MINUTES OF THE TOWN OF PALM BEACH RETIREMENT SYSTEM FIREFIGHTER BOARD OF TRUSTEES

MEETING OF FEBRUARY 19, 2010

I. Call to Order

Chairman Ross called the meeting to order at 2:12 p.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 Rathborne
Sergio de Araujo

ALSO PRESENT:

Bonni Jensen, Attorney
William Hanes, Administrator
Sean Higman and Jon Prime, Prime Buchholz
Walt Maxwell, Rampell & Rampell
Clement Johns, GRS
Pam Nelson, Wells Fargo

II. Approval of Agenda

Mr. Hays made the motion to approve the agenda. Mr. de Araujo seconded the motion. The trustees unanimously approved the agenda.

III. Comments by Trustees

There were no comments by trustees.

IV. Approval of Minutes: November 30, 2009

Mr. de Araujo made the motion to approve the minutes of November 30, 2009. Mr. Hays seconded the motion. The trustees unanimously adopted the motion.

V. Financial Report

Mr. Maxwell presented the December 31, 2009 financial statements. He discussed that the fund was in excess of $48 million in assets at the end of the quarter. The trustees discussed matters of the plan expenses with Mr. Maxwell. Mr. Hays asked Mr. Maxwell to include an annual comparison at each quarterly meeting going forward.

VI. Auditor's Report

Mr. Clement Johns presented the Audit report. He discussed that he is presenting a clean or unqualified opinion. He stated the plan to be in full compliance of the law. He presented the report. He stated that the plan is better than 80% funded, and that level is a very good funding level compared to other clients in Florida. Mr. Hays asked if the fund is in the top ten percent. Mr. Johns affirmed that the Firefighter plan is within the top ten percent in funding level of the plans he audits in Florida.

Mr. Johns discussed a significant investment loss due to the bad markets over the preceding year. He stated that the plan losses are in the range experienced with other of his clients. Chairman Ross discussed that the supplemental fund contribution from the state was less than the preceding year. Ms. Jensen and Mr. Hanes explained that the state has kept more in reserve.

Mr. Johns stated that the administrative expenses of the plan fall in the range of other Florida plans. He stated that the Town has satisfied its obligation to pay the actuarial required contributions for every year reviewed by the Auditor since 2002.

Mr. Johns stated that there is a nonmaterial matter that the Auditor in the previous year had requested be performed regarding a procedures manual. Mr. Hanes discussed that he is working with the Town and Rampell & Rampell, the accounting firm, to create the type of manual that is envisioned by the auditor. Mr. Johns stated that he would provide a manual from a client that may be a helpful guide to Mr. Hanes.

Mr. Johns stated that all parties were very cooperative, including the Administrator, Town employees and actuary. He presented the management report, and stated that everything has been provided that was requested.

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

VII. Fiduciary Liability and Fidelity Bond quotes

Ms. Pam Nelson, representing Wells Fargo, presented matters of the Fiduciary Policy to the trustees and recommendation for renewal coverage by RLI Insurance Company. She stated that the coverage is for $10 million dollars, and discussed matters of the indemnification with Mr. Hanes and Ms. Jensen. Chairman Ross asked if it were not better to go for the lowest cost with higher deductable. The trustees agreed.

Mr. Hays made the motion to purchase from the RLI Insurance Company a fiduciary policy with a $10 million dollar limit, nonrecourse, with a $250,000 deductible, at an annual cost of $17,742.00, which includes coverage for all Trustees and the Plan Administrator. The policy will go into effect on March 1,

2010. Mr. French seconded the motion. The trustees unanimously adopted the motion.

Ms. Nelson and Mr. Hanes presented that the current Administrator's office lease requires a general liability policy. Ms. Nelson recommended a policy limit of $1 million at a premium of $180.62 to be split between the Firefighter and Police Officer Board of Trustees.

Mr. Hays made the motion to secure a general liability policy with Auto Owners Insurance Company with a liability limit of $1 million, subject to a $300,000 deductable, at an annual cost of $180.62, to be split between the Police Officer and Firefighter Board of Trustees. Mr. French seconded the motion. The trustees unanimously adopted the motion.

VIII. Quarterly Investment Report

Mr. Jon Prime discussed matters of the market. He discussed that there were major differences in the markets with regard to all asset classes when compared to ten years ago. Chairman Ross asked that given the past ten year performance, is Prime Buchholz still comfortable with the 8% return assumption. Mr. Prime and Mr. Higman affirmed that the fund should perform at 8 percent going forward.

