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GENERAL EMPLOYEE RETIREMENT BOARD SPECIAL MEETING
WEDNESDAY, AUGUST 29, 2001, 2:30 P.M.

I CALL TO ORDER

The special meeting of the General Employees Retirement Board of Trustees was called to order by Chairman James McC. Wearn at 2:30 p.m., August 29, 2001 in the Town Council Chambers. Attending were Chairman James McC. Wearn, Secretary Vernon Richards, and Trustees Charles Boggs, and Peter Elwell. Also attending was Jane Skittone Finance Director and Carla Kneipp Assistant Human Resources Director.

II APPROVAL OF AGENDA

General Retirement Board Special Meeting 08/29/01

Ms. Skittone asked to have her memo of August 29, 2001 added to the agenda regarding the value index fund transfer. Mr. McCracken asked to have a resolution requested by State Street added to the agenda. Mr. Boggs moved to approve the agenda with the two additions, Mr. Elwell seconded, the motion carried unanimously.

III DISCUSSION OF PROPOSED BENEFIT IMPROVEMENT

(This section is verbatim.)

Mr. Wearn: The main item of discussion for this meeting is the proposed benefit improvement, Carla Kneipp, Assistant Director of Human Resources.

Ms. Kneipp: You have several items in your packets; one is the survey of the pension multipliers that the Board asked us to do at their last meeting. You should also have a copy of the supplemental actuarial report from Brad Armstrong dated July 24th, and also a proposed ordinance drafted by Mr. McCracken for consideration after a discussion of the pension multipliers. As you can see there were only five other agencies, five other cities that offered a defined benefit plan, which is what the Town has, and outlined there are the employer contributions, the employee contributions, the vesting period, the multiplier, the retirement age and years of service, whether or not they have a DROP, cost of living adjustment, and also under comments are different items pertaining to why their COLA works the way it works or why their multipliers are the way they are. We've also put in there the Town of Palm Beach's current information as well as a line with the proposed 2.75% multiplier for General Employees.

(everyone reading over handouts)

Mr. Boggs: Mr. Chairman, since everybody's had a chance to look at this, I just wanted to ask Carla a question or two.

Mr. Wearn: Please go right ahead, I'm not sure that I'm through looking it over.

Mr. Boggs: I'll wait then.

Mr. Wearn: Okay.

Mr. Boggs: So there were only five agencies that have defined benefit plans similar to ours in the county?

Ms. Kneipp: In Palm Beach County, right.

Mr. Boggs: And three of the five have 3% multipliers?

Ms. Kneipp: Correct.

Mr. Boggs: Makes me wish I'd ask for 3% instead of 2.75. (laughter) I said this makes me think I should have asked for 3%, you know, if Palm Beach is going to be in the top quartile, we'd need to be at 3%. But...

Mr. Wearn: But, take a look at the employer's contribution.

Mr. Elwell: And the employee's contributions.

Mr. Boggs: The employee contributions are pretty much in line with ours, except...

Mr. Wearn: Well, at the proposed, of course, we'd be the highest.

Mr. Elwell: For the benefit of the audience, Mr. Chairman, about what we have in front of us the chart indicates that Boynton Beach, Lake Worth, and Riviera Beach all offer a 3% multiplier compared to our current 2.4 and the proposed 2.75. Delray Beach is at 2.5, and Palm Beach County in the state system is at 1.6 on the multiplier. But, without listing each one for the employee contribution is higher in both

Boynton Beach and Lake Worth, two of the three that have the 3% multiplier at 7.8% and 7%, to our 6.47 and in those two communities the employer contribution is at 3.03 and 3.08% as compared to our current 6.14 and proposed 8.88%. So the discussion we're beginning to have is about the fact, that clearly from a competitiveness point of view, there's an issue about the multiplier, but, there's cost sharing for that higher multiplier than the other places. It's something that I think we need to consider and consider how it effects us. One other comment that I'd like to make and I'm not suggesting at this point that I won't by the end of this discussion be supportive of the changes proposed. I think there's good food for thought here. We need to look at the competitiveness question and the cost sharing question. But, I want to be careful about the top quartile reference that you made, because we made a commitment that we will be a top quartile payer and we will be a top quartile payer. That is pay and benefits, it's easier of course to conduct an analysis about salaries and wages, they're more directly comparable from community to community and I think we all need to appreciate that top quartile doesn't mean necessarily in any one benefit, but, in the benefits package as a whole. And certainly doesn't necessarily mean a component of one benefit like the multiplier, so I just want to be cautious about saying that in order to be a top quartile payer that the Town has to go to 3%. But, with that having been said, it is interesting, and I think important that of few programs that are left, that are defined benefit plans. Among the municipalities in Palm Beach County, that three of them are paying 3% multiplier, I think we should raise our vote to 2.75. I think we need to give serious consideration to how we get that, in terms of the costs that would be born by the system and how those costs might be shared or how we would relate that to the amount of excess above 100% funding that we have at this moment.

