Town of Palm Beach Firefighters' Retirement System
Meeting of February 7, 2007

I. CALL TO ORDER

Mr. Richard Krock, Chairman, called the Meeting to order at 9:00 a.m.

TRUSTEES	OTHERS
Richard Krock, Chairman	Jon Prime; Prime Buchholz
Michael Hayes, Secretary	J. Scott Baur and Denise Clougherty; Administrator
John Cuomo	Bonni Jensen; Hanson Perry & Jensen
Robert Jaffe	Members of the Plan and Public
Keith Elliott	

II. APPROVAL OF AGENDA

The Trustees reviewed the Agenda. A motion was made by Mr. Hayes to approve the agenda. The motion was seconded and carried 5-0.

III. PUBLIC COMMENTS

Battalion Chief Bruce Dash of the Town of Palm Beach Fire Department appeared before the Board to express his concerns over the way his DROP funds are being cared for by ICMA. He claims he has gotten nothing but misinformation from ICMA and that he has lost earnings on his DROP Account due to delays by ICMA posting deposits to his account after transfer of funds by the administrator. He stated that the issues have continued for the entire time that he has participated in the DROP, and he requested that the Board consider other options. Mr. Elliott remarked that at the last meeting of the Board, the Trustees asked the two Firefighter representatives to go back to the membership and take a poll on how the firefighters would like to have the accounts administered and invested. Mr. Hayes and Mr. Cuomo both advised that they had done so and that the members reached a near unanimous consensus to commingle the DROP and Share funds with the funds of the plan for purposes of investment.

Chief Dash then advised the Board that the members would like to have a firefighter serve as the fifth Trustee to the Board to create a stronger voice on such issues as the rising cost of health care for retired members and the 13th check, since the pension benefits have failed to keep pace with the market as well as inflation. Mr. Krock advised the members that he has never seen a split vote between the Firefighter Trustees and Town Appointed Trustees. He stated that he read all of the minutes and the Board had no split votes on issues. The Trustees voted unanimously on all recent issues before the Board, or in isolated cases, votes of 4 to 1. He added that the firefighters had two excellent Trustees on the Board, providing some assurance to the members that the Member Trustees represented their constituents well. Chief Dash further advised the Board that the members requested an audit of ICMA to determine the possible impact of delays to credit deposits to the accounts. Mr. Krock responded that all he needed was a motion to have such an audit completed.

Mr. John Cuomo addressed the Board. He stated that for three years the members requested a replacement for ICMA, but the issue never got resolved in that time. Mr. Hayes added that about a year ago a motion was brought to the table to conduct a Request for Proposal for another Investment Consultant, and at that time, the Trustees discussed the problems with ICMA's performance. Mr. Hayes emphasized that the Board had acted slowly on these issues over the past couple of years. Mr. Cuomo agreed, remarking that the Board has taken three years to reach the point to change the service provider for the Share and DROP Accounts. Mr. Krock noted that he fully expected a Trustee to make a motion regarding ICMA at this meeting. Mr. Scott Baur, Administrator for the plan, added that he recently received a scathing memorandum from ICMA regarding the difficulties with the monthly transfers. Although he chose not to respond to this memo, the problems with ICMA continued and other administrative solutions seem to have failed. Mr. Jaffe stated that in his 15 months on the Board, he has never seen Mr. Dash attend a meeting. Furthermore, no Trustee indicated the extent of the issues with ICMA whenever the issues were discussed. Mr. Dash asked the Board about the very complex language in the ordinance regarding beneficiaries. Mr. Krock responded that no member or Trustee ever expressed any problems with the language in the ordinance regarding beneficiaries. Mr. Cuomo noted that the members came to the meeting not to express concerns with individual issues, but with the length of time that the Board took to act on issues brought by the Firefighter Trustees. He said that membership agreed unanimously to replace ICMA, but the majority of the people in attendance at the meeting came regarding the selection of the Fifth Trustee.

Michael Dickson, a firefighter, appeared before the Board and asked why the Trustees would argue over the selection of the Fifth if the majority of the members wanted to see a change. Mr. Elliott explained that he believes the way the Town designed the Board was to include representatives from both the Town and the Firefighters, with a neutral fifth Trustee selected by the other four, to maintain balance on the Board. Mr. Elliott stated that he does not believe that the request by the firefighters for the Board to select a fifth Trustee from the membership was consistent with this intent.

