MEETING OF THE TOWN OF
PALM BEACH FIREFIGHTERS' RETIREMENT SYSTEM
BOARD OF TRUSTEES
Meeting of NOVEMBER 12, 2008
c/o WILLIAM P. HANES CONSULTING, INC.
P.O. BOX 2112
PALM BEACH, FL. 33480

I Call to Order:

Mr. Hanes, Plan Administrator, assumed the chair and called the meeting to order at 9:25 A.M.. Mr. Hanes asked Ms. Rathborne to present Mr. Krock a plaque from the Board of Trustees recognizing his past 8 years as Trustee of the Firefighters' Retirement System. Ms. Rathborne made the presentation. Mr. Krock expressed his hope that everyone that is volunteering on the Board has a fiduciary obligation to the Firefighters, and not the town or anyone else. The second point he made was he hopes the Board will look very hard at how to make the investments, and stated that it is extremely important for the Board to determine the best way to make the investments.

Mr. Hanes stated a plaque has been sent to Mr. Elliot from the Board since he was not able to attend the meeting today.

Mr. Hays presented to Mr. Krock a separate plaque on behalf of the Firefighters. He additionally presented to Ms. Rathborne a plaque in recognition of past service on the Board, and discussed another plaque is being sent to Mr. Keith Elliot from the Firefighters in recognition for his past service on the Board.

In Attendance:

TRUSTEES:
Carol Rathborne, Chairman
Mike Hays, Chairman Pro Tem
Jayson French, Secretary
Wilbur Ross
Sergio de Araujo

ALSO PRESENT:
Bonni Jensen, Attorney
William Hanes, Pension Administrator
Brad Armstrong, Actuary
Sean Higman, Investment Consultant
John Prime, Investment Consultant
Richard Rampell, Accountant
Walter Maxwll, Accountant
Deborah Diaz, Accountant

II Oath of Office

Ms. Joanna Cunningham administered the oath to Mr. Michael Hays, Mr. Wilbur Ross and Mr. de Araujo.

III Election of Officers

Mr. Hanes asked for nominations for the election of officers. He discussed there is a need to fill the office of Chairman, Chairman Pro Se, and Secretary.

Mr. Hays nominated Ms. Carol Rathborne for chairman. Mr. de Araujo seconded the motion and the Board unanimously adopted the motion. Ms. Rathborne assumed the chair and asked for nominations for Chairman Pro Se.

Mr. French nominated Mr. Hays for Chairman Pro se. Ms. Rathborne seconded the motion. The motion was unanimously adopted by the Trustees.

Mr. Hays nominated Mr. French for Secretary. Ms. Rathborne seconded the motion. The Trustees unanimously adopted the motion.

IV Approval of Agenda

Ms. Rathborne asked that the agenda be amended to allow Mr. Snow to speak to trustees (Item V). The trustees agreed without motion.

Mr. Snow reviewed the matter of plan design of the public safety's retirement systems, and how the Board's had unanimously supported the current defined benefit plan in a meeting last year before the Town Council. He said a committee of the Council will be meeting on December 16, 2008, and he indicated the committee wants to review the assumptions and understand the current defined benefit plan design.

Ms. Rathborne asked Mr. Hanes to discuss. Mr. Hanes discussed his experience in Kentucky and through his associations with national organizations, and what he knows of other state and local systems that have experienced the issues of plan design change. He emphasized defined benefit plans are often not understood by the media or policy makers. He discussed while the change from a defined benefit plan to a defined contribution plan seems to be the way of private employers, it has not been the way for public workers. He discussed there is an immediate cost for shutting down the plan and an additional cost for establishing a new plan for new employees.

Mr. Armstrong stated the shutting down of the plan will increase cost by nine percent (9%) of pay, or approximately $700,000 due immediately as an additional contribution. He discussed that the twelve million dollar unfunded liability is being paid down more quickly. He stated that the total cost would be no less than $7.5 million dollars.

Mr. Hays stated his concern that people will need to work longer in a hazardous position, or longer in years than they might be able to be effective at their jobs.

