WEST PALM BEACH POLICE PENSION NEWS

A West Palm Beach Police Pension Fund Publication

Issue 6

Date of Issue:

Second Quarter 2010

Inside this issue….

For the last twelve months (through March 31, 2010), our total equity (stocks) portfolio returned 51.07%

Source: Thistle Asset Consulting

QUARTERLY PENSION FUND SUMMARY

On March 31, 2010 our fund had a total market value of $180,225,000. For the quarter the fund gained $7,119,000.

For the quarter the total fund return was 4.11% (net) and its benchmark return was 4.62%. In the previous quarter the fund return was 3.49%.

For the quarter the stock return was 5.82% and the benchmark return was 6.03%. The bond return was 1.94% and the benchmark return was 1.78%.

For the quarter the average allocation of our fund was 56.6% invested in stocks, 35.7% in bonds and 7.7% in cash equivalents (i.e., short term liquid interest bearing investments similar to money market funds). Our ongoing target for investment in stocks is 65% of the total fund.

For the fiscal year to date the total fund net return was 7.74% and its benchmark return was 8.31%. The stock return was 11.39% and the benchmark return was 11.48%. The bond return was 3.28% and the benchmark return was 1.99%.

In review for the fiscal year to date the Earnest Partners large cap value stock return was 13.40%, the Davis, Hamilton, & Jackson large cap growth stock return was 10.45%, the Intech large cap core stock return was 10.60%, the Munder mid-cap growth stock return was 12.95%, the Anchor mid-cap value stock return was 9.39%, the Wells small-cap growth stock return was 17.44%, the Stratton small-cap value stock return was 12.38%, the DFA international stock return was 1.95%, the Driehaus international small cap stock return was 14.29%, and the Collins Fund of Funds return was 5.00%, and the Davis Hamilton & Jackson aggregate fixed income return was 2.98%. The S&P 500 index return was 11.75%.

For the quarter the best performing sector among S&P 500 stocks were Industrials which increased 12.45% and the worst sector was Telecommunications which decreased 5.66%.

Among the major economic indicators, the Consumer Price Index (CPI-Urban) increased 2.3% for the twelve months which ended in March. The Producer Price Index (PPI) for finished goods advanced 6.0% (unadjusted) for the twelve-month period which ended March 31, 2010. The seasonally adjusted unemployment rate was 9.7% in March compared to 10.0% in December 2009. Real Gross Domestic Product (GDP) increased at an annual rate of 5.6% for the fourth quarter of 2009, compared with an increase of 2.2% in the third quarter.

During the first quarter of 2010 the Federal Reserve Open Market Committee kept the target range for the federal funds rate of 0.00% to 0.25%. The federal funds rate is the interest rate that banks charge each other for overnight loans.

NEW STUDY FINDS PUBLIC SECTOR EMPLOYEES EARN LESS THAN COMPARABLE PRIVATE SECTOR EMPLOYEES

WASHINGTON, D.C., April 28, 2010 - Employees of state and local government earn an average of 11% and 12% less, respectively, than comparable private sector employees. An analysis spanning two decades shows the pay gap between public and private sector employees has widened in recent years.

These findings are contained in a new report, "Out of Balance? Comparing Public and Private Sector Compensation Over 20 Years," commissioned by the Center for State and Local Government Excellence (Center) and the National Institute on Retirement Security (NIRS). The study provides an original analysis of data from the U.S. Bureau of Labor Statistics. *A copy may be viewed on the Announcement page of the pension web site. www.wpbppf.com*

The study finds that:

Jobs in the public sector typically require more education than private sector positions. Thus, state and local employees are twice as likely to hold a college degree or higher as compared to private sector employees. Only 23% of private sector employees have completed college as compared to about 48% in the public sector.

Wages and salaries of state and local employees are lower than those for private sector employees with comparable earnings determinants such as education and work experience. State workers typically earn 11% less and local workers 12% less. During the last 15 years, the pay gap has grown - earnings for state and local workers have generally declined relative to comparable private sector employees.

Benefits make up a slightly larger share of compensation for the state and local sector. But even after accounting for the value of retirement, healthcare, and other benefits, state and local employees earn less than private sector counterparts. On average, total compensation is 6.8% lower for state employees and 7.4% lower for local employees than for comparable private sector employees.

"The picture is clear. In an apples-to-apples comparison, state and local government employees receive less compensation than their private sector counterparts," said Keith A. Bender, report co-author and associate professor, Department of Economics at the University of Wisconsin-Milwaukee. "These public sector employees earn less than they would earn if they took their skills to the private sector," he added.

John S. Heywood, report co-author and distinguished professor, Department of Economics at the University of Wisconsin-Milwaukee said, "Jobs in state and local governments consist disproportionately of occupations that demand more education and skills. Indeed, accounting for these differences is critical in understanding compensation patterns."

The study sheds light on a recent survey of government hiring managers, sponsored by the Center. Elizabeth K. Kellar, president and chief executive officer of the Center reported, "Hiring managers told us that despite the economy, they find it difficult to fill vacancies for highly-skilled positions." The compensation gap may have something to do with this."

Beth Almeida, NIRS executive director said, "For a long time, there has been a compensation trade-off in public sector jobs - better benefits come with lower pay as compared with private sector jobs. This study tells us that is still true today." She added, "What's striking is that on a total compensation basis - looking at pay and benefits - employees of state and local government still earn less than their private sector counterparts."

