Police Officer Board of Trustees
Of the Town of Palm Beach Retirement System
MINUTES OF MEETING HELD
June 7, 2005

I. CALL TO ORDER

Chairman George Frick called a meeting of the Police Officer Board of Trustees for the Town of Palm Beach Retirement System to order at 9:10 AM on June 7, 2005, in the Town Council Chambers. Those persons present included:

TRUSTEES	OTHERS
George Frick, Employee Member Trustee	Jon Prime, Prime Buchholz
Raymond Snow, Town Appointed Trustee	Scott Baur, Administrator
James McC. Wearn, Town Appointed Trustee	John McCracken, Attorney
Gerald Goldsmith, Fifth Trustee	John Norris, Cooke & Bieler
Mike Lynch, Employee Member Trustee	Meridian

Mr. Goldsmith and Mr. Wearn joined the meeting by telephone conference call.

II. APPROVAL OF AGENDA

Mr. Wearn made a motion to approve the Agenda. Mr. Snow seconded the motion, passed by the Trustees 5-0.

III. MINUTES OF FEBRUARY 10, 2005, AND FEBRUARY 18, 2005

Scott Baur, Administrator for the Retirement System, provided the Trustees with the Minutes for the meeting of March 10, 2005. The Trustees deferred action on the minutes until the next meeting of the Board.

IV. INVESTMENT MANAGER PRESENTATIONS

COOKE & BIELER (John Norris)

John Norris provided an overview of the investment management firm on behalf of Cooke and Bieler. He said that Cooke & Bieler, based in Philadelphia, manages a mid-cap value mandate for the Retirement System. Cooke & Bieler has managed assets for 55 years, with $6.5 billion in total assets under management and $1.5 billion in the mid-cap value strategy. He said that the manager has only one year of negative returns in the past 30 years. He said that Cooke & Bieler does not employ junior analysts to promote to portfolio management; rather, the manager believes in career analysts. He said that the firm compensates portfolio managers and members of the research team based on performance.

John Norris reviewed the investment process. He said that Benjamin Graham, a pioneer of the value style of management, once said "Investment is most intelligent when it is most business-like"; and based on this philosophy, the investment manager considers itself a business analyst more so than a stock analyst, so to implement the strategy, Cooke & Bieler errs on the side of quality in making investment decisions; and as a result, the manager avoided all of the recent major investment disasters and scandals.

Mr. Norris said stocks represent an ownership interest in a business; therefore, the manager focuses on understanding and minimizing business risk by choosing quality companies based on competitive advantage, positive cash flow, and a conservative balance sheet. To outperform the benchmark over time, he said that the manager makes investments different than the benchmark at the risk of near-term underperformance. He said that despite the high tracking error of the portfolio relative to the benchmark, the strategy has provided significantly better performance over time. He said that the average manager holds a stock for less than one year, but Cooke & Bieler has a portfolio turnover rate of 20-25% per year with a 5-year average holding period for an issue. He said that Cooke & Bieler typically makes investment decisions based on the outlook over the next 10 years, purchasing good companies at a fair price and owning those companies for an extended period of time.

Mr. Norris addressed the performance for the portfolio: in 2003, the manager had a composite return of 41.5%, but in 2004 the portfolio for the Police Officers' Retirement System earned only 12.5% compared to 23.7% for the benchmark; while the manager has strong absolute performance on behalf of the Retirement System from inception of the portfolio, Cooke & Bieler under performed the benchmark for the same period; and for the quarter, Mr. Norris reported that the portfolio gained 2.4% so far compared to 1.4% for the benchmark.

Mr. Norris discussed the recent market environment: in 2004, commodities and energy concerns drove the market; and at the same time, higher dividend yields on stocks did not necessarily indicate quality. Mr. Norris attributed most of the performance under the benchmark to smaller positions in REITs and the energy sector relative to the benchmark. He said that the manager also experienced some losses due to specific stock selection in the retail and restaurant sector. He said that the results provide further evidence that Cooke & Bieler does not manage to the benchmark. Mr. Norris offered Big Lots as a specific example of a stock that performed under expectations in 2004, but has since provided significant gains for the portfolio.