Mr. Ross stated that it is not the right time to be considering this matter, and that he doesn't understand why we are spending so much time on the issue.

Ms. Rathborne asked Mr. Snow if he sees a benefit of combining the two retirement systems. Mr. Snow said the issue came up two years ago and the conclusion then was there may be some duplication of work with two public safety retirement systems, and the split occurred in 2004 because Police and Fire wanted the split.

Ms. Jensen stated the reasons she recalls was there were different philosophies between the Boards, and they concluded that there would be less and less savings for consolidating.

Mr. Higman stated he didn't believe they could reduce fees very much because of the relative small size of the combined funds.

Mr. Ross suggested the Board should meet in a separate meeting to discuss the issue of the plan design. The Trustees agreed without motion to meet on November 21, 2008 at 9:00 A. M. to discuss investments and the defined benefit plan.

Mr. Ross moved for the approval of the agenda. Mr. Hays seconded. All trustees approved.

V Comments by Trustees

There were congratulations to the newly appointed and elected Trustees.

Ms. Rathborne asked Mr. Higman about the report of the prior meeting representing $5 million in foreign securities. Mr. Higman said the issue had been settled with Mr. Maxwell the accountant as they had concluded that it represented cash.

VI Approval of Minutes:

Mr. Hays made the motion and it was seconded by Mr. de Araujo to approve the minutes of August 13, 2008. The motion was adopted by the Trustees unanimously.

VII Financial Report

Ms. Deborah Diaz introduced a senior partner, Richard Rampell, who was present. She then asked that Mr. Maxwell assist in presenting the report. Mr. Maxwell and Ms. Diaz presented the report to the Trustees.

Mr. Ross asked why it is that the state's Sec. 175 amounts to the Town went down from the preceding year. Ms. Jensen explained that the amounts are based on premiums paid on insurance policies for homes. Also, she stated the Firefighter funds are limited by a 6% of payroll cap, and the additional monies collected are allocated to fund educational incentive accounts. She guessed that the supplemental check is less because the educational incentive fund received more of the money this year than last year. Mr. Ross asked if someone could tell us why at the next regular meeting. Ms. Jensen stated that she would find out.

Mr. Maxwell discussed the administrative expenses increased due in part to the transfer of administrative services, and the transition brought on new administrative accounting duties. Ms. Rathborne stated it was over $100,000. Ms. Diaz discussed it was not all Rampell, but stated the matters involved the several one-time activities associated with the change in administration. She stated there should be a change in on-going charges. Ms. Jensen stated that part of the expenses were for legal services, and she anticipated that her time and expenses would also be lowered for the same reason going forward.

Ms. Rathborne complimented Rampell & Rampell for very good work during this transition.

Mr. Ross made the motion to approve the accountant report. Mr. Hays seconded the motion. The Trustees unanimously adopted the motion.

Mr. Hays asked the Accountants to address their billings. Ms. Diaz and Mr. Maxwell discussed in detail their expenses with regard to taking on the various new tasks related to the transition in administration by agreement with the Board, including the unanticipated project of accumulating data and issuing member statements for DROP and Share accounts. Ms. Diaz discussed the related costs. She stated on a going forward basis there will be more efficiency, and she anticipated costs to level to between $1,200 to $1,500 per quarter.

Ms. Diaz raised an issue regarding the September 30, 2007 audit and comments made by the auditor regarding the Board's adoption of investment policies and procedures related to risk management of assets. She discussed she is not sure what we have in place, and proposed we review what policies we can obtain from the Town, and she would like to see it come back to the Board once the documents are found. Mr. Ross asked that Board members get this in advance of the next meeting. Mr. Ross requested that the trustees receive all material at one time. Ms. Rathborne stated that Board members are getting e-mail from all managers. Mr. Ross stated that it all should come from one source. Mr. Higman stated he would come up with a process to minimize duplication of manager reports and statements.

