The Town of Palm Beach Retirement System
Special Called Board of Trustees
Meeting Minutes
August 16, 2013

I. Call to Order and Roll Call

Chairman Snow called the meeting to order at 9:06 AM at the Town of Palm Beach Town Hall Chambers, 360 South County Road, Palm Beach, Florida 33480. Mr. Hanes notified the trustees that Mr. Ross had called him to indicate he would not be attending because of a business conflict of interest. He discussed that Mr. Garvy had called to notify him that there was a family emergency that will require his absence from the meeting. He discussed that an election process has been initiated but no members of the Firefighters have applied for serving on the board.

Several trustees welcomed Detective Caristo as trustee to the board.

In Attendance:

TRUSTEES:
Raymond Snow, Chairman
Gerald Goldsmith, Chairman Pro Tem
James McC. Wearn
Peter Elwell, Town Manager
Brett Madison, Trustee
Detective Nicholas Caristo, Trustee

ALSO PRESENT:
William P. Hanes, Pension Administrator
James W. Linn, Board Attorney
Cheryl Somers, Deputy Finance Director
Danielle Olson, Director, Human Resources
Susan Owens, Town Clerk

II. Oath of Office, Susan Owens

Ms. Susan Owens, Town Clerk, administered the oath of office before Detective Caristo.

III. Approval of Agenda

The board unanimously adopted the agenda without amendment.

IV. Comments by Trustees

Mr. Elwell updated the trustees regarding details of changes that Town Council made enhancing retirement benefits for public employees scheduled for October 1, 2013. He provided a handout chart and discussed. He discussed that the substance of the program is to level the defined benefit contribution rates for public employees at 2.47% of salary. He commented for the record that he believed the rates charged at the time of the changes to the program were fair and the right thing to do at the time, but that as the plan is going forward he believes that based on the many new employees being hired and considering the disparity in rates paid based on a hiring date of May 1, 2013, he felt it is fair to make the change. He discussed that all employees not covered by a collective bargaining agreement will now receive the mandatory 4% DC contribution, notwithstanding a date of hire. Mr. Elwell commented that Town Council member Robert Wildrick proposed that a discretionary additional contribution be paid to employees, and that the DC plan technically goes from a money purchase plan to a profit sharing plan, and enables the Town to create additional contributions in an amount that will be determined each year based on the circumstances of the fiscal year, and will be budgeted in an amount from 0-4% of additional salary contribution.

Mr. Wearn asked if there had been any feedback from the employees. Mr. Elwell answered that there have been both negative and positive feedback at the meetings held to roll out the information, with the negative being from questions indicating the desire to be as it was, and more positive comments from employees who were asking good questions and creating good interaction with inquiries about the plan in total, and recognizing the upside of a defined contribution part of the plan. He indicated that approximately one-third of the employees have attended the educational sessions.

Mr. Madison stated that the changes have been a positive, and commented that members are more on board with the defined contribution part of the retirement benefit.

Chairman Snow made a comment regarding his service on the board since the financial woes of 2008, and commended the service of trustees who previously served the boards. He commended Mr. Hanes for his work for the boards since 2008, and commended the employee trustees for their good work on the boards.

V. Approval of Minutes: May 17, May 31, June 14, 2013

Mr. Wearn noted that he had asked Mr. Hanes to expound on comments made by Mr. Garvy at the June 14 meeting and asked that those meeting minutes be deferred until that is done.

Mr. Wearn made the motion to approve the minutes of the May 17, 2013 meeting. Mr. Goldsmith seconded the motion. The trustees unanimously approved the motion.

Mr. Wearn made the motion to approve the minutes of the May 31, 2013 meeting. Mr. Elwell seconded the motion. The trustees unanimously approved the motion.

Mr. Elwell requested that when presenting the altered June 14 meeting minutes that the administrator red line the changed language.

VI. Financial Report, Cheryl Somers, Deputy Finance Director

Ms. Cheryl Somers presented the Financial Report in the absence of Ms. Struder, Finance Director.

Ms. Somers reviewed the written Finanacial Report previously provided the trustees. She presented the Statement of Net Assets and Statement of changes in Net Assets. She noted the changes in net assets at the end of June represented $5.4 million and the changes from the previous year was $11.6 million.

