Town of Palm Beach Firefighters' Retirement System

Meeting of November 8, 2006

I. CALL TO ORDER

Chairman Richard Krock called a meeting of the Firefighters' Retirement System to order on behalf of the Board of Trustees at 9:00 AM on November 8, 2006, in the Town Council Chambers.

TRUSTEES	OTHERS
Richard Krock, Town Appointed Trustee	Bonni Jensen, Attorney
Keith Elliott, Town Appointed Trustee	Scott Baur, Administrator
Robert Jaffe, Board Elected Trustee	Denise C. Clougherty, Administrator
Mike Hays, Elected Trustee	Jon Prime, Prime Buchholz
John Cuomo, Elected Trustee	

The Chairman welcomed Mr. Keith Elliott, the newest Town Appointed Trustee to the Board. The first order of business for the meeting was to have Mr. Elliott sworn in by the Town Clerk, Sue Eichhorn.

Mr. Elliott was sworn in by the Town Clerk, Sue Eichhorn.

II. APPROVAL OF AGENDA

The Trustees reviewed the Agenda for the meeting.

A motion was made by Mr. Elliott to accept the Agenda as amended. The motion was seconded by Mr. Jaffe and carried 4-0.

Mike Hays joined the meeting at 9:04 a.m.

III. TRUSTEE ELECTIONS

Election of Fifth (5th) Trustee

The Chairman advised that the next order of business was to elect a 5th Trustee, as the seat Mr. Jaffe now holds expired on October 1, 2006. The Chairman turned the meeting over to the Secretary, Mike Hays.

A motion was made by Mr. Krock to nominate Mr. Jaffe for the position of 5th Trustee to the Board of Trustees for the Town of Palm Beach Firefighters' Retirement System. The motion dies for lack of a second.

Mr. Krock resumed his responsibility as Chairman.

Mr. Cuomo inquired as to the proper process for re-electing a Trustee to a seat, and expressed his desire to see advertising and applications prior to proceeding with a re-election by the Board. Mr. Cuomo stated it was done that way in the past and believes it should be done that way each time to preserve continuity of procedure.

The Board had an in-depth discussion on the procedures and agreed to review applications that were already advertised for and submitted for the seat that Mr. Elliott now holds, rather than repeat the same process, they will review the applications already submitted.

Board Counsel, Ms. Jensen advised the Board that Mr. Jaffe would be in a hold-over position until the seat had been filled with a new Trustee. The vacancy only occurs if a Trustee actually resigns from the position. In the absence of a second on the motion to nominate him to the seat, he remains in the position of 5th Trustee until the process is completed.

A motion was made by Mr. Elliott to review the applications and resumes that were already submitted to the Town of Palm Beach and come back at the next meeting prepared to make a decision on the 5th Trustee. This process would not include advertising, as the advertising for a Trustee was just completed. The motion was seconded by Mr. Hayes and carried 5-0.

The Administrator will distribute copies of the applications to each Trustee for review.

Mr. Cuomo addressed the Board regarding his latest absences and apologized to the Board for not having called to advise someone of his inability to attend those meetings.

Election of Chairman.

The Chairman opened the floor for nominations for the position of Chairman.

A motion was made by John Cuomo to nominate Mike Hays for Chairman and the motion was seconded.

A motion was made by Mr. Jaffe to nominate Mr. Krock for Chairman and the motion was seconded.

A motion was made by Mr. Hayes to nominate Mr. Krock for Chairman and the motion was seconded.

There were no further nominations and there was no discussion. The motion carried 4-0 to elect Mr. Krock as Chairman. Mr. Krock abstained from voting. Mr. Krock will hold the position of Chairman for one year.

Election of Secretary

The Chairman opened the floor for nominations for the position of Secretary.

A motion was made by Mr. Jaffe to nominate Mike Hays for the position of Secretary. The motion was seconded. There were no other nominations for the position of Secretary. Mr. Mike Hays will hold the position of Secretary for one year.

IV. APPROVAL OF MINUTES of meeting held August 9, 2006.

Mr. Krock stated he had some minor clerical changes to the Minutes of August 9, 2006 that he will provide to the Administrator for revision.

A motion was made by Mr. Jaffe to accept the Minutes of August 9, 2006, subject to the revisions from Mr. Krock. The motion was seconded by Mr. Elliott and carried 5-0.