Mr. Boggs: I'm not suggesting that I want to change from 2.75 to 3%, almost everybody I've talked to is very happy with 2.75. We would stand on what we proposed before and hopefully this survey has answered a lot of the questions that you had. As far as the cost that the employee, employer is bearing, you know the 6.14 is probably less than half the average for the last thirty years and it's a direct result of the good job that we've been doing managing the Town's retirement funds, as well as good market conditions for the last seven or eight years. The thrust of our request was to allow employees to share in the benefits that the Town has been receiving, in the amount of money that they have to contribute each year. So we're happy to see a possible increase to 2.75 for our share in that benefit.

Mr. Elwell: Mr. Chairman, I agree and I think we're heading in a positive direction here, I think it is important information that we have and it has answered a lot of my questions. One thing I think we need to not lose sight of though is that employer contribution. Yes, the 6% that we're at right now is substantially less than the 12's, the 13's, and 15's that we've seen traditionally over the years as a Town contribution to the fund. That certainly is what caught our eyes initially in even looking at this question further. But, I think it catches our eye today that it, that that 6% is twice what the other communities that have competing programs are contributing something more like 3%. Delray really being an aberration where they're not contributing because they've got such an over funded program that neither the employer nor the employee's are contributing, if I read this correctly. Riviera is not, do we have data on Riviera, is that not available or not applicable?

Ms. Kneipp: That was not available.

Mr. Elwell: Not available, so for the three that are at 3%, we've got one that we don't know what the employer's contributing, the other two are only contributing 3%, we're already at 6%, even though that's low compared to our norm, it's already twice what the others are paying. And we're talking about taking it almost to 9%, so I think we need to keep that in mind. One thing I need a better handle on and I'm hopeful someone can answer for us today is, I want to understand the tentative decision we made last time looking backwards and in agreeing that there was a modification we could make looking backwards, because that's really utilizing the existing surplus. Philosophically we all came to the point that we were comfortable saying that yes, since we're going to be targeting 100% as where we ought to be, there's some money available to do something looking backwards. I want to make sure that there isn't any aspect of that, that we talked about last time that will have to be funded on a going forward basis and that in fact we are just talking about the 8.88% to fully afford what we're talking about today. Can you confirm that or can Jane?

Mr. Boggs: Can I speak to it. The actuary told us that he could use the float for the smoothing, the four year smoothing. We've got about $3.1 million in the four year smoothing. Some of that could be used. As well as he could change the amortization of the positive returns for the last eight or ten years to a shorter time period and that would show up as a smaller surplus in the UAAL. Which means that our funding level would go from 125% down to a lower number, probably in the 115-120% range. In the analysis that I did, using the time value of money shows that the cost of this is about $4 million for both the forward and the retro. The fund is a little over $10 million to the good, above 100%, so using the UAAL to pay the retro portion is going to have a, it's going to pay all the retro portion out of the surplus, and all we're looking for is for the Town to pay the 2.74% for the forward.

Mr. Elwell: Right, and that's my expectation too, I was just hoping that we might just get confirmation that we've understood that correctly. Maybe without Brad here we can't get that confirmation, but, I think we have a like understanding.

Mr. Boggs: I think it may be a case of don't ask the question if you can't stand the answer. We've told him what we wanted to do and he says he can do it, I'm not sure that I'm that interested in how he's going to do it, as long as he can do it and he says he can do it, and he says he can. I know you're not very comfortable with that answer, but,...

Mr. Elwell: We view it differently, but, that's fine. I mean I think we're very nearly in the same spot on the question that is before us today. Again, I think we're viewing it the same, I think we're agreeing on probably the appropriate course of action. I'd like to know the answer to the question is I don't want to not ask it because we might not like the answer, because it's our responsibility to make sure that once he's given us the answer we're still comfortable that we're going to be in a place, that's an appropriate place for a fiduciary body to be.

