MINUTES OF THE TOWN OF PALM BEACH RETIREMENT SYSTEM
BOARD OF TRUSTEES
MEETING OF MAY 18, 2012

I Call to order

Chairman Snow called the meeting to order at 9:05 a.m. at Town Chambers, 360 South County Road, Palm Beach, FL. 33480.

II. Roll Call

Ms. Jody Justice took roll call and all trustees were present, except Mr. Wilbur Ross was absent because of extenuating circumstances and Mr. Parven had not arrived.

In Attendance:

TRUSTEES:

Raymond Snow, Chairman
James McC. Wearn, Secretary
Gerald Goldsmith, Chairman Pro Tem
Peter Elwell
Jayson French
Brett Madison
Michael Lynch

ALSO PRESENT:

William P. Hanes, Pension Administrator
Jane Struder, Finance Director
James W. Linn
Skip Randolph
Sean Higman, Prime Buchholz
Gwelda Swilley-Burke, Callen
Walter Maxwell, Rampell & Rampell
Ron Bennett, Nowlen, Holt & Miner
Trey Sizemore, ICMA
Fernando De Aguero
Ed Vroom, Roanoke
Brad Armstrong, GRS

III. Approval of Agenda

Mr. Wearn raised a matter of the Administrator's contract and requested consideration regarding the Administrator, and commented that it was to benefit the Administrator.

Mr. French made the motion to place the matter for consideration under Item XVII. Mr. Goldstein seconded the motion. The trustees unanimously approved the motion.

Mr. Alvin Parven entered the meeting.

IV. Comments by Trustees

Mr. French presented a written early cost saving buy-out proposal that he requested be sent to the actuary for an actuarial study.

Mr. French stated that he continued to believe the board should issue an RFP for the services of an attorney.

V. Introduction to Attorney James W. Linn

Mr. Randolph discussed that the ordinance provided that the Town Attorney or a designee serve as the attorney for the board. Mr. Randolph announced that he has chosen Mr. Jim Linn as his designee to serve as attorney for the Board of Trustees.

Mr. French asked Mr. Randolph if there is a conflict. Mr. Randolph explained that it is not a conflict for the attorney representing the Town Council to draft the language requested by Town Council that is ultimately enacted.

Mr. Linn made comments to the board. He requested that all matters of inquiry of him by trustees be made through the chairman.

Mr. Wearn requested that Mr. Linn provide a CV for distribution to the trustees. Mr. Wearn requested from Mr. Randolph if the fee requested by Mr. Linn had been approved. Mr. Randolph stated that it had been authorized by the Town Manager.

VI. Election of Chairman Pro-Tem

Mr. Linn conducted the election for the position of Chairman Pro Tem. A ballot was provided to all trustees including all trustee names except for Chairman Snow, Secretary Wearn, and Mr. Elwell.

The ballots were counted and Mr. Gerald Goldsmith received the majority of votes submitted.

Mr. Wearn moved to ratify the vote and action taken for the position of Chairman Pro Tem, and to ratify the ballot votes and election of the all three officer positions (chairman, chairman pro tem, and secretary). Mr. Elwell seconded the motion. The trustees unanimously adopted the motion.

VII. Approval of Minutes: April 2, 2012

Mr. Wearn made the motion to approve the minutes. Mr. Goldsmith seconded the motion. The trustees unanimously approved the minutes.

VIII. Financial Report

Mr. Walter Maxwell provided the quarterly unaudited financial report ending March 31, 2012 for the Firefighter's plan. He presented the accountant's compilation report, and the statement of plan net assets. He reported total assets at $60.3 million and total liabilities at $3.3 million. He discussed changes in plan net assets. He presented expenses of the plan in detail.

Mr. Parven asked Mr. Maxwell to explain increases in investment management fees, and noted an unusually high increase for one year. Mr. Maxwell and Mr. Higman discussed and agreed to provide the answer to the trustees at a future date.