Ray Snow inquired whether drift in style and market capitalization would present a problem for the Retirement System with a midcap portfolio. Mr. Norris responded that a portfolio will normally tend to drift to increasing market capitalization over time, but the manager stays at the very low end of the midcap range with an average market capitalization in the portfolio of $2.2 billion. Mr. Norris also stated that the manager would cap the strategy at $3 billion in assets, and at the lower end of the market capitalization range, Cooke & Bieler has a wider range of securities to consider for the portfolio.

MERIDIAN CAPITAL PARTNERS (Mark Hurell)

Mr. Hurell provided the Board with an overview of the investment management firm: Meridian runs a fund of hedge funds; the firm, employee owned with 5 partners, has 36 employees overall; the manager established the portfolio used by the Retirement System in 1998; Meridian started as an investment consultant firm, but in 1994, the firm began to investigate strategies to manage the downside risk associated with investment through style diversification; the manager set up the first fund of funds in 1994; the Performance Partners Portfolio, the long/ short strategy used by the Retirement System, has bond-like volatility with an 8.1% annualized rate of return since inception for the Town of Palm Beach.

Mr. Hurell said that the portfolio for the Town of Palm Beach gained an additional 1% for the current year to date through March 31.

Mr. Hurell explained the history of hedge fund management: short selling, long positions, and leverage combine to produce a "relative value trade" that provides positive performance regardless of the direction of the underlying market; Meridian does not accept heavy leverage from the managers included in the portfolio; the market currently has approximately $1 trillion of total asset in the equity long-short area; Meridian looks for good managers that generate strong long-term returns without ever having down periods of performance.

Mr. Hurrell said that Meridian prefers research driven fundamental managers: the firm starts the selection process by assigning managers to risk categories based on volatility and correlation to the market; Meridian prefers managers with low volatility and low correlation; the firm assigns smaller allocations to managers with portfolios hedged to a greater extent. Meridian maintains a very narrow focus on long-short equity portfolios diversified across market sectors, management styles, market capitalization, and geographic areas; out of 8,000 potential managers, Meridian currently has 34 in the portfolio with another 50 qualified through the screening process; Meridian must be able to understand the investment process for a manager to make the list; and Meridian also looks for firms with stability, a long-tenure of management, and a stable asset base.

Mr. Hurrell said that Meridian conducts many due diligence meetings, with at least two visits to each manager each year. He said that the stated investment process, meanwhile, must match what Meridian observes about the manager. He reported that Meridian typically makes a couple adjustments to the managers used for the portfolio each year, due to such factors as volatility, style drift, or other business related issues.

Mr. Hurell then reviewed a detailed history of the portfolio since 1998. He said that the firm is slowly adjusting the portfolio after the market downturn from 2000-2: in 2003, 92% of all stocks had positive returns, but the stocks with the most gains had the worst valuations; the market returned closer to historical norms in 2004, while so far in 2005 60% of stocks had gains while 40% of issues declined. Mr. Hurell stated that the current market presented a better investment environment for the alternative managers.

Mr. Hurell emphasized that Meridian looks for managers with a fundamentally driven investment process, a limited use of leverage, and a solid business model. He said that Meridian hopes to capture a significant portion of the market increases with this approach, while at the same time limiting the exposure in the portfolio to market downturns. Since 1998, the S&P 500 Index had 12 quarters with negative returns, and during these periods, Meridian beat the index during every down quarter and 8 of the quarters with positive returns.

Mr. Snow inquired about the fee structure for the portfolio. Mr. Hurrell responded that Meridian typically pays management fees of only about 1% plus an additional 20 bp due to the long-term relationships that the firm establishes with the managers of the portfolio.

V. QUARTERLY INVESTMENT REPORT: JON PRIME

Jon Prime presented an overview of the market environment for the first quarter of 2005: for the quarter ending March 31, both stocks and bonds experienced losses; themes in the market from the prior year carried over into the current calendar year; midcap stocks provided the strongest gains, but small cap issues experienced a downturn in the market; international investments also experienced small losses due to further weakening in foreign currencies; energy stocks, materials, and utilities outperformed during this period; Torray, as well as Cooke & Bieler, had virtually no exposure in the portfolio to these sectors, so both managers failed to match their respective benchmarks; the "conundrum" for fixed income investments continued as the Federal Reserve Board raised short-term rates while intermediate and long-term rates continued to fall; the market environment improved for alternative investment during the quarter, and the recent investment in convertible securities also made a positive contribution to the overall portfolio.