Mrs. Kim Cuomo addressed the Board and asked the Trustees why they intended to remove Mr. John Cuomo for missing three consecutive meetings. She and several other audience members such as Liz Nowaki and Chris Brexel addressed the Board regarding the Firefighters' interest in the selection of the Fifth Trustee Seat. Liz Nowaki stated that the members are passionate about the issues that come before the Board, as well as the fiduciary standard that the Trustees act in the interests of the participants and beneficiaries of the plan. The members want to know if their families will be taken care of should a firefighter get injured or killed in the line of duty, and the members believe that an additional firefighter on the Board would provide one representative from each shift to express the concerns that the members have regarding their pensions and their future.

Mr. Cuomo stated that the members are asking the Board to consider one two-year term with a member serving as the fifth Trustee. After two years, the Board would have the opportunity to choose a different Trustee. The members would like the opportunity to prove the value of a different dynamic on the Board.

Mr. George Ojea appeared before the Board, stating that the membership voted for him to apply to the Board for the fifth Trustee seat. He advised the Board that he had a second job in real estate, and though he did not have specific experience with other investment vehicles, he expressed his desire and willingness to learn.

Mr. Cuomo asked Mr. Elliott if he still feels the Board would make a mistake to cede to the wishes of the members. Mr. Elliott responded that the Board operates with checks and balances, and that he would vote to maintain the intended balance on the Board. He added that Mr. Jaffe has experience that far outweighs any other applicant that he reviewed, so he would vote for the most qualified person. Mr. Jaffe asked the members "where and when" he failed to support the wishes of the Firefighters. He stated that he even created a Day of Appreciation for the Firefighters and Police Officers at one of the clubs in the Town of Palm Beach. He stated that the members had no basis to conclude that he ever failed to work in the best interests of the participants and beneficiaries of the plan. Mr. Krock agreed to entertain a motion for nominations for the Fifth Trustee Seat.

A motion was made by Mike Hayes to nominate George Ojea for the Fifth Trustee Seat. John Cuomo seconded the motion.

Mr. Keith Elliott nominated Mr. Robert Jaffe as the Fifth Trustee. Richard Krock seconded the motion.

The Board discussed the selection of the fifth Trustee. The Board agreed in November that they would not advertise the position, because the position was previously advertised months before in August. The Trustees already had eight to ten applications to consider from the prior advertisement. There was no further discussion. Mr. Cuomo and Mr. Hayes voted for the selection of George Ojea as the fifth Trustee and Mr. Krock and Mr. Elliott voted against. Mr. Krock and Mr. Elliott voted for Mr. Jaffe as the fifth Trustee and John Cuomo and Mike Hayes voted against.

Bonni Jensen, counsel to the Board, advised the Trustees that they reached a stalemate on the issue. She stated that Mr. Jaffe would hold over as the fifth Trustee until the Board agreed on the selection. In the interim, Mr. Jaffe would continue to exercise a vote on the Board until the Trustees agreed on a selection. She recommended that Mr. Jaffe sign a voting conflict form since he abstained from the vote.

A motion was made by John Cuomo to open up the position of the Fifth Trustee to additional applicants. The motion was seconded and passed 5-0.

The Board agreed to advertise the position in the Palm Beach Post as well as the Palm Beach Daily News, allowing at least 30 days for the Board to receive applications for the position.

A motion was made by Mike Hayes to advertise the position in the Palm Beach Post and the Palm Beach Daily News. John Cuomo seconded the motion, which passed 5-0.

Mr. Jaffe advised the Board that he formally resigned from the Board at the conclusion of the meeting. He hoped that the Trustees would hold a special meeting so that the selection of a fifth Trustee would not hinder progress on other business and matters before the Board. The Firefighters thanked Mr. Jaffe and assured him that the selection of the fifth Trustee was never personal. The members desired instead a different composition on the Board by having a member serve as the fifth Trustee rather than another Town resident.

Mr. Krock, being assured that the matter of fifth Trustee was closed for the day, continued with the remainder of the meeting.

IV. Approval of Minutes

The Board received copies of the Minutes for review.

A motion was made by Mr. Elliott to approve the Minutes for November 8, 2006, December 1, 2006 and January 25, 2007, as amended. The motion was seconded and carried 5-0.