Mr. Ron Bennett presented the quarterly unaudited financial report ending March 31, 2012 for the Police Officer's plan. He presented a discussion from the accountant's compilation report. He reported on the statement of plan net assets, and noted that as of March 31, 2012, total assets were $59.2 million with liabilities of $564,794. He discussed the statement of changes of net plan assets. He provided a detailed listing of expenses.

Ms. Jane Struder provided the quarterly unaudited financial report for the General Employee's ending on March 31, 2012 and explained that she has revised this report to provide the trustees what most have been accustomed to seeing in previous reports from the two accounting firms. She provided a report from the statement of net plan assets, and reported total assets of $73,111,437 with total liabilities representing $675,693. She provided a report of changes in net plan assets. She provided a report of the operating expenses and a five year analysis of operating expenses for the fund.

Ms. Struder discussed a matter of cash flow projection for the fund, and observed there are differences in procedure followed by the Police Officer and Firefighter funds, and that of the General fund.

Ms. Struder made a request on behalf of the General Employees fund for approval of a $1.1 million transfer from the money managers to pay expenses and make retiree payroll. She stated that she normally consults with the consultant to determine from what money management fund that monies will be distributed.

Mr. Goldsmith requested that Ms. Struder provide a forward looking cash flow projection that identifies the cash needs of the future. Ms. Struder stated that she will do so and provide it to the board. Mr. Elwell stated that the Town has utilized different analysis and projections looking forward for budgeting purposes, but offered agreement with Mr. Goldsmith that a projection of cash flow, including matters of operation of the plan, should be reviewed and planned for in an efficient manner.

Ms. Struder asked for a blanket approval as is done with the Police Officer and Firefighter boards to work with the Money Managers in order to provide monies as needed. Mr. Wearn noted that the funds requested are through July 1, 2012 and wondered whether the board's approval will be sufficient for payments needed until the next board meets in August. Ms. Struder stated she believed approval of the amount requested will provide enough to get the fund through until the August meeting. Mr. Wearn suggested that the cash requirements should be handled uniformly, and that it should be done in the manner that has been done with the Firefighter and Police Officer funds in the past. Mr. Hanes discussed the process followed for those two funds. Mr. Elwell agreed that handling the cash flow needs in a uniform way makes sense. He stated his pleasure to see future reporting to the board regarding matters of raising cash for the payment of the expenses as well as the actions taken. He stated that he anticipated more of these types of differences to surface, and a need for board action to resolve in a uniform manner.

Mr. Wearn moved that the three plans adopt as uniform to all funds the cash flow procedure that has been utilized by the Police Officer and Firefighter boards as described by Mr. Hanes. Mr. Elwell seconded the motion. The trustees unanimously adopted the motion.

Ms. Struder discussed a memorandum she had prepared for the board regarding allocation of town costs between Finance and Human Resources for services provided to the retirement fund. She proposed that for fiscal year 2013 there be an allocation of $62,252.00 toward Town services provided the retirement system, and noted a savings in accounting fees of $18,548 for the year from what is being paid currently to the firms Nowlen, Holt, and Rampell and Rampell. Ms. Struder stated that the totals were developed based on salaries and benefits allocated based on time spent on matters of retirement.

Mr. Wearn moved for approval of the recommendation made by Ms. Struder. Mr. Goldsmith seconded the motion. The trustees unanimously adopted the report.

IX. Investment Reports

Ed Vroom, Principal Partner at Roanoke Asset Management, presented an investment performance report for the firm. He introduced his associate, Adel Wiseman, also a Principal Partner with the firm. He stated that Roanoke is designated a small/ mid-cap equity manager with focus in the growth stock area. He reported that the firm manages approximately $5.8 million for the General Employees fund. He reviewed the first quarter, 12 months, and three year periods of performance. He noted that Roanoke had performed 14.5% over the quarter, exceeding the benchmark. He noted a shortfall over the 12 month period, but observed that the three year number performance was excellent, with a 30.6% return over the period. Mr. Vroom discussed performance over the longer terms. He reported that since inception of management for the fund, January 1, 1982, the firm has performed at a 12.9% return. He discussed the outlook for future markets and portfolio strategies. Mr. Vroom reflected on Roanoke's long history as a money manager for the Town of Palm Beach. He stated his belief that the Town has received real value, tangible and intangible. He concluded that Callan believes the relationship has been extremely rewarding to Callan and the Town of Palm Beach. He expresses his appreciation to the board.

