Town of Palm Beach Police Officers' Retirement System

Meeting of February 14, 2008

I. CALL TO ORDER

Chairman Raymond Snow called a meeting of the Police Officers' Retirement System to order on behalf of the Board of Trustees at 9:10 AM on February 14, 2008, in the Emergency Operations Center.

TRUSTEES	OTHERS
Raymond Snow, Chairman	Sean Higman, Ramelle Hieronymous; Prime Buchholz
James McC. Wearn,	Scott Baur, Margie Adcock; PRC
Gerald Goldsmith	Robert Klausner; Klausner & Kaufman
Mike Lynch, Vice Chairman	Bernie Schinder, Clement Johns, Elisabeth Capota, Koch Reiss
	Goldstein, Schechter, Koch
	William Hanes

I. AGENDA

The Trustees reviewed the Agenda presented. Mr. Snow stated that he wanted to make one change to the agenda. He would like to move item 12, which is the discussion on plan administration to after item 5, which is the audit. **A motion was made by Mr. Goldsmith to accept the Agenda as amended. The motion was seconded by Mr. Lynch and carried 4-0.**

II. COMMENTS BY TRUSTEES

Mr. Wearn stated that he had a comment on the subject of communications. He discussed the notice of the meeting and delivery of the agenda packet. He noted that there was a memorandum dated in mid-January regarding a meeting to be held by the Town on January 31 to review the Town's pension plans. However, Mr. Wearn did not receive the memorandum until the end of last week when he received the agenda packet for this meeting. He requested that materials be sent to the Board and necessary staff as soon as possible after receipt. Mr. Snow stated that the Town had approached all three Chairs of the pension boards requesting their appearance at the Town meeting on January 31. He stated that he just forwarded that letter to the Administrator at the end of last week for distribution at this meeting. Mr. Snow stated that he had not provided the memorandum earlier because of his concern of the Sunshine Law. He provided it only in time for the agenda packet to be sent out. Mr. Snow stated that he would more timely provide information to the Administrator for the Administrator to forward to the Board. Mr. Klausner stated that he would have a Sunshine Law Communication Policy for the next meeting.

II. APPROVAL OF MINUTES

The Board was presented with the minutes of the meetings on August 9, 2007, October 1, 2007, and November 8, 2007. **A motion was made by Mr. Wearn to defer the approval of the minutes of the meetings on August 9, 2007, October 1, 2007, and November 8, 2007 to the next meeting. The motion was seconded by Mr. Lynch and carried 4-0.**

III. AUDITED FINANCIAL STATEMENTS

Bernie Schinder, Clement Johns and Elisabeth Capota from Koch Reiss appeared before the Board to present the audit for the fiscal year ending September 30, 2007. Mr. Schinder stated that they were issuing a clean unqualified opinion. He stated that there were no problems with the audit and everything went well. He reviewed the Management's Discussion and Analysis. He reviewed the financial highlights. Plan assets exceeded liabilities at September 30, 2007 by $62,462,218. He noted that liabilities increased by $92,248 due primarily to an increase in payables for securities purchased. Employer contributions increased by $374,599 or 21%. Net investment income increased by $3,559,932. Mr. Schinder reviewed the Plan highlights. The relative return of the portfolio was 14.6% for the year. Actual net returns from investments increased in 2007 to $7,951,741. He reviewed the asset allocation. He stated that it was pretty much in line with what the allocation mix is supposed to be. Mr. Schinder reviewed the statement of plan net assets and the statement of changes in plan net assets. He reviewed the notes to the financial statements. Mr. Schinder discussed the merger of his firm with an accounting firm in Dade County. He offered to do pre-retirement educational conferences for employees at no additional cost.

There was discussion on the issue of the termination of ICMA where both the Fire and Police Pension Plans received a management letter last year. Mr. Snow asked the auditors if the books were in order this year when they went to do the audit and whether they were satisfied that all of the matters raised in the prior management letter were satisfied. Ms. Capota stated that the ICMA issue had a big impact on the problems the Fire Pension had. However, that is not an issue here. She stated that there was nothing here that presented them from issuing a clean opinion.

