressure on interest rates to support low home mortgage rates as well as lower corporate loan rates.

Source: Dahab Associates

EQUITY MARKET

Quiet Quarterly Results Masked a Volatile Quarter

US stocks fell in January, but climbed back in February and March. Combining the three months yielded only modest gains and losses. The broadest market gauge, the Russell 3000, rose 2%, followed by the S&P's 1.8% gain. The tech-laden NASDAQ Composite added only 0.8%, while the DJIA declined slightly (-0.2%). Mid-caps outperformed both large and small-caps. The Russell Mid-cap Index rose 3.5% vs. 2.1% for the Russell 1000 and 1.1% for the Russell 2000. Value was the clear winner among styles. For example, mid-cap value grew 5.2% vs. a 2% gain for mid-cap growth.

All S&P sectors, except consumer durables, gained ground during the quarter. Utilities saw the biggest advance (6.1%), buoyed by a decline in long maturity interest rates. Technology stocks were a close second (5.1%); this was a reflection of momentum and several big tech IPOs, as opposed to higher earnings. Increased spending helped boost the consumer non-durables sector (3.3%). However, consumer durables lost 0.3% partly due to poor weather conditions. Who feels like buying a new refrigerator when there is a foot of snow outside? The real sleeper was the REIT sub-sector, including mostly non-S&P names; REITs soared almost 10%. Like utilities, REITs benefited from lower interest rates. The REIT performance bounced back smartly from last year when it was ranked dead last among all equity sectors.

INTERNATIONAL EQUITIES

Developed Markets Performed Acceptably

MSCI EAFE (developed markets) returned a low positive 0.8%. Significant declines in Japan and Hong Kong offset spectacular gains among the economically hardest-hit European countries. All five of the so-called PIIGS country indices continued to advance sharply. While Greece is not currently part of the EAFE Index, its market experienced continued expansion. Portugal, Ireland, Italy and Spain showed mid-to-high single digit to double-digit gains. However, concerns about deflationary pressures dampened growth in Germany (-0.3%) and France (+3%), while the UK also disappointed, dipping 0.8%.

Australian equities posted a strong 6% return due to higher commodity prices and better economic data. Japan, the largest index component, ended the quarter down 5.5%, amid weak economic growth; a strengthening yen (hurting exports); and especially the 3% pending increase in the value added tax. Hong Kong's 3.4% drop mirrored China's declining growth rate. Weak property prices and slow gains in Macau casino revenue were additional negative factors. Two small EAFE markets rose spectacularly; New Zealand, battling its way back from a recent earthquake, soared 16.7%, while Israel's high-tech sector drove an 18.7% surge.

Emerging markets again turned in weak results (-0.4%). Several political factors helped cloud the picture, including the Russian-Ukrainian standoff and vocal opposition to the Venezuelan and Thai governments. Slowing growth in China and concerns about that country's banking system also contributed to the weakness.

Russian shares plummeted 14.5% after the accelerated aggression against the Ukraine. The invasion of Crimea triggered significant economic sanctions against Russia, which, in turn, caused investor uncertainty and a global flight from capital investment. India climbed 8.2%, on the strength of national election fervor and promises of economic reform. Banking problems and slowing, albeit still high growth in China, led to a 5.9% fall in that country's index.

The Indonesian market soared more than 21%, lifted by hopes for reform and improving current account deficits. Despite political opposition, Thailand advanced 7.5% and Turkey gained 4.8%. The election results in Turkey solidified PM Erdogan's power base and reform programs, boosting investor confidence. Recovering from its recent typhoon, the Philippines rose an unexpected 10.3%. Mexico shed 5%, related to disappointing GDP growth and in spite of progress against its infamous drug cartels. Korean shares slid 2% despite rising exports.

Greece again surprised on the upside, surging another 18.1%. This spectacular return was directly attributable to the economic reforms it made in return for successive ECB bailouts; in fact, there has been enough optimism to allow the country to sell new debt in the open market. Finally, investors saw promise in the tiny Egyptian and South African markets; Egypt added 9.2% and South Africa added 4.9%.

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Accessing your Funds

Just a reminder, members can never access their pension contributions unless they resign and request a refund. Further, while members are still employed and until such time as they retire and begin collecting a pension, they have no access to their drop or share account funds.

Disclaimer

The information contained herein is provided for informational purposes only. The foregoing information/summary/prices/quotes/statistics have been obtained from sources we believe to be reliable, but cannot guarantee its accuracy or completeness. Neither the information nor any opinion expressed constitutes investment, tax and/or legal advice from the Board of Trustees and/or any and all entities thereof. Please consult your professional investment, tax and/or legal advisor for such guidance.