VIII Report by Actuary (continued)

Mr. Armstrong made comments regarding the proposed Summary Plan Description provided by Ms. Jensen. He suggested members should be informed that they should keep beneficiary designation current. Mr. Armstrong discussed he should be able to provide the 2008 Actuarial report at the May Board meeting.

Ms. Rathborne asked Mr. Hanes to provide a status of where we are in the transfer from National City Bank to Wachovia Bank and movement of money from Wachovia to State Street Bank, the custodian. Mr. Hanes discussed we have less than $100,000 in deposit at Wachovia. He stated he watches the accounts to keep the accounts below the $100,000 threshold considering the cash-flow requirements of payroll, operational payments, and deposits made by the Town to Wachovia.

Mr. Rathborne stated that we should avail ourselves of the opportunity to participate with the state banking public depository program for protection against losses, and file the documents needed to be covered. The Board members agreed that the administrator should do so.

IX Investment Report

Mr. Higman discussed there are two guests who will make presentations to the Board. He explained at the last meeting of the Board there were allocation changes, and one change was to allocate to real assets. He stated the portfolio had recent exposure to Guggenheim, a fund of funds, but the trustees added 2.5% to TIPs and 2.5% to Natural Resources, and had a couple of alternatives regarding the commodities.

There were two presentations by managing firms. Mr. Higman introduced Mr. David Settles, client representative, to make a presentation on behalf of Wellington. Mr. Settles teleconferenced in Mr. Rob Rodriguez, Vice President and Portfolio Manager, to assist in the discussion. Mr. Settles and Mr. Rodriguez made the presentation to the Board.

Mr. Settles stated background information about the firm. He asked Mr. Rodriguez to provide the remainder of the presentation. Mr. Rodriguez discussed the fund's strategy in a lengthy presentation.

Mr. Rodriguez discussed the strategy is long term. He stated that they have higher conviction in longer term than the lower point. Ms. Rathborne asked how they know how low it gets. Mr. Rodriguez stated that you don't know where the bottom is, but you follow a discipline and you must be humble in terms of getting signals from the market. When asked about the performance, he stated that the updated performance is quite bad news and because of the violent sell off and that as of the preceding night the portfolio for the trailing one year was down by 40 percent. He discussed that October was extremely bad. Ms. Rathborne asked about the 3 year performance. Mr. Rodriguez stated that the performance for three years was .6 positive.

Ms. Rathborne stated she could not recommend an investment that experiences a 40 percent loss over the year. Wellington was dismissed.

Mr. Higman discussed that all managers are down in the month of October and stated that he believed it inappropriate to criticize a firm's performance for a short term loss when the class is down for all managers.

Mr. Ross stated that the real bottom line here is the lack of performance.

Mr. Higman introduced Mr. Alex Gansch, Managing Director, who presented for Gresham Investment Management. He described their strategy of trading of the commodity futures contracts.

Mr. Ross asked about the performance. Mr. Gansch stated they were down by 28 as of last night. Ms. Rathborne stated the problem the Board is having now is to make an investment with a fund that has had the performance that your firm has experienced. Mr. Gansch stated that his firm believes this is the time for an investment. Ms. Gansch was dismissed. There were no decisions made.

Mr. Ross asked that the Board review the investment policy and make a decision to develop the investment policy that will guide the Board on what to purchase.

The Board agreed to meet the next Friday, November 21, 2008 to discuss further the issues of investment policy.

Jon Prime presented the remainder of the report. He discussed the performance of each class of assets within the portfolio.

Mr. Higman stated he has not changed his view that long term markets will return to good performance over 10 or 15 years. He stated we should not take the short term view. Mr. Higman stated that the angst is all about the last 9 weeks.

Ms. Rathborne asked to discuss Artisan and noted that in the short and longer 5 year term they performed below the benchmark. Mr. Higman cautioned the Board that the under-performance is because of the last month that impacted the performance for the short term as well as 5 year period trailing that month.

Mr. Higman stated the only manager that they have some concern is Richmond Capital Management. He continued that Richmond was over-weighted in financials in September and October when they experienced bad performance. Ms. Rathborne stated her concern about the junk holdings in the portfolio. She stated there is nothing in the portfolio that will improve all financials, and it can only get worst.

