Town of Palm Beach Firefighters' Retirement System

Meeting of August 9, 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 August 9, 2006, in the Town Council Chambers.

TRUSTEES	OTHERS
Richard Krock, Town Appointed Trustee	Bonni Jensen, Attorney
Peter Geisler, Town Appointed Trustee	Scott Baur, Administrator
Robert Jaffe, Board Elected Trustee	Denise C. Clougherty, Administrator
Mike Hays, Elected Trustee	Sean Higman, Prime Buchholz

II. APPROVAL OF AGENDA

The Trustees accepted the Agenda with modification. Pine Grove was left off of the Agenda but the Trustees agree to discuss it under the Investment Consultant's Report.

A motion was made by Mr. Hays and second by Mr. Geisler to accept the Agenda as amended. The motion carried 4-0.

III. APPROVAL OF MINUTES of meeting held May 11, 2006

Changes noted by Mr. Geisler:

1. He disagrees with the cost-neutral statement made by Brad Armstrong on page four, paragraph four, and
2. He noted a few typographical errors for the Administrator.

Mr. Geisler feels the benefit cost cannot be neutral, since the benefit is based on the fund average salary which continues to increase.

Mr. Jaffe joined the meeting via teleconference at 9:27 a.m. The Trustees, again, reviewed the approval of the Agenda and continued with the Approval of Minutes.

A motion was made by Mr. Geisler and seconded by Mr. Hays to approve the Minutes of the meeting held May 11, 2006, subject to changes. The motion carried 4-0.

The Board engaged in discussion regarding the absence of Mr. John Cuomo. Today will mark Mr. Cuomo's third meeting in a row that he has missed. Chair will have discussion with Mr. Baur and the Chief. As a Trustee, he is expected to be here and in the absence of a telephone call to anyone here, he was expected to be present. Mr. Jaffe questioned if three absences in a row is cause for removal. Per Ms. Jensen, by law, it is if they meet the criteria for impeachment. The Chairman stated that two things must happen before the next regularly scheduled meeting:

1. Someone must speak with Mr. Cuomo
2. The Chairman will speak to the Chief.

The Board inquired if a clause could be added to the Plan to automatically remove a Trustee for poor attendance. Mr. Cuomo is an elected Trustee. There is no mention about attendance in the application for Trustees. Ms. Jensen will have a report for the next meeting and Mr. Baur will work with Mr. Krock on this matter.

IV. INVESTMENT CONSULTANT REPORT: PRIME BUCHHOLZ

A. Quarterly Performance Report

Mr. Sean Higman appeared before the Board to present the fund's quarterly performance report. Mr. Highman stated the equity markets were down with the S&P index down 1.4% while small and mid-cap stocks did even worse. The EAFE increased primarily due to changes in currency exchange rates. The decline in energy markets followed large increases in this area. Energy continues to dominate the index returns as a sector. The Lehman Aggregate decreased by .1% and Prime Buchholz expects only modest return from bonds going forward.

The hedge fund strategies had mixed results. The absolute return strategy did well but the long-short strategies generally suffered losses. REID also experienced declines for the quarter while commodities did well.

For the quarter, the plan lost -.8% compared to –1.0% for the target index. For year to date, the plan lost 6% compared to 4.9% for the benchmark. The one-year number is 9.4% compared to 8.6%.

Mr. Krock and Mr. Higman discussed funding progress related to returns. Mr. Geisler mentioned demographic experience including high than expected increases to payroll. Mr. Baur mention the four year smoothing, that the plan continued to recognize losses from 2000 to 2002, so funding progress should begin to improve with more recent gain.

