The Town of Palm Beach Retirement System
Minutes of Special Board of Trustees Meeting
June 14, 2013

I. Call to Order and Roll Call

Chairman Snow called the meeting to order at 9:00 AM in the Town of Palm Beach Town Hall Chambers, 360 South County Road, Palm Beach, Florida 33480.

In Attendance:

TRUSTEES:
Raymond Snow, Chairman
Gerald Goldsmith, Chairman Pro Tem
James McC. Wearn, Secretary
Peter Elwell, Town Manager
Wilbur Ross
Robert Garvy
Brett Madison
John Cuomo

ALSO PRESENT:
William P. Hanes, Pension Administrator
Lawrence Marino, Segal Rogerscasey
Rosemary Guillette, Segal Rogerscasey
William Diamond, Town Council Member

II. Comment by Trustees

Mr. Elwell thanked Chairman Snow for his annual report presented to the Town Council.

Mr. Cuomo asked if the Police member had been chosen. Mr. Hanes responded that an election is in process.

Chairman Snow discussed that he had presented an all-inclusive report to Town Council. He made note of several comments made by members of Town Council. He stated that Councilman Wildrick had requested a consolidated sheet on the retirement system over the past few years that would illustrate trends; that there were Council members who supported the board's change from 8% to 7.5%; and that Mayor Coniglio commended the board for the progress made in efforts by trustees to consolidate the funds. Chairman Snow noted that Ms. Olson will be presenting to Town Council at the July Town Council meeting regarding a program involving she and her staff in conjunction with ICMA representatives to provide personalized investment information to the public employees.

Chairman Snow commented that Mr. Rosow discussed the risks of private equity. He commented that the Town Council discussed a related matter later in the meeting regarding Town board term limits.

Chairman Snow stated that the Town Council passed on first reading Ordinance 7-2013 in regards to Police Chapter 185 share money to be distributed to Police Officers, and to authorize the board to approve alternative investments. He noted that he anticipated the 2nd reading and final passage to be at the July Town Council meeting.

Mr. Elwell discussed that he had recently met with Mr. Hanes, Mr. Linn, and staff to discuss the implementation plan for the Police 185 money distributions, and that after the July Town Council meeting, he anticipates that the Town will move forward with implementation of the distribution.

III. Approval of Agenda

Mr. Wearn moved that the title of agenda item IV be amended to add "and selection." Mr. Goldsmith seconded the motion. The trustees unanimously adopted the motion.

Mr. Wearn made a motion to approve the agenda with the amendment. Mr. Ross seconded the motion. The trustees unanimously approved the agenda.

IV. Management Search and Selection

Core Real Estate

A. J.P. Morgan Asset Management
There was a presentation of firm qualifications by Michael Duignan and Gregory Pittenger.

B. UBS Realty Advisors
There was a presentation of firm qualifications by Maria Bascetta.

There was a brief break.

Value Added Real Estate

C. Colony Realty Partners
There was a presentation of firm qualifications by Scott Freeman, Henry Brauer, and Emily Margolis.

D. Heitman –
There was a presentation of firm qualifications by Shauna Dills, John Clement, and Thomas McCarthy.

There was discussion on REITs and Real Estate interest rates and total returns. Mr. Marino discussed the correlation matrix handout.

E. Long Wharf Real Estate Partners LLC –
There was a presentation of firm qualifications by Jeffrey Gandel and Justin Smith.

There was a break for lunch.

Opportunistic Real Estate

F. Gerding Edlen Investment Management –
There was a presentation of firm qualifications by Mark Edlen and Molly Bordonaro.

G. Westport Capital Partners –
There was a presentation of firm qualifications by Russel Bernard.

There was a brief break.

V. Segal Rogerscasey Manager Search Discussion – 1:45

Chairman Snow began the discussion reminding board members of the proposed allocations: $9.3 million targeted for core, $8 million targeted for value plus and opportunity, and the balance for the publicly traded REIT index funds (based on asset valuations dated December 31, 2012). Mr. Marino discussed that Mr. Garvy had raised an issue as to whether we are to have real estate and what type of real estate, and that then the board will need to decide the selection of specific managers. Mr. Ross posed "what does the Core add?" He stated that he did not believe that any of the presenters made the case for why you should buy Core Real Estate now, and he did not believe that the manner in which leverage is used makes sense.

Mr. Garvy stated that the Core has no appeal to him when contrasting with other options. He stated that he prefers a passive option. He compared the SSGA REIT index fund to the Vanguard REIT index fund, and stated his opinion that "there is no question where to go." He noted that Vanguard has 1/10th the cost, a higher return, and no litigation issues. He did acknowledge, however, that in the down years there can be more volatility with the Vanguard fund.

Mr. Garvy discussed various longer term fund performance differences between Core and the Vanguard fund to illustrate that performance comparison is not close. He stated that he agreed with Mr. Ross's earlier comments, and suggested that if the board is going to do an allocation for basic Real Estate that it should be done passively with the Vanguard REIT index fund.

Mr. Marino stated that if the board wants to go in the way discussed, that he did not have a problem saying of the $20 million to be allocated that $10 million can be allocated to REITS and $10 million can be split equally between the value added and opportunistic funds.

Mr. Marino commented that real estate investments are to be looked at over the long-term. He explained that the allocation needed to be filled, and that it will take two to three years to invest in the opportunistic funds. He added it would not be beneficial to wait to make the investments.

Ms. Guillette discussed risk profile of REITs versus core. She commented that due to investment queues the board must wait a year before money can be invested in core funds. She stated that there is great volatility in REITs. Ms. Guillette discussed that there is Real Estate exposure through REITs over the long-term period, and there is more risk and a timing issue in the short term. There was discussion as to whether an investment decision regarding REIT should be deferred until the August quarterly board meeting.

Mr. Ross made a motion to choose to allocate $10 million between Gerding Edlen Investment Management and Westport Capital Partners at $5 million to each. Mr. Garvy seconded the motion. The trustees unanimously approved the motion.

The board requested the consultant to return in August with additional information about REITs and how it affects the ALM. The board chose to postponed the decision on the REIT choices without motion.

The board discussed that private equity secondaries should be a subject for a future meeting. Mr. Marino commented that there is an appropriate place within the current portfolio to hold the monies that are to be allocated to the space until the actual allocation decisions are later made by the board.

VI. Adjournment

Mr. Goldsmith made a motion to adjourn the meeting at 2:49 pm. Mr. Ross seconded the motion. The trustees unanimously approved the motion.

Respectfully submitted,

Chairman for

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

J M Wearn Sec.