TOWN OF PALM BEACH

Finance Department

MINUTES OF THE INVESTMENT ADVISORY COMMITTEE MEETING
HELD ON WEDNESDAY DECEMBER 3, 2008, 9:30 A. M.
TOWN COUNCIL CHAMBERS

I. CALL TO ORDER AND ROLL CALL

The Investment Advisory Committee Meeting was called to order on Wednesday December 3, 2008 at 9:30 A.M.

ATTENDEES:

Chairman Michael F. Andrews
Vice Chair Edward L. Hennessy, Jr.
Commission Member Stephen L Brown
Commission Member William J. Mikus
Commission Member Bernard R Panfel
Jane Struder, Finance Director
Cheryl Somers, Assistant Finance Director
Sean Higman, Prime Buchholz
Melissa Morgan, Recording Secretary

II. PLEDGE OF ALLEGIANCE

Chairman Michael F. Andrews led the pledge of allegiance

III. APPROVAL OF AGENDA

Motion by Vice Chair Hennessy for approval of the agenda.
Motion seconded by Mr. Brown.
Motion carried unanimously.

IV. COMMUNICATION FROM CITIZENS - 3 MINUTE LIMIT PLEASE

There was none.

V. APPROVAL OF MINUTES FROM THE MARCH 12, 2008 MEETING

Chairman Andrews had a comment to Ms. Struder: Regarding item 9 it says that Ms. Struder has agreed to provide a letter form the auditor or a similar document of assurance that the Investment Advisory Committee had the following policies appropriately, did we ever do that?

Ms. Struder: I provided a Comprehensive Annual Financial Report (CAFR) as back up and there was a management letter which had no comments regarding investments within the report.

VI. QUARTERLY INVESTMENT REPORT OPEB TRUST - PRIME BUCHHOLZ

Chairman Andrews introduces Sean Higman from Prime Buchholz

Mr. Higman: Presented his Quarterly Annual Report.

1) Chairman Andrews asked Mr. Higman: Where are the value managers getting their cash from to put into the new position? Do they have to sell out of their clunkers also?

Mr. Higman answered: "Our firm sent a letter to our customers stating that we are experiencing high volatility and dislocating capital markets and we are recommending not to sell and to stay on course. It is important that managers do not change what they have done in the past. Thus far, all of his clients have been very calm and have not moved and our clients are staying and looking into private portfolios."

3) Chairman Andrews asked Mr. Higman: You advise two other trusts here in Palm Beach are they close to our position? Do they have the same issues?

Mr. Higman answered: "That they have very much the same issues but not all the same mangers."

4) Chairman Andrews asked Mr. Higman: What is your definition of a turn around? Is it coming back out to where we where at some particular time?

Mr. Higman: answered "It would be nice to have a turn around to a high water mark back to where we where. But our definition is to get back to the equity market that returns a equity premium of 5%-6% over inflation over a long period of time. But I do not have a crystal ball of what is going to happen in 18 months, nobody does."

5) Mr. Brown said to Mr. Higman: "The hedge fund is doing exactly what I expected. hedge funds are generally net long to some extent usually not as much as a bond only funds. You expect that in a terrible bear market they would go down but not as much as the market and that is what it has done".

Mr. Mikus: Supports Pimco said they did an exceptional consistent job.

Mr. Brown: Pimco did an exceptional job. If we are going to get out of Western we need to get out gradually.

Chairman Andrews asks Mr. Panfel: "What do you think about moving the money out of Western gradually."

Mr. Panfel: If it has been suggested to move gradually lets do it.

Chairman Andrews: We might change to fixed income allotment or percentages. I hear us keeping the same percentage of the portfolio just changing the mix a little bit.

Mr. Higman: That is correct we are not advocating a change in asset management at this point. There is a two page handout on TIPS pricing in the packet.

Motion by Hennessey to adopt Pimco total return.
Motion seconded by Chairman Brown. Chairman Brown also requested to send Information out on commodities before January meeting.
Motion carried unanimously

Motion by Mr. Brown to make an investment on the Vanguard inflation protected security.
Motion seconded by Mr. Hennessey
Motion carried unanimously

Ms. Struder asked Mr. Higman regarding Western what is the definition of gradually?
Mr. Higman: It will take about one year to move the money from Western to Pimco, at 11% per month.
Mr. Mikus: Suggested to start small.
Mr. Brown commented the yield and new cash should go to Pimco.

Chairman Andrews asked: Is the current motion ok?
Mr. Higman: There is no new money and if he has to re-balance he will take the money from Western.
Mr. Mikus: New money goes to Pimco.
Committee agreed.

Mr. Panfel asked Ms. Struder: "Is GASB 44 up to date for the town? And if at all how much behind is the town?"
Ms Struder: The calculations as of September 30, 2008 are not yet finalized, but we where in the high eighties and low nineties of the plan before."

Chairman Andrews and all commission members thanked Mr. Higman for coming bringing the handouts, being available and being open to suggestion from the committee.

Chairman Andrews took a break at 10:55 and continued at 11:05.

VII. **MONTHLY INVESTMENT REPORT FOR OCTOBER, 2008**

Ms. Somers: At the end of October we will have $92.5 million in excess funds The monthly blended yield, fiscal year to date is .04% and interest earnings were $131, 000 for October. By the end of December we will have about an extra 30 million in property tax and we wanted to verify with the committee where should we be putting that money as it comes in?

Chairman Andrews: asks Cheryl "What is the current percent for holdings between Evergreen and the Florida League of cities?
Cheryl: it is about 66% for Evergreen and 2% percent in the Treasury and the remainder is in Florida League.
Chairman Andrews: I would like rollover funds in Treasury.
Ms. Struder: Current yield on a six month Treasury is about .4%.
Mr. Brown: Wanted a reminder of what Evergreen is investing in? Is it short term governments basically?
Ms. Struder: Correct
Ms. Somers: Provided information in backup material of holdings in Evergreen.

Vice Chairman Hennessy had a motion to allocate the new funds at a current spread.
Mr. Brown seconded the motion.
The motion was carried unanimously.

Mr. Andrews: Received a motion to rollover Treasury when it matures.
Mr. Brown made the motion.
Mr. Mikus seconded the motion.
The motion was carried unanimously.

IX. INVESTMENT ADVISORY COMMITTEE ANNUAL PRESENTATION TO THE TOWN COUNCIL - JANUARY 13, 2008

Chairman Andrews will make a presentation to the Town Council.

X. NEXT MEETING DATE

Ms. Struder: Would like to have another meeting in January with Florida League, Atlanta Capital and Evergreen to talk about their portfolios.

Mr. Brown: suggested to have the next meeting with the year end figures.
Chairman Andrews suggested having both year end figures and fiscal year figures to compare.

XI. ANY OTHER MATTERS

Chairman Andrews asked are there any other matters to be brought before the committee at this time? There were no other matters discussed.

XII. ADJOURNMENT

Chairman Andrews entertained a motion to adjourn the meeting.
Mr. Brown made the motion.
Mr. Mikus seconded the motion.
The motion was carried unanimously and the meeting was adjourned at 11:23 a.m.