ELECT EARNINGS METHOD FOR SHARE AND/OR DROP

Enclosed with this publication is the "APPLICATION TO ELECT EARNINGS METHOD" Form. Kindly take the time to review your options.

If you do not have a DROP or SHARE Account no action is required.



If you do not wish to change your investment option(s), you do not have to take any action.

If you do wish to modify your investment return option, please complete this form and return it to the Office of Retirement prior to October 1, 2014.

Any questions, please let us know.

RETIRED SHARE & DROP MEMBERS



Just a reminder that open enrollment to change your DROP and/or Share Distribution(s) is in the month of AUGUST. The effective date of the change will be OCTOBER.

If you do not wish to make a change at this time, the next open enrollment period is in the month of FEBRUARY. The effective date of the change will be APRIL.

If there are any questions, please let us know.

WEST PALM BEACH POLICE PENSION FUND

APPLICATION TO ELECT EARNINGS METHOD

DATE ENTERED PLAN: _____

PLEASE PRINT OR TYPE:

1. a. Name of Participant: _____
- b. Social Security Number: XXX-XX- _____
- c. Date of Birth: _____
- d. Home Telephone Number: (____) _____
- e. Home Address: _____

I understand that if I make no election of earnings method, my current earnings method will be used.

2. EARNINGS METHOD ELECTION FOR VESTED PARTICIPANTS

RETIRING AFTER OCTOBER 1, 2012.

To elect the earnings method, please initial the line next to your selection.

Only vested members may elect an earnings method.

A. SHARE ACCOUNT:

- | | |
|-------|--|
| _____ | Variable based on Fund returns (gains and losses) subject to administrative expenses |
| _____ | Fixed rate of 8.0%/4.0% subject to administrative expenses ¹ |

Note: No earnings (or losses) are credited to your account for the most recent year if you withdraw the entire balance of your account before September 30th. If necessary, consult your tax advisor. The share accounts are charged an annual pro-rata administrative charge based upon the administrative expenses of the pension fund as a whole.

¹In the event that the amount paid in investment earnings at the 8% rate is more than the Fund actually earns, the rate will be reduced to 4% effective the following October 1 until any losses are made up.

B. DROP ACCOUNT:

_____ Variable based on Fund returns (gains and losses) subject to administrative expenses

_____ Fixed rate of 8.0%/4.0% subject to administrative expenses²

Note: The DROP accounts are charged an annual pro-rata administrative charge based upon the administrative expenses of the pension fund as a whole.

3. **EARNINGS METHOD ELECTION FOR RETIRED MEMBERS AND PARTICIPANTS ELIGIBLE FOR NORMAL RETIREMENT BEFORE OCTOBER 1, 2012.**

To elect the earnings method, please initial the line next to your selection.

A. SHARE ACCOUNT:

_____ Variable based on Fund returns (gains and losses) subject to administrative expenses

_____ Fixed rate of 8.25% subject to administrative expenses

Note: No earnings (or losses) are credited to your account for the most recent year if you withdraw the entire balance of your account before September 30th. If necessary, consult your tax advisor. The share accounts are charged an annual pro-rata administrative charge based upon the administrative expenses of the pension fund as a whole.

B. DROP ACCOUNT:

_____ Variable based on Fund returns (gains and losses) subject to administrative expenses

_____ Fixed rate of 8.25% subject to administrative expenses

Note: The DROP accounts are charged an annual pro-rata administrative charge based upon the administrative expenses of the pension fund as a whole.

²In the event that the amount paid in investment earnings at the 8% rate is more than the Fund actually earns, the rate will be reduced to 4% effective the following October 1 until any losses are made up.

I hereby certify that the above statements are true and correct to the best of my knowledge. I understand that a false statement may disqualify me for benefits.

I have reviewed the Designation of Beneficiary Form filed with the Board of Trustees and I hereby certify its accuracy. If I desire to change my designated beneficiary(ies), I will file a new Designation of Beneficiary Form.

I have been advised to speak with a tax consultant regarding my earnings method election.

This Application form is a supplement to my prior Application (if any) and supersedes it where conflicts exist. Additionally, I certify that I am electing the earnings method marked above. This election revokes any prior elections I have made.

MEMBER'S SIGNATURE

DATE

STATE OF FLORIDA)
)
COUNTY OF PALM BEACH)

BEFORE ME, the undersigned authority, personally appeared _____, who is personally known to me or has produced _____ as identification and who did take an oath and, after being duly cautioned and sworn, deposes and says that he/she has signed the foregoing document for the reasons therein contained.

SWORN TO AND SUBSCRIBED before me this the ____ day of _____, 20____.

Notary Public, State of Florida At Large
Commission No.: _____
Commission Expires: _____