There was a discussion on the Additional Notes to the Financial Statements for the fiscal year ending September 30, 2006 that the Board asked Mr. Baur to draft at the last meeting. This was due to two comments raised in the prior management letter that the prior auditor was supposed to change. Since the auditor is no longer with the Fund, it was suggested a letter be put in the file. Mr. Wearn stated that he would like more time to review the memorandum. Mr. Klausner recommended that the Board approve the Additional Notes as soon as possible. **A motion was made by Mr. Wearn to approve the Audit absent any further action by the Board within the next 30 days so that the Audit will become final as corrected at this meeting. The motion was seconded by Mr. Lynch and carried 4-0.**

Bernie Schinder, Clement Johns and Elisabeth Capota departed the meeting.

IV. DISCUSSION ON PLAN ADMINISTRATION

Mr. Snow discussed the background for this topic. He stated that Mr. Klausner has suggested an alternative to an outside vendor. This alternative proposed by the Mr. Klausner would be for a contract employee who would work for the Board and work for another Town Pension Board or two. He has met a potential candidate and several of the other Trustees have spoken with him as well. Mr. Snow introduced William Hanes and stated that he worked for the Kentucky Retirement System. He is currently retired and desires to move to Florida. Mr. Snow stated that Mr. Hanes would discuss his background with the Board, as he did not have a resume to provide to the Board. It was noted that he appeared before the Fire Pension Board yesterday.

William Hanes appeared before the Board. He stated that he has not formally moved to Florida as of yet. He stated that he was the Executive Director for the Kentucky Retirement System where he had 255 employees. He is an attorney and has worked for 22 years with state retirement systems. He stated that he was ready for something new and would like a challenge. He would be a one-person operation. He does not have a lot of resources or people and would need to rely on other resources. He understands the investment and actuarial process. He stated that he has already met with the head of Town Finance. He is honest and loyal. He stated that the Town would have to take on a number of responsibilities and there would have to be some outsourcing of others. He feels he can do a vast majority of the other items. He stated that he wanted a permanent move. There was a lengthy discussion. Mr. Lynch expressed concern because it seemed like this proposal was going back to where they once were. He would be working side by side with Town administration. If Mr. Hanes had his own resources he might feel differently about it. Mr.

Wearn stated that he has some comfort because Mr. Hanes is an attorney and recognizes the meaning of being a fiduciary and has agreed to be a fiduciary. Mr. Wearn stated that he would like to move in the direction of an in-house administrator. He thinks it will be more meaningful and beneficial to the Board and the members in the future. He stated that he would like more information on the direction the Fire Pension Board took and the pros and cons on the way they are preceding and how this Board should proceed. Mr. Lynch stated the he thought perception would be a problem and wanted to make sure they were doing the change for the right reason. Mr. Klausner stated that the Board could either meet jointly with the Fire Pension Board or set up its own committee to explore exactly what they need to do to work it out. There was further discussion. Mr. Snow stated that he would suggest not taking any action on the contract with the current Administrator and ask to participate in the Fire Pension Board meetings without a predetermined decision. Mr. Klausner stated that the Board should appoint one Trustee to attend the Fire Board meetings with him so they can see what the Fire Board is doing and evaluate the process. Mr. Goldsmith stated that he would like to volunteer Mr. Lynch to attend any meetings. Mr. Wearn agreed and stated that he would like Mr. Klausner to provide minutes or notes of the meeting. **A motion was made by Mr. Wearn to adopt the concept of an in-house administrator and appoint Mr. Lynch to be the Board member in attendance with Mr. Klausner at the Fire Pension Board meetings discussing this issue. The motion was seconded by Mr. Goldsmith and carried 4-0.**

V. INVESTMENT CONSULTANT REPORT

Sean Higman and Ramelle Hieronymous of Prime Buchholz appeared before the Board to present the quarterly investment performance report and to discuss Investment Manager performance for the quarter ending December 31, 2007. Ms. Hieronymous reviewed the historical returns. She stated that the 4th quarter was weak. She reviewed the equity markets. She noted that large cap did better than small cap; growth did better than value; and international did better than domestic. Emerging markets was up close to 40%. The Fund gets some exposure to emerging markets with the international manager. Ms. Hieronymous reviewed the various sectors. He stated that REIT's got hammered in the 4th quarter being down 12.7%. Mr. Higman stated that there was really no good place to hide and that diversification was the key.