Chairman Snow made an inquiry regarding what appears to be a transfer from the Firefighters plan. Ms. Somers inquired of Mr. Hanes, who stated he believed that without review of the particular accounts that it probably represents the dollars from the Firefighter's accounts transferred to the General plan in the effort to consolidate the three plans. She discussed from the cash flow statement that there will need to be a transfer of an additional $4 million over the next three months to satisfy benefit payments and other administrative expenses.

Ms. Somers reviewed the disbursement expenses statement with the trustees. Chairman Snow and Mr. Wearn inquired about a particular expense from the distribution list in payment to Jones, Foster. Mr. Wearn asked about a payment made to Cox Media Group and Officeteam. Ms. Somers stated that the Cox Media Group was for the advertising of the RFP for selection of an auditor, and the Office team payment is for the temporary help currently working in the Division of Human Resources that supports the retirement board.

Ms. Danielle Olson, Director of Human Resources, stated that there is salary that is associated with a temporary employee in HR that is allocated to clerical work done for the retirement board since the permanent employee that is usually working for the board has been out of service due to maternity leave. She clarified that the services paid for the clerical work for the board has become a contractual engagement with a Temp service agency instead of the normal payroll accounting related to a Town employee.

The trustees agreed without motion to defer the Financial Report until there is information to explain the Jones, Foster payment.

VII. Member Account Credited Interest, Cheryl Somers, Deputy Finance Director

Ms. Somers presented on a matter of credited employee interest on accounts per the Town Code. She discussed that the board had previously decided to credit the rate each year based on the Treasury 10 year rate. She indicated that the September 30, 2013 rate will be set for 2.6%.

Mr. Madison made the motion to adopt a rate of 2.6% for September 30, 2013. Mr. Elwell seconded the motion. Mr. Wearn asked that the administrator provide a report on the basis for why the General Employees had chosen the 10-year Treasury. The trustees unanimously adopted the motion.

VIII. Disability Claims, William Hanes, Administrator

Mr. Hanes presented the matters of two claims made by members for disability benefit approval. He discussed the claim by Mr. Reginald Chappelle, a General Employee. He discussed the Independent Medical Examiner's opinion, and that the opinion concludes that the claimant is not disabled in the line of duty, but the physician recommended approval based on a non-duty claim of disability. Mr Wearn added that he believed the opinion rendered by examiner Dr. Wexler is a good, solid, medical opinion.

Mr. Hanes discussed that Mr. Chappelle has filed and is receiving an early retirement benefit that will be increased nominally if the board approves disability. He added that the board will need to determine the commencement of disability, and whether to make the disability amount effective for a retroactive date. He indicated that if approved the disability retirement will increase Mr. Chappelle's retirement amount to what he would have been eligible to receive at normal retirement age, which is slightly more than he is receiving currently through an early retirement benefit monthly payment. He explained that the increase would amount to approximately $70 per month.

Mr. Madison stated that for reason of full disclosure he wanted the board to know that Mr. Chappel is a co-worker for the Division of Public Works, and that he and Mr. Chappelle had discussed his claim for disability.

Mr. Linn asked if Mr. Chappelle had applied for disability at the same time he had applied for early retirement. Mr. Hanes answered in the affirmative. Mr. Linn stated that under these circumstances that it would be within the board's discretion to grant the disability from the date that he applied.

Mr. Elwell made the motion to approve the application for a non-duty disability benefit and to go forward with the disability pension benefit paid retroactive to his application date. Mr. Madison seconded the motion. The trustees unanimously adopted the motion.

Mr. Hanes presented the matter of the disability claim made by Mr. Brad Kliphouse. Mr. Hanes stated that he initially received back from the independent medical physician a report without an opinion, and that he made repeated attempts to persuade the physician to provide a written opinion. Mr. Hanes presented the board with a recent written report provided by the physician. He noted that the physician did state that the claimant is not disabled because of a duty disability, and was ambiguous regarding the claimant's disability claim of non-duty disability. Mr. Hanes pointed out that there were other statements from other Cardiologists found with the claimants medical file indicating the claimant is not able to do the work as a Firefighter.

