MINUTES OF THE TOWN OF PALM BEACH RETIREMENT SYSTEM
POLICE OFFICER BOARD OF TRUSTEES
MEETING OF APRIL 1, 2009

I. Call to order

Mr. Raymond Snow, Chairman, called the meeting to order at 9:05 A.M. at the Emergency Operation Center at 355 South County Road, Palm Beach, Florida. He told the members that Mr. Goldsmith was not able to attend.

In Attendance:

TRUSTEES:
Ray Snow, Chairman
Mike Lynch, Chair Pro Tem
Chris Proscia, Secretary
James McC. Wearn

ALSO PRESENT:
William P. Hanes, Pension Administrator
Robert Klausner, Klausner & Kaufman

(Mr. Sean Higman, Prime Buchholz, and Mr. Brad Armstrong, Gabriel, Roeder and Smith, participated telephonically)

II. Approval of Agenda

Mr. Lynch made the motion to approve the agenda, and Mr. Wearn seconded. All trustees agreed.

III. Comments by Trustees

Mr. Snow stated that there has been local press covering of the Madoff scandal, and that a recent article discussed that issue and noted several local clients that are represented by Prime Buchholz, and that the firm did not recommend Madoff investments to any of their clients. Mr. Snow stated that Prime Buchholz is to be commended for good service to its clients.

Mr. Klausner identified several Florida funds that he was aware of that were found to have holdings with Madoff investments that had filed claims for recovery. He suggested that the Board should consider a future meeting when Prime Buchholz is asked to discuss the process of due diligence.

IV. Office Space for Administrator

Mr. Snow asked Mr. Hanes to discuss matters of the office space with the Trustees. Mr. Hanes reminded the trustees of the auditor findings that suggested that a secure office be provided the administrator, and that Ms. Carol Rathborne, Chairman of the Firefighter's plan, discussed with Town Manager, Mr. Peter Elwell, the matter and that Mr. Elwell had made it clear that there is no space in Town Hall that would accommodate the administrator while Town Hall was experiencing renovation. Mr. Hanes stated that Mr. Snow had discussed with Ms. Rathborne a possible office space at the Plaza Center on Royal Palm Way, in Palm Beach.

Mr. Snow stated that the office is located on the 3rd floor, has access to a conference room, a kitchen, wi-fi, and seems to have everything the administrator will need. He discussed that he and Ms. Rathborne agreed on a particular office. He stated that there was a question raised about zoning, but he felt it would not be a factor. He stated that the building manager has a good experience and relationship with the Town. He stated that the Firefighters Trustees at a special meeting agreed the week before to authorize Mr. Hanes to enter into a one year lease for the particular office, and authorized the payment for an assigned covered parking space at an additional one hundred dollars per month. He stated that the only string attached might be if someone wanted to lease the whole floor, then a 90 day notice could be served, and Mr. Hanes would be required to leave. Otherwise, he stated he thought the space to be perfect.

Mr. Wearn discussed that he would like provision for two or three three month extensions to be included as a term of the lease.

Mr. Lynch made the motion to approve the lease at the Plaza Center at rental rate of $1350 per month, to include an assigned and covered parking space at an additional one hundred dollars per month, and to include two or three three month extensions if it can be negotiated, with a cost of living adjustment that would not exceed that of the COLA as determined by the U.S. Department of Labor for Urban Areas. The cost of the entire lease and other related

expenditures are to be split equally between the Police and Fire plans. Mr. Wearn seconded the motion and all trustees approved the motion.

V. Actuarial update

Mr. Brad Armstrong, plan actuary, participated telephonically. Mr. Armstrong asked Mr. Higman for the market value of assets as of the end of February. Mr. Higman stated that it was approximately $45 million. Mr. Armstrong stated that the pay increase adopted by the Town in October, 2008, would not be a factor for the next valuation and he expects in a normal year for the Town contributions to increase by 5.5%, representing approximately plus $100,000, based on pay increases. He stated he anticipated that the Town contributions will go up over $100,000 to $125,000 in the next valuation due to investment experience losses alone. He stated he expects the Town's total contributions to go up over $260,000 from the preceding year. He stated he anticipates the total Town cost to be no less than $2,350,000, less State of Florida Chapter 185 funds received.