New Fed Data Sheds Light on Pension Investments

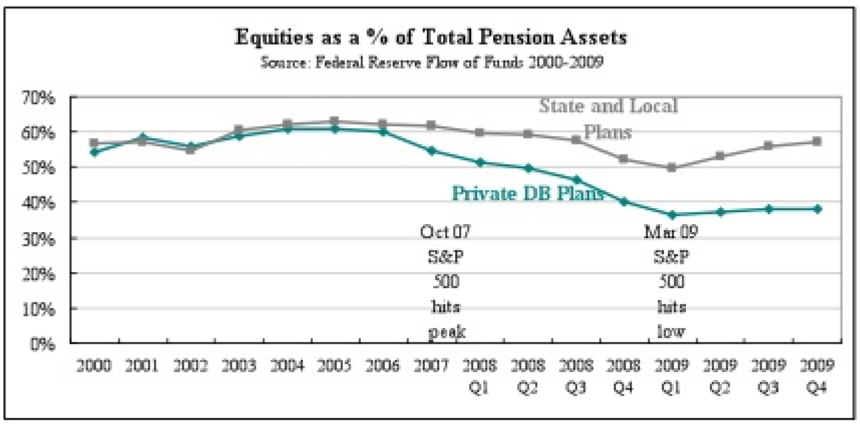
Beth Almeida, Executive Director of the National Institute on Retirement recently reported that with the Federal Reserve's newly-released Flow of Funds data for 2009, we can take a fresh look at how pension funds are investing.

A look at this data reveals some interesting trends. In 2009, the stock market rebound helped the investment performance of all types of plans. But state and local pension plans did better than their private sector counterparts, posting gains of 16%, as compared with gains of 13% for private sector DB (Defined Benefit, such as ours) plans.

Such a large performance gap between public and private sector DB plans is new and can be attributed to fairly dramatically changes that private sector plans have made to their portfolios in recent years. Public pension plans have avoided making drastic moves, largely staying the course through the recent market turmoil, and reaping the rewards of a patient, long-term approach to investing.

The Flow of Funds is a comprehensive, independent source of data on how pension funds in the public and private sectors invest their assets and how this has been changing over time.

This data indicates that by the end of 2009, private pension plans, as a group, had significantly retrenched from investing in stocks, holding just 38% of their portfolio in equities. Public plans, meanwhile, made small adjustments, but no drastic moves – equity shares at the end of 2009 stood at about 57%. This is striking, because when we look back over the past decade, we can see that through 2006, pensions in the private and public sectors invested quite similarly – each held about 60% of their assets in stocks.



What's going on?

The drop in equity holdings among both types of plans reflects, in part, the dramatic drop in the stock market from the highs reached in October 2007. As depicted in the graph the declining share of pension assets invested in equities continued until the first quarter of 2009, when the stock market hit bottom. Both public and private plans saw value of their equity holdings drop. But the graph also shows that private pensions' equity holdings shrank at a much faster rate than those of public plans. Private sector DB plans' equity holdings fell to about 36% in the first quarter of 2009, from about 60% prior to 2006. Since early 2009, equity shares have come back slightly for corporate plans, but that has not been due to any new investments in stocks. Rather, since mid-2006, private sector pension funds have steadily pulled more than half a trillion dollars out of the stock market.

Equity holdings among public pension plans changed to a much smaller degree than what would be expected, given the rapid drop, and then (partial) recovery of the stock market. This indicates that public plans took a long-term, balanced approach to investing even in the face of drastic changes in the market, continuing a trend that was documented in the 2008 NIRS report, In It for the Long Haul.

Why are public and private plans, which used to travel on a common investment path, diverging now? And why were plans in the private sector in full retreat from stocks during what some have called the buying opportunity of a lifetime?

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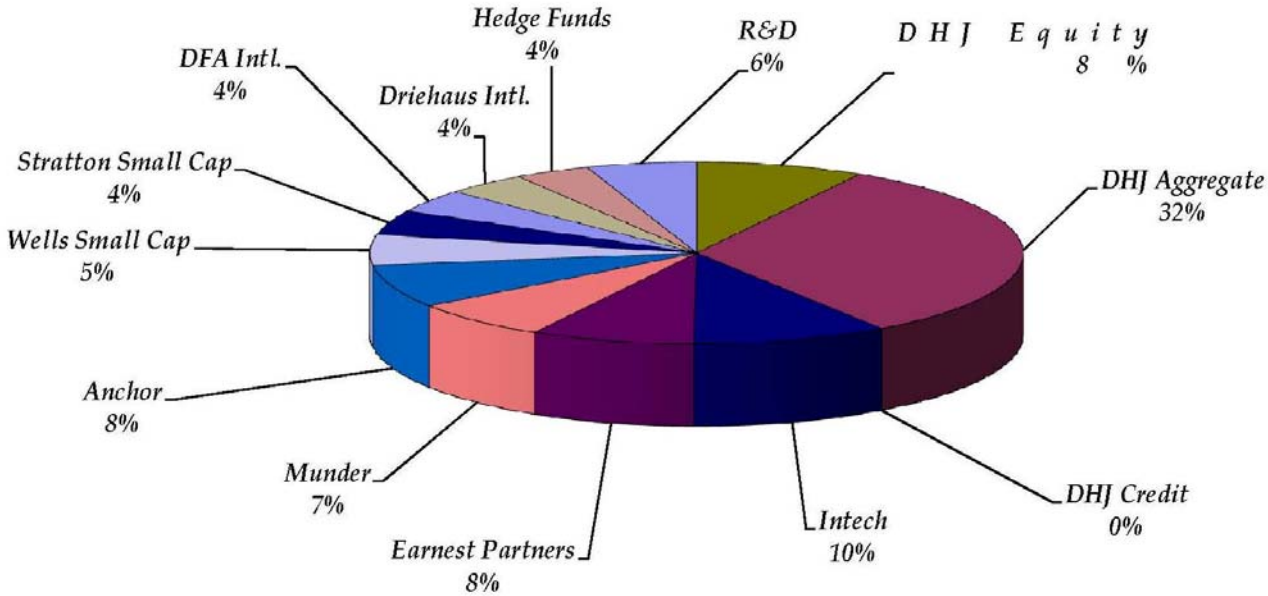
Track the Fund