Mr. Wearn provided an historical perspective of Mr. Vroom's and Roanokes's service for the boards, and observed that there were times of volatility; that patience had been exercised by the boards; and noted that patience has been rewarding. He admonished that patience must be exercised going forward by the board. The trustees thanked Mr. Vroom for his service to the board.

Ms. Gwelda Swilley-Burke, Callan Associates, provided the quarterly investment report. She reviewed the executive summary, and noted the quarterly return to the fund at 8.23%. She noted the fund value at $72 million based on market valuation.

Ms. Swilley-Burke provided an analysis of the past market events, including the impact on fund and manager performance. She discussed asset allocation targets and range, and noted the superior performance for the passive allocations.

Ms. Swilley-Burke provided a review of the asset allocation of the fund by passive and active management. Chairman Snow asked Ms. Swilley-Burke her view and advice about private equity investing for the fund. Ms. Swilley-Burke replied that Callan looks at the asset allocation and capital market assumptions in respect to liquidity and illiquidity of the fund when modeling, and at the time of making recommendations for the

General Employees fund, Callan did not believe it appropriate. She reviewed individual manager performances.

Ms. Swilley-Burke discussed the overall fund's larger percentage associated with the large cap allocation to indexing. Mr. Elwell noted that a prior board reviewed the allocation model with Callan and the decision was made that there didnot seem to be advantages placing the large cap space with active managers, and chose instead to place the bigger chunk of large cap with passive management. He and Ms. Swilley-Burke noted that the results have been consistently good. Ms. Swilley-Burke stated that the large cap is highly efficient, and that Callan believes it is better to place larger portions of the small to mid-cap with active management, where the markets are less efficient. Chairman Snow noted also that the fees are higher with active management. Chairman Snow asked if Callan performs periodic reviews the capital assumptions, expected returns and standard deviation. Ms. Swilley-Burke answered that Callan performs the review each January. She stated that she will provide to Mr. Hanes Callan's report regarding the review during the interim between quarters. She discussed performance with the other active managers, and discussed that Callan is concerned about lack of consistency in returns with regard to the firm Thompson, Siegel & Walmsley.

Chairman Snow made note that the report indicates a divergence in style between the General board and the public safety boards with heavier equity exposure preferred by the General board.

Mr. Sean Higman provided the quarterly investment reports for the Police Officer and Firefighter plans on behalf of Prime Buchholz. He provided the trustees with the executive summaries for both plans through April 30, 2012. He stated that April and May experienced a difficult market environment while December through the first quarter experienced a calming down of the markets with less conversation about Greece, southern Europe, and Iran. He noted that the indexes have outperformed 70% to 80% of active managers and agreed with Ms. Swilley-Burke that there is generally an edge in indexing of large cap equities. He opined that the edge primarily is with fees.

Mr. Higman stated that the first quarter was marked by fundamental investing. He noted the total return for the Firefighters at 6.6% in calendar year to date and the domestic equity calendar year to date was at 11.7%. He noted that the relative performance was not bad considering that the benchmarks are reported on gross of fees, while the plan performance is reported net of fees. He discussed that Stralem is an active manager that is conservative, and is intended to outperform in a bad market. He noted that Stralem has performed since April, 2006, at 5.4% versus the benchmark of 3.4%. He stated PB believes that markets are efficient in large caps, and that the plan should continue to participate in large cap. He stated it is not philosophical that it should be all or none. He noted that recently the plan has added indexing in the mid-cap space. He stated that similar to the large cap space, PB believes the mid-cap space is becoming more and more efficient, and noted that the addition of indexing in the space has been helpful to performance recently.

Mr. Higman noted that CRM mid-cap is a value fund, and that the market has not been rewarding high quality. He stated that PB is having monthly conference calls with CRM because of recent organizational changes made. He noted that Geneva has experienced outstanding performance and that the international team has also experienced very good performance.