V. UMBRELLA INVESTMENT COMMITTEE UPDATE

Mr. Krock gave an overview of the Umbrella Investment Committee's purpose. He further explained that though the concept was 'a good idea' the implementation and lack of cost savings to the respective plans dictates the benefit of remaining status quo at this time. The attorneys looked at all aspects of developing an investment pool but each individual plan would still need to have their own advisors, which would not be a cost savings. In addition, some of the plans may still want different asset allocations than that of the investment pool as a whole. It appears that the Umbrella Investment pool would not have had anywhere near the effect it was hoping to have had. There could still be some cost savings by entering into a collaborative custody agreement, but the investment pool will not become a reality at this time.

Mr. Baur reported that he had written a memorandum to the Town of Palm Beach against the direction but not the concept. Mr. Baur believes the direction lacked some of the advantages and as a whole, would not have been in the best interest of the plans.

The Chairman advised he would like to be permitted to bring up an item of new business, prior to the Investment Consultant's Report. **Mr. Krock made a motion for the Board to present a plaque to Mr. Peter Geisler, thanking him for his dedicated service on the Board of Trustees of the Town of Palm Beach Firefighters' Retirement System. The motion was seconded by Mr. Jaffe and carried 5-0.**

VI. INVESTMENT CONSULTANT REPORT: Jon Prime, Prime Buchholz

Mr. Jon Prime appeared before the Board to present the quarterly investment report. Mr. Prime discussed the slowing economy, stating that during the quarter, financial markets responded favorably. The Federal Reserve decided to hold interest rates steady at 5.25% and while they remain cautious about inflation, they suggested that moderating economic growth should help ease inflation pressures over time. Both equity and fixed income markets responded favorably to these decisions. Core consumer prices continued to rise during the third quarter, with the exception of volatile energy. After reaching an all-time high of nearly $77/barrel early in the quarter, prices began falling in the latter half of the quarter and ending the quarter at about $62/barrel. Price declines were experienced across the energy sector, which contributed to the market recovery. He has seen a lot of mergers and acquisitions both in the U.S. and Europe, which contributed to positive returns in the US market.

Mr. Prime reported that large cap out performed mid and small cap; Value out performed growth and small cap growth was the only segment of the US market that was negative in the quarter. He continued, reporting that there were dramatic changes in the Russell 3000 as energy, materials and industrial stocks had negative returns, whereas, health care and financials, information technologies and telecommunications have been exceptionally strong.

The Total Fund gained 3.2% in the third quarter. Performance was slightly behind the Target and Actual Indices. International equity was the top performing sector during the quarter, gaining 4.5% and surpassing the 3.9% core EAFE return. Commodities had the most difficult time this quarter, as energy markets plummeted and the DJ-AIG Commodity Index fell more than 6%. Aft the manager level, Cooke & Bieler was the star, gaining 6.5% during the quarter and adding 300 basis points of alpha to the benchmark. At the end of the quarter, the investment structure was in-line with policy targets and the market value of the fund is $50,551,114.00.

Mr. Elliott observed that there seemed to be some concern among the plan participants that the asset performance would not be able to meet the actuarial assumed return rate of 8%, but that the fund seems to be performing to a standard that makes an 8% return certainly attainable. The Board discussed that the fund is actuarially sound at 80-85% funding, as the Town continues to make their gross contributions that fills in the gaps. The Board has made some changes that reduces the down side risks. According to Mr. Prime, the principal driver is asset allocation as opposed to manager performance.

Mr. Baur advised the Board that the Chairman of the Police Officers Board of Trustees of the Town of Palm Beach Retirement System, will be appearing before the Town Council at the next council meeting to present the asset allocation of the fund and its performance, and perhaps the Chairman of this Board might desire to do the same. Mr. Krock believes the Town Council wants to see that the funds have an asset allocation that is similar to ours with alternative investments.

