MINUTES OF THE TOWN OF PALM BEACH
RETIREMENT SYSTEM
FIREFIGHTER BOARD OF TRUSTEES
MEETING OF MAY 20, 2011

I. Call to Order

Chairman Pro Tem Michael Hays called the meeting to order at 9:05 a.m. at Town Hall, 360 S. County Road, Palm Beach, Florida 33480

II. Chairman Pro Tem Hays took roll call

In Attendance:

TRUSTEES:
Mike Hays, Chairman Pro Tem
Jayson French, Secretary
Carol Simmons
Sergio de Araujo

ALSO PRESENT:
Bonni Jensen, Attorney
William Hanes, Administrator
Sean Higman, Prime Buchholz
Walt Maxwell, Rampell & Rampell
Brad Armstrong, GRS
Gerri Duvall, Staff

Mr. de Araujo made the motion to allow Mr. Ross to participate by telephone, recognizing an unavoidable conflict in New York that does not allow Mr. Ross to participate at the meeting in person. Mr. French seconded the motion. The trustees unanimously adopted the motion.

III. Approval of Agenda

Chairman Pro Tem Michael Hays made a motion to amend the agenda in order that item IV represents a new item to elect a 5th trustee. He moved that all other items progress in numerical order. The trustees unanimously approved the agenda as amended.

IV. Election of 5th trustee

Mr. Ross moved to re-elect Ms. Simmons to serve another term as trustee. Mr. French seconded the motion. The trustees unanimously adopted the motion.

V. Comments by Trustees

Mr. French stated that he would like to request from the Town that questions being asked by Firefighters be addressed formally by the Town. Mr. Ross asked Mr. French if the Union has ratified the action taken recently by Town Council to reject the Magistrate's recommendation and to adopt the Town's proposal. Mr. French stated they had not.

Mr. Ross suggested that a list be obtained by the Firefighters and that the Administrator work with Attorney Jensen to provide a compiled list of questions to Town Manager Peter Elwell and Human Resource Director Danielle Olsen for answers. The trustees agreed without motion.

VI. Approval of Minutes, February 18, 2011 and March 29, 2011.

Mr. Ross moved that the minutes of February 18, 2011 and March 29, 2011 be accepted. Mr. French seconded the motion. Ms. Simmons asked to amend the motion to change the time of the meeting under the first item of the February 18 meeting to be 9:37 a.m. to replace the time of 8:37 a.m.. Mr. Ross agreed to the amendment as did Mr. French. The trustees unanimously approved the motion as amended.

VII. Finance Report.

Mr. Maxwell presented a report regarding the unaudited financial statements as of March 31, 2011, and stated from the "statement of net plan assets" that total assets equaled $60.5 million with $1.8 million in liabilities. He reviewed the statement in "change in net plan assets", and discussed that total contributions for the first 6 months ending March 31, 2011 was $1.6 million, investment income was $5.4 million, and net investment income was $5.3 million. He discussed the "detail of administrative expenses."

Mr. Maxwell submitted for review and approval from the board a new engagement letter that he stated had been reviewed by Ms. Jensen and Mr. Hanes.

Mr. French moved for the adoption of the Financial Report and engagement letter presented by Mr. Maxwell. Mr. Hays seconded the motion. The trustees unanimously approved the motion.

VIII Actuarial Report for September 30, 2010

Mr. Brad Armstrong presented the September 30, 2010 Actuarial Valuation to the trustees. He stated that over the year, the actuarial funding level had been lowered from 74.0% for September 30, 2009 to 72.6% for September 30, 2010. He stated that the funding ratio will probably trend down for the next couple of years as the plan recognizes more of the investment losses of the past.

Ms. Simmons discussed that the market valuation of the assets were only 62.3%, and that would be the actual funding. Mr. Armstrong explained that it is based on the one moment at the close of the markets on September 30, 2010, and discussed that the purpose of the asset smoothing is to stabilize contributions to the plan sponsor.

Mr. French and Mr. Hays asked Mr. Armstrong about future distributions of the state Chapter 175 monies going forward, assuming that the Town's proposal is implemented this year. Mr. Armstrong stated that he believed that the deposits that would be in order to be made in this year, probably in August and October, will continue to be made, but discontinued thereafter. Ms. Jensen stated that she believed it to be an arguable position. Mr. Ross asked that the question be posed to the Town as to their point of view for when the state Chapter 175 monies are to be discontinued for the Town of Palm Beach Firefighter plan. He stated that he would like to ask what will be the impact of the non-receipt of the state funds, and at what point in time.