Mr. Linn stated that the law requires a certification from a physician that the claimant is totally and permanently disabled based on application of the law, meaning he can not and will not be able to perform the duties of a Firefighter. He stated that while there seems to be two physicians to state that the claimant is not able to do the work as a Firefighter, that there does not seem to be a written certification by a physician stating the opinion in terms of what is needed for the pension plan to approve the claim. He stated that his legal conclusion is that for the record today there is not sufficient medical evidence for the board to approve the claim.

Mr. Wearn stated that he believes that the legal threshold has not been met, and the board will need an opinion based on a reasonable degree of medical certainty before it can act. He asked if the current physician has been compensated for his opinion. Mr. Hanes answered in the affirmative.

Chairman Snow made note of the numerous conversations with Mr. Hanes over the summer reflecting Mr. Hanes's frustration over attempts to obtain a clear and unambiguous statement from the independent physician.

Mr. Wearn made the **motion that the administrator go back to both the other physicians of record that had examined the claimant (not IME) with a recent MRI to get a commitment to provide a specific opinion, one way or another, before engaging with the physician to do the work. Mr. Elwell seconded the motion but wanted to make note on the record that the board is not asking the physicians to provide the answers the physicians may believe the board may be seeking, but rather to provide the report and opinion based on the physician's independent medical review regarding the disability claim. The trustees unanimously adopted the motion.**

Mr. Wearn added that a letter should be sent by the administrator to the physician serving as the prior IME to state that the physician did not perform under the obligation he had promised, and to request that he do what he had promised to do or to return the compensation he has been paid. Mr. Elwell accepted the suggested amendment to the motion. The trustees unanimously adopted the motion as amended.

Chairman Snow announced a 5-minute break.

IX. Actuarial Considerations, Brad Armstrong, GRS (Participation by Phone)

Chairman Snow made note that Actuary Brad Armstrong will be delivering his presentation to the board by phone, and referred to documents provided to trustees prior to the meeting containing the information regarding the issues.

Mr. Armstrong discussed the issue of smoothing, and commented that for the actuarial smoothing of assets to be worth while, it should be smoother than market, yet stay reasonably close to market, and under actuarial standards should convert to market over a period. He noted that the current asset valuation method consists of 5 year smoothing of gains and losses, above and below the assumed return. He discussed that the state of Florida has a mandate called a corridor representing a cap not to go below 80% of market value to 120% above market value.

Mr. Armstrong referred to a handout, and stated that for purpose of the back testing used by GRS that the 7-year smoothing accomplishes a little less volatility in both contribution changes and funding ratio year after year. Mr. Armstrong indicated that he introduced arbitrary volatility going forward when referring to the graph that marked the 5 and 7 years smoothing track with market valuation, and noted that the illustration shows that there is a slightly less volatility with contribution rates and funding percentage with the 7-year smoothing. He stated as a closing point that the change only impacts the timing of the contribution requirements, and does not impact the long-term cost.

Chairman Snow made note that he is surprised that the difference in 7-year impact versus smoothing of the 5 years is so small. The trustees discussed that it is a good policy to stabilize budget contributions, and several trustees agreed that the change from 5 to 7 years does not do much to stabilize the contributions over the 5-year approach. Mr. Elwell noted that he is concerned that because the change to a 7-year smoothing method will reduce volatility, it may reduce the alarm during the bad times. He commented that from a budgetary standpoint he likes the 7-years valuation, but expressed his worry that a change to the 7-years smoothing may cause an unrealistic level of comfort. Mr. Wearn commented that to amplify the comment by Mr. Elwell one could argue for 10-year smoothing or more. He expressed his opinion that 5 years fits nicely to serve as an alarm in times when the board should be alarmed, and when times are better it produces a reasonable degree of comfort. He commented that he does not see a reason for the change.

Mr. Madison asked if there is a correlation between the 7-year smoothing and the recently enacted 7.5 investment return assumption that should be considered, and suggested that the board should continue operating with the 7.5% investment return for a while before considering a change in the smoothing method. Chairman Snow expressed that he supports remaining with a 5-year smoothing method.