The Board discussed the possibilities of balancing the assets on a weekly basis as opposed to quarterly. Mr. Prime responded that he believes that it can be done but does not feel it is the best way. Money would need to be shifted out of portfolios with all of the managers and would be moving relatively small amounts of money. He advised the Board that he would look into this, but rebalancing quarterly would be more realistic, as six of the managers of this fund all have limited liquidity and cannot be re-balanced at the same time. Proposing to do this would be labor intensive for the Administrator and would cause an increase in the administrative fees, although Mr. Baur believes that the administrative fees are small compared to the benefits of re-balancing more frequently. Mr. Prime suggested coming back to the next meeting with a proposal for rebalancing. Mr. Jaffe, in turn, suggested that if Mr. Prime finds a way to rebalance more often, that he go ahead, and then report back to the Board at the next meeting, to gain the advantage of time, although, it seems it may change the whole structure of the legal arrangements we have with the managers and feels they may not go along with changing that. As soon as one plan does this, then another plan will do it, then another, and soon it would become unmanageable. Mr. Prime agreed to look into the amount of effort involved to move the money that often. Mr. Krock believes the effort would be dwarfed by the return. Mr. Prime agreed to work with Mr. Baur on the implementation.

Mr. Prime advised the Board that they have been taking a closer look into the under performance of Meridian. Prime Buchholz does not recommend replacing them immediately but does recommend presentations of a few other managers and has two recommendations for the Board. Mr. Prime recommends Berens Capital and Forester come in and make presentations to the Board based on their equity strategies. Mr. Prime advised Archstone, as well, except that the fund already has an existing relationship with them, therefore, they need not make a presentation to the Board. He further advised that Meridian wants to meet with the Trustees. Prime Buchholz believes that there are better options for the fund. Meridian has not had stellar performance. Mr. Prime advised that Sean Higman will be attending the December 1, 2006 meeting/workshop being set up. Mr. Jaffe advised that due to a conflict, he will not be able to attend the meeting on December 1, 2006.

A motion was made by Mr. Jaffe to approve the Investment Consultant's Report for the third quarter 2006. The motion was seconded by Mr. Hays and carried 5-0.

VII. SHARE AND D.R.O.P. ACCOUNTS

Mr. Baur reported to the Board that there have been some significant administrative issues with ICMA regarding transfer of funds into the individual participants' accounts that leads to delays and confusion. In addition, Mr. Baur believes that ICMA is handling the accounts, and therefore, should be providing some type of orientation for the participants on the accounts they have with ICMA, as well as handling their own enrollment process. The members are left with a lack of education and understanding regarding their money. Mr. Baur reported that the members feel they have no cooperation or education and that ICMA is not meeting their expectations.

Mr. Baur provided the Board with alternatives to ICMA but advised the Board that he may have a conflict in this process as his company is one of the largest providers of Share and DROP Account Management. Omega is an affiliate of the Pension Resource Center and has provided a proposal along with ING and ICMA. Mr. Baur explained the Share and DROP to Mr. Elliott to help him better understand this portion of the members' benefits. Mr. Baur further advised that an ordinance change would be required if the Board proposes to do away with the self-directed accounts altogether, which would be the least expensive option available. Mr. Cuomo believes the firefighters are interested in keeping their Share and DROP money invested with the fund, earning what the fund earns. Mr. Cuomo expressed his desire to bring back an answer to the firefighters, who want to know if the Board is willing to do away with self-directed accounts.

Ms. Jensen advised the Trustees that there are no legal implications of doing that, but reminded them that there is a pending amendment to the ordinance already prepared, and she will be meeting on it next week. If the Board desires to do this, it would be beneficial to bring forth an amendment at the same time, or included in the amendment already pending. The pending amendment would propose language that would remove non-vested participants.

A motion was made by Mr. Jaffe for Mr. Cuomo and Mr. Hays to poll the interests of the firefighters regarding putting their money into the plan and earning what the plan earns. All plan participants would invest their money in the Plan, it would be a one-time election and

either all of the members participate or none participate. With this change, the vesting issue is mute. The motion was seconded by Mr. Hays and carried 5-0.

Ms. Jensen will move forward to amend the already-drafted amendment so that we can talk to the Town about it. Ms. Jensen advised that the Town could, potentially, refuse or deny the amendment as any changes require the legislative body to take action.

VII. ATTORNEY'S REPORT: Bonni Jensen, Hansen, Perry & Jensen

Ms. Jensen addressed the Board with the provisions of the Pension Protection Act of 2006. Ms. Jensen explained what provisions of this new law were applicable to the Plan. She advised that Public Safety Officers who are retired, are allowed a deduction for health insurance premiums to be taken pre-tax, up to $3,000.00. This provision requires an election from the retiree and the premiums must be paid from the pension plan directly to the insurance company. This provision will become effective 1-1-07. Ms. Jensen will check further into some of the questions that remain unanswered in the statute, such as whether or not the pension plan can make a payment to the Town and/or the union and have the Town or union pay the insurance company. Ms. Jensen provided the Trustees with a draft copy of an election form for retirees to fill out to comply with the statute.