Mr. Higman reviewed target allocations for the plan, then performance for managers individually. Cooke & Beiler trailed in the quarter to under weighting to energy sector, Harris performed ahead of the benchmark, but Artisan did not, due to emerging market exposure, and Legg Mason is so far not meeting the benchmark for the year due to a few names in the portfolio. Meridian has now under performed for three quarters, and Prime Buchholz is now doing due diligence review on the manager. Mr. Jaffe asked for suggestions for a replacement if Prime Buchholz determines that Meridian should be replaced. Mr. Krock asked about liquidity limitations. Meridian has quarterly liquidity with 45 days' notice. Mr. Jaffe asked what percentage of Meridian assets are held by Prime Buchholz clients, that liquidation could become a problem. Mr. Higman will provide information should the Board decide to make a decision regarding Meridian.

Fixed income increased by .3% due primarily to exposure in convertibles, while the benchmark experienced declines. Mr. Krock asked about the list of funds held by Meridian. Meridian appears to have some very good holdings. Mr. Higman noted that Meridian is more concentrated in holdings than other fund-of-funds, so the portfolio can be more volatile.

Mr. Higman provided the Board with a copy of the letter previously sent by Pine Grove, in which they stated they could not comply with the plan's Investment Policy. Prime Buchholz still believes that Pine Grove is a good manager with excellent holdings, however, if the Board decides to change he recommends an additional portfolio with Archstone. Otherwise, Prime Buchholz would leave Pine Grove in place. Board Counsel, Ms. Jensen stated that as far as she is aware, the manager meets the guidelines, but the manager has provided a letter which affirms they cannot guarantee compliance. Mr. Jaffe questioned whether any manager really has the ability to comply with a commingled fund regardless of their representation to the Board. Mr. Jaffe asked Ms. Jensen if the Board must make the change. All Board members agree that switching from Pine Grove would be in the best interest of the Plan. If a problem ever arises, they have already stated, in writing, that they cannot comply with our Investment Policy. All Board members agree that switching from Pine Grove would be in the best interest of the Plan. For a change to be made, the Board must act by 45 days before the end of the year. Both Ms. Jensen and Mr. Higman will contact them again.

A motion was made by Mr. Geisler and seconded by Mr. Hays to approve the switch from Pine Grove to Archstone market subject to having Pine Grove revisit their compliance letter of February 17, 2005. The motion carried 3-0, Mr. Jaffe abstained from voting.

A motion was made by Mr. Jaffe and seconded by Mr. Geisler to approve the Investment Report by Prime Buchholz. The motion carried 4-0.

B. Investment Policy Revisions

C. Status of Investment Committee Proposal

The Board discussed at length, the possibility of an Investment Committee. Mr. Krock, as Chairman, will be attending a development meeting at the Town of Palm Beach to research the feasibility of this type of investment pooling.

D. Pine Grove

A motion was made by Mr. Geisler and seconded by Mr. Hays, to approve the switch from Pine Grove to Archstone, subject to Pine Grove's response to additional inquiries by the Board. Mr. Jaffe abstained from voting. The Board voted and the motion carried 3-0 with Mr. Jaffe abstaining.

Mr. Higman advised that Archstone does not require a minimum investment.

A motion was made by Mr. Hays and seconded by Mr. Geisler to accept the Investment Consultant's report. The motion carried 4-0.

Upon further research, counsel Bonni Jensen advised the Board that they can elect to terminate a member-elect Trustee or Fifth Trustee, for missing three consecutive meetings, unless excused. The Board asked what the definition of an excuse is and Ms. Jensen replied that there is no criteria clearly stated in the Ordinance. The chair mentioned that the Board should give Mr. Cuomo the opportunity to explain his attendance when we meet again at the November 8th meeting. The Board will give him the opportunity to come before the Board. Mr. Baur can put out a memo to all Trustees and put this item on the Agenda.

A motion was made by Mr. Geisler and seconded by Mr. Hays to provide Mr. Cuomo with a notice that the Board will be entertaining a motion to remove him from the Board of Trustees for lack of attendance at meetings. The motion carried 4-0.

The Chairman advised a change in the regular order of business to allow Mr. Geisler the floor for discussion on an item of New Business.

