Town of Palm Beach Retirement System
Board of Trustees
Selection Committee
RFP No. 2019-20 Pension Administrator – REBID
and
RFP No. 2019-11 Custodial Services for Pension and OPEB Trust Assets
Minutes of Special Meeting May 6, 2019

I. Call to Order and Roll Call

Chairman Dan Stanton called the meeting at 9:00 a.m. in the Town of Palm Beach Hall Chambers, 360 South County Road, Palm Beach, Florida. 33480.

In Attendance:

TRUSTEES:
Daniel Stanton, Chairman
Gerald Goldsmith, Chairman Pro Tem
Brett Madison, Secretary
Jane Le Clainche, Trustee
Brad Kaufman, Trustee
Ed Carter, Trustee
Tom Parker, Trustee

ALSO PRESENT:
William P. Hanes, Administrator
Danielle Olson, HR Director
Dave West, Advisor
Dean Mealy, Purchasing Mgr.
Duke Basha, Assistant Purchasing Mgr.
Janice Rustin, Legal Counsel

Abesent: Michael Marx
Dan Wilkinson

II. Discussion of Evaluation Criteria and Proposals: RFP No. 2019-20 Pension Administrator – REBID

Chairman Stanton commented that the trustees can make a final decision today, or can have one or more of the bidders to come later for interview and decision. Mr. Dean Mealy discussed how to rank the bidders based on answers provided by bidders to each of the questions.

Chairman Stanton asked if any of the bidders that do not meet the criterion should be eliminated. Mr. Mealy stated only two of the three bidders are qualified, and there was one not qualified. Mr. Cooper was eliminated from consideration because he did not meet all the required qualifications from the proposals. The trustees discussed the remaining two bidders. It was discussed that GRS also serves as the board's current actuarial firm, and Lauterbach & Amen does not currently have a local office established in Florida. Chairman Stanton commented that the number of responses is pathetic. Mr. Dean discussed the department's effort with outreach to potential bidders. Mr. Carter stated the board should be aware that we will be going in another direction than we are accustomed. Chairman Stanton discussed the personal services that have been historically available through Mr. Hanes, and expressed concern over the change in administrative services. Mr. Madison expressed his concern, and that members will not want to go to Ft. Lauderdale for services.

III. Evaluation and Ranking Recommendation: RFP No. 2019-20 Pension Administrator – REBID

Chairman Stanton commented that he would like for GRS to be at the next board meeting on May 17, 2019. He stated that he believes GRS must be able to provide more access. He discussed the administrator duties provided by Mr. Hanes. He stated he would like to take the list of duties, and for the Town to be able to assume some of these tasks. He would like GRS and the Town to allocate between these duties so that there is complete clarity as to who is to perform the tasks.

Mr. Kaufman asked Mr. Hanes how many days in a week that he believes is required that the administrator be available at the Town. Mr. Hanes discussed the difficulty answering the question, and discussed that his biggest concern is with those members who are getting ready for retirement or DROP. He discussed that there are many more telephone calls than meetings with members because it is more convenient for members to discuss issues of their retirement by phone, as opposed to meetings during the working period. He stated that there may be a couple of times per week when he would need to be available to meet with a member, with five or six telephone calls over the week on average. He commented there are the rare times when there may be no meetings for retirements or

DROP participation. However, every day there are calls. He discussed that he noted GRS has agreed to be available on site once a month for educational meetings and for meeting members for retirement or DROP participation.

Chairman Stanton recommended that between now and the next meeting Mr. Hanes, Ms. Le Clainche, and Mr. Blouin review the list and determine two things. (1) Which of these duties should be done by the administrator, and which of these duties are to be done by the Town; and if it is to be done internally, who will be assigned the duty. (2) GRS is to be invited to interview at the next meeting of the board with their principal contacts, and that GRS should consider coming to the Town more than once a month. Ms. Le Clainche discussed the history behind the hire of Mr. Hanes, and that there are very few people that provide this type of administrative work for municipalities. She pointed out that Mr. Hanes, Ms. Olson and she and their departments already work very closely together with regard to the administrative duties.