Mr. Higman provided a review of the performance of the Fund. The total Fund was down .5% for the quarter versus the benchmark that was down .3%. The total market value of the Fund as of December 31, 2007 was $61,626,884. Domestic equities were down 2.2% for the quarter while the Russell 3000 was down 3.4%. International was down .9% while the EAFE was down 1.8%. The alternative strategy was up 2.9% while the benchmark was up 1.9%. Fixed income was up 1.9% while the benchmark was up 3.0%. Real estate was down 3.1% while the benchmark was up 2.3%.

Mr. Higman reviewed the performance of each manager in detail. They recommended a change from Meridian to Forester. They advised that the Board did not have to panic but should take action to make the change. He stated that they continue to be concerned with Pine Grove regarding the direction of the firm. At the next meeting they may come with possible replacements. Performance has been good and the people are still there, but their business terms have changes. It is not urgent to make a change at this point and they are monitoring it. Mr. Higman recommended an asset allocation workshop to be scheduled in line with the May meeting of the Board. There was discussion on the action of the Chairman to move short-term funds to the State Street Treasury Obligation. **A motion was made by Mr. Wearn to ratify the action of the Chairman to move short-term funds to the State Street Treasury Obligation. The motion was seconded by Mr. Lynch and carried 4-0.**

VI. ATTORNEY'S REPORT

Mr. Klausner reported on his appearance before the Supreme Court regarding a case involving the Kentucky Retirement System.

Gerald Goldsmith, Sean Higman and Ramelle Hieronymous departed the meeting.

VII. COMPREHENSIVE REVIEW OF TOWN OPERATIONS

Mr. Snow stated that the Town held two special meetings to begin discussion on the comprehensive review of Town operations. Mr. Wearn stated that he attended the meeting on January 31 dealing with the pension plans. He stated that Mr. Garvey made a wonderful presentation. He stated that the discussion seemed to move from how a compromise could be made between defined contribution plans and defined benefit plans. There was a lengthy discussion on what, if any, stand the Board would want to take. Mr. Lynch stated that he does not think any one on the Board nor the members would want to see any changes. Mr. Klausner stated that he would draft something and circulate it to the Board prior to finalizing it for the Town. He stated that he would show how the preservation of the current program is in the best interest of the Town. Mr. Klausner stated that he can outline various options, but in the end the best of all possible worlds is a defined benefit plan. Mr. Snow advised that the next meeting is March 11. Mr. Klausner stated that he would provide a draft by March 1.

Robert Klausner departed the meeting.

VIII. RETIREMENT APPLICATIONS/BENEFIT APPROVALS

The Board was presented with benefit applications for approval. **A motion was made by Mr. Lynch to approve the application for benefits for Molly Olsen. The motion was seconded by Mr. Wearn and carried 3-0. A motion was made by Mr. Lynch to approve the application for benefits for Gary Sallenbach. The motion was seconded by Mr. Wearn and carried 3-0. A motion was made by Mr. Lynch to approve the application for benefits for Sgt. James Devoy. The motion was seconded by Mr. Wearn and carried 3-0.**

IX. APPROVAL OF DISBURSEMENTS

The Board was presented with the list of disbursements. **A motion was made by Mr. Lynch to approve the disbursements presented. The motion was seconded by Mr. Wearn and carried 3-0.**

X. REPORTING OF PLAN FINANCIALS

The Board reviewed the financial statement as of December 31, 2007.

XI. OTHER BUSINESS

There was no other business of the Board.

A motion was made by Mr. Wearn to adjourn. The motion was seconded by Mr. Lynch and carried 3-0.

The meeting was adjourned at 1:22 p.m.

Chris Proscia, Secretary