Mr. Geisler addressed the Board regarding the under funding of the Plan. Mr. Geisler feels that the last increase in benefits decreased the funding of the Plan to 70% of the accrued retirement liability. He feels this is a major under funding issue. He noted it has been a downward slide since the year 2000. He believes that the actuarial assumptions are way out of line with actual payroll and that the last benefit increase was made by the Town without input from the Board. Mr. Geisler announced that he would resign at the end of this meeting. He has taken the position that the policy of the Town supercedes the recommendations of the Board. In discussing it with the Town, their view is to just increase taxes. We are currently under funded by $12 million and the budget is not all that large so the $12 million represents a great increase in taxes. But that is not the answer. Mr. Geisler feels it is out of hand and he does not care to lend his hand in that. Mr. Geisler stated that his comments are not directed at the firefighters, by any means, but to the Town Officials. Mr. Baur informed the Board that in general, many Plans have experienced under funding. Mr. Jaffe commented that he would like to see Mr. Geisler reconsider his position but thanked him, on behalf of the Board, for serving the Board so well. Mr. Hays, also, thanked Mr. Geisler for his exemplary presence on the Board of Trustees. The Chairman inquired as to the procedures following the resignation of a member of the Board. Mr. Baur advised he would notify the Town that they must appoint a replacement for Mr. Geisler for the remainder of his term. There was further discussion regarding the under funding of the Plan.The payroll increases were assumed at 7.8% but the actual increase was 14%. The Board can direct the Actuary to perform an experience study to reflect the numbers more accurately. Page B6 of the Actuarial Valuation has indicators about the funding value. The market brought the forwarded ratio down. The Plan is still waiting for the realization of gains, which will help the forwarded ratio. Page B8 is the schedule for 4-year smoothing and recognized losses from prior years has actually crested this year when the fourth year loss dropped off. The Board inquired as to the ratio between investment performance and four-year smoothing of assets as well as payroll versus actuarial payroll assumption in regards to the under funding. Mr. Baur stated that this question should be answered by the Actuary. He also replied that page A2 of the Actuarial Valuation addresses that something is already being done to increase the funding. The Town has 30 years to meet the percentage of under funding. Mr. Krock asked Mr. Geisler if he would consider deferring his resignation for 90 days, or until the Board can get these issues clarified and Mr. Geisler replied that he would defer his resignation until the end of the current quarter. He would like to talk to the Actuary. Per Board Counsel, he is free to talk to the Actuary outside of this meeting.

Mr. Jaffe requested that the Town have representatives present at the next meeting to discuss these issues, as well as the Actuary. The Board directed Mr. Baur to inform Mr. Elwell of the direction the Board is moving.

Mr. Baur advised the Board that the Actuarial Valuation has been revised after the second reading of the 3.5% multiplier. The Board indicated that they would possibly defer approval of the Revised Actuarial Valuation to the next meeting.

Mr. Krock suggested scheduling a special meeting for November 7, 2006 at 9:00 a.m. to which Mr. Geisler can participate, as well as the Town. Mr. Baur will check availability of the room for that date.

V. ATTORNEY'S REPORT, MS. BONNI JENSEN

A. Email/Web Page Disclosure

Ms. Jensen advised the Board about the legislation that passed recently requiring websites to notify the public that under law, e-mail addresses are public record. The Pension Resource Center has already taken care of the legal requirements for the website that serves the Town of Palm Beach Firefighters' Pension Plan.

B. Insurance Premium Database

Ms. Jensen discussed the premium tax distribution stating that the fund would be receiving $377,367.56 which is an increase from last year's $368,000.

C. Proposed Trustee Expense Policy

Ms. Jensen reviewed the Trustees Expense Policy draft, stating that the expenses are actually paid by the Town, not the fund. The fund only reimburses the expenses initially. The Trustees agreed to have the attorney add language prohibiting any first class travel; and requiring receipts for per diem reimbursement.

A motion was made by Mr. Jaffe and seconded by Mr. Hays to approve the Proposed Trustee Expense Policy as amended. The motion carried 4-0.