Plan Asset Allocation & Diversification as of March 31, 2010

	Domestic Equities	Int'l Equities	Fixed Income	Real Estate	Cash	Total
DHJ Equity	$14,806,000				$207,000	$15,013,000
DHJ Aggregate			$57,566,000		$291,000	$57,857,000
DHJ Credit			$0		$0	$0
DHJ Total						$72,870,000
Intech	$17,406,000				$95,000	$17,501,000
Earnest Partners	$14,304,000				$329,000	$14,633,000
Munder	$12,289,000				$233,000	$12,522,000
Anchor	$11,398,000				$2,363,000	$13,761,000
Wells Small Cap	$9,280,000				$482,000	$9,762,000
Stratton Small Cap	$7,855,000					$7,855,000
DFA Intl.		$7,404,000				$7,404,000
Driehaus Intl.		$7,340,000				$7,340,000
Hedge Funds			$6,721,000			$6,721,000
R&D					$9,857,000	$9,857,000
Totals	$87,338,000	$14,744,000	$64,287,000	$0	$13,857,000	$180,226,000

DHJ	Wells	Intech	Earnest Partners	Munder
Apple	GSI Commerce	Apple	Freeport McMoran	ON Semi
Microsoft	Sykes Enterprises	AT & T	Occidental Petrol.	Tidewater
Danaher	Scientific Games	Chevron Corp.	Intel	Comstock
IBM	Gartner Group	Cisco Systems	Express Scripts	Resources
Cisco	Tivo Inc.	Exxon Mobil	General Dynamics	Kennametal Inc.
Wal-Mart	PMC-Sierra Inc.	General Electric	Wells Fargo	First Horizon
Apache Corp.	Live Nation Ent.	Hewlett – Packard	Flextronics	Raymond James
JP Morgan Chase	Global Cash Access	IBM	IBM	Coinstar Inc.
Nike	Bridgepoint Educ.	Johnson & Johnson	Cummins	Fresh Del Monte
Roper Ind.	Cbeyond Inc.	Microsoft	Darden	East West Bancorp

Top Ten Equity Holdings

Anchor	Stratton	DFA	Driehaus
Ivanhoe Mines	Parexel Intl.	Vodafone Group	CGI Group
Annaly Capital	Syniverse Holdings	Royal Dutch Shell	Dialog Semiconductor
SPDR Gold Trust	Kinetic Concepts Inc.	Credit Suisse	Red Back Mining
Millicom Intl.	Jos A. Bank	HSBC Holdings	Banco Compartamos
Sun Communities	Aaron's Inc.	Arcelormittal	Banca Multiple
Cablevision Systems	Jarden Inc.	Koninklijke Philips	Nabtesco Corp.
Goodrich Corp.	Solera Holdings Inc.	Allianz SE	Domino's Pizza UK & IRL
NY Community Bank	Affiliated Managers Grp.	Banco Santander	Swiber Holdings
HCP Inc.	Crane Co.	Sony Corp.	Viscofan S.A.
Hasbro	Blue Boat Systems	Zurich Financial	Midas Holdings Lim.

New Fed Data Sheds Light on Pension Investments - Con't from Page 3

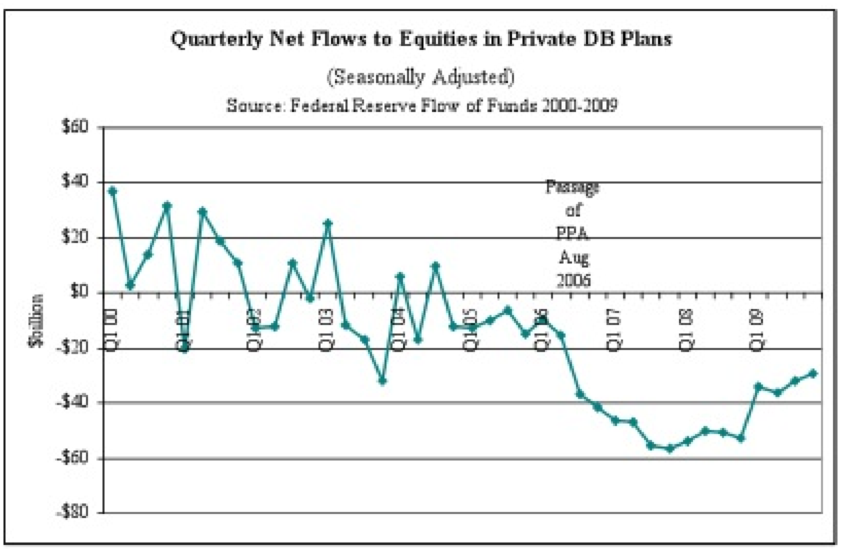
The most likely reason is changes in federal pension law and threatened changes to private sector accounting standards that place heavy burdens on companies that offer pensions. Changes to federal pension law passed in 2006 required that pension shortfalls arising from investment losses be paid for over seven years or less. At the same time, accounting regulations that would require pension assets and liabilities to be valued as though the plan were terminating immediately would introduce considerable volatility to the financial statements of companies that offer pensions. Both of these factors make sponsoring a pension a far less attractive proposition for private sector employers.

In response, private sector plan sponsors have tried to limit the damage two ways – both of which have had similar results.

First, companies have attempted to reduce the volatility of the investments in their plans by turning away from equities and embracing "fixed income" investments. But in light of the very low interest rate environment that has prevailed for most of this decade, this has proved an expensive proposition.

Second, many companies have decided to get out of the business of offering pensions to their employees altogether. And it is perhaps not surprising that in the months leading up to the passage of the Pension Protection Act of 2006, and in the years since, hundreds of companies have closed down their pensions. A 2008 GAO study found that 45% of pensions in the corporate sector have either been closed to newly hired employees, or have implemented a "hard freeze" with no new benefit accruals in the plan for any employees.