Mr. Higman discussed the quarterly performance of the plan. He stated his belief that the fund is well positioned with quality holdings. He discussed the performance of the portfolio over the three and five year periods against the indexes, and noted positive comparisons. He discussed the flexibility of the alternative managers, and noted the good performance in the asset class. He discussed how convertible bonds are used to give more equity exposure due to the state law restriction requiring twenty percent holding in fixed income assets. He stated that real assets underperformed due to Guggenheim. He discussed that the redemption request was made at Guggenheim, and that the request to waive incentive fees was made, but that Guggenheim has replied that it will continue to charge the fees because it continues to actively manage the fund. Mr. Higman discussed that the gate remains up with Guggenheim. Mr. Prime stated that they see modest improvement in the real estate environment. The trustees asked that Guggenheim appear at the May board meeting to discuss further matters of their fund performance and to provide reasons for why the gate remains up. Mr. Prime stated that he believes the characteristic of the fund is looking good, and they continue to be confident in the fund. Mr. Ross asked Mr. Higman to send to the trustees prior to the next meeting the Guggenheim policy for valuation of the fund, property by property.

IX. Real Assets Manager Review

Mr. Higman discussed the actual asset allocation versus the target. He asked to defer discussion of the real asset allocation to the next meeting. He discussed that the earlier liquidation based on allocation changes made at the last meeting will need to be considered, and recommended that the money be placed in TIPS until the decisions are made. He discussed that he will work out the dollar amounts with the Administrator. The Trustees agreed without motion.

Mr. Prime discussed matters of the January markets.

Mr. French moved to adopt the Investment Report. Mr. Hays seconded the motion. The Trustees unanimously adopted the report.

Mr. French asked Mr. Higman about the reasonableness of a return assumption of eight percent. Mr. Higman stated "we can build a portfolio that will achieve an eight percent expectation."

X. Administrator's Report

Mr. Hanes reported on the Town Council meeting of December 3, 2009, when the Town retirement plan consultant made a report and Town Council heard testimony from various stakeholders. Mr. Hanes stated that Chairman Ross appeared and spoke on behalf of the Trustees, and the Town Council delegated to Town Manager Peter Elwell to provide a recommendation for retirement plan changes by the March, 2010 Town Council meeting. Chairman Ross asked Mr. Hanes to provide a copy of the recommendation to the trustees once it is available.

Mr. Hanes reported on the Town Council meeting of February 9, 2010, and that the Town Council passed a measure on first reading to allow for the Police Officer Board of Trustees to meet quarterly and to provide for elections and appointments of trustees on a staggering two year basis. He asked that the trustees authorize for an amendment to the ordinance be included to provide that the Firefighter Board of Trustees do the same. He made note that Ms. Jensen had prepared the draft.

Mr. French made the motion to authorize the Administrator to seek approval from Town Council of the changes as discussed. Mr. Hays seconded the motion. The Trustees unanimously approved the motion.

Ms. Jensen discussed that there will be a requirement that the Trustees adopt the procedure for election and appointment. Mr. Hanes discussed a request by Councilman Diamond that an alternate member be included in the code change. Mr. Hanes discussed that state law does not allow for an alternate Trustee.

Mr. Hanes discussed the matter of a letter received by a local constituent, Dr. Gundlach. The trustees discussed with the consultant. Mr. Prime discussed that he and Mr. Higman had discussed the concerns with Dr. Gundlach, and felt they had satisfied Dr. Gundlach's concerns. No action was taken.

XI. Attorney's Report

Ms. Jensen discussed recent changes in state law. Several of the changes were in need of a change in ordinance. Ms. Jensen said she will prepare the draft.

Mr. French made the motion to adopt the changes needed. Mr. Hays seconded the motion. The Trustees unanimously approved the motion.

Ms. Jensen discussed updates in state law and that the state reimbursement rate has changed to fifty cents per mile.

Ms. Jensen discussed a recent State Attorney General Opinion regarding holding meetings electronically. Ms. Jensen discussed that meeting notices should be altered to state that the meeting might be held electronically.

Ms. Jensen discussed matters of the divestiture efforts by the active managers. Mr. Higman stated that he would follow up to make sure that all active managers comply.

Ms. Jensen discussed that she has prepared a contract with the actuary, Gabriel, Roeder and Smith.

The trustees approved without motion.

Mr. Ross stated that going forward, he would ask that the Trustees receive the printed material using both sides of a page to prevent so much paper being used.

XII. Disbursements, William P. Hanes, Administrator

Mr. French made the motion to ratify the action of the Administrator on disbursements. Mr. Hays seconded the motion. The Trustees unanimously adopted the motion.

XII. Other business

Mr. French discussed that he, Ms. Duvall and Mr. Hanes met with representatives from the ICMA to discuss matters of the DROP and Share accounts. He said the meeting went well, and the issues of concern to Firefighters were addressed.

XIII. Adjournment

TOWN OF PALM BEACH RETIREMENT SYSTEM
FIREFIGHTER BOARD OF TRUSTEES
Minutes of February 19, 2010 Meeting

The Trustees adjourned without motion.

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Chairman Wilbur Ross Jr.

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Secretary Jason French

Attested by:
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