D. Pending Ordinances

Ms. Jensen advised she is working on some clarifying language on transfer of service, proposed as an amendment and has met with Peter Elwell. She will have them at the November meeting.

E. Ordinances 23-01 and 24-01: Division of Retirement

The Plan has received correspondence from the State regarding past ordinances and Mr. Baur has already sent off an initial response.

F. Ordinance 7-06 Town Changes

The Town Audit and Annual Report has been completed for the past year and Mr. Baur has an engagement letter today for next year's audit.

The Board requested that Ms. Jensen add language to the Plan Document to stagger terms of Trustees for continuity of leadership on the Board.

A motion was made by Mr. Hays and seconded by Mr. Jaffe to direct Ms. Jensen to proceed with this change. The motion carried 4-0.

Wednesday, September 27, 2006 9 a.m. will be the alternate date for a special meeting of the Board.

VI. ADMINISTRATOR'S REPORT, MR. SCOTT BAUR

a. Revised Actuarial Valuation

After some discussion regarding the Actuarial Valuation, and the Board determined that aside from the question of the assumptions, the Actuarial Valuation was in final form.

A motion was made by Mr. Geisler and seconded by Mr. Jaffe to accept the Revised Actuarial Valuation. The motion carried 4-0.

b. Pending Trustee Elections

Mr. Baur advised the Board that the upcoming posting of elections and appointments is being handled through his office. He provided applications for Board members who wish to be re-appointed, for submission to the Town Clerk.

c. Rebalance of Investments

Mr. Baur advised the Board that the investments have now be rebalanced. **A motion was made by Mr. Geisler and seconded by Mr. Jaffe to direct the Chairman to sign the Revised Investment Policy Statement. The motion carried 4-0** and the Revised Investment Policy Statement was signed by the Chairman.

d. Audit Engagement Letter

A motion was made by Mr. Jaffe and seconded by Mr. Geisler to sign the Audit Engagement Letter for execution. The motion carried 4-0.

The Chairman signed the engagement letter, directing Mr. Baur to proceed with the Audit.

VII. REPORTING OF PLAN FINANCIALS

A. Unaudited Financial Statement

Mr. Baur provided the Board with copies of the unaudited financial statements for the period ending June 30, 2006. The Board reviewed the financial statements. The Board agreed to receive and file the unaudited financial statements for the period ending June 30, 2006.

B. Approval of Disbursements

A motion was made by Mr. Geisler and seconded by Mr. Jaffe to approve the disbursements for July and August, 2006. The motion carried 4-0.

VIII. RETIREMENT APPLICATIONS: Benefit Approvals

The Board reviewed the benefit approvals for Wade Snyder and Daniel Hirsch. Mr. Snyder has made application to enter the D.R.O.P. and Mr. Hirsch has requested a refund of his pension contributions after termination on March 6, 2006.

A motion was made by Mr. Jaffe and seconded by Mr. Geisler to approve the Benefits for Mr. Snyder and Mr. Hirsch. The motion carried 4-0.

The Board then reviewed recalculation of benefits after the 3.5% multiplier change for Mr. Bruce Dash, Mr. Raymond Herr, Mr. Wayne Lindros and Ms. Suzanne Lindros.

A motion was made by Mr. Geisler and seconded by Mr. Jaffe to approve the 3.5% adjustment of benefits for Mr. Dash, Mr. Herr, Mr. Lindros and Ms. Lindros. The motion carried 4-0.

IX. OTHER BUSINESS

There being no other business, and the next meeting having been scheduled for November 8, 2006 at 9 A.M.,

A motion was made by Mr. Jaffe and seconded by Mr. Geisler to adjourn the meeting. The motion carried 4-0.

X. ADJOURNMENT

The meeting was adjourned at 11:30 A.M.

REGULAR QUARTERLY MEETING SCHEDULE:
Second Wednesday of Second Month (9:00 A.M.)

NEXT QUARTERLY MEETING DATE:
Wednesday, November 8, 2006 9:00 A.M.

Respectfully Submitted,

Michael Hays, Secretary