Mr. Wearn: I really agree with you on that, and I wonder if it might not be appropriate to try and reach him now. To even recess and ask you to have a conversation with him and maybe try to get him on a speaker phone for us.

Ms. Kneipp: He is in the office today.

Mr. Elwell: On the speaker would be better I believe so we can all hear the answer.

Ms. Kneipp: I'll go try to do that right now.

Mr. Wearn: Maybe while that's being done Mr. McCracken can tell us of anything special he would like to identify about the ordinance.

Mr. McCracken: Not really, it's fairly straight forward, just a change of a few numbers in certain places and to pick up the benefits of Lifeguards as well as General employees.

Mr. Wearn: Does anyone have any questions on that for Mr. McCracken?

Mr. Elwell: I just want to make sure I understand what I've read. We're seeing it for the first time right now and on a quick read it certainly looks as though this presumes that we will say yes to the question before us today and it will take care of both, what we tentatively agreed to last time and the going forward.

Mr. McCracken: Yes. I think that is what my instructions were.

Mr. Wearn: Yes, that's my recollection.

Mr. Elwell: And it appears to have done that and I wanted to make sure that in fact that's what you drafted it to do.

Mr. Boggs: Mr. Chair, there's a page of the latest actuarial evaluation that I'd like to have copies of it made and hand out to everybody if I could.

Mr. Wearn: Sure.

Ms. Kneipp: Mr. Chairman, Mr. Armstrong will be pulling some information and calling in, in just a few minutes.

Mr. Wearn: Very good. In the meantime Mr. Boggs has copied and handed out to members of the Board the recommended actual contributions compared statement from the actuary's most recent report and I think the intent of that is to show that the Town's contributions have declined over the past couple of years.

Mr. Boggs: I think comparing it to our previous contributions is a better comparison than comparing to another employer in the county's contributions. Of course that's my opinion.

Mr. Elwell: Can I ask you to elaborate, I accept that, but, I'm curious to understand why we're comparing our multiplier against others, why would we not also compare our contribution. The cost to the employer.

Mr. Boggs: Well, I think there's different make-ups of each different plan, different COLA's, different retirement periods, and we have a good plan I'm not arguing that. It's just that traditionally or historically it's cost the Town in the 12% range to fund the General Employees retirement benefits for the past twenty-five years. If you remember what the actuary told us, he said that one group of taxpayers should not receive a benefit of that's not available to all the taxpayers both past and future. That we should try to achieve 100% funding as close as possible in our retirement fund and that the goal of getting as high as possible is not actuarially sound.

Mr. Elwell: Agreed.

Mr. Boggs: What I'm saying is that the 6% that the Town is contributing is lower than it should be and that the current taxpayers are receiving a benefit that taxpayers from two years ago didn't get, and taxpayers two years from now may not get.

Mr. Elwell: I'm not sure I follow that, but, ...

Mr. Boggs: Well if you look at the, since 1976 it's been double digit contributions until 2000, 2001 this current fiscal year when it dropped to 9%. The cost of maintaining the Town's retirement system, and there have been some benefit increases that we've shared with the Town and the employees have been paying our share. The Town has remained constant, which is good for the Town, and I understand that the Town assumes the risk , but, we also think that they should share some of the gains.

Mr. Elwell: I agree.

Mr. Boggs: Especially in light of the fact that competitively 3% is almost the norm for current multipliers and a lot of the towns and cities have made changes long before we have, changing from 2.4 to 2.75. Some of these have been at 3% for several years and were at 2.75% before that.