Mr. Prime reported that the Police Officers' Retirement Board performed under the benchmark for 1- and 3-year periods mostly due to the performance by Torray and Cooke & Bieler: both managers lacked exposure to the best performing sectors of the recent market. The portfolio had returns of –1.0% for the quarter ending March 31 compared to –0.7% for the benchmark, with a 4.8% return for the past year compared to gains of 6.5% for the benchmark. Mr. Prime noted a problem in the report concerning the iShare ETF, which did not appear to track properly to the corresponding index. Mr. Prime said he believes that State Street did not update the value of the security on the custodial statement.

Mr. Prime said that Harris Oakmark slightly outperformed their benchmark while Artisan failed to meet their target. He said Pine Grove and Meridian also performed slightly under the benchmark for the quarter for alternative investments, although the alternative strategies had volatility more like bonds than stocks. He reported that SSgA matched their benchmark, and the convertibles had a flat quarter while the corresponding benchmark fell.

Ray Snow expressed concern over the 8% assumption rate used by the plan for investment returns, given lowered expectations from the fixed income component of the portfolio. He asked if the Board should consider adjustments to the asset allocation going forward. Jon Prime stated that he would provide a detailed discussion regarding the asset allocation for the next meeting. He said Prime Buchholz started to address the asset allocation with the introduction of convertible securities to the portfolio. He said the 25% of assets allocated to bonds, however, is not expected to make a significant contribution to overall performance.

Mr. Prime stated the fund of funds strategy reduces the likelihood of a blow-up on the hedge strategy. In spite of the under performance, he said Prime Buchholz does not recommend any change to the allocation to Torray or Cooke & Bieler, since neither firm experienced any changes to personnel or investment strategy, and both firms have superior long-term results.

Mr. Wearn asked Prime Buchholz for a recommendation in the event that the Board eliminated the allocation to the alternative strategies. Jon Prime stated that the alternative strategies should not be removed from the asset allocation, although the Board might consider adding an allocation to real estate or private equity, because increasing the allocation to other asset classes would likely add to the volatility in the portfolio. Jon Prime even suggested that the Board increase the allocation to the alternative strategies, although Mr. Wearn again requested that Prim Buchholz propose an asset allocation that excludes the hedge funds. George Frick asked that the Trustees be provide with new copies of the Investment Policy for the discussion on asset allocation.

Mr. Snow advised that the Retirement System would have greater difficulty making the 8% investment assumption in the future. Mr. Goldsmith agreed that the plan might achieve an 8% return over the next 30 years, but the target would be more difficult to reach in the next 10 years. Jon Prime noted that long periods of time in the investment world are composed of many shorter periods of performance. The Board called a short recess, while Mr. Baur answered a question for Mr. Goldsmith regarding the recommendations by the Town regarding the fiduciary liability insurance: the Town is still to provide a specific recommendation to the Trustees for the amount of coverage that the Board should maintain.

VI. ACTUARIAL VALUATION (GABRIEL ROEDER SMITH)

Brad Armstrong presented the Annual Actuarial Valuation. He stated: the objective of the valuation is to match the funding to the liabilities; previously, the Retirement System had a funding ratio in excess of 100%, but that ratio has now dropped to about 90% due to a combination of benefit increases and the market downturn. He said that for the valuation, the Town contribution increased by about 2.3% of covered payroll; he said he attributed 1% of the increase to benefit changes and the other 1.3% to continued recognition of investment losses in the asset smoothing. He said that the Retirement System had a 4.8% return on the funding value of the assets for the past 5 years compared to the 8% assumed rate of return.