Here again, the policy shift away from equities plays out. As noted in the NIRS issue brief Look Before You Leap, a "frozen" pension plan requires a different investment strategy than an open plan. A frozen plan rapidly ages, since no new employees are coming into the plan. As a result, the plan requires greater liquidity over time, and must move away from long-term investments like stocks in favor of holding cash and bonds. This imposes a significant cost in the foregone opportunity to earn better returns that could have come with a better balanced portfolio. This trend has not only been a negative for private sector employers. Most experts agree that impact of these pension freezes will be disastrous for Americans' future retirement security.



The Flow of Funds data lend strong support to the link between passage of the Pension Protection Act and the big changes we are seeing in the way private sector pension plans invest. Looking at net flows into and out of equities over the decade, we can see that flows turned sharply negative (and stayed there) immediately after the Act was passed in August 2006.

Thank goodness that pension policy in the public sector has avoided this trap. Pensions serving employees of state and local government (with just a few exceptions) remain open and continue to serve retired, active and newly hired employees. That is a huge positive for retirement security. But it also means good things for taxpayers, since the plans are in a better position, as compared with frozen private sector plans, to continue taking a long-term approach to investing through balanced portfolios. That approach has proved to serve public plans well during this period of recovery in financial markets.

Pension Bills Trump Local Collective Bargaining Agreements

The Florida PBA recently called for it's members to contact Tallahassee about several pension bills that were filed in this legislative session. The Bills, if approved would have gutted the collective bargaining efforts made over the last 25-30 years.

The following is one such example of that communication to Tallahassee:

Honorable Senator: I am writing to appeal to your common sense about the proposed pension changes being offered during this legislative session. As you know, in this great state we live in, we have what is called collective bargaining.

That process is between the labor organization and the local government agency. Over the last twenty five plus years, labor contracts were agreed upon between those two groups. Along the way, negotiations were fair and equitable or those contracts would have never settled.

Over those twenty five plus years, many items were given up by the rank and file in order to provide a more secure retirement. Increase in employee contributions were also made along the way as well in local plans. In short, a lot of blood sweat and tears were shed to attain a fair and equitable retirement program.

Legislation is now being introduced that essentially washes away those efforts and the concessions made by the employees over the last twenty five plus years, which were agreed upon by the local governments and the local labor organization. I implore upon you to consider the foregoing.

This legislation is nothing more than an effort by the League of Cities to circumvent the labor/management bargaining process. Please kill these bills and send a message to the loyal employees of this state that you stand beside them. What's the point of collective bargaining if it will be trumped by state? Let the cities and local governments know that changes such as the ones being proposed are to be fairly negotiated at the local level, just like they have been over the last twenty five plus years.

Response from Larry Cretul, Speaker

Thank you for your e-mail regarding bills related to public retirement plans. I appreciate the opportunity to learn of your thoughts and concerns on this issue.

These bills undergo the same review as all filed bills to determine which are the appropriate committees and councils to consider legislation. Once referred, the chair of each committee and council decides if and when to agenda the bill. After the bill passes all committees and councils which have considered the bill, it would then be available to be placed on the House Special Calendar by the Rules and Calendar Council. At that point it is debated by the House at large.

Be assured that I will keep your concerns and email in mind throughout the Legislative Session.

Thank you again for writing to me. If I may be of assistance to you in the future, please do not hesitate to contact me.

Sincerely,

Larry Cretul

Speaker

Davis Hamilton Jackson Market Review

Financial markets made continued progress during the quarter, marking the fourth consecutive quarter of rising stock prices, narrowing credit spreads, and reduced volatility. The recovery has now expanded to the real economy, with most gauges of activity showing at least sequential improvement, if not year-over-year gains. The domestic stock market, as measured by the S&P 500 Index, gained 5.4% for the quarter ending March 31.

Stock market leadership narrowed somewhat during the first quarter, with early cycle sectors, and higher risk names within those sectors, generally posting better performance. For instance, the S&P 500 Financial Sector gained 11.2% for the period, boosted by sustained low short-term rates, a historically steep yield curve, and improving credit metrics. Largely due to a heavier weighting in financial stocks, the Russell 1000 Value Index surpassed the Russell 1000 Growth Index for the three months, with returns of 6.8% and 4.7%, respectively.

Looking forward, equity market valuations are quite reasonable given the favorable interest rate environment and projected earnings growth. Modest inflation expectations and a very accommodative Federal Reserve suggest interest rates will remain low for the intermediate term. Corporate managements tightened their operating cost structures during the downturn and are now gradually taking the offensive. Balance sheets have been improved through retention of cash flows and, where necessary, refinancings. These factors suggest equity markets are likely to move higher with earnings, perhaps with a mild pullback along the way.

The liquidity-driven stock market recovery has discriminated little between healthy and unhealthy companies so far. However, traditional fundamentals are likely to be increasingly important to investors as the recovery progresses. Large cap, high quality companies seem particularly well-positioned, with attractive competitive positions, established distribution channels in emerging markets, and strong balance sheets.

Retiree Corner

Congratulations to our latest DROP Members

No Members to Report

Congratulations to our latest Retired Members

David Weeks*	***01-29-2010***
Larry Castelli**	***03-26-2010***
Cecilia Bowersock	***04-30-2010***
Donald Iman	***04-30-2010***
Jack Yates	***04-30-2010***

** = Vested*

*** = Disability*

STOCK SPOTLIGHT

Roper Industries, Inc. (Ticker = ROP)

Sector: Industrials

Industry: Electrical Components and Equipment

Market Capitalization: $5.68 Billion

Roper Industries specializes in industrial technology, energy systems and controls, and radio frequency (RF) technology. The Company operates in a wide variety of niche markets that include: imaging products and software, industrial valves and controls, flow measurement and metering equipment, toll and traffic systems, trucking fleet management, and electronic payment cards for college and high school campuses. They continue to rollout innovative products whether through internal development or key acquisitions. Their highly regarded management team has been successful in making acquisitions aimed at both expanding market share and gaining new technologies and product platforms. Last, as earmarked stimulus monies continue to payout Roper will benefit from the types of projects that are on tap such as expanded water treatment facilities and toll road construction.