Mr. Higman observed that there exists a modest investment in private equity with the Firefighters fund, and that it is too early to show performance numbers. He discussed the flexible capital funds and strategies, and the hedge to the markets. He noted that the strategy for the flexible capital is significantly different in philosophy that that of the General board, but opined that it creates much greater diversification.

Mr. Higman noted that the fixed income portfolio lags the benchmarks due to active management issues during the crisis. He discussed that the plans held convertible bonds to satisfy the mix and restrictions by Florida law for municipal public safety plans. He discussed the inflation hedge space strategy. Mr. Higman discussed matters of private equity investment strategies.

Mr. Higman noted there are a few differences in asset allocation and manager selections between the public safety plans. He stated that both Police and Fire funds have many names in common. He noted there are some differences in the flexible capital, fixed income, and inflation hedging space between the two plans.

Chairman Snow noted that there have been restrictions imposed by the state law with regarding to municipal public safety plans, but noted that the restrictions have been removed.

X. Actuarial Report for September 30, 2011, Brad Armstrong, GRS

Mr. Brad Armstrong presented the actuarial report ending September 30, 2011. He discussed that the funding ratio over the last twelve months increased for the General Employees Retirement group from 79.2% to 89.5% funded. He noted there was poor investment performance, but that the funding level is up primarily due to changes in the benefit provisions. He noted similar increase in market valuation of the assets, but warned that there remains 20% of the significant unrecognized losses from 2008 to be recognized next year. He observed that the final 5th year from that year's loss will be recognized next year.

Mr. Armstrong discussed that the Police Officer group funding ratio increased from 83.6% one year ago to 87.8%. He noted that the Firefighter group is up to 80.8% from 72.6% one year ago. He explained that the Police Officer and Firefighter groups did not experience as much of an increase in the funding level because most of their liabilities are represented from the retiree status. He noted that the retiree liability status was not impacted by the changes that were effective on May 1, 2012, and that the Police Officers as a class are older on average relative to Firefighters, with less impact from the new benefit provisions.

Mr. Armstrong discussed the Town and employee contribution requirements relative to each group. He noted that the General Employee and Ocean Rescue members hired before 1992 have a different contribution rate than members hired after 1992. He made note to the report illustrating a significant increase in Town contribution percentage for Ocean Rescue.

Mr. Armstrong discussed matters of lowering of member and Town contributions and the impact on the Town's negative cash flow. He stated that the projected assets the boards were trying to achieve under the old plan are greater than what is needed for the current plan. He explained there is not a need to accumulate as much money as before because you no longer are promising the higher level of benefits and are not paying in as long because of the new plan changes. Mr. Hanes discussed the numerous members who have chosen to retire with the frozen benefits with less than 10 years of service by utilizing the waiver of vesting requirement from the new law.

Mr. Armstrong noted that while the funding levels went up and Town contributions went down, he noted there were significant shortfalls unrelated to the new benefit provisions. He concluded that the Town changes in law kept the retirement contribution levels from becoming unsustainable.

Mr. Armstrong stated that while it might seem to be a good time to review all the benefit assumptions, noting that a new mortality table has already been adopted, he cautioned that the experience under the new plan is only a couple of weeks old. He stated his opinion that should the board want to review assumptions, it should consider focus on the long term rate of return at this time since there is not enough experience to come up with significant recommendations. He stated it will probably be a couple of years before the board will want to consider more complete assumption changes.

Mr. Armstrong discussed that there will continue to be an accounting of Chapter 175 and Chapter 185 monies.

Mr. Armstrong stated that the Town over-paid contributions based on recent changes made to Florida law. He stated that the excess contributions are being held in reserve to provide the Town flexibility for future payouts. He stated that since the monies have been deposited in trust, the only use the board can authorize with these monies are for trust related benefit payments or expenses.