Mr. Armstrong reviewed his memorandum to the board regarding the issue of a permanent 2% DROP reduction applicable to General Employees choosing DROP participation. He discussed the events that impact the decision regarding the DROP 2% reduction, and that events will dictate whether there should be a reduction or not and stated the events should be neutralized with respect to the cost to the Town. He stated that the issue is whether the plan is cost neutral with or without the DROP, and noted that the 2% reduction was necessary to make the plan neutral prior to the change in the benefits. He stated that the 2% reduction continues to be necessary for the grandfathered members because they continue to have accruals. Mr. Armstrong recommended that there no longer be a 2% reduction applied to DROP non-gradfathered benefits. He commented that there are 11 individuals that entered DROP on or after May 1, 2012. He stated that if Town Council enacts an ordinance consistent with his recommendation, that the Town's contribution increase would be $1/10^{th}$ of 1% of payroll.

Mr. Armstrong mentioned that DROP benefits are offered for the employees under the new benefit plan, but employees cannot enter DROP until age 65 under the plan. He recommended to eliminate the 2% reduction to that group as well.

Mr. Hanes asked Mr. Armstrong whether there is a need to review other assumptions in the plan in order to make the plan cost to the Town neutral. Mr. Armstrong stated that the behavior of the employees will change over time and that he would prefer to wait on behavioral experiences. He stated that while he agreed with Mr. Hanes, that he would rather wait to review and consider change later.

Mr. Madison raised an issue regarding the cost related to employees who are grandfathered in the former plan. Mr. Armstrong opined that the grandfather group as well as the 11 DROP employees who chose the benefit based on the benefits at the time and stated he did not see why it should be changed. He noted that the board could include all the people in the past who participated with DROP, but it would be costly and would not be his recommendation. Chairman Snow requested from Mr. Armstrong the cost to rebate the frozen benefit group choosing DROP. Mr. Armstrong answered no more than $10,000.

Mr. Madison made a motion **to drop the 2% reduction for General Employees commencing DROP on or after May 1, 2012 and to make retroactive (not including Grandfathered).** Mr. Elwell noted that the Town Council could have the ordinance ready for first reading consideration in September and it could be effective after the October meeting of Town Council. **Mr. Goldsmith seconded the motion**, and asked that a dollar amount be attached as an estimate. Mr. Elwell noted that an actuarial analysis will be required.

Mr. Elwell stated that it is his opinion that the cost is reasonable to eliminate the 2% DROP reduction for employees with frozen benefits who chose to enter DROP on or after May 1, 2012 as recommended by the actuary, but that he is struggling a bit with the idea of applying retroactively. He commented that he has a fully informed opinion regarding the grandfathered group who have already rendered long, dedicated, valued service. He stated that the grandfathered employees are fortunate to be able to continue to receive the benefit and accruing new value in their ultimate pension payments, and that the specific fairness issue addresses the rational basis for the initial actuarial recommendation for the reduction that continues to apply and was an appropriate feature of the plan A. He stated that he sees it quite different from the idea of extending a retroactive payment to the frozen benefit group as of the change of the plan.

Mr. Elwell asked Mr. Armstrong if the board were to go on with the meeting and to rejoin him later, would Mr. Armstrong be able to then provide the board the cost for the retro-active frozen benefit DROP group this afternoon for the actuarial and arithmetical amount? Mr. Armstrong asked what date he should assume for the ordinance effective date. Mr. Elwell told Mr. Armstrong that he should assume the ordinance will become effective on October 8, 2013. Mr. Armstrong stated that he could do it and will be available in the afternoon.

The board tabled the motion until later in the day.

Item VI continued:

Ms. Somers reported to the board that regarding the disbursement report and the payment to Jones, Foster that there was a miscoding and only $211.50 was paid from the retirement plan. She stated that she will see that the correction is made. Trustees made further inquiry regarding the service provided for which payment was made. Ms. Somers stated that she had not researched that matter. Mr. Elwell stated that it probably related to the drafting of an ordinance and packaging to Town Council the matters of amendments for the board. Mr. Linn discussed that he had conversations with Mr. Randolph regarding an earlier ordinance drafted on behalf of the board. Mr. Elwell stated that it is more than likely that it was the conversations with Mr. Linn that fell into the account that is part of the disbursement report.