A motion was made by Mr. Elliott to approve the health insurance deduction election form presented by counsel and to authorize the Administrator to implement it. The motion was seconded by Mr. Jaffe and carried 5-0.

Ms. Jensen further explained the provision of the new act that allows retirees who retire at the age of 50 to take distributions without a penalty. This provision changes the age from 55 to 50 and makes no other changes to that requirement. Ms. Jensen will change the plan's documents to reflect the age as 50 years instead of 55 years.

A motion was made by Mr. Elliott to accept the change to the plan document reflecting this new provision of the Pension Protection Act 2006. The motion was seconded by Mr. Jaffe and carried 5-0.

Ms. Jensen provided a revised document for signature regarding the Trustee Expense Policy.

A motion was made by Mr. Jaffe to direct the Chairman to sign the revised Trustee expense policy. The motion was seconded by Mr. Elliott and carried 5-0.

Ms. Jensen explained that she will be attempting to coordinate the language for the pending amendment with the police officers and general employees retirement boards that provides for vesting with the Town of Palm Beach.

VIII. ADMINISTRATOR'S REPORT: Scott Baur, Pension Resource Center

Mr. Baur reported that Fidelity Federal, the bank the fund has its operating checking account with, has been taken over by another bank, National City Bank of Ohio. At this time, all agreements

and account arrangements remain the same, but we can potentially see some changes in the near future.

Mr. Baur reported that the Audit of the fund for the fiscal year ended September 30, 2006 is underway and scheduled for completion by December 15, 2006.

The Division of Retirement has sent an inquiry regarding the 3% multiplier and how it applies to the retired members. Some of the retirees directly called the Division of Retirement when they realized the increase was not applicable to them. Mr. Baur and Ms. Jensen will coordinate a unified response to the Division of Retirement.

X. REPORTING OF PLAN FINANCIALS

Unaudited Financial Statement

Mr. Baur provided the Trustees with copies of the unaudited financial statements for the period ended September 30, 2006 and reminded them that they will not always match that of the Investment Consultant because we report on a cash basis and there is always cash in the operating account for the fund. We also report investments at market by manager.

The Trustees reviewed the unaudited financial statements for the period ended September 30, 2006 and agreed to receive and file same.

Disbursements

The Trustees were provided with a list of disbursements paid throughout the quarter. The list of disbursements was reviewed by the Trustees. **A motion was made by Mr. Jaffe to approve the disbursements presented. The motion was seconded by Mr. Elliott and carried 5-0.**

XI. RETIREMENT APPLICATIONS: BENEFIT APPROVALS

The Board was presented with retirement applications for review and approval. The Trustees reviewed the applications for benefits from Raymond Daley and David Gates.

A motion was made by Mr. Cuomo to approve the benefit applications for Mr. Daley and Mr. Gates. The motion was seconded by Mr. Jaffe and carried 5-0.

XII. OTHER BUSINESS

Mr. Baur advised the Board that Mr. Moore has made application for a non-duty disability retirement after having been separated from service. Mr. Baur explained to the Board that Mr. Moore did not know, at the time, that he may be entitled to a non-duty disability retirement, and therefore, did not apply for one at that time. He is now requesting review by the Board for consideration of a non-duty disability at this time. He left as a vested deferred termination.

The Board agreed to refer this issue to Board Counsel. Ms. Jensen replied that she would investigate and research whether or not Mr. Moore is eligible to even make an application to the Board of Trustees, as the Plan Document states you must be a member to make application. Ms. Jensen will return to the next meeting with a legal opinion.

Mr. Cuomo welcomed Mr. Elliott to the Board of Trustees and directed his apologies to Mr. Jaffe regarding the issue of electing a 5th Trustee, advising him that he appreciates all of Mr. Jaffe's hard work, his time and efforts and his contribution to the pension plan, and his concern over policy of electing someone to his current seat, was in no way personal. He also apologized, again, to the Board for his absences and stated he would make every attempt to call in advance if he were unable to attend a meeting.

A motion was made by Mr. Jaffe to adjourn and the meeting was adjourned at 12:00 noon.

Michael Hays, Secretary _____