Ms. Struder explained that the Town had previously budgeted a certain amount of contributions based on the law at the time, but that the state changed the requirements to require contributions to be made based on a percentage of payroll calculation. She noted that the Town had previously contributed the full dollar value contribution that was identified in the last year's actuarial report. She stated that because the payroll had dropped dramatically, the percent of pay calculation was much less than the dollar value provided from the last report. She stated that the Town has decided to keep the overage in the trust funds because the Town was not sure how the actuarial report would turn out with the new benefit changes. Mr. Linn noted that the experience of the Town of Palm Beach is not unique, and it occurred in a number of municipal pension plans in Florida at the end of the last fiscal year because of the change with state law and reduction in payrolls. He stated that in most cases the municipalities are dealing with it in the manner suggested by Mr. Armstrong, to hold as a reserve for future employee contributions.

Mr. Wearn stated that more clarification is needed. He stated that if the Town required the return of those funds, it would then generate a liability. He stated that because the Town has not yet required a return of those funds, it can be held as a reserve. He stated if the Town in the future chooses to reduce the amount of Town contributions by the amount on deposit, then the Town can do it. He discussed that he did not believe it to be a liability until there is a demand for its return. Mr. Elwell stated that he agrees with Mr. Wearn. He clarified that the Town has no intention of asking the retirement fund of paying this money back to the Town's general fund. He stated this to be the reason that it needs to be shown in the manner it is with the report.

Chairman Snow noted that the Town has always paid the actuarial required contribution in contrast with many states and local governments that have not done so.

Mr. Lynch asked Mr. Armstrong to explain why the percentage increase of contributions was so significant considering that there has not been a major change in payroll. Mr. Armstrong and Mr. Linn discussed that the increase is based on assumed increase in compensation going forward. Mr. Elwell explained that while the assumed increase in payroll went down to 4.5%, the experience was the payroll was reduced even more because of reduction of positions. He continued that it was then that the state determined that the method of making contributions should change from a dollar value determined by the actuary to a percentage of actual payroll.

Mr. Armstrong made recommendations regarding the transfer of funds to a reserve, but discussed that the recommendation is not necessary. He stated it is a bookkeeping approach, but is always reflected in the report. He stated that the code requires it be done, and by accepting the report the board accepts the recommendation for transfer to the reserve account. Mr. Linn commented that at some point the board might want to change the language included in the code.

Mr. Armstrong noted that going forward the pay will be going down and the plans will be recognizing more past investment losses, and that he anticipates three to six percent increase in Town contributions next year.

Mr. Armstrong noted that the administrator has provided all frozen benefit calculations to GRS, and that all frozen calculations have been certified. He stated that the administrator will be providing a mail merge letter to all members with frozen benefits over the next few days.

Mr. Armstrong discussed that there is a GASB exposure draft released, and the reporting requirements, If accepted, are dramatic but noted that the impact will not be a requirement for the funds. He stated it will have an impact on the Town's CAFR.

Mr. Lynch raised concerns over the review and oversight of calculations of member's service credit. Mr. Hanes and Mr. Elwell discussed levels of checks and reviews of the individual's credited service. Mr. Lynch asked if there is an ordinance that clarifies what is required to be calculated. Mr. Hanes stated in the affirmative, and explained that any member has a right to appeal a disputed benefit payment.

Mr. Hanes discussed the process that is followed with member's who retire or choose to DROP, and that service credit and compensation is discussed. He discussed that the administrator answers a number of questions related to calculation of the retirement benefit. He noted that ultimately the member can appeal a disputed decision to the board.

Mr. Armstrong asked about the proposal from the Firefighters for a buy-out. Mr. Elwell suggested that the matter should be taken up at a future meeting to determine what the board may want to do with regard to the proposal. Mr. French asked if Mr. Armstrong could provide a cost for his work. Chairman Snow stated that he would suggest that Mr. Armstrong discuss informally with the administrator regarding his cost, and that the decision to include or not will be made later.

Chairman Snow made comments about the unrecognized losses from the smoothing chart related to valuation of assets and the losses remaining to be recognized. He also made comments from the report observing that there would have been a significant increase in contribution rates if the Town had not made the changes in retirement benefits.