Average Cost in West Palm Beach Police Portfolio: $56.29 per share, currently trading at $60.53.

McCormick & Co. Inc. (Ticker = MKC)

Sector: Consumer Staples

Industry: Packaged Foods

Market Capitalization: $5.22 Billion

McCormick & Company, Incorporated manufactures, markets, and distributes spices, herbs, seasonings, flavorings, and other specialty food products to the entire food industry. MKC is the largest spice and seasonings packager. They operate in a high margin business for those consumers that eat at home. Recently, they introduced pre-packaged season blends for certain dishes making meal preparation easier which has caught popularity. They are taking advantage of the population growth abroad, specifically in India and Asia where spices are more widely used in those cultures. MKC also manufactures for private labels so as to capture that market even though margins may not be as favorable as the primary brands. The Company is also benefiting from greater penetration within membership club and non-grocery distribution channels. Finally, demand for seasoning products has held up relatively well in a difficult economic environment as more dining has shifted home versus eating out.

Average Cost in West Palm Beach Police Portfolio: $33.96 per share, currently trading at $39.40.

SPECIAL ACT RESTATEMENT APPROVED

The restatement of the Pension Act was sought and approved during the legislative session.

The restatement was sought to bring the Special Act up to date with past amendments and state and federal law changes.

A thanks to all involved!

Board News…………. Investment Managers Retained!

The Board of Trustees have been very busy in recent months interviewing new investment managers for the Fund.

The new managers hired were Valley Forge, Wentworth and GW Capital. The new managers are replacing existing managers for various reasons. Details about each manager may be found on the service provider page of our web site.

The new managers were retained after an exhaustive nationwide search and interview process.

The Board would like to thank the outgoing managers and welcome the incoming managers.

The searches were launched after our Investment Monitor, John McCann from Thistle Asset Consulting conduced a performance review.

SAMPLE HOLDING

Intercontinental Real Estate Corporation—FUNDED!

The Board of Trustees also recently funded our real estate manager with a 5 million dollar investment in the US REIF Account.

The Board retained Intercontinental last year, but the firm has been waiting for the right opportunity to request the funding from us. That request recently came and the transfer was made.

Intercontinental is an SEC Registered Investment Adviser that manages private equity real estate investments and provides real estate services for domestic and international clients.

Established in Boston over 50 years ago, Intercontinental has acquired, developed, managed, and owned over US $6 Billion of real estate assets across all property types.

Further details are available on-line at www.wpbppf.com.

Central Plaza - Cambridge, MA

- Massachusetts Avenue & Prospect Street
- 166,458 square foot office building located in Cambridge's Central Square.
- The acquisition includes a 15-story office tower, a separate 5-story building, and a 2-story annex that connects the two buildings. Acquisition also includes two separate surface parking lots totaling 1.9 acres that supports 293 vehicles.
- Currently leased to a diverse tenant base including Cambridge Housing Authority, Harmonix, HFMH Architects, and Cytel Inc.
- The property is situated directly above the Red Line subway station and in close proximity to the Massachusetts Turnpike and Route 2.

PERFORMANCE MEASUREMENT—WHO, WHAT & WHY?

Thistle Asset Consulting, formerly GRS Asset Consulting Group, Inc (a division of Gabriel, Roeder, Smith & Company), is retained by the Board of Trustees as an *Independent Performance Monitor*. While Thistle's duties are vast in nature, essentially they are the "investment watchdog" for the Fund. Thistle representatives usually meet with the Board of Trustees on a monthly basis.

Here are a just a few examples of their responsibilities:

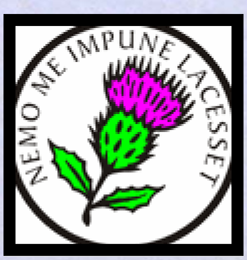
Investment Review: Thistle Asset measures investment returns with comparisons to appropriate custom or index benchmarks and respective peer groups. This analysis is completed for the total portfolio and each individual investment manager. Thistle's quarterly report to the Board clearly articulate performance results, in addition to providing an analysis of risk and to investment objectives of the Investment Policy Statement/Guidelines.

The Investment Policy Statement/Guidelines (IPS/G): Thistle Asset is the architect of the IPS/G, and assists the Board with this decision making process. A well written IPS/G is a paramount to the success of our investment program. A clear IPS/G serves as an effective foundation for our investment managers, by helping guide their investment selections. The IPS/G is reviewed on a periodic basis. If necessary, the IPS/G is redeveloped or refined in a manner that is consistent with the goals and objectives of the Board of Trustees and in compliance with applicable laws.

Asset Allocation: Thistle Asset assists the Board of Trustees in another important decision, which is the manner in which the portfolio assets are allocated. Asset allocation and portfolio diversification is felt to account for a majority of long-term investment performance. Thistle Asset gauges the Board's particular investment objectives and their ability to reduce risk and increase returns. Other consideration is given to such issues as liquidity, diversification, actuarial assumptions and funding status.

The Board of Trustees post the performance evaluation report on-line each quarter for your review. The investment policy statement of the plan is also posted to the web. You are invited and encouraged to review these items next time you visit our pension web site.

Further information can also be learned about Thistle Asset Consultants at www.thistleasset.com. A link to this site is also available on our pension web site under the service provider icon.



Order of the Thistle

John McCann, Thistle Asset &
Dave Williams, your Plan Adm.

6 WAYS COUPLES CAN MAXIMIZE SOCIAL SECURITY PAYOUTS

The following article was written by Mr. Steve Cypen, Attorney. It is not intended to be legal advice. It is intended to open a dialog about possible Social Security entitlements.