Mr. Elwell: Mr. Chairman, I want to try and make this easier. And the last thing I want is it to appear to be point counterpoint in confrontation. That's not what it is, I think you and I both know that's not what it is, but, there's just one aspect of how you're viewing it that I can't view it that way, and I think, I've got express myself about that. But, I want to start out from the baseline of saying that I'm inclined to approve this, and I would expect that means that at three of us and possibly all four of us are prepared to vote for it today. So it's very likely to move forward, I'm very glad that we're going to be able to get Brad on the line because he can confirm once and for all the remaining question in my mind and I'd be prepared to vote yes. If what's before us in the chart, if he stands behind what's before us in the chart, as not needing to be modified in any way, then I'm prepared to vote yes, so I want to start with that as baseline to my comment. I just, I just think that it is a broader question then how competitive the multiplier is and I think we need to accept that. To look at any one column on this chart just as to look at any one benefit in the benefits package distorts the picture. And I look at this and I share your concern and your desire to increase from the 2.4% to the 2.75% because in fact we have some money available to do that and because in fact others have a 3% multiplier and in doing that and I've got be clear on the record as not agreeing with the concept that pushing the Town back toward something more like 12% because that's where it's historically been and fundamentally, philosophically there's some reason why it ought to be there. I don't find that an acceptable reason to do what we're probably going to do today. I think in fact when we look at the chart, the fullness of the chart if it's our intent to say that we need to be closer to the 3% because 3% is the norm then in fact it's also more the norm that a 7% or 7.5% employee multiplier is appropriate, not multiplier, I'm sorry, contribution rate, and I wouldn't suggest that we go up from the 6.47%. And likewise it's the norm that the employers are paying about 3%. And we're asking the Town to step up from 6.14% to 8.88%, and probably further on from there depending on how the market performs in the future. I think all of us share the expectation that we aren't going to do in the next ten years as well as we did in the last ten years. We'll hope we do, but, so the Town does have that risk. If we do this the Town will be paying three times what our neighbors are paying to offer their slightly better multiplier, but, with the other variables that are going on here, including a higher contribution rate from their own employees. They're paying in less than half what their employee groups are paying in. I would just hope that we can do this, if we do it, and I think we will, that we can do it with an appreciation for the fact that the Town is a generous employer, that the Town has paid substantially over the years to fund the program to where it has arrived today and will in fact be contributing substantially more into the program than neighbor employers do. I'm not asking anybody to be excessively grateful for this, but, I think it's important that we recognize that that's true, and that when we talk about top quartile and commitment to the employees, this is the kind of thing that the Town does, but, the Town ought to receive some credit for that.

Mr. Boggs: Absolutely.

Mr. Wearn: Well really, Mr. Elwell the comments that you've made are very well taken. I'd like to back them up with my view to a large extent and perhaps elaborate on them a little bit further.
The survey tells me that our plan is substantially different, even though it's a defined benefit plan it's different from the other plans that exist. It's really not appropriate to pull one element of a multifaceted plan out and draw comparisons on it and what I just came to the conclusion looking at this survey, really we should look at benefitting the Town of Palm Beach employees the best that we can in the operation of our plan and not draw upon false comparisons that are out there. Especially when there are so few divergent comparisons to make. And to say that we want to be in the top quartile is a very valid generalization, but, to apply it specifically when we have only five other comparisons to make and those comparisons seem like apples and oranges, is a very difficult thing to do and it really gives a false comparison in my view. So that I come back to what is really the right thing to do under our plan. The survey to me tells me that what we have to compare with is really not a comparison and we could debate the merits of comparing this column with the multipliers versus the employer's contributions versus the employees contributions and other elements if we got into studying those plans. But, I'm not sure if it would really get us anywhere, ultimately for the benefit of the Town staff. So I feel very much as you do, but, I feel that we should restrain ourselves from trying to make comparisons in the future and especially when the plans are so different, and bring ourselves to look at our plan in the best interest of our own staff.

Mr. Boggs: Mr. Chairman, first let me say that my comment on the 3% multiplier for us is what I should have asked for was meant as a bit of humor. We are, we realize that the Town is a great employer, they've treated us fairly, and basically I agree with you that this is, it's truly difficult to compare one plan to another and I think that what we're doing is the right thing to do. Comparing ours to Riviera Beach's is apples to oranges. we have the money and it's the right thing to do and I think we should just do it.

Ms. Kneipp: Mr. Chairman, Mr. Armstrong is on the phone.

Mr. Boggs: These pages that I've given everybody, he's probably going to be referring to them.
(Mr. Brad Armstrong of Gabriel, Roeder, Smith & Co. joined the meeting by telephone.)