XI. Approval of RFP for Investment Consultant Services

Mr. Hanes discussed that the RFP draft was a collaborative effort by Ms. Struder, Ms. Venne and the Administrator, and is presented to the board for purpose of hiring an investment consultant. Mr. Parven stated that he did not understand why it is important to ask the bidder to provide the average size of non-public accounts. He stated he does understand related questions about the peers. Mr. Hanes discussed that the draft borrows provisions from other RFP's received from other municipal governments, and that the decision was made to error on the side of inclusion of questionable provisions from the drafts.

Mr. Wearn expressed concern related to the request for proposal. He made note that he believed that diversity in investments as well as the investments made is important. He asked whether it might be appropriate to consider more flexibility with the opportunity to select two or more consultants with different philosophies and diversity. Ms. Venne stated that the draft provides for one, but could be amended to provide for more than one. There was much discussion from trustees and staff. Mr. Wearn asked whether the RFP will allow for more than one consultant to be hired. Mr. Elwell noted that the ordinance contemplates a consolidation of funds by October 1, 2012. He expressed concern as trustee that he is not sold on the diversity on advice of two or more consultants. He stated the consultant will be a partner to the board, and responsible for the advice offered. He expressed his concern regarding multiple advisers, and the board's ability to distill the advice from multiple consultants, and yet make appropriate decisions for the plans. He stated that he is open to the idea of changing the language and providing for the selection of one or more consultants, but expressed his interest to hear more about what other people had to say regarding the operational aspect, including the attorney and administrator. Mr. Wearn stated that he did not mean to make the decision of more than one consultant, but only to consider the possibility, and to include the flexibility within the RFP.

Mr. Parven stated that he is not opposed to providing for the flexibility and to determine if it is best for the employees.

Mr. Linn stated that normally there is only one investment consultant. He stated that the Florida Retirement System would have several investment consultants. He pointed out that the ordinance provides language in the singular, and that if the board decides to engage with more than one investment consultant that the Town may need to change the ordinance.

Mr. Hanes discussed his concerns regarding multiple consultants considering the pivotal spot the consultant has in the process, including modeling and presenting manager candidates after due diligence and recommendations are made to the board. He stated he does not believe it cannot be done, but expressed that he believes it is contrary to what he has seen in his experiences as administrator.

Mr. Wearn stated that he merely wanted to provide the opportunity for that to occur if it is found to be appropriate.

Mr. Elwell suggested that the board may need to consider the manner of selection of consultants. Chairman Snow and Mr. Madison discussed the process followed with regard to the selection of the recently established 401(a) plan. Mr. Hanes discussed the process for selecting finalists. He stated that the draft RFP contemplates a selection committee doing interviews with bidders.

Mr. Elwell stated that he prefers that finalists be present at the August meeting to be interviewed to the board. Mr. Madison stated his agreement with Mr. Elwell and his preference of a committee interview and finalists to be interviewed by the full board at the August meeting.

Mr. Wearn made the motion that the board amend the RFP to allow for more than one consultant to be selected. Mr. Goldsmith seconded the motion.

Mr. Linn discussed that he and Mr. Randolph believe that the selection of more than one consultant would seem to require a change in the ordinance. Mr. Randolph stated you can not consider more than one consultant. He stated he did not see a problem with including a "may" for selection of one or more. Mr. Elwell stated his concern that if the attorneys are uncomfortable with one or more and you are changing to may, then he is not sure where the attorneys are getting to in terms of the level of discomfort. He stated that it sounds to him as semantics. Mr. Linn stated he believes that under current language the board can select an investment consultant in August, and if the board decides a second consultant it will require a change in the ordinance. Mr. Elwell discussed that the latter would have a timing implication for consultants to be hired by October 1, 2012.

Mr. Wearn noted that in legal construction the singular may include the plural and the plural may include the singular. He reemphasized that he merely is looking for flexibility.

Chairman Snow stated he supports the motion. He noted that the board has two very good consultants, and agrees that the RFP should be flexible and allow for more than one, but that at the point of selection he may speak for one consultant.