Married readers should carefully review the following piece adapted from U.S. News & World Report. Couples who are currently married, or who have stayed together at least 10 years, tie their working records and resulting Social Security checks -- together, as long as they both live. In the case of Social Security payments, the result is often better for the couple. Spouses have Social Security claiming options that single people do not. Here are some ways couples can boost their Social Security benefits:

Utilize spousal payments. Spouses are entitled to a Social Security payout of up to 50 percent of the higher earner's check if that amount is higher than benefits based on his or her own working record. Retired couples where one spouse did not work or had low earnings have the most to gain from this provision. However, low-earning spouses must wait until full retirement age to collect the full 50 percent. (For baby boomers born between 1943 and 1954, full retirement age is 66.) Benefits are reduced for spouses who collect before their full retirement age. For example, a low-earning spouse whose full retirement age is 66 would only be eligible for 35 percent of the higher earner's benefit at age 62. The spousal benefit does not increase above 50 percent of the higher earner's benefit if claiming is delayed beyond the full retirement age.

Claim and suspend. The lower earner cannot receive spouse's benefits until the higher earner files for retirement benefits. Workers who have reached full retirement age may apply for retirement benefits and then request to have the payment suspended. Claiming and suspending payments allows the lower earner to claim a spousal benefit and the higher earner to continue working and earn delayed retirement credits until age 70. Social Security checks increase by 7 percent to 8 percent for each year of delayed claiming between full retirement age and age 70. After age 70 there is no additional benefit for waiting to collect.

Claim twice. Dual-earner couples who have reached their full retirement age can claim Social Security twice: first as a spouse and later using his or her own work record. A person may choose to sign up for only a spouse's benefits at full retirement age and continue accruing delayed retirement credits on his or her own Social Security record. The worker may then file for benefits based on his or her own work at a later date and receive a higher monthly benefit due to delayed retirement credits.

For example, a man planning to retire at age 70 could claim a spouse's benefit based on his wife's earnings at age 66 and then claim again based on his own working record when he exits the workforce at age 70. High-income couples with relatively equal earnings gain most using this strategy.

Include family. Social Security recipients who have children under age 16 or who are disabled can secure additional Social Security payments for the child and a spouse caring for the child, even if the spouse is under age 62. Each child is eligible for up to 50 percent of the retiree's full benefit. However, payments to family members are capped, typically at 150 percent to 180 percent of the retiree's benefit payment. If total payments due to the retiree's spouse and children are above this limit, their benefits will be reduced. The retiree's payout, however, will not be affected.

Ex-spouses are eligible. A former spouse may be eligible for benefits if the marriage lasted at least 10 years. The divorced spouse must be age 62 or older and unmarried. The amount of benefits an ex-spouse claims has no effect on benefits the worker and her or her current spouse can receive.

Boost the survivor's benefit. Widows and widowers are entitled to the higher earner's full retirement benefit. Surviving spouses can begin receiving Social Security benefits at age 60, or age 50 if they are disabled. Benefits are reduced by up to 28.5 percent if claimed before recipient's full retirement age. The surviving member of a dual earner couple can also claim a reduced benefit on one working record and then switch to the other. For example, a woman could take a reduced widow's benefit at age 60 and then claim 100 percent of the retirement benefits based on her own working record when she reaches full retirement age.

Most survivor benefits are paid to women because wives are generally younger than their husbands and live longer. A husband can increase the monthly survivor's benefit his wife will receive by 60 percent by waiting to sign up for Social Security until age 70.

FOUR-IN-FIVE AMERICANS WILL NOT MEET FINANCIAL NEEDS IN RETIREMENT

U.S. employees will need more than 15 times their final pay in retirement resources to maintain their current standard of living during retirement according to Hewitt Associates.

While this estimate has not worsened, meeting projected retirement needs has become a greater challenge for individuals, many of whom experienced decreases in their retirement accounts over the past two years.

As a result, four-out-of-five workers are still expected to fall short of meeting all their financial needs in retirement, unless they take action to improve their savings habits or retire at a later age.

When factoring in inflation and postretirement medical costs, Hewitt projects employees will need 15.7 times their final pay in retirement resources to meet their financial needs in retirement. Of the 15.7 times final pay, Social Security is expected to provide 4.7 times final pay, leaving employees responsible for accumulating the remaining 11 times final pay from other sources such as company-provided plans and personal savings.

Just 18 percent of employees who contribute to a defined contribution plan and work a full career are expected to achieve this goal. On average, these employees are on track to accumulate 13.3 times their final pay (including Social Security), leaving a shortfall of 2.4 times pay. In other words, employees are expected to meet just 85 percent of their financial needs in retirement. Nineteen percent are expected to have a shortfall of five times final pay or more at retirement.

The situation is much bleaker for employees who are not covered by a defined benefit plan. On average, workers who rely solely on a defined contribution plan to fund their retirement are projected to meet just 74 percent of their needs in retirement -- compared to 91 percent for employees who are also covered by a defined benefit plan.

Employees can curb the savings shortfall by starting to save, regularly increasing their contribution rate and working longer. On the last point, for employees who delay retirement for just two years, retirement needs drop from 15.7 times final pay to 14.4 times final pay. At the same time, their retirement resources increase from 13.3 times final pay to 14.2 times final pay, enabling them to meet 98 percent of their retirement needs.

Record Numbers Began Receiving Social Security Retirement Benefits in 2009

The Urban Institute recently published a retirement policy fact sheet titled: “Social Security Retirement Benefit Awards Hit All-Time High in 2009.”