The Board discussed the investment outlook with the actuary. Brad Armstrong noted that, despite the bleak outlook, the Retirement System actually posted returns in excess of the assumption for the past two years. He said the Retirement System received $227,079 in Chapter 185 premium tax receipts for the fiscal year, but the first $290,000 of receipts must go to pay for additional benefits already provided to the members. Therefore, he said the Retirement System has no excess funds from the state to purchase additional benefits at this time.

Mr. Armstrong said he expects the dollar contribution of $1,652,626 to increase each year by about 5%, due to inflation and corresponding increases to payroll and benefits. Mr. Armstrong said he also expects the funded ratio of about 90% to fall slightly as the plan completes the recognition of investment losses from 2000-2. Because the Town makes all contributions to the plan on the required schedule, he said the funding progress does not present a problem for the Retirement System.

Brad Armstrong addressed the supplemental distribution, designed to share positive overall experience with the retired members of the plan. He said that the experience since inception of the benefit in 2001, however, has not been positive. He said the Retirement System must make up the cumulative negative experience before the plan can pay a supplemental distribution. John McCracken asked questions regarding the thresholds that the plan must meet before making a distribution. Mr. Armstrong advised that the Division of Retirement clearly requires the plan to have both positive current and cumulative experience before paying the benefit.

Brad Armstrong explained that a funding reserve account existed to offset employer contributions from the time that the plan implemented smoothing on investment returns. He said the Town has now virtually exhausted this reserve, with only $5,022 of additional credit available in the current fiscal year to offset employer contributions. Mr. Armstrong also reported that the balance for the Retirement Reserve, as specified in the ordinance, should be reset to $26,152,728. The Board questioned the 5.5% inflation assumption reflected in the actuarial valuation. Mr. Armstrong clarified that the inflation assumption applied only to salary increase, as opposed to any assumption related to the CPI. He said that over the last 16 years, salaries for members of the plan increased by 6.5% annually, but the increase for the past year was inflated due to overtime hours paid during the hurricanes.

The Trustees discussed the 8% assumption for investment returns. Brad Armstrong suggested that the Trustees could even adopt a split rate; for example, the Board might assume a 7% return on assets over the next 10 years with an 8% earnings rate thereafter. He said that since the plan has approximately $50 million in assets, required contributions would increase by about $500,000 for each 1% that the Board lowered the assumption for investment returns. Mr. Armstrong further explained that the Retirement System must ultimately recognize and fund negative investment experience anyway, so the contribution required from the Town would increase proportionately if the investment portfolio failed to achieve returns of 8%. He said a reduction in the earnings assumption would also reduce the funded ratio for the Plan, since the Town would have to contribute more funds to overcome a larger liability or funding deficit. Finally, Mr. Armstrong stated that the overwhelming majority of public plans used an 8% earnings assumption, although typical assumptions range from 7.5% on the low end to 8.5% on the high end.

Jon Prime added that the 8% assumption rate was less of a question for the Board than what combination of assets offered the greatest likelihood to achieve the target with the least amount of risk. Mr. Armstrong responded that the plan should always try to earn the best possible return, regardless of the assumption. Mr. Snow thanked Brad Armstrong and Jon Prime both for the dialogue regarding the earnings assumption.

Mr. Goldsmith inquired how the Retirement System communicated funding expectations to the Town. Mr. Armstrong provides the Town with annual funding projections, and Mr. Goldsmith advised that the Board should keep the Town informed on the funding issues. Mr. Wearn suggested that a one-year projection might not help the Town as opposed to a five-year projection. Brad Armstrong noted that the most important budget is always the current budget. He said that although longer-term projections become more complex, the Board could request such a projection or even an asset liability study involving both the actuary and the investment consultant. Mr. Goldsmith recommended that the Board keep the communication with the Town simpler.

Mr. Goldsmith made a motion to accept the 2004 annual actuarial valuation in its entirety, including the transfer to the retirement reserve. Mr. Wearn seconded the motion, passed by the Trustees 5-0.

Brad Armstrong mentioned that the Pension Savings & Preservation Act, currently pending in Congress, would eliminate the 10% early withdrawal penalty for public safety employees retiring after age 50.