Mr. Snow asked what Mr. Armstrong would estimate the Town's cost to be if in 2009 the investment return is down by 12%. Mr. Armstrong stated that he would estimate the total contributions to be over $2.6 million dollars.

Mr. Armstrong discussed with the Trustees that he had been asked by the Town to discuss matters of the plan with Mr. Al Parven, who was recently appointed as a citizen advisor to the Town's Finance and Taxation committee reviewing matters of the budget, and in that context Mr. Parven had been assigned to review matters of the Town's public pensions.

The trustees held a discussion on the standing of citizen advisors such as Mr. Parven (a Town General Employee Retirement Board trustee), and the potential for conflicts of interest and and sunshine law issues. Mr. Wearn, a former Town Councilman, opined that Town Council members have always had de facto and de jure advisors, but he raised the concern that where important matters germane to the Police Board's oversight function, the Board should be directly involved in any questions and answers pertaining to its fiduciary obligations and Trustee's role. He noted that since the Finance and Taxation committee meeting on December 16, 2009, the Town Council's membership had changed as had the times.

Mr. Lynch stated that Trustees should be included whenever requests are made of Mr. Armstrong regarding matters of the Police plan. Mr. Wearn stated his concern that the Board be kept fully in the loop on all questions posed, and all answers provided to the Town. He stated that Mr. Armstrong should ask that any and all questions be provided in writing, and all questions and answers should be forwarded to Mr. Hanes, who will forward or fax copies to the trustees within 24 hours after his receipt.
Mr. Snow stated that the trustees have a fiduciary obligation to the members of the system, and the trustees should know of the questions asked of the actuary.

Mr. Armstrong provided a recap of his discussions with Mr. Parven, and that the inquiries were general. He stated Mr. Parven is interested in looking at pension plan design options.

Mr. Snow stated he believes the group of citizen advisors has been charged with providing a report to the Finance and Taxation Committee by April 15, 2009. He stated he noticed that there is a meeting scheduled for April 27, 2009 with the Finance and Taxation Committee.

Mr. Hanes reminded the trustees that any plan change should not be rushed, and deserves adequate deliberation and education. He reiterated that existing liabilities do not go away, even if the plan is changed, due to the contractual obligations of the Town to pay existing liabilities.

Mr. Snow expressed his concerns about articles that he is aware of that have been sent and being circulated by certain citizens around the Town about public pension issues. Mr. Klausner pointed out that often a plan design change will result in the Town losing statutory monies provided by the state to offset plan costs as well as higher plan costs for a number of years. He reminded the trustees of a detailed report by his firm regarding these matters that was provided to the Town in 2008, and can be found on his firm's web site.

VII: Investment Update

Mr. Snow asked that item VII be taken out of order for Mr. Sean Higman to discuss investments. Without objection, Mr. Sean Higman presented on matters of investment (telephonically).

Mr. Higman reviewed fund investment performance through February 2009. He noted that the first two months of calendar 2009, though negative, showed marked improvement relative to the Fund's benchmark indices. He pointed out that the Fund's investment managers were generally ahead of benchmarks for the YTD and One-Year periods with few exceptions. No changes were currently recommended. Mr. Higman also noted that the Alternative Strategies had provided significant positive relative performance over the recent periods compared to Equities.

Mr. Wearn inquired about what Mr. Higman thought about the March 2009 results and asked if Mr. Higman can forecast the fiscal year results. Mr. Higman estimated fund performance to be +3% for March, bringing FYTD to approximately -15.5%.

Mr. Higman stated the gate continues to stay up at Guggenheim. He said all requests for liquidation have moved to June. He stated that Prime Buchholz continues to believe that real assets as an allocation to the portfolio continues to make sense, especially with the government stimulus.

Mr. Higman stated Wellington is doing better than the benchmark to date in the fiscal year, and is about even. He stated that the manager was up about 7% for the month of March, and that Prime Buchholz does not recommend a change.