Mr. Prime stated there are two issues. The first is about the strategy with this asset class. The second is whether you want to take no credit risk.

Mr. Ross asked Mr. Higman to have Richmond participate at the next meeting.

Mr. de Araujo stated that we want the corporate credit instead of financials, but maybe not with this particular manager.

X Attorney Report

Mr. Hays asked if the Board would consider the matter of Sandra Burke. Ms. Burke was present and presented her appeal to the board for payment of past benefits. Mr. Hays stated Ms. Burke had made attempts to contact Pension Resource Center in November of 2007; Ms. Burke stated she had called for Scott Baur and he finally returned the call after she had made several attempts to speak to him. Ms. Burke stated that she had been told by a representative of Pension Resource Center that she was not eligible at a time when she was eligible. Ms. Rathborne asked Ms. Jensen what the Board could legally do. Ms. Jensen discussed the rights to appeal. She stated the trustees can waive the process. Ms. Rathborne stated Ms. Burke has telephone records and she has made repeated efforts to speak to Mr. Baur. Ms. Jensen stated the trustees can grant the benefit by waiving the procedure and the Board could then review the appeal.

Mr. Hays made the motion to waive the formal procedure of appeal and to grant Ms. Burke's appeal to pay the benefits retroactive to the date she was first eligible to receive the benefit based on the

substantial evidence before the trustees. Mr. Hays made the motion and Mr. de Araujo seconded the motion and the Trustees unanimously adopted the motion.

Ms. Jensen presented another proposed amendment to the ordinance to allow DROP members to remain in the plan. She stated the current provision requires that the member's monies must be moved out of the fund.

Mr. Hays made the motion that DROP Firefighters have the option to have their monies remain in the pension fund after termination. The motion was seconded by Mr. Mr. de Araujo and the motion was unanimously adopted by the trustees.

Ms. Jensen noted she is developing a summary plan description that will be reviewed by Mr. Hanes and Mr. Armstrong and presented for approval at the next quarterly meeting.

Mr. French discussed he has created an on-going newsletter that he is e-mailing to active and retired Firefighters.

XI Administrator's Report

Mr. Hanes discussed a matter of calculation of benefits and the need to automate. He explained all retirement included salary for a five year period is manually entered into a spread sheet with each pay period before the Administrator can sum the total and calculate the benefit. He stated there is no web site or estimate of benefits provided to Firefighters in the Town of Palm Beach to plan for future retirement benefits in advance. He discussed there is no software that captures retirement information for various reports (audit, actuary or state 175). He asked the Board to authorize the payment of $15,000 for these retirement services and software.

Ms. Rathborne expressed her concern over the cost, and wondered whether the service might be provided at a less expense. She stated that she is not sure this is the time to make the change.

Mr. Hanes asked for the authority to obtain a fidelity bond and E&O policy for the Board and himself.

Mr. French made the motion and Mr. Hays seconded the motion to grant the authority to Mr. Hanes to secure an E&O policy and fidelity bond on behalf of the trustees and administrator. The Board unanimously approved the motion.

Mr. Hanes discussed that there are over 30 boxes that were provided him by Pension Resource Center and that he is requesting the authority to have the files and documents be converted to electronic format or disc. **Mr. French made the motion to authorize Mr. Hanes to convert files to discs or other appropriate digitalal format, and Mr. Hays seconded the motion. All Board members approved the motion.**

XII Disbursements

Mr. Hanes presented the report regarding disbursements. **Mr. French made the motion and Mr. Hays seconded the motion for the ratification of vendor payments according to the report. All members approved.**

XIII Benefit Payments

Mr. Hanes presented the report on benefit payments. **Mr. Hays made the motion and Mr. French seconded the motion to approve the payment of benefits as set out in the report. All Board members approved the motion.**

X Adjournment

The Board members adjourned without motion.

Attested by: ______________________________
Jayson French, Secretary