The fact sheet finds that record numbers of men and women began receiving Social Security benefits in 2009, due in part to the rapid growth of the age-62 population. The number of Americans turning age 62 increased 9% between 2008 and 2009 as the baby boomer cohort (those born from 1946 to 1964) grew older. In 2009, a total of 3.2 million men and women age 62 and older began collecting Social Security benefits, the highest number in any year since 1940, when Social Security benefit payments began. Of these new recipients, 1.3 million were men, nearly all of whom (97%) received the benefits as a result of employment. The remaining 3% received the benefits as spouses or widowers. In addition, 1.9 million were women, with about 61% receiving the benefits as a result of employment, 18% as spouses, and 21% as widows. Another significant event that occurred in 2009 was that many older Americans were unable to find employment due to the economic recession.

Although access to Social Security benefits provides those age 62 and older with ongoing income, the early receipt of benefits also limits their long-term benefits. For example, when beneficiaries begin collecting Social Security at age 62 their benefits are about 25% lower than the benefits they would otherwise receive at full Social Security retirement age. The impact of the recession on older Americans’ decisions to receive Social Security benefits is illustrated by changes in the retirement benefit “take-up” rate.

Continued on last page

Actuarial Report Approved By The Board of Trustees

CONTRIBUTIONS NEEDED TO FINANCE DEFINED BENEFITS OF THE PENSION FUND FOR THE PLAN YEAR BEGINNING OCTOBER 1, 2010 TO BE CONTRIBUTED DURING THE FISCAL YEAR BEGINNING OCTOBER 1, 2010

Defined Benefit Contributions for	Contributions Expressed as Percents of UnDROPed Payroll(1)	Contributions Expressed as Percents of Payroll Including DROP
Normal Cost:		
Service pensions	15.50 %	13.35 %
Disability pensions	1.90	1.63
Survivor pensions		
Pre-retirement	0.62	0.53
Post-retirement	1.41	1.21
Termination benefits:		
Deferred service pensions	0.72	0.62
Refunds of member contributions	0.83	0.71
Total Normal Cost	20.98	18.05
Unfunded Actuarial Accrued Liability:		
Retired members and beneficiaries	0.00	0.00
Active and vested terminated members	11.97	10.22
Total Unfunded Actuarial Accrued Liability	11.97	10.22
Administrative Expenses (net of charges to Share and DROP accounts)	0.92	0.79
Total Calculated Contribution Requirement	33.87 %	29.06 %
Adjustments to Calculated Contribution Requirement:		
Temporary full funding credit	0.00	0.00
FS112.64(5) compliance	0.00	0.00
Total adjustments	0.00	0.00
Total Adjusted Contribution Requirement:	33.87 %	29.06 %
Member portion	11.00 %	9.47 %
City portion	22.87 %	19.59 %

Mr. Steve Palmquist, Board Actuary from Gabriel, Roeder & Smith presented and reviewed the October 1, 2009 Actuarial Valuation Report with the Board of Trustees on May 14, 2010.

The findings of this report are to be paid in the fiscal year October 1, 2010 through September 30, 2011.

Mr. Palmquist advised that the total expected employer contributions due for the described timeframe is $5,028,968, if paid at the beginning of the fiscal year. If paid over the course of the fiscal year, the cost is $5,232,302.

On a percentage basis, this equates to an expected city contribution of 19.59%, based on total pensionable payroll. (22.87% if Active DROP Members payroll is excluded).

In terms of current retirees, the average normal service retiree receives $43,987 on a annual basis. Disabled members receive $28,979 annually, and surviving beneficiaries receive $13,631 on average. All three classes combine give an average annual benefit of $38,603. The average retiree age is 62.9 years old.

On the active member side, the average member is 38 years of age and has 11 years of service.

Actuarial Charts

There are two charts exhibited on the next page of this publication. Each chart identifies two distinct issues. The charts were produced by our Actuary and provided to the Board of Trustees on May 14, 2010. The charts compare our Fund to that of other public pension plans in Florida.

Chart 1: Exhibits the employer funding costs for each plan highlighted in blue. The yellow bar is the West Palm Beach Police Pension Fund. The average cost to fund the plans highlighted is **33.2%** of payroll. This compares to a cost of **22.87%** (*payroll % is based on excluding current DROP members, see above*) for the West Palm Beach Police Pension Fund.

Chart 2: Exhibits the funding ratio for each plan highlighted in blue. The yellow bar is the West Palm Beach Police Pension Fund. Even with this difficult investment environment, at **81.5%** we are above the average of the plans surveyed.

