MINUTES OF THE TOWN OF PALM BEACH
RETIREMENT SYSTEM
FIREFIGHTER BOARD OF TRUSTEES
MEETING OF May 22, 2009

I. Call to Order

In Attendance:

TRUSTEES:	*ALSO PRESENT:*
Carol Rathborne, Chairman	Bonni Jensen, Attorney
Mike Hays, Chairman Pro Tem	William Hanes, Administrator
Jayson French, Secretary	Sean Higman, Prime Buchholz
Wilbur Ross (telephonic)	Brad Armstrong, GRS
Sergio de Araujo	Walt Maxwell, Rampell & Rampell

The meeting began at 9:05 AM.

Chairman Rathborne recognized Councilman Bill Diamond who was in attendance.

II. Approval of Agenda

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

III. Comments by Trustees

There were no comments by the trustees.

IV. Approval of Minutes

Mr. Hays moved and Mr. de Araujo seconded the motion to approve the minutes of March 25, 2009 and April 17, 2009. The trustees unanimously adopted the motion.

V. Investment Report

Mr. Higman introduced Mr. Bob Schanfield from Landmark Partners, a private equity firm with a focus on secondaries. Mr. Shanfield presented a lengthy report to the

Trustees. He indicated that the focus of his firm is to fund mature companies with an average level of maturity.

Ms. Rathborne stated that once this Board decides to go into private equities in the secondary market, future trustees will need to stay the course, and that might be a difficult thing to do.

Mr. Hays asked how much the Board would need to commit. Mr. Higman stated that it was about a 5% allocation over time. He suggested that you might want to start around $2 million to $2.5 million. He stated that secondaries is a good way to jump start into a private equity allocation.

Ms. Jensen asked if we would need to change the Investment Policy Statement. Mr. Higman affirmed that it would need to be changed.

Mr. Ross asked where the money would be coming from to invest with the new class of private equity. Mr. Higman responded that it would come from the long equities. Chairman Rathborne asked about the returns, and Mr. Higman stated that the returns should be much higher than other classes, but with more volatility with an investment period from seven to ten years. He discussed that it is a long term commitment.

Mr. Ross made the motion that the Board direct Prime Buchholz to come back to the next Board meeting with a detailed recommendation. Mr. Hays seconded the motion and the trustees unanimously adopted the motion.

Mr. Higman discussed the performance of the fund.

Chairman Rathborne discussed that she believes there is a large overlap between managers between Archstone Offshore and Archstone Neutral, making up $10 million of the systems investments. She said that it appears we have a lot of eggs within one basket. Mr. Higman argued that the system is not exposed with any one company for more than one percent.

Chairman Rathborne made the motion that the Board put in the notice to divest with the balance of the Board's holdings in Archstone Offshore. Mr. Ross seconded the motion and the trustees unanimously adopted the motion.

Chairman Rathborne stated that she received a notice from Mr. Hanes regarding State Street request on pricing of Lehman bonds within the Income Research Management portfolio that matured in March. There was a lengthy discussion. Mr. Ross wanted to know why the underlying holdings were not discussed with the Board when IRM was hired. Mr. Higgins stated that he would talk to State Street to discuss the valuation process and why after maturity State Street is carrying at par when the value of the bond is significantly less.

Mr. Higman discussed the state legislation to divest public assets in companies doing business in Sudan and Iran. Mr. Higman stated that he doesn't have the answers now in so far as what the legislation will cause to be done by plans, and discussed how difficult it would be to divest in comingled funds.

Mr. Ross made the motion to not invest in accordance with the legislation. Mr. French seconded the motion. The trustees unanimously approved the motion.

Councilman Diamond expressed his appreciation to the trustees and stated that the action is personal to him.

Mr. Ross suggested that the Chairman write a letter to the Town Council to let them know of the action taken by the Board.

VI. Actuarial Report for September 30, 2008

Mr. Armstrong presented the September 30, 2008 report. He indicated that there is a national concern about the increase in retirement benefits and costs to governments.