Mr. Elwell: I'll go ahead and pose my question, Brad thank you for joining us. The reason that we've asked you to join us is to confirm what we think we already know about what we tentatively decided last time and what we're considering today, and we want to receive your assurance or your correction about that. Specifically this, that we are sufficiently funded in excess of the 100% level that the retroactive changes that we discussed last time and tentatively agreed to regarding how the increase in the multiplier would effect the .35% increase in the multiplier would effect all current retirees and be applied to all current employees. That portion of this change, everything that would go retroactive from October 1st of this year all the way back into the past, would be, able to be paid, the cost of that would be able to be paid by the existing surplus and would not have to be included in future increases in the amount of the contributions from the Town or the employees. Is that correct?

Mr. Armstrong: There's not a single answer to that, but, if, you're asking if there's enough in the surplus not to have an effect on the contribution rate, the contribution rate at the moment contemplates that a lot of that surplus is there to reduce the contribution rate. So that when you see 125% funded ratio and a $10 million credit so to speak, that is why your contribution isn't somewhere around the historical rates of 12%, 15% that you've seen over the last twenty-five years. That particular $10 million so to speak, you can't simply allocate that towards the past service costs and expect there to be no effect on the 6.14%. Just looking at the general public portions in the most recent report, if we allocated the $10 million excess to past service credit the 6.14% will go up. There is an asset valuation method in place where there's an additional $4.1 million that to date has never been recognized for anything. That money in fact could be allocated toward the past service benefit and it would not be quite sufficient to pay for the entirety of the past service benefit. The past service benefits have a value that exceeds $4 million, that in and of itself would not pay for the past service benefit entirely. But, part of the discussion was also talking about the existing gains that you have. In shortening the amortization period. Since those are associated with past service basically, if there's some different financing of the gains and losses that essentially could accomplish no effect on the rate attributable to past service for roughly twenty years. Potentially there would still be some residual effect on after twenty years, but, for the most part all that would be remaining after that would be the future costs for the (unintelligible)change the multipliers.

Mr. Elwell: There is thank you. The last sentence or two that you said, seemed to confirm that while actuarially you might calculate it differently if not for the $4 million that's available there. Since the $4 million is there it sounded as though, the last sentence or two in fact did confirm that it would be your expectation that no increase in the contribution rate would be required to fund the retroactive benefit. Have I misunderstood it, or is that in effect what you came around to?

Mr. Armstrong: No. I can say simply that near term being twenty years, there would be no effect attributable to past service in the next twenty years.

Mr. Elwell: Okay. And then would it also be your expectation that barring something unusual and obviously you're looking twenty years into the future, so we're not asking you to say something that's going to be held up to you or your firm twenty years from now, but, for us to be able to make an informed decision today presumably you wouldn't make a comment like that if you had a reasonable expectation that twenty years from now there was going to be some significant spike in contribution that would be required. Is that a fair statement?

Mr. Armstrong: That is correct. There is a long term expectation that sooner or later your existing credits will go away. The contribution rate is expected in the essence of any future gains, the long term contribution rate is not expected to be 6.14%.

Mr. Elwell: We understand that, the question is, specifically related to the improved benefit, whether you would anticipate a significant increase after twenty years, and all we're doing is deferring such a substantial increase or whether a reasonable performance, something other than a very, disappointing performance in the market would in fact leave the Town in a position where the surplus has bought... We're asking is it a reasonable expectation that the surplus will have bought this improved benefit and that there won't be...we understand that the number will go up, because once we get back to 100% the number will be back up to a higher rate, but, as far as the incremental amount necessary to pay for this benefit, is it a fair statement that you don't see a significant spike, but maybe just...

Mr. Armstrong: A gradual progression towards what we would call the long term cost of benefits. The long term cost of benefits, to me, never include past service costs. Past service costs would not be a part of the long term costs of benefits. So therefore, there would be a significant spike attributable to past service cost. That will be paid for.

Mr. Elwell: Thank you. That's the clarification that we needed. So therefore on a going forward basis the increase from the actuarial analysis that you provided to us, the supplemental analysis, the option that relates specifically to, we get past what we just discussed now, about basically in my layman's terms, the surplus has bought the retroactive benefit, then on a going forward basis we want to look at the portion of your analysis that speaks to if nothing happened retroactively and we were simply to change the... increase the multiplier by .35% effective this coming October 1st, there is a number in there that I don't have right in front of me at this moment...

Mr. Armstrong: It's roughly two and three quarters.

Mr. Elwell: Okay, and then that amount is the amount by which the Town's contribution would need to increase, and your expectation is that amount and that amount only as it relates directly to this change as you look ahead twenty years?