Mr. Wearn made the motion to approve the disbursements report that has been provided the trustees at this time with the correction and to file for audit. Mr. Goldsmith seconded the motion. The trustees unanimously adopted the motion.

X. Investment Report, Lawrence Marino and Rosemary Guillette, Segal Rogerscasey

Mr. Lawrence Marino and Rosemary Guillette provided the quarterly investment report to the board. Mr. Marino discussed matters of rebalance and asset allocation from a chart based on a June 30, 2013 report. He provided comments on what will need to be done going forward to get closer to target. Mr. Marino discussed matters of manager hiring and the transfer of assets to date. He stated that the board will need to determine at the November 22 board meeting whether to invest in Core real estate via REITs, or whether to hire just Core managers. He discussed that the board had recently hired Harborvest for private equity, and that he is planning to present the secondary search today.

Mr. Marino presented the June 30, 2013 quarterly investment report. He discussed the financial market conditions. He made note of the significant swings in the S&P 500 performances from June 30, July 31, and to the previous day (August 15, 2013). He discussed the composite performance, and made note that there has been a major change in the roster of managers from the March 31 quarterly report to the June 30 quarterly report date. He observed that a lot of changes have been made over that period, and that there are still more to come. He discussed the performance of the individual funds over the dates since engagement with the board, and stated that the movement of the monies has had a big impact on the performance for the quarter.

Mr. Hanes noted that he had asked Ms. Guillette to provide him a composite from the different Town legacy funds, and that the trustees previously received the report. Mr. Hanes stated that the June 30, 2013 year 11.85% return represents a good return, and as good or better than most state plans. Mr. Marino and Ms. Guillette agreed, especially considering all the transition taking place over the period.

Mr. Marino continued with review of each manager's performance.. He indicated that the international funds are doing extremely well. Chairman Snow commented that Harris's performance has been extremely good. Mr. Marino discussed that the board has been very fortunate in the performance of the fixed income bucket considering the current market and with respect to the active management lineup. He stated that the hedge funds have shown very good performance, and that there is a problem in regard to the allocation target in that the plan holds too many of them. He stated that the board would be over allocated to hedge funds without a change. He stated that in looking at the overall performance of the fund over the quarter that in general we did ok, but much better than ok when considering the cash in flows and out flows during the quarter. He commented that the portfolio with a few additions and deletions will be very solid going forward. Chairman Snow noted that there will be a distribution of $4 million to pay for plan benefits and expenses, and asked where the monies will be taken. Mr. Marino stated it will probably come from the S&P index, where we are currently over-allocated.

Ms. Guillette reviewed the performance report for the defined contribution plans, and noted that the 457 continues to hold most of the assets of the employees. She commented that the report includes the funds recommended for elimination. She stated that there will be additional demographic information about the fund participation at the next quarterly meeting, and made note that most of the participants continue to participate with the stable value fund. She complimented the Town for the educational program implemented with the employees and that future reports will bear out the diversification of individual member accounts.

Mr. Elwell commented that there were a third of employees who participate in the Milestone target funds. He stated that he would like to know the number of employees that are participating in only one fund, but that he believed the target fund itself seems a good way to diversify. Ms. Guillette stated that there are many funds that Segal Rogerscasey would consider sufficient for diversification and appropriate for an individual to participate only, and without participation in other funds. She commented that employees on average participate in 3.6 plans, and stated she would provide the median number in the next report. She reviewed the chart indicating account balances in the 457 plan. She commented that she will continue to add demographic information with future reports, like how many people are calling in or go on the Internet, and how many people actually made changes based on the contact. She commented that it will be informative for the trustees and Town to view later activity of the members.

Mr. Elwell stated that every employee of the Town will have a one-on-one with the advisors, and discussed that it would be desirable that coordination exist between Segal Rogerscasey and Human Resources to be able to track the data related to employees making changes to their portfolios following the one-on-one meetings. Ms. Guillette stated that she will discuss with ICMA. Mr. Elwell commented that he does not want to miss the opportunity to track the information at this important time of Town educational efforts with the employees.

(The board agreed without motion to consider interviews of managers following lunch, and to defer other items not yet considered).