VII. ATTORNEY RFP: SUMMARY AND DISCUSSION

Mr. Goldsmith commented that the proposals received by the Board contained many similarities. Mr. Goldsmith stated his preference for a local firm. Mr. wearn indicated that he preferred a firm that only represented pension plans. He said that both Steve Cypen and Robert Klausner stood out as two local firms that practiced only pension law. Mr. Goldsmith suggested that the Board should consider Hanson, Perry, & Jensen as well, now representing the Firefighters' Retirement System; both plans might gain some advantage by using the same firm. Scott Baur disclosed for the Board again that he had a prior business relationship with a subsidiary of the law firm Hanson Perry & Jensen, since he acquired a pension administration firm run by the law firm in 2002. He said that Hanson Perry Jensen now has a 10% passive equity stake in the Pension Resource Center LLC. Even as he made the disclosure, Mr. Baur does not believe that the situation presents a conflict for the Board.

Mr. Wearn expressed reservations about Hanson Perry & Jensen because of its current Palm Beach Firefighters Board representation. He said that if John McCracken encountered a situation with a potential conflict by representing the Town and the Retirement System, then the law firm of Hanson Perry & Jensen might encounter a similar conflict by representing the Police Officers' and Firefighters' Retirement Systems. Mike Lynch suggested that the Board invite three firms to make presentations: Cypen & Cypen, Klausner & Associates, and Hanson Perry Jensen.

Mr. Goldsmith made a motion to invite the three firms to interview with the Board. Mr. Snow seconded the motion, passed by the Trustees 5-0.

The Board set the meeting date for the afternoon of June 21.

VIII. FIDUCIARY LIABILITY INSURANCE

Scott Baur reviewed a letter provide by the Town attorney regarding the Fiduciary Liability Insurance maintained by the Board. He said that according to the opinion, the Town would indemnify the Board for claims up to the amount of the $150,000 policy deductible, or in excess of the $10,000,000 policy limit. Mr. Baur said he requested that the Town provide specific recommendations regarding the appropriate deductible or limit on coverage, and he will report any additional feedback that he receives back to the Board.

IX. BENEFIT ITEMS

TOWN COMPENSATION STUDY

George Frick provided some replacement pages for the Town Compensation Study relating to pension COLA & multiplier. According to Sgt. Frick, the Town Council has stated n objective to maintain pension benefits within the top quartile of like plans. He said the top quartile COLA benefit is 3% after one year, while the 2% COLA actually falls below the average. The Town, meanwhile, provides top benefits to the general employees by any measure or comparison. He said the 3.25% multiplier now offered to members also only falls within the average range. Chairman Frick requested a motion to have the actuary cost a 3% COLA after one year and a 3.5% multiplier for the Town.

Mr. Wearn commented that, in terms of overall compensation, the police members did fall within the top quartile already. Sgt. Frick responded that the pension benefits clearly still fall short, although Mr. Wearn warned against selectively choosing items to address. He recommended that the Board first determine if the Town will consider changing the specific benefits highlighted by the study. Sgt. Frick noted that the Town cannot consider a benefit at all without first knowing the cost. Sgt. Frick stated the Town Council set the objective at the November 2004 Town Council meeting to keep pension benefits within the top quartile. Mr. Wearn requested a copy of the November 2004 minutes for Town Council. George Frick passed the gavel.

Sgt. George Frick made a motion to request a study from the actuary to cost a 3.5% multiplier plus a 3% COLA after one year. Mr. Snow seconded the motion.

The Trustees discussed that the motion would simply allow the Trustees to gather the relevant cost information related to benefit improvements. Mr. Wearn stated that he was not aware that the Town requested that the Board obtain these estimates. Sgt. Frick responded that the Town established the benchmark for pension benefits, and while the Town did not specifically request the cost studies, no changes to the plan could be considered without knowing the costs. Mr. Snow also remarked on the apparent friction between the employee groups in the Town regarding pension matters, as documented in the cover notes for the compensation study.

Chairman George Frick called the question on the motion. The Trustees passed the motion to obtain the cost estimates 5-0.