V. Investment Manager Presentations

Berens Capital Management, LLC

Mr. Tim Schilt appeared before the Board on behalf of Berens Capital Management. Mr. Schilt gave an overview of the firm, stating they are a fund of funds with a long-short bias, offering four different products. Their mission is to out perform the S& P index over a rolling three-year period. Mr. Elliott questioned Mr. Schilt about having room to grow and still retaining their focus. Mr. Schilt responded that their manager selection averages a 10-15% turnover per year. They look for managers with high integrity, and have a sound and repeatable investment process. He added that they have an Investment Committee, which meets to discuss combined quantitative and qualitative assessment and review managers within the context of the overall portfolio before allocating capital. Mr. Schilt also explained their risk management philosophy and their gross exposure to specific geographic markets, adding that one half of their exposure is outside the United States, with 40% of the fund in invested with conservative managers that tend to have very low net exposure. The Board had questions of Mr. Schilt on manager selection and protection in down markets and Mr. Schilt responded accordingly. The Board thanked Mr. Schilt for his presentation.

Forester Offshore, Ltd.

Mr. Fritz Fortmiller appeared before the Board on behalf of Forester Offshore, Ltd. and gave a brief overview of the firm and the background of the people involved. He stated the mission of Forester was to provide their investors access to the best alternative fund, the best hedge fund expertise and superior risk-adjusted returns. He stated Forester has established excellence in alternative investing with an experienced team, stable, high quality investor base and exemplary operational controls. He further noted that they have a very long- term capital base, adding that over 70% of their client base has invested with them for more than three years. He discussed manager characteristics, how they generate ideas, investment analysis and their “back office analysis” and ongoing review process. They currently have a maximum allocation of 65% in the US market, 35% in Europe and 6-7% in Asia. They have 40 funds in the portfolio and don't seek to exceed that. There were questions of Mr. Fortmiller by the Board, to which he responded accordingly. The Board thanked Mr. Fortmiller for his presentation.

Chairman, Richard Krock, asked that the Board move to approval of benefits since the meeting had already run long.

VI. BENEFIT APPROVALS

The Board reviewed the Retirement Applications and Benefit Applications presented by the Administrator. Mr. Baur advised the Board that Wayne Lindros had 26 years and 4 months of service at separation, including his time in the DROP. Ray Herr applied to take a partial distribution of his DROP Account, but the ordinance requires him to take a full distribution 60 days following his separation from service.

With these clarifications, Mr. Elliott made a motion to approve the benefits for Michael Dickson, Raymond Herr, Wayne Lindros, Michael Burroughs and Alan Wilson. The motion was seconded and passed 5-0.

VII. Reporting of Plan Financials: Approval of Disbursements

The Board reviewed the disbursements presented by the Administrator for approval. The Trustees had some question regarding the invoices presented for payment to Acordia for the Fiduciary Liability Insurance Coverage. Mr. Baur indicated that he would review the approval list for the premiums for the next meeting.

A motion was made by Mr. Elliott to approve all of the disbursements presented with the exception of the invoices for the liability insurance, pending clarification of the payments. The motion was seconded and carried 5-0.

A motion was made by Mr. Elliott to authorize the Chairman to approve the payments of the three insurance invoices presented following review by the Administrator. The motion was seconded and passed 5-0.

Mr. Krock addressed the Board regarding a request by Jane Struder of the Town of Palm Beach regarding delays in the annual audit process. Ms. Struder proposed that the Town assume responsibility for the financials. The Board discussed the matter, as well as the willingness expressed by the Town to prepare the financial statements. Mr. Elliott asked Mr. Baur if his firm would adjust the fee if the Board decided to make a change to procedures. Mr. Krock stated that the Town experienced delays with the audit for the prior year due to the pension plans. Mr. Baur responded that he would like time to review the proposal by the Town, since he did not have the detail proposed by Ms. Struder prior to the meeting. He agreed that he had a target date to complete audit fieldwork by December 15th, but he provided additional items to the auditor to complete the process on January 10th. The auditor returned with additional questions on January 26, which he addressed. Mr. Baur stated that he was not aware of any other pending questions related to the audit. Mr. Krock asked the Administrator to place the issue on the Agenda for the next meeting.

Mr. Krock addressed the complaints by the members regarding ICMA. Mr. Cuomo again reported a unanimous decision by the participants to invest the DROP and Share Accounts with the plan assets. Mr. Cuomo also stated that the Firefighters benefit from the management and oversight of the investments by the Board.

A motion was made by Mr. Hayes to request to have the DROP and Share funds commingled with the plan assets for investment, contingent on the approval by the Town Council. The motion was seconded.