XV. The board recessed for lunch.

XVI. PIMCO

There was a presentation of firm qualifications by Ruchant Sanathara.

XVII. Standard Life Investments

There was a presentation of firm qualifications by Tam McVie and David Gallagher.

XVIII. Invesco

There was a presentation of firm qualification by Carrie Hepburn and Mike McCue.

XIX. Putnam

There was a presentation of firm qualification by Paul Heffernan and Jason Viallancourt.

(Item IX continued discussion)

Actuary Brad Armstrong reported by phone the information requested earlier in the day by the trustees. He stated that to eliminate the reduction for the group of the 14 frozen benefit DROP employees going forward would create a cost of 4/100th of a percent of payroll. He added that if the board was to make the same group whole (retroactive payment of lost 2% reduction for months in pay status through ½ month in October) would be $5,467.00. He stated that if instead the board decided to amortize the cost based on the actuarial method based on a retroactive payment on payroll, that the payment would be less than ½ of 1/100th of a percent of payroll, or .003% of payroll. Mr. Elwell stated that it would not be a major budget item, and suggested that he believed that the board should agree to pay the retroactive amount to the frozen benefit DROP group as a total disbursement from the fund in the amount of $5,467.00 in lump sum payments to the employees.

Mr. Hanes asked if the actuary can provide to him the amounts due each frozen benefit DROP participant based on a period from commencement to the October date when Town Council effects the enactment of the ordinance. Mr. Elwell stated that would be what he intended.

Mr. Wearn asked Mr. Armstrong that in the event the ordinance is not enacted until after the October date would the additional work be included under the earlier agreement with the board?

Mr. Armstrong stated that any additional work would not exceed $500.

Mr. Wearn moved that the board authorize payment for the report and additional work in an amount not to exceed $1,000. The amendments were agreed to without motion or objection by the makers of the motion. There was no further discussion and the board unanimously approved the motion.

(continuation from item X regarding the defined benefit plan)

Ms. Guillette discussed demographic information regarding the number of people participating in the DC funds and reviewed the proprietary ratings of the funds. Mr. Madison asked if there can be funds added to the list through ICMA. He commented that he believed all funds are with ICMA. Ms. Guillette answered that she will work with ICMA to add the recommended funds to the ICMA platform if not already included.

Mr. Elwell requested that he be able to see the list organized in a way to determine what funds are being recommended for termination versus what funds are not being recommended for termination. He stated that he would like to focus in on the issue of how many employees will be impacted by the termination of particular funds. Ms. Guillette agreed to do so.

XX. Segal: Discussion of GTAA, Risk Parity and Private Equity Secondary Fund of Funds

Mr. Marino discussed the search candidates interviewed by the board. He referred to page 28 and 29 of the report for evaluating the up and down market captures. He stated that Standard Life reported the highest return with the lowest standard deviation, and that PIMCO and Putnam are top quality funds.

Chairman Snow stated that he wondered if we need Risk Parity and expressed his concerns regarding the need for further diversification, but was satisfied after discussing with Mr. Marino. He noted that we already have much inflation hedging and diversification in the portfolio, and stated that Mr. Marino had pointed out that the current fund may not be as tactically positioned to timely transition with those funds. He further commented his concern that he believed that a number of these strategies were borne out of the 2008 climate, and he believed that the board was already managing the risks well with the current diversification. He expressed concern that the current fund strategies are so different than the strategies adopted by the boards in the past, but commented that the concern of being different is also the reason he likes Standard Life, and that the approach they use is so different. He discussed that the presenter gave satisfactory answers to his concerns and that Standard Life provides a portfolio somewhat defensive and with good performance.

Mr. Wearn drew comparisons with Putnam and Standard Life and noted that Putnam demonstrates steady returns. Mr. Marino noted the performance differences between Putnam and Standard Life in the down market of 2008 with a significantly better performance by Standard Life for that year.

Mr. Wearn moved for the selection of Standard Life. Mr. Goldsmith seconded the motion. The trustees unanimously adopted the motion.

The trustees discussed with Mr. Marino the matter of deferring discussion about the private equity secondary selection. Mr. Marino stated that he does not believe that waiting until the next quarterly meeting will create a problem. Mr. Elwell stated that he would prefer that the board wait so that a future meeting may include the trustees not present at the day's meeting.