Mr. Armstrong stated that as of the valuation date, September 30, 2008, the funded position is 80.3%, which compares favorably with the preceding year of 81.6%. He also noticed that the market value on the same date is 69%. He pointed out that the Town contributions will go up from 39% to almost 42%. He stated that the payroll went up less than assumed. He stated that the long term rate of return assumption was a big influence on the status of the fund, and the fund experienced a loss. He explained that there is delayed recognition of losses, and that there will be significant and sustained upward pressure on the board because of the unrecognized losses that are to be recognized over the next 4 years. He pointed out that the fiduciary responsibility of the board is to make sure that the benefits are sustainable, and that responsibility is satisfied as long as the required contributions are being paid. He pointed out that there are over $2 million in share account dollars that are not part of the plan's assets and liabilities, and not available for funding the retirement systems. He noticed that the Town dollar contribution requirement is $2,647,000. He stated that everyone should understand that the contributions will increase because of the losses that will be recognized over on-going years. He pointed out that a significant loss that appears very possible for the end of this plan year could present an even greater problem for the fund.

VII. Supplemental Actuarial Valuation

Mr. Armstrong presented the document dated May 18, 2009 regarding Mr. Hays' request for change in benefits. He stated that the primary portion and cost is regarding the proposed change to the multiplier from 3.5 to 4.0, with a DROP period increased from 5 to 7 years with a maximum period of 27 years, including the DROP. He indicated that the Town would pay a 7.89% increase as a percentage of pay. If the member pays for the increase in benefit, it would amount to 8.89% of pay.

Mr. Armstrong stated that the second proposal to increase the DROP from 5 to 7 years, creates a savings of up to .38% of pay. He stated that the third proposal proposes to reduce from 10 to 6 years the vesting period for a retirement benefit, and that the cost is expected to be a .39% increase.

VIII. Financial Report

Mr. Maxwell presented the Financial Report to the trustees. He discussed the matter of the Lehman Brothers bond that was written off to zero with an investment loss of $100,000 as State Street Bank had valued as a receivable.

Mr. Maxwell discussed the balance sheet, and reported that cash and cash equivalents are valued at 1.3 million; investments are valued at 43.4 million; with total assets of 44.8 million and the net assets, after liabilities, representing about $44 million at the end of 6 months. He stated the net decrease since October 1, 2009 was 7.6 million, due primarily to investment loss.

IX. Attorney Report

Ms. Jensen presented the Attorney report. She stated that Ordinance # 9, authorizing Firefighters to participate with a self-directed plan with Share and DROP account monies has been enacted by the Town. She provided information related to the ICMA self-directed investments that would be made available to the Firefighters.

Ms. Jensen reminded the trustees to file the form 1 reporting requirement required by the state regarding financial disclosure. She informed the trustees of organizational changes made to the legal firm she represents and requested that an amendment to the contract she has with the fund be made to alter the name of the new firm. The trustees agreed without motion.

X. Administrator Report

Mr. Hanes provided the administrator's report to the trustees. He discussed that he has moved into the new office at 249 Royal Palm Way, and discussed the progress of the new software on calculation of benefits. He also discussed that the annual Section 175 report has been submitted.

XI. Disbursements

Mr. Hays made the motion to accept the report by the Administrator, and Mr. French seconded the motion. The trustees approved unanimously.

XII. Retirement/Benefits

Mr. Hays made the motion to accept the report by the Administrator, and Mr. French seconded the motion. The trustees approved unanimously.

XIII. Election of 5th Trustee

Mr. French nominated Ms. Rathborne as trustee. Mr. Hays nominated Mr. Cooper as trustee. The Chair asked for the question on a vote for Ms. Rathborne for trustee. Ms. Rathborne received 3 votes in approval with no votes in opposition. The Chair asked for a vote for Mr. Cooper. Mr. Hays voted for Mr. Cooper. There were no votes in opposition. Ms. Rathborne assumed the position as 5th trustee for the Firefighter Board of Trustees.

XIV. Old Business

There was no other business discussed.

XV. Adjournment

The trustees adjourned without motion.

The next meeting was scheduled for August 28th at 9:00 AM.

TOWN OF PALM BEACH RETIREMENT SYSTEM
FIREFIGHTER BOARD OF TRUSTEES
Minutes of May 22, 2009 Meeting

Attested by: ______________________

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Jayson French, Secretary