The trustees unanimously adopted the motion.

Mr. Hanes raised the matter of appointment of the selection committee. The trustees discussed matters of how to make the selection and comply with the sunshine law. Chairman Snow and Mr. Wearn discussed that Mr. Hanes can contact trustees and staff to see who is available and willing to serve on the selection committee. Mr. Randolph stated it did not seem to violate the sunshine law.

Mr. Wearn made the motion that the process discussed be followed for the appointment of a selection committee and if available the trustees will be authorized to serve, that the chairman will make the selection amongst those trustees that are available, as well as other non-trustees, and that the selection committee will return to the August board with no less than two and more than five finalist candidates. He stated that those finalists are to be scheduled to attend and present to the full board. Mr. French seconded the motion. The trustees unanimously adopted the motion.

XII. ICMA

Mr. De Aguero and Mr. Sizemore provided a brief presentation regarding participation of the Town's defined contribution plans with public employees in the Town of Palm Beach. The representatives discussed matters of counseling with members and enrollment for the new 401(a) plan. He discussed the programs provided by ICMA and matters of on-line review of their vested and non-vested accounts.

Mr. De Aguero stated that within the investment department there is an individual that can be available to provide an investment review of the funds ICMA provides to public employees.

Mr. Elwell suggested that we schedule this for the November board meeting.

Chairman Snow stated he did not believe that ICMA representatives should be available at each quarterly meeting.

Mr. Elwell announced that he is required to leave for another meeting.

The board agreed without motion to take up a matter previously assigned by the board to item XVII regarding the responsibility for taking minutes, and prior to the departure of Mr. Elwell. Mr. Wearn made comments prior to Mr. Elwell's departure regarding the responsibilities of the administrator and suggested that Mr. Hanes continue to provide the minutes for the board. He discussed that there is terminology and matters that are unique to retirement systems that Mr. Hanes can help with in facilitating a complete set of minutes in which this board has a fiduciary responsible. He stated that he believes there are additional duties for which Mr. Hanes should be compensated that would flow with that duty. He asked the Town Manager and administrator to discuss and return to the August meeting with a recommendation to that issue.

Mr. Elwell stated that he will be happy to discuss with the administrator, and offered that this is the first that he had heard of the issue, and is open to it. He stated he will want to do what is appropriate, and will discuss with the board in August that it happen with appropriate compensation, or may come back and say something else about it after conferring with the administrator and he has thought about it and looked into it with staff.

XIII. Resolution for Payment of Invoices and Benefits

Mr. Hanes reported that there have been differences in board reporting practice regarding expenses and benefits between the public safety employee boards and general employee board. He discussed how the administrator pays the bills and makes payment of benefits and the board ratifies the action at the quarterly board meetings. He stated it is common for boards to handle in this manner.

Mr. French made the motion that the following process be followed for the payment of benefits and expenses. The plan administrator shall insure that the benefit and expense payments are made in a timely manner in accordance with the plan, or as authorized by the board, and at each regular board meeting the plan administrator shall present a list of benefits and expense payments made since the last meeting for ratification by the board. The board ratification of the benefit and expense payments shall be reflected in the minutes of the board meeting. Mr. Madison seconded the motion. The trustees unanimously adopted the motion.

XIV. The Matter of Fred Hess - DROP

There was no discussion regarding this matter since it had been resolved by action of Town Council.

XV. The Matter of Joshua Faller - Disability

Mr. Hanes discussed that Mr. Faller had been approved for a non-duty disability at a previous meeting of the Police Officers board. He explained he had received correspondence from an insurance carrier that provides long term disability noting an application denial of Mr. Faller's claim for a benefit. He requested if the board would like further review of Mr. Faller's disability. Ms. Wells commented that Met Life had made requests for documentation from Mr. Faller, and that Mr. Faller had failed to provide the requested documents.

Chairman Snow stated that the question to the board is whether the board believes Mr. Faller should continue being reviewed. The trustees agreed without motion that Mr. Faller should not be subject to further review.