Mr. Armstrong: Correct. It's important that my comments, that the Board had...I'm your expert on actuarial matters, I can't change... I'm proposing two things. I'm proposing changing the amortization period and I'm also proposing changing the asset evaluation method on a temporary basis. None of which has any...changes any of my prior comments, but, I want everybody to understand the Board, I can make those recommendations, the Board has to adopt them. In other words this might not... it's not sitting there waiting for benefits, it's (unintelligible)of two different methods the way we amortize your past gains and the way we...well, the way we amortize past gains for liabilities and the way we amortize past gains for assets. So the Board would have approve not only the method change, but, they would have approve the changes in methods so to speak, none of which has any... none of which is disruptive to the funding objective you have which is level percent of payroll contribution rate.

Mr. Wearn: Are there any other questions or comments?

Mr. Boggs: Brad this is Charlie Boggs can you hear me?

Mr. Armstrong: I can barely hear.

Mr. Elwell: I'll repeat Charlie's question.

Mr. Boggs: So what you're saying is that you're going to use the phased in recognition of investment income, that's on page B7, as well as changing the amortization schedule for page B9 the recognition of the current amount.

(Mr. Elwell repeated Mr. Boggs question to Mr. Armstrong)

Mr. Armstrong: I can put it into one sentence. The (unintelligible)is to accelerate the recognition of some your existing gains.

Mr. Wearn: And the rate of acceleration?

Mr. Boggs: Ask him what he needs us to do?

Mr. Wearn: The rate of acceleration is the question that I had.

(Mr. Elwell repeated the questions)

Mr. Armstrong: It's not a single answer but, roughly five years.

Mr. Boggs: So roughly thirty to twenty-five.

(Mr. Elwell repeated the question.)

Mr. Armstrong: Some of the basis, if I shorten the amortization basis currently twenty-two to twenty, then that effect is only two years, and it would effect your asset valuation method. That's actually in bits and pieces, but, that's roughly accelerates things two years, so you have some things more accelerating. By the time we do it, we'll actually only be accelerating nine years, because your thirty year base in a few months is actually going to be down to twenty-nine. So you talk about an accelerated basis, some basis nine years, well one base nine years, several others lesser years. On page B7 roughly accelerated at two years.

Mr. Wearn: Is there anything further that anyone has for Mr. Armstrong?

Mr. Boggs: Does he need anything in writing from us to tell him to do that?

(Mr. Elwell repeated Mr. Boggs question)

Mr. Armstrong: Not that I know of, it would be, at some point there will be a first reading if this moves forward and then there will be an impact statement filed with the State of Florida. That will be submitted to the Board and the secretary is going to sign that basically and forward it to the Division of Retirement. So that you'll have a chance to look at it. If you want to approve it in concept then wait until you see it and in fact you'll be approving these methods, once that impact statement's filed.

Mr. Elwell: I'm going to ask a question of our attorney, Brad, when he answers you'll know why I'm asking. These kinds of assumptions are not described in the ordinance and are not typically something... This is what we rely on the actuary to do is use a proven method to calculate so, he's advised us that would use a different, some different variables for his future calculations compared to what he has done for us in the past. But, there are sound reasons for doing that and would I be correct in believing that it's for him to decide and not for us, he just wants to make sure that we're well informed. But, we don't need to take an action to direct him because that's for him to decide what is sound and acceptable practice.

Mr. McCracken: Except that I thought earlier that he wanted you to approve that. Didn't he say that?

Mr. Elwell: Is that, I didn't hear that from your last time, but, was that what you were intending Brad, that you need a formal approval and that would, when you send the report through that has to go to the state you want us to formally approve your assumptions or your variables?

Mr. Armstrong: That would be nice, it's not an absolute requirement. I think it would be appropriate, it'd be a good thing for the Board actually see it. It's not going to be very easy to understand particularly, but, you'll definitely see the effect on the Town's contribution rate by the changes. It gives you a better sense of what the real numbers are and they should be pretty close to the 2.74%.

Mr. Elwell: I think, a suggestion to the Board is now, again leaning in so you can hear what we're talking about, I think we should plan to acknowledge what he represents to us about those assumptions rather than approve them. I don't feel particularly comfortable that we would be approving your method of calculation.

Mr. Wearn: I think that is within his expertise and...