Mr. Carter agreed with Chairman Stanton stating that we are breaking new ground, and we need to have the rules of the road before going forward. He discussed that we should define what we are expecting.

Mr. Parker asked to consider asking Mr. Hanes to enter into a transitory agreement to remain for a while. Mr. Hanes discussed that there has been discussion regarding a temporary month to month contract with the board, with only nominal duties that he will retain. He commented he is amenable to a contract with the board. He commented that the Town has been good to he and his wife, and we will remain to assist with the transition.

Mr. Kaufman asked if there is a conflict for GRS to serve the board as actuary and administrator. Ms. Rustin answered she will look at it, but does not believe there is a conflict. He asked that if the agreement with GRS changes, can the compensation paid to GRS get reduced. Mr. Mealy stated that it will be negotiated to be reduced based on the services changed.

Chairman Stanton recommended that there be a delineation of duties defined. Mr. Kaufman said he believes Mr. Hanes should provide the questions to GRS in preparation for the next meeting.

Mr. Madison made the motion to approve GRS as administrator and to request that GRS representatives attend and be interviewed by the board at the next quarterly board meeting on May 17, 2019. Mr. Carter seconded the motion. The trustees unanimously approved the motion.

IV. RFP No. 2019-11 – Custodial Services for Pension and OPEB Trust Assets

Mr. Hanes discussed the issues between Salem Trust representing a small financial institution versus the very well-known and large financial firm PNC.

Mr. West discussed the due diligence follow up with Salem Trust and PNC. He stated from his perspective that there is no bad choice with respect to the two bidders. He discussed the acquisition transaction of Salem Trust by TMI. He discussed the Salem Trust service commitment and business focus model, and stated we should receive the good service other of their clients receive. He stated the Salem Trust personnel have remained intact. He indicated that the Salem Trust offices are in Tampa, Florida and another in Texas. Mr. West commented that Salem Trust as an entity has been extremely forthcoming and transparent. He mentioned that Salem Trust has a third-party auditor that reviews and provides an annual audit report. Mr. Goldsmith asked about the fees, and Mr. Hanes noted that there is approximately $10,000 difference in the two bids favoring Salem Trust. Chairman Stanton inquired about level of services. Mr. West commented that AndCo has worked with both custodians, and find that Salem Trust is one of the better service providers and he places them in best quartile. He complemented Karen Russo with Salem Trust. He stated they are very visible, and Karen lives in Florida. He placed PNC in the first quartile, but indicated he has not personally worked with PNC as PNC has no Florida experience. Mr. West commented that AndCo looks to the custodians for providing the risk tier and liquidity tier required for reporting GASB 72. He stated that Salem Trust has been proactive in providing this service, while PNC does not provide this service. He commented that any of the trust companies are required to follow the same structure, and Salem Trust is owned by a limited liability company. He commented that client assets are prohibited from being comingled with the assets of Salem Trust Company or affiliates. Mr. Goldsmith asked if the bidder-trust companies have adequate insurance. Mr. West answered yes, and Salem Trust was an exception by having cyber insurance.

Chairman Stanton stated his concerns relative to the board's fiduciary duties, but while PNC is a well-known financial institution and Salem Trust is the smaller provider, the concerns of the board have been answered.

Mr. Kaufman noted from the discussion that the risk in loss of assets are not different between Custodians and asked if there is sufficient insurance. Mr. West stated that the amount of insurance carried by Salem Trust is sufficient. Mr. West stated that as a larger entity, PNC would carry a larger amount of insurance. Chairman Stanton commented that he now favors Salem Trust based on the service and noted Mr. West's strong bias toward Salem Trust.

Mr. Parker asked if any of the five references provided by Salem Trust were contacted. Mr. Mealy stated making calls to the references has not been requested, and he has not moved forward with calls to the references. Mr. Mealy stated he will make calls to the references.

The motion was made by Mr. Carter and seconded by Mr. Madison to approve Salem Trust as custodian subject to further due diligence with regard to checking references. The trustees unanimously approved the motion.

V. Adjournment

The board adjourned without motion.

Respectfully Submitted,

Brett E. Madison, Secretary
Town of Palm Beach Retirement System
Board of Trustees