BENEFIT VOTE BY SWORN PERSONNEL

George Frick requested to defer this item on the agenda. He said that the members of the plan previously agreed to contribute 3% of payroll for a 4% multiplier, and since the Town would not agree to address the benefit provisions at the time in lieu of the compensation study, the members are not necessarily willing to contribute 3% of payroll for another set of benefits.

X. ATTORNEY REPORT

AGREEMENTS WITH INVESTMENT MANAGERS

A. Meridian Capital Partners
B. Pine Grove Associates
C. SSgA
D. Torray Institutional

John McCracken reported that the Retirement System still has items that the investment management firms have not resolved with the agreements: Meridian Capital is a limited partnership, so the firm could not modify the agreements to conform to the requirements of the Board, for the manager did provide, however, a side letter addressing the concerns raised by the Trustees. Mr. Snow indicated that he was satisfied with the arrangement, although Mr. Wearn expressed ongoing concerns regarding the commitment by the Retirement System to the alternative strategies. Raymond Snow reminded the Board that the Retirement System must still deal with the logistics of dividing the assets. He said the letter provided by Meridian dated February 9 states that the manager complies with the relevant portions of the Investment Policy adopted by the Board, and Meridian has quarterly liquidity in the commingled investment product.

Mr. Snow made a motion to execute the investment management agreement with Meridian. Mr. Goldsmith seconded the motion.

In discussion on the motion, Mr. Wearn said he would defer his vote to Mr. Goldsmith and Mr. Snow, based on their greater expertise with the investment products.

The Trustees passed the motion 5-0.

John McCracken presented similar comments regarding the agreement with Pine Grove. He said Pine Grove also cannot modify the commingled product to conform to the request by the Board, but the manager provided a similar letter of representation as Meridian. He said both hedge fund managers registered with the SEC, and furthermore, Pine Grove provides an annual audit of operations. Mr. Goldsmith stated that he had a sufficient comfort level with Pine Grove subject to the provision of the audits. Mr. Wearn said he met with Thomas Hurley, the Risk Manager for Pine Grove, on March 31, 2005, and according to Mr. Wearn, the investment manager was not able to respond to his questions. Mr. Snow noted that the questions submitted by the Board did not come as a formal written request by the Board; furthermore, the Retirement System already owns the investment.

Mr. Snow made a motion to adopt the agreement subject to the normal withdrawal provisions of 180 days. Mike Lynch seconded the motion.

Again in discussion on the motion, Mr. Wearn said he deferred to the experience offered by Mr. Snow and Mr. Goldsmith regarding the investments, even though Pine Grove, in the side letter, could not make any representation regarding compliance with the Investment Policy.

The motion was approved by the Trustees 5-0.

Mr. McCracken reported that SSgA failed to respond to the request by the Board to provide modifications to the agreement. Mr. McCracken indicated that he was puzzled by the lack of response, since State Street responded well in every other way. The Trustees deferred the discussion regarding SSgA for two weeks. If the manager fails to respond in that time, the Board might seek a replacement manager for the index product.

Mr. Snow made a motion to table the agreement pending with SSgA. Mike Lynch seconded the motion, approved by the Trustees 5-0.

Mr. McCracken said that Torray, as a Massachusetts Investment Trust, could not eliminate the clause creating a potential liability to the shareholders. He said Torray did provide a letter explaining the provisions contained in the Statement of Additional Information. Mr. McCracken reviewed the letter, but the liability remains and Torray can do nothing to eliminate the problem. He said that while Torray indicated that the provision is not uncommon in the industry, the manger cannot state that no liability exists, although Torray has no knowledge of any situation where a liability actually reached the level of the shareholders.

Mr. Snow commented that the likelihood that the plan would incur a liability is small, since the manager would have to go completely broke before any charges or costs could come back to the Board. Mr. Wearn remarked that we still have numerous recent examples of large, apparently stable, companies folding. In his view, he said the Board should not accept the risk. Brad Armstrong noted that, where a liability exists, creditors tend to go after the deepest pockets first. While Mr. Goldsmith does not see the question of liability in this case as a serious problem, he conceded that the Trustees expressed many legitimate concerns.