Mr. Armstrong: The evaluation method is the domain of the Board so to speak, and the State doesn't really have funds for that and the Town doesn't really have funds for that, that's the Board's domain and I'll defer to legal counsel on that, but, so changes to that... the Board knows that I'm shifting forward that $ 4 million that should be sufficient with respect to that and setting periods for amortization is again the domain of the Board. As long as you're aware, as long as I'm not doing this without your knowledge, then it seems like everything's appropriate.

Mr. Elwell: Thank you.

Mr. Wearn: Any other questions of Mr. Armstrong, or comments any other discussion anyone wishes to illicit from him? Very good.

Mr. Elwell: Thank you very much for joining us and providing that insight. We're going to sign off for the phone connection and continue on with the meeting. If there were a further question, are you still available later this afternoon?

Mr. Armstrong: Yes I am.

Mr. Elwell: Thank you.

Mr. Wearn: Mr. Elwell, thank you for being our interpreter, or go between and managing the telephone and questions on it. I think this is a valid area for us to request that the minutes be prepared on a verbatim form on this, so that it will reflect everything that was in fact said. Particularly that by Mr. Armstrong. So ,that would be of record automatically. And then whatever action we may take today or in the future is and would be presumptively based upon what advice we have received. Are you satisfied with the answer to your question, it wasn't a clear yes or no.

Mr. Elwell: Yes sir. Well, it was not a clear yes or no, but, based on the fullness of it and particularly his representation that at the end of the twenty year period. I think that we all understand that he's doing something different to calculate out for the twenty year period in such a way that the 2.74 increases the real number and he doesn't expect some other increase during that twenty year period. We have some uncertainty beyond that, but, he's given me the comfort I need to proceed today that it's not his expectation, reasonable that there would be a balloon payment if you will, that would come due at the end of the twenty years.

Mr. Wearn: That's my understanding of what he said also.

Mr. Elwell: Based on that, if Charlie will permit me, because it is Charlie who deserves the credit together with running for having brought this forward and pushed it and made sure we knew enough about it that and brought us to this moment. But, particularly in light of how strongly I've played the devil's advocate, I'd like to make a motion to show my approval as well. The motion would be that the Board approve the recommended increase of .35% both retroactively and on a going forward basis for retirees and current employee members of the system, or rather the General employees and the Lifeguards.

Mr. Wearn: May the Chair suggest a restatement to the motion to recommend to the Town Council that it favorably consider adoption of the proposed ordinance.

Mr. Elwell: Yes indeed, you're quite right. That's the action of the Board. We would recommend that they approve that ordinance.

Mr. Boggs: I'll second the motion.

Mr. Wearn: There is a motion and a second. Is there any further discussion? Mr. Richards, Mr. Boggs, Mr. Elwell? (No discussion.) I have nothing further either. All those in favor please say aye, (all said aye) opposed like sign (no one). Motion carries unanimously.

(End of verbatim.)

Mr. Wearn addressed the audience for any comments; no one came forward. Mr. Boggs thanked the Board for their support.

IV ANY OTHER MATTERS

A. Value Index Fund

Ms. Skittone stated that there was a very small balance of $94,000 in the value index fund, and if left there it would incur a $2750 per month charge for custody of that fund. Ms. Skittone recommended that these funds be transferred from Northern Trust to Loomis Sales & Co. to be invested in their value equity and save the fee charges. Mr. Wearn suggested that it be accomplished prior to the transfer to State Street. Mr. Boggs moved approval, Mr. Richards seconded, the motion carried unanimously.

B. Resolutions

Mr McCracken submitted three resolutions to be approved by the Board. The resolutions are; that the Board has appointed State Street Bank and Trust Co. as custodian of certain assets of the Town of Palm Beach Retirement Plan, that Mr. Wearn as Chairman of the Board is authorized in the name and of behalf of the Board to execute contracts and other instruments of adoption which bind the Board to State Street Bank and Trust Co. as custodian. Mr. Boggs moved for approval, Mr. Richards seconded, and the motion carried unanimously.

Mr. Boggs inquired as to when the change to the ordinance would be presented to the Council at the next meeting. Mr. Elwell stated that since it was completely drafted it would be set for first reading in September.

V ADJOURNMENT

Mr. Boggs moved to adjourn, Mr. Richards seconded, the motion carried unanimously.

Approved: ______________________
Vernon Richards, Secretary