**MINUTES OF THE TOWN OF PALM BEACH
RETIREMENT SYSTEM
FIREFIGHTER BOARD OF TRUSTEES
MEETING OF MAY 21, 2010**

I. Call to Order

Chairman Ross called the meeting to order at 9:05 A.M. at the Central Fire Station, Emergency Operations Center, 355 S. County Road, Palm Beach, Florida 33480.

In Attendance:

TRUSTEES:
Wilbur Ross, Chairman
Mike Hays, Chairman Pro Tem
Jayson French, Secretary
Carol Simmons (telephone)
Sergio de Araujo

ALSO PRESENT:
Bonni Jensen, Attorney
William Hanes, Administrator
Sean Higman, Prime Buchholz
Walt Maxwell, Rampell & Rampell
Brad Armstrong, GRS
David Settles, Wellington Diversified Strategy
Joseph Mahoney, Guggenheim

II. Approval of Agenda

Mr. Ross moved for the approval of the agenda. Mr. Hays seconded the motion. The Trustees unanimously adopted the motion.

III. Comments by Trustees

Mr. French discussed that the Firefighters were experiencing problems with the firm of ICMA with regard to Firefighter Share and DROP account investment service.

Mr. Ross made the motion that Mr. Hanes issue an RFP for investment services for the Firefighters, subject to approval of Firefighters. Mr. French seconded the motion. The trustees unanimously adopted the motion.

IV. Approval of Minutes: February 19, 2010

Mr. French made a motion to approve the February 19, 2010 minutes as presented. Mr. Hays seconded the motion. The trustees unanimously approved the motion.

V. Financial Report

Mr. Maxwell presented the Financial Report as of March 31, 2010. He reported that total assets have increased from $44 million to $54 million over the year. He pointed out that total liabilities were at $1.3 million compared to $700 million of March 31, 2009. He explained the difference representing DROP monies held by participants. He concluded that total net assets held to be $52 million compared to $44 million in 2009. He presented supplemental information that had been requested by the trustees from the last quarterly meeting. Mr. Hays stated that the supplemental report format is what he wants to see at all quarterly meetings.

VI. Investment Report

Mr. Sean Higman presented the investment report to the board. He discussed the targets and strategies of each manager.

Mr. David Settles, Vice President, was joined by telephone with Evan Grace, Vice President, Portfolio Manager, to present for Wellington Management Company.

Ms. Simmons requested from Mr. Grace for the return number for the Strategic Real Asset fund for April of 2010. Mr. Grace stated that they did not have the numbers at the meeting, but that they will provide it to the trustees. Mr. Ross asked if they mark the portfolio to market every day. Mr. Grace stated that they did. Mr. Ross asked why the board can't be told the April numbers when they are asking in the middle of May. Mr. Grace stated that the numbers exist, but are not at his fingertips. Mr. Higman stated that their firm prefers the Strategic Real Asset fund over the Diversified Inflation Hedges fund for the Firefighter plan. Mr. Settles departed the meeting.

Mr. Joseph Mahoney, Managing Director, presented for Guggenheim Real Estate. Mr. Ross commented to Mr. Mahoney that he finds it difficult to see how Guggenheim call themselves an open end fund when they have been locked up for 6 quarters. Mr. Mahoney stated that their documents are clear that they do not guarantee quarterly liquidity. He stated that Guggenheim intends to manage the funds in the best way for existing clients, and that there are times in the market when the fund will not be able to meet liquidity requirements. Mr. Ross urged Mr. Mahoney to reexamine their liquidity needs. He stated that the board is extremely unhappy for being involuntarily in the fund for a year and one-half, and that the Firefighter fund has lost more money as a result of the continuation of the gate. He felt it utterly unreasonable to have more than 100% of the upcoming maturities in cash. Ms. Simmons asked what Mr. Mahoney believes will become available for redemption in July, 2010. Mr. Mahoney stated that the range in dollars to be paid in July could be within the range of $25 million - $75 million. Ms. Simmons asked what the Firefighter plan might expect to receive. Mr. Mahoney stated that he believed it will be in the order of 10-15%. He discussed the manner of calculating the amount. Mr. Mahoney departed the meeting.