Mr. Snow explained that Torray would have to lose the entire investment portfolio as a large cap manager before the shareholders could be assessed. He added that on the other hand, large cap managers are easy to replace. George Frick suggested that the Board consider other options, since Torray remained on the watch list.

Mr. Wearn made a motion to go forward with finding a replacement for Torray, with the consultant to provide alternatives. Officer Lynch seconded the motion, passed by the Trustees 5-0.

Mr. Goldsmith departed the meeting at 12:35 PM.

BUYBACK ORDINANCE PROVISIONS

Scott Baur described issues raised by the Division of Retirement over the buyback provisions added to the Ordinance in 2004. He said that the Division permits police officers covered by Chapter plans only to purchase prior qualifying military service credit of credit for time served as a sworn officer. He said the Retirement System now permits members of the plan with ten years of service to purchase additional service credit under the plan for any reason whatsoever. He said the Municipal Police & Fire Office for the Division of Retirement wrote a letter requiring the Town to change the provision. He advised that so long as the Board makes reasonable progress toward correcting the ordinance provisions at the direction of the Division, then the Division of Retirement will not withhold the Chapter 185 premium tax receipts for the current year.

John McCracken suggested that an addition to the Ordinance would correct the issue, stipulating that the provision in question applies only to the General Employees' Retirement System for the Town of Palm Beach.

Mr. Wearn made a motion to refer the matter to the Town for the Town to take the appropriate action. Mr. Lynch seconded the motion.

Mr. McCracken commented that historically such corrections originated from the Board, since the Town relies on the Board regarding such issues, and that furthermore, the Board of Trustees for the Firefighters' Retirement System faced the same problem, so the Board might coordinate a revision for the Town with the other plan. Mr. Wearn withdrew his motion to allow Mr. McCracken to draft a proposed ordinance to correct the buyback provisions and Mr. Lynch agreed as the second on the motion. Brad Armstrong advised that such an ordinance would have no impact to the Retirement System.

Mike Lynch made a motion to direct John McCracken to draft a proposed ordinance to correct the buyback provision per the request by the Division of Retirement. Raymond Snow seconded the motion, passed by the Trustees 4-0.

COORDINATION OF BENEFIT ISSUES

Scott Baur reported that he found members of the plan with service under the General Employees' Retirement System prior to joining the Public Safety Plan. He said that just as members of the plan cannot buyback service time as a general employee, members cannot also receive a pension based on the service completed under the other plan. He said the members would normally receive a benefit from each plan where the person completed the service, based upon the benefit provisions of that plan. Within the Town, he said the Retirement System could combine service under separate plans to establish the eligibility and vesting for the members. He noted that currently, the Police Officers' Retirement System treats the members in question as though the person completed all of the service as a uniformed officer.

John McCracken indicated that he would review the matter and report back to the Board at the meeting of June 21.

XI. ADMINISTRATOR REPORT

Scott Baur had no separate report.

XII. REPORTING OF PLAN FINANCIALS
- A. Unaudited Financial Statement
- B. Approval of Disbursements

Scott Baur presented the disbursement for approval by the Board. The Trustees had no questions regarding the payments.

Ray Snow made a motion to approve the disbursements presented by the administrator. Mike Lynch seconded the motion, passed by the Trustees 4-0.

XIII. BENEFIT APPROVALS

Scott Baur provided the Board with the revised benefit amounts and retro payments back to October 1, 2004, for the eleven members in the DROP receiving the benefit increase to the 3.25% multiplier. He provided a separate approval list for members retiring, leaving the DROP, or taking withdrawals from the DROP plan. The Trustees questioned why one member retiring had a larger benefit than the other members. George Frick explained that member had not entered the DROP, and therefore accumulated a larger pension. The recent increases to payroll added to the difference in the benefit calculation.

Mike Lynch made a motion to approve the benefits. Mr. Snow seconded the motion, passed by the Trustees 4-0.

XIV. ADJOURNMENT

There being no further business and the next quarterly meeting having been previously set for Thursday, August 11, at 9 AM, James Wearn made a motion to adjourn the meeting at 12:50 PM. Mr. Snow seconded the motion, approved by the Trustees 4-0.

Approved: ________________________________