VI. Inter-local agreement

Mr. Wearn again raised and discussed his proposal, alternative to merger, that there are areas of administration of the Police and Fire and other Boards where inter-local agreement should achieve a cost savings, and without adversity to the members who are being serviced. He suggested that the Police Board should move forward in this matter so that the Town, Citizens, Taxpayers, Police Officers and Firefighters can be best served. He discussed that he particularly believes there can be savings achieved with the custodian, State Street Bank. Mr. Snow stated that conceptually the internal accountants would be responsible for separate accounting and reporting of the two plans. Mr. Klausner stated there are numerous retirement systems he is aware of with separate legal existence that share services. He noted that the Boards have already done so with regard to the administrator.

Mr. Wearn stated that the agreement would be written so that it is clear that each Board's trustees keep control of the decisions on behalf of the Board, and there is no divestiture of authority. He stated that each Board would retain its discretionary authority, and by state law the trustees must act autonomously with regard to Board matters.

Mr. Wearn asked that Mr. Klausner draft an inter-local agreement no later than the May 14, 2009 Board meeting. He stated that the trustees should review with legal counsel and ask questions at the meeting. He stated that doing so will show the trustees as being responsive and taking the lead on this important issue.

Mr. Wearn made the motion to authorize legal counsel to draft an inter-local agreement with State Street Bank, the custodian, and submit it to the trustees as soon as possible, and before the May 14, 2009 meeting of the Board. Mr. Proscia seconded the motion. All trustees approved the motion.

VIII. Other Business

Mr. Wearn explained that he was not sure why the Auditor had asked that records of the system be kept in a particular manner when the state law requires retention in a particular way. He had asked that Mr. Hanes include comments to the effect that the Board will follow the state of Florida law in the Board's reply to the management letter. Mr. Wearn stated he was satisfied that the management letter appropriately reflected his request.

Mr. Wearn made the motion that the Board follow the Florida law regarding the retention of records. Mr. Lynch seconded the motion. All trustees approved the motion.

Mr. Hanes discussed several changes in the management response letter that he had recommended to counsel. He stated that there will need to be a lot of work on the procedures manual since there will be many issues regarding the transition in administration that will need to be decided. He stated that there are currently very little in the way of written procedures, and much will need to be done before we will be able to fully satisfy the auditor. He noted that the Auditor had previously reported to the trustees that the development of a procedures manual to be a difficult and time consuming process.

Mr. Lynch stated that on behalf of Police Officers, he initiated a discussion with Mr. Peter Elwell, Town Manager, regarding an idea of providing retirement benefits to future Police Officers through the State of Florida Retirement System. Mr. Hanes discussed that he was concerned that if that were to happen, it would seem that the Town of Palm Beach plan would close to new hires, and it would cause the shorter amortization of unfunded liability to apply based on actuarial rules. He feared that the cost to the Town could go up significantly. Mr. Klausner stated that he agreed, and added that the Town could lose the Florida Statute Section 185 monies.

The trustees discussed that it is important to advise the Town Council of matters of the management letter. They agreed that Town Council should be notified of the Board's interest in pursuing an inter-local agreement, where applicable, with other Town retirement plans.

Mr. Wearn moved that a letter be drafted on Board letterhead, identifying all trustees, regarding efforts by the Board to cooperate with the Town on matters of retirement expenses, and to include the discussion by trustees and its actuary regarding the possibility of plan design changes, and a two tier system; a discussion regarding the trustee's investigation into possible inter-local agreement between the plans; and the Audit report findings and management letter response. Mr. Lynch seconded the motion. The trustees unanimously approved the motion.

Mr. Wearn asked that the letter be placed into the individual boxes at Town Hall that are maintained for each Councilman. All trustees approved the motion. Mr. Klausner volunteered to provide the draft.

Mr. Snow announced that the next Board meeting is Thursday, May 14, 2009.

IX. Adjournment

Without motion, the Board adjourned at 11:35 a.m..

Attested by: William Hanes

Chris Proscia, Secretary