XVI. Report regarding Ch. 175/185

Mr. Linn discussed a matter of Chapter 185 generated monies held for the benefit of Police Officers as a reserve. He addressed the issue of how the board gets to the point of paying the benefit. He stated that the law requires under Chapter 185 that the membership must approve the disposition of the monies. He discussed that it would be typical for share accounts to be created with the monies divided up between the members. He suggested that there are different ways of dividing the monies and suggested that the plan members come to the board with a plan, and that ultimately the union will need to sign off on that plan.

Chairman Snow asked Mr. Linn to discuss what Chapter 175 and Chapter 185 monies the Town should be entitled to receive from the state. He stated it to be his opinion that with legal guidance the board should ask for the money. Mr. Linn agreed and stated that the point is valid that the taxes are collected in arrears and that the distribution that would be made in 2012 should be made based on the taxes collected in 2011. He stated that the statute plainly says that the Division must determine as of December 31 (calendar year) in 2011 that the plan is in compliance. He noted that as of December 31, 2011 the plan was in compliance. He stated and discussed an analogous situation with regard to the Town of Lake Park. Mr. Linn stated it would be very appropriate for him to write a letter on behalf of the board to the Division of Retirement to put this position forward.

Mr. Wearn suggested that we should also look at how the Town got paid, including what the state did on the front end of providing the additional money to the Town of Palm Beach. He stated that if the state did not provide the money when the Town entered the Chapter 175 and Chapter 185 plans, then it could be important to the question of how the state should pay when the Town exits the plan. Mr. Wearn added that the letter should take the position that the board is entitled to the money. Mr. Wearn asked Mr. Linn what the letter will cost the board. Mr. Linn stated that he believed he can do the letter for less than $1000.

Mr. Wearn made the motion to authorize and request Mr. Linn to send a demand letter to the state for the Chapter 175 and Chapter 185 funds, and that the legal expense be authorized up to and not to exceed $1000. Mr. Madison seconded the motion. The trustees unanimously adopted the motion.

XVII. Administrator Report, William Hanes

(The agenda item added at Item III to this Item XVII was addressed at the end of Item XII).

Mr. Hanes discussed work with Town staff and with the system calculations regarding the new plan, and thanked all of Town staff for the cooperation and help he received. Mr. Hanes discussed the matters of various organizations where trustees are able to seek education and training. Mr. Wearn stated his concern about participation with advocacy groups. Mr. Madison stated that the training he has received from FPPTA has been invaluable. Mr. Hanes stated that he is looking for guidance and authorization from the board regarding the issue of trustee organizational membership, and particular noted that FPPTA has a meeting in June. The board discussed and agreed without motion that the board will reimburse a trustee or staff for ordinary expenses related to educational conference activity, but without board membership.

XVIII. Attorney Report, John Randolph and James Linn

Mr. Linn referred to a draft he had provided the board regarding an IRS position regarding normal retirement benefits. Mr. Hanes asked Mr. Linn to discuss matters of the requirement of board approval for legal expenditures as required under the code. He noted that Mr. Linn's fee had been documented as $250 per hour. Mr. Hanes stated that he believed the board would need to authorize the fees, or would not have the authority to pay his fees from the retirement trusts. Upon consideration, Mr. Randolph stated that he agreed.

The motion was made by Mr. Madison that Mr. Linn's and Mr. Randolph's fees be paid by the retirement trust. Mr. French seconded the motion. The trustees unanimously adopted the motion.

XIX. Disbursements

Mr. Goldsmith moved to approve all disbursements identified in the report. Mr. French seconded the motion. The trustees unanimously adopted the motion.

XX. Retirement/Benefits, William Hanes

Mr. Wearn made the motion to approve ratification of the payment of benefits presented. Mr. Goldsmith seconded the motion. The trustees unanimously adopted the motion.

XXI. Other Business

Mr. Randolph made comments regarding an ethics training session on May 30, 2012 that he will be providing.

XXII. Adjournment

Mr. Madison made the motion to adjourn. Mr. French seconded the motion. The trustees unanimously adopted the motion.

Respectfully Submitted,

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