The Trustees continued to discuss the motion. Ms. Jensen advised an ordinance change would be required with two readings before Council, after which the Board could send a termination letter to ICMA. Either Ms. Jensen or Mr. Baur would draft the letter to ICMA to terminate the relationship, following approval of an ordinance and review of the terms of the current agreement with ICMA.

The motion passed 5-0.

Mr. Krock addressed Chief Dash's request for an audit of ICMA. The Board considered how an audit could assess any loss in earnings to funds invested with ICMA. Mr. Baur commented that the Board should review all of the notes provided to them for this meeting regarding the ICMA issues.

A motion was made by Mr. Jaffe to ask the Town to perform the audit, and if the Town was not able to complete such a review, find an outside firm to perform the audit. The motion was seconded and carried 5-0.

Ms. Jensen advised she would contact the Town to request that they review the accounts. If they were unable, she would then contact the Town's auditor to perform the review. If the Town auditor could not complete such a review, she would go outside and search for a firm to complete the requested audit.

X. Attorney's Report; Hanson, Perry and Jensen

Ms. Bonni Jensen appeared before the Board with a letter that was provided to her by former Firefighter Jeffrey Moore, dated November 2006, requesting the Board consider his application for a disability retirement benefit. After much review, Ms. Jensen advised that Mr. Moore would not be eligible to apply for a disability benefit, since he is no longer a member of the plan following his termination of employment with the Town. In Ms. Jensen's opinion, the Town would have to modify the plan and current ordinance before the Board could consider the request by Mr. Moore. The Trustees appointed by the Town asked the firefighter representatives for a motion on the matter.

Mr. Cuomo made a motion to deny the application by Mr. Moore for a disability benefit based on the ordinance. The motion was seconded and passed 5-0.

Ms. Jensen will send Mr. Moore a letter of explanation.

Mr. Krock asked if the Board could set a special meeting, prior to their next quarterly meeting in May, to consider the selection of the fifth Trustee. The Administrator will place an ad allowing 30 days for response, with an interim meeting for selection of a Fifth Trustee scheduled for the end of March.

XI. Investment Consultant Report: Prime Buchholz

Mr. Jon Prime appeared before the Board to present the performance report for the quarter ending December 31, 2006. Mr. Prime began by providing the Trustees with a handout that addresses rebalancing of assets, an issue which Mr. Elliott raised at the prior meeting. The handout demonstrated that performance was not hurt by the current procedure and frequency to rebalance assets, which the longer-term performance appeared to indicate. Mr. Prime continued, advising the Board that the current focus is to get the assets diversified within the portfolio to control risk. Mr. Prime added that the plan had total invested assets of $53,455,589 at the end of the quarter. For the fourth quarter of 2006, the return of the portfolio was 5.6% compared to the target index return of 5.8%. He discussed the market environment and asset allocation for the portfolio. He stated that his firm felt that the Trustees could find a better performing alternative asset than Meridian, and he recommended that the Board replace Meridian with Forester. He indicated that Prime Buchholz would like to see if the Florida legislature allowed the plan to increase the exposure to international investments before implementing a change. If the Board acted on the recommendation to select Forester, the portfolio would need to be adjusted to remain within the limitation of no more than 10% of assets at cost allocated to international investments. The termination clause with Meridian Partners requires 45 days notice for withdrawals.

A motion was made by Mr. Jaffe to give notice to Meridian Partners to withdraw the plan assets from the product. The motion was seconded and carried 5-0.

Mr. Prime added that liquidation would occur sometime in April 2007, so he would discuss replacement of Meridian at the March meeting. Mr. Elliott agreed with the recommendation by Mr. Prime to replace Meridian Partners with Forester. Mr. Prime concluded his review and the Trustees thanked him for his report on the portfolio.

X. Other Business

Mr. Jaffe gave the Board his official resignation, effective immediately, and he further advised the Board that he would not be appointment as the fifth Trustee. Mr. Krock expressed his gratitude for all of the hard work and contribution that Mr. Jaffe made to the Board and the plan. He thanked him for his service. Mr. Hayes, as well, thanked Mr. Jaffe for his contribution to the Board on behalf of the Firefighters he served.

XI. Adjournment

A motion was made by Mr. Jaffe to adjourn. The motion was seconded and passed 5-0. The meeting adjourned at 1:30 p.m.

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Michael Hayes, Secretary