Mr. Higman discussed the quarterly and April 30, 2010 summary report. He stated that the Firefighters fund through April has grown to $53.7 million, with a one year net of fee return of 21%.

Mr. Hays asked Mr. Higman to discuss how the Greek solvency problem is impacting the fund's performance. Mr. Higman discussed matters of sovereign debt.

Mr. Ross asked Mr. Higman about the redemption procedure used by Guggenheim. He stated that he believes the procedure places smaller funds like the Firefighters fund at a disadvantage. He discussed with Mr. Higman his disappointment that Guggenheim carries too much liquidity to not let investors redeem.

Mr. Alex Gansch, Director of Sales, presented telephonically for Gresham Investment Management. Mr. Gansch discussed the development and strategy of Gresham Investment Management. Mr. Ross asked Mr. Gansch if the firm had ever placed up a gate on redemption requests. Mr. Gansch answered in the negative. Mr. French asked Mr. Gansch about the management fee. Mr. Gansch stated that the management fee strategy includes a management and outperformance fee, and if they earn money for the client, then there is a fee paid, but if the firm is not earning money for the client, there is no performance fee to be paid. Mr. Ross asked if the firm outperforms one year and doesn't the next year, whether there is an offset. Mr. Gansch agreed that there is an offset. Ms. Simmons expressed to Mr. Gansch that a repeat of what happened to currencies in 2008 was a concern for her. Mr. Gansch discussed and stated that he felt what happened in 2008 to be an anomaly.

Mr. Higman stated that the real asset target is 3.5%. He recommended that the funding come from the TIPs portfolio. The trustees discussed matters of strategic allocation with a basket of real assets that includes commodities. Mr. Ross stated that he would be concerned about a board meeting quarterly to do tactical allocation. Mr. Ross suggested that we take half the position with Gresham, and then fine tune it as we go.
Mr. Higman recommended that the trustees agree to round up the percentage to 2%. Mr. Ross agreed. The trustees agreed without motion.

Mr. Ross made the motion to invest 2% of the funds with the Gresham TAP fund. Mr. de Araujo seconded the motion. The trustees unanimously adopted the motion.

Mr. Higman discussed matters of a shareholder class change with Forester, and asked to defer action until after the related actuarial report on matters of cash flow.

VII. **Actuarial Report**

Mr. Armstrong presented the September 30, 2009 Actuarial Report to the board. He discussed the funding ratio to be 74%, compared to 80.3% the year preceding. He stated the funding ratio is 61.7% based on market valuation. He discussed that the Town contribution rate will increased from 39.31% from the preceding year to 42.19% due to the current valuation. Mr. Armstrong discussed that the state's portion is reduced primarily because there is a frozen amount in dollars to be distributed, and when payroll goes up, the dollar remains the same, meaning the percentage of payroll paid by the state is reduced. Mr. Hays asked Mr. Armstrong about matters of payroll growth and the impact on the valuation. Mr. Armstrong explained. He stated that the aggregate of all losses was over $5 million. Mr. Ross asked Mr. Armstrong to send to the trustees the backup material that would evidence the changes. Mr. Armstrong stated that he will discuss with Town staff and report back to the trustees. Mr. Armstrong sought clarification and asked if what the trustees are seeking is the valuation pay used in 2008 and 2009 by person. Mr. Ross stated yes. The trustees agreed without motion.

Mr. Armstrong stated the base Town contribution will be increased from $2.65 million to $3.2 million if the board adopts this report. Mr. Armstrong discussed that the Florida statute at Chapter 112 requires that the trustees each year adopt an expected rate of return.

Mr. Ross made the motion to accept the actuarial report and to adopt 8% as the rate of return. Mr. French seconded the motion. The trustees unanimously adopted the motion.

