The Town of Palm Beach Retirement System
Board of Trustees
Minutes of May 31, 2013 Special Meeting

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

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

Absent:
John Cuomo

II. Comment by Trustees

Mr. Hanes announced that he had received a letter from Trustee Michael Bates tendering his resignation from the board. The Police Department is conducting an election process.

Mr. Cuomo gave advanced written notice of his absence to the board. (The reason indicated does not comply with conditions of excused absence under the code.)

III. Approval of Agenda

Mr. Madison made a motion to approve the agenda. Mr. Ross seconded the motion. The trustees unanimously approved the agenda.

IV. Management Search

<u>Private Equity Fund of Funds</u>

A. BlackRock Private Equity Partners
There was a presentation of firm qualifications by Stephen Kelly and Leo Chenette.

B. HarbourVest Partners LLC
There was a presentation of firm qualifications by John Morris and Wladimir Ortega.

C. Neuberger Berman
There was a presentation of firm qualifications by John Buser and Jonathan Shofet.

There was a brief break.

<u>Emerging Markets Equity</u>

A. Acadian Asset Management, LLC

There was a presentation of firm qualifications by Joshua White and Jack Gastler.

B. Wells Capital Management (Berkley)
There was a presentation of firm qualifications by Gerry Colleary and Dann Smith.

C. Brandes Investment Partners, L.P.
There was a presentation of firm qualifications by Grant Duncan and Louis Lau.

There was a break for lunch.

High Yield Fixed Income

A. Hotchkis and Wiley Capital Management
There was a presentation of firm qualifications by Patrick Meegan and Pat McMenamin.

B. Loomis, Sayles & Company
There was a presentation of firm qualifications by John Gallagher.

C. Neuberger Berman
There was a presentation of firm qualifications by Brian Brown and Dan Doyle.

There was a brief break.

Segal Rogerscasey Manager Search Discussion

Chairman Snow thanked Segal Rogerscasey for their work preparing the investment manager presentations. Mr. Marino discussed matters that need to receive board decisions after the managers from the day's presentations are selected.

There was discussion regarding the Private Equity Fund Managers who presented. There were over 19 Fund of Fund Managers considered. The list was cut down to the top three who were invited to present. Ms. Guillette stated she would provide the board a list of the managers who submitted.

Mr. Ross made a motion to hire HarbourVest. Mr. Goldsmith seconded the motion. There was discussion and Chairman Snow clarified the amounts for the motion. He indicated that for the $10 million commitment, the breakdown would be 35% to the venture fund, the minimum of 55% to the buy-out fund, and 10% to the credit fund. The trustees unanimously approved the motion as clarified.

The trustees commented that there is a 10% allocation for Private Equity, which is approximately $19 million of the portfolio. Mr. Snow stated that he will be presenting to the Town Council in June with several matters of board business, including the Asset Allocation choices along with Page 22 that includes the assumptions to explain why the board made their decisions.

There was discussion regarding the Emerging Markets Managers. Mr. Garvy discussed the strategy of foreign investment models. Mr. Marino outlined the strengths and differences between Acadian and Wells Capital. He commented that Brandes has several areas where they are below the line, have inconsistent returns, and should be eliminated from the discussion. Mr. Elwell expressed concern with the fees that are high as well as that the managers discuss gross of fees rather than net of fees. Mr. Marino briefly discussed the reasons behind those fees, and Mr. Ross stated that it is much different than a domestic index. Mr. Ross recommended splitting Emerging Markets between Acadian and Wells, and commented that both funds have good history, a good team, have a different methodology from one another, and therefore provide diversification. Mr. Garvy expressed his concern about splitting between the two managers with the result of smaller shares and more managers. Mr. Marino discussed that it is a volatile space and diversifying between the two may be more beneficial. He commented that Wells fees are 95 basis points, and Acadian fees are 75 basis points.

Mr. Elwell made a motion to split Emerging Market 50% to Acadian and 50% to Wells Capital. Mr. Ross seconded the motion. The trustees unanimously approved the motion.

There was discussion regarding the High Yield Fixed Income Managers who presented. Mr. Wearn discussed the history with the Town of Palm Beach Retirement System with Loomis. It was noted that Hotchkis has not been through a bear market yet and does not appear to have enough experience.

Mr. Wearn made a motion to choose Neuberger as the High Yield Fixed Income manager. Mr. Ross seconded the motion. The trustees unanimously approved the motion.

Mr. Marino discussed the steps to fund the high yield portfolio, and that Richmond Capital needs to be terminated and to fund the balance with Goldman Sachs.

Mr. Ross made a motion to approve Mr. Marino's recommendation. Mr. Goldsmith seconded the motion. The trustees unanimously approved the motion.

Mr. Marino stated that in order to fund Emerging Markets, action needed to be taken by the board. Mr. Marino discussed that he has changed his original recommendation and advised that the board terminate Pyramis and keep Artisan and Harris to retain a value and a growth manager in the international space. The allocation would be 7.5% for Artisan and 7.5% for Harris and 5% to the two new selections in Emerging Markets, Wells and Acadian. He stated that the balance would come from the Goldman Sachs portfolio.

Mr. Wearn made a motion to approve Mr. Marino's recommendation. Mr. Goldsmith seconded the motion. The trustees unanimously approved the motion.

V. Auditor Selection

The selection committee for the auditor met on May 17. There were five finalists considered, and Marcum LLP was selected and recommended for the board's consideration and approval. Mr. Wearn discussed the reasons behind his dissention for the selection and recommended that the full board hear presentations from the two or three highest qualified presenters. The trustees discussed that it would be better that the board consider for final action the committee's recommendation.

Mr. Ross made a motion to select Marcum LLP as the board's auditor. Mr. Elwell seconded the motion. The trustees unanimously approved the motion.

VI. Adjournment

Mr. Ross made a motion to adjourn the meeting at 3:30 pm. Mr. Wearn seconded the motion. The trustees unanimously approved the motion.

Respectfully submitted,

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