XI. Attorney Report, James Linn

Mr. Linn raised an issue of plan interpretation on how to apply disability provisions. He discussed that the provision applies 60% of final average compensation with regard to duty disability. Mr. Linn discussed with the board the previously provided written opinion to the board. He recommended that the board endorse the interpretation.

Mr. Wearn expressed that the board should not be quasi-judicial, and stated that he believes it is appropriate that the board to refer the interpretation of the code to Town Council as the legislative body enacting the law.

Mr. Elwell stated that if the board takes the matter to Town Council that he believed the Town Council will approve it. He commented that he had previously discussed with Mr. Hanes, and he believed the legislative intent is clear. He stated that when the staff was reviewing the provisions of the code that it did so very carefully, and that a very deliberate decision was made to defer changing sections that were not needed to be changed.. He stated that he remembers vivid discussions that the disability benefits were not to be changed, and expressed his opinion the provision is clear and provides for the new plan employees what the old rules provided.

Mr. Hanes asked Mr. Linn if he believed there is a need for the non-duty disability to be interpreted based on a 30% of Average Final Compensation with regard to Police Officers and

Firefighters. Mr. Linn stated his opinion that he believes the language in the plan makes it clear how to apply the provision. Mr. Madison inquired as to whether or not the board should not first take action to decide on the meaning of the code before sending to Town Council for agreement. Mr. Wearn disagreed and commented that it is a matter of legislative interpretation which is a much different thing than for the board to take interpretive action applying what the legislature said.

Mr. Elwell stated that he did not believe that the board is legislating or attempting to intervene in the legislative process. He said that he believed that others and he on the board believe it is appropriate to interpret the ordinance and apply it. He commented that he believed that to be the job of the board. He stated that he believed it is within the board's jurisdiction to apply the provisions of the code, but noted that he does not believe there is a particular problem providing to Town Council along with the other matter discussed today that is scheduled to go to Town Council, but agreed with Mr. Madison that it is appropriate for the board to provide the Town Council with the interpretation of the board.

Mr. Wearn made the motion to refer the matter to Town Council to determine the legislative intent or for an ordinance amendment to clarify the issue so that the board can properly apply the ordinance without making an interpretation or infringing on the legislative jurisdiction of the Town Council. Mr. Goldsmith seconded the motion.

Mr. Elwell stated that he will vote in favor of the motion even though he does not believe it is necessary, but has decided that it will not do any harm. He stated that what he would like for the motion to reflect is a two step approach, and that we get the interpretation as soon as possible in September. If the Town Council believes that amending the ordinance is appropriate to clarify the language, it could do so later. He indicated it would allow the board to implement what the board knows is the interpretation. He stated he believes the appropriate steps is that he provide a memorandum to the Town Council that will be placed on top of Mr. Linn's memorandum to the board, so that Town Council gets Mr. Linn's full advice (duty and non-duty disability), and that Mr. Elwell expresses on behalf of the board in a separate memo that he believes that Mr. Linn's memorandum accurately reflects the legislative intent at the time that Town Council took the action. He indicated that his memorandum will ask Town Council whether it agrees or does Town Council need to give the board different direction. Mr. Wearn commented that what Mr. Elwell described is precisely what he contemplated in his motion.

The trustees unanimously approved the motion.

XII. Administrator's Report: William Hanes, Administrator

Mr. Hanes discussed that the Chapter 185 share monies due Police Officers have been fully implemented except for the final payments to be made.

Mr. Hanes thanked Chairman Snow and Chairman Pro Tem Goldsmith for being available to authorize with him the several subscriptions and many other transactions with the custodian, investment consultant, and managers required during a very active time in transition of the portfolio.

XIII. Retirement/Benefit Payments, William Hanes

Mr. Elwell made the motion to approve the administrator's report. Mr. Goldsmith seconded the motion. The trustees unanimously approved the motion.

XIV. Other Business

The board had no further business.

XXI Adjournment

The chairman announced adjournment without objection from the trustees.

Respectfully submitted,

Chairman for Secretary

James McC. Wearn, Secretary
Town of Palm Beach Retirement System