Mr. Higman discussed that the decision to be made regarding change at Forester relates to liquidity of the portfolio. He discussed the issue of liquidity of all funds. He stated that Forester would be changing from quarterly liquidity lock up to an annual lock up. He noted that 66% of the portfolio is in daily liquidity. He pointed out that only 5% of the portfolio is illiquid. He stated that neither of the class options offered by Forester would create an impingement on liquidity. Mr. Ross asked if Forester would have the right to put up a gate. Mr. Higman stated that he didn't believe there was a gate provision. He stated that he would check and provide the trustees a specific answer.

Mr. Higman and Mr. Armstrong stated that 5% or 6% negative non-investment cash flow is very normal for a retirement plan. Mr. Hanes discussed with the trustees matters of the fund's negative cash flow. Mr. Higman stated that since the portfolio is liquid, growing in net negative will not impact the performance.

Mr. Hays made the motion to adopt the 8% return as required under Chapter 112 of the Florida Statutes. Mr. French seconded the motion. The trustees unanimously adopted the motion.

Mr. Higman discussed with the trustees the two options for consideration, a one year or three year lock up period. Ms. Simmons expressed concern about a lock up for a three year period. Mr. Ross inquired about the plan funds that are able to put up a gate. Mr. Higman agreed with Mr. Ross that contractually there could be $15 million gate. Mr. Higman stated that he would follow up with the board to provide a worst case liquidity analysis on what might happen based on the contractual possibilities. The trustees agreed. Mr. Higman recommended that the trustees agree to the A2 shares, providing for a rolling one year option.

Mr. de Araujo made the motion that the trustees choose the option allowing for series A2 shares. Mr. French seconded the motion. The trustees unanimously approved the motion.

VIII. Administrator's Report

Mr. Hanes discussed that Town Council gave final approval of an ordinance that authorized trustees to serve 2 year staggering terms and to meet quarterly. He stated that Ms. Jensen and he will be working on a policy draft that will be brought to the trustees at the next quarterly meeting for implementation.

Mr. Hanes reported that the Town Council met in special meeting on April 6, 2010 to allow Town Manager Peter Elwell to present his recommendation for a new plan design for public employees. He discussed that Mr. Jose Fernandez, Cavanaugh & McDonald, was also present to discuss matters of funding. He stated that there was much testimony from various stakeholders.

Mr. Hanes distributed the final 2009 Audit Report.

IX. Attorney Report

Ms. Jensen provided the trustees a form 1, Financial Disclosure form, that she stated needs to be completed and filed with the Supervisor of Elections. She suggested that the trustees could provide their completed form to either Mr. Hanes or her office for sending on for filing.

Ms. Jensen discussed that she has prepared a contract for the actuarial services of Gabriel, Roeder and Smith for adoption by the board.

Mr. French moved for the adoption of the contract with Gabriel, Roeder and Smith. Mr. Hays seconded the motion. The trustees unanimously adopted the motion.

Ms. Jensen reported that the fund has received responses from all managers regarding the issue of scrutinized companies. She reported that there are no problems with the responses.

X. Disbursements

Mr. de Araujo made the motion to accept the disbursements report as presented. Mr. French seconded the motion. The trustees unanimously adopted the report.

XI. Retirement/Benefits

Mr. Hanes presented a report on retirement benefits to be paid to Scott Comer (DROP) and Michael Burroughs (Retired).

Mr. French made the motion to approve the payment of benefits as presented. Mr. Ross seconded the motion. The trustees unanimously approved the payment of benefits.

XII. Old Business

There was no old business presented.

XII. Adjournment

Mr. Hays made the motion to adjourn. Mr. Ross seconded the motion. The trustees unanimously adopted the motion.

TOWN OF PALM BEACH RETIREMENT SYSTEM
FIREFIGHTER BOARD OF TRUSTEES
Minutes of May 21, 2010 Meeting

Secretary ____________________ Dated 8-20-10

Attested by: ____________________ Dated 8/20/2010