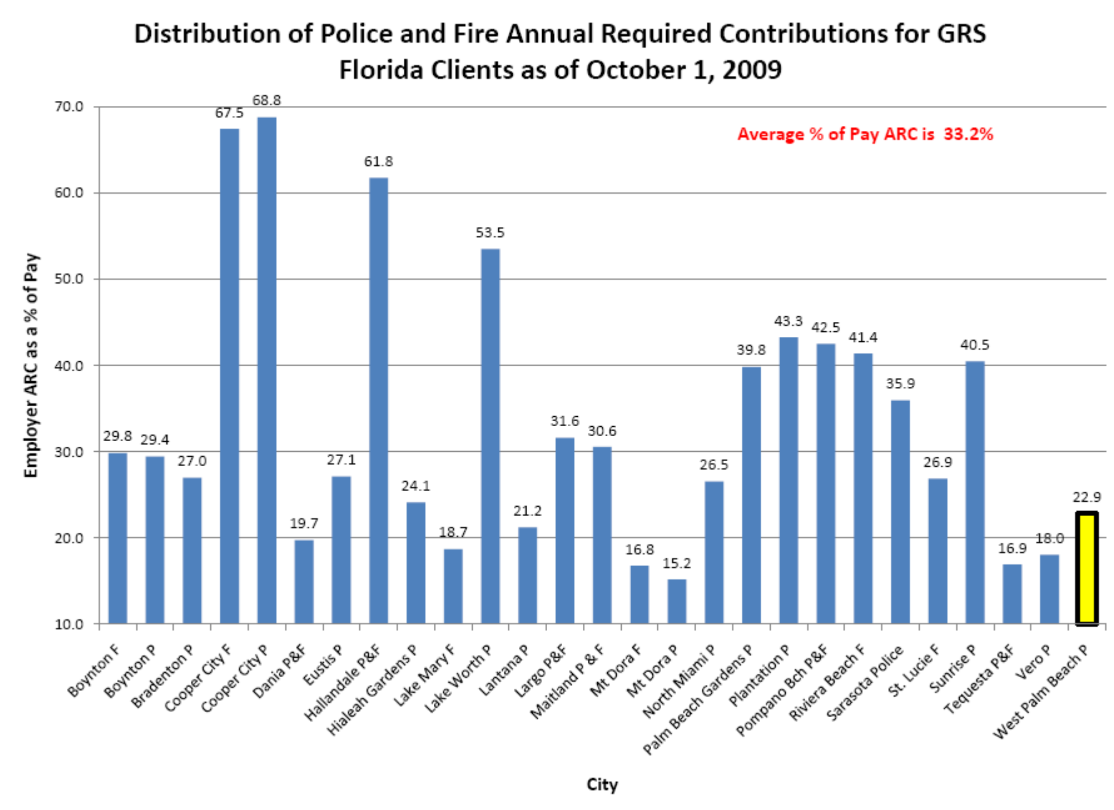


CHART 1

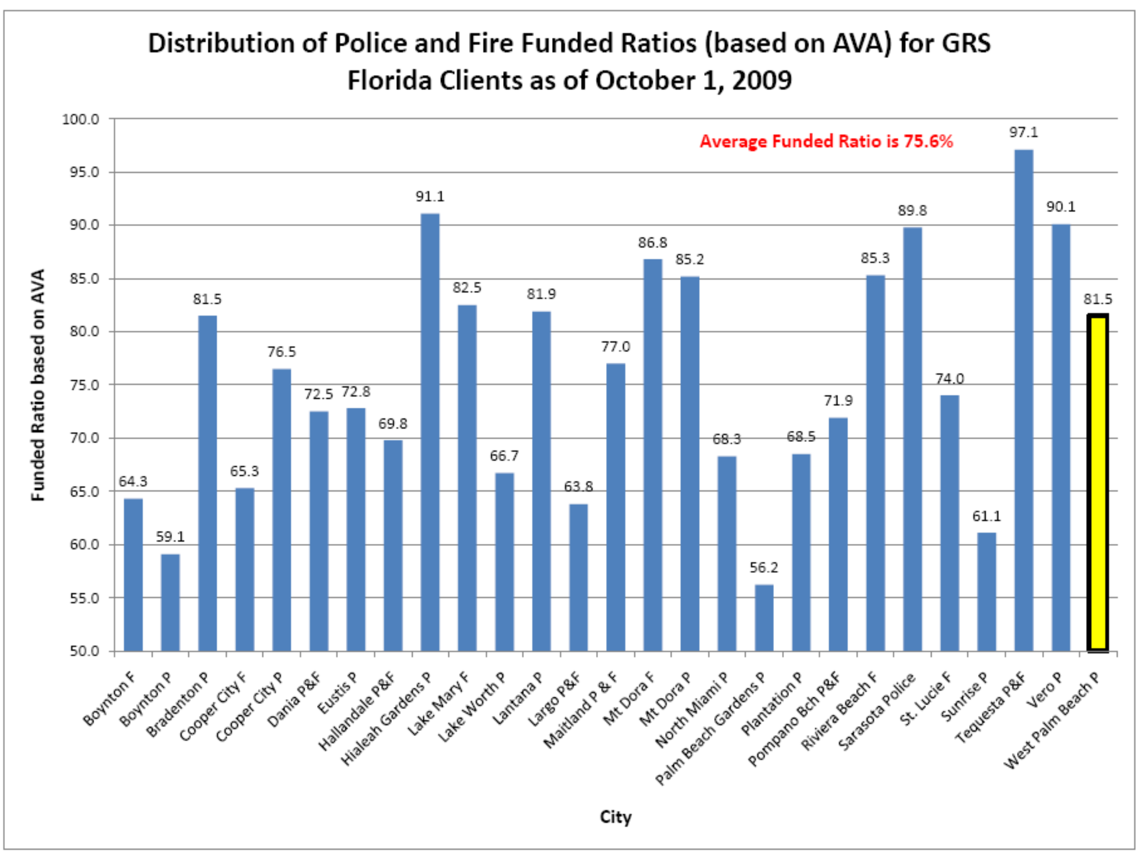


CHART 2

Office & Mailing Address
2100 North Florida Mango Road
West Palm Beach, Florida 33409

Phone: 561.471.0802
Fax: 561.471.5027

E-mail Comments and Suggestions to:

Email: info@wpbppf.com

Your Pension Contributions

Recently, we have had numerous inquiries made to the Office of Retirement by active members, asking about borrowing from their pension contributions made to the Fund and/or accessing their share accounts.

Unfortunately, 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 share account funds.

Record Numbers Began Receiving Social Security Retirement Benefits in 2009

Continued from page 13….

The take-up rate is the number of annual retirement benefit awards in a given year divided by the number of adults age 62 and older who had not yet started collecting benefits at the beginning of the year. Among men, the "take-up rate" reached 25.8% in 2009, up from 22.7% in 2008 and 21.2% in 2007. Among women, the take-up rate reached 36.6% in 2009, up from 34.8% in 2008 and 32.9% in 2007. The increase in take-up rates represents a change in trends. Although, benefit take-up rates for men and women peaked in 2000 when Congress eliminated the retirement earnings test, the take-up rates for men age 62 and older generally decreased between 1992 and 2007. This occurred mainly because the labor force participation rates for older men increased after 1992 due to increased work incentives, improved health, and greater concerns about retirement security.

The fact sheet is available at: www.urban.orgUploadedPDF/412010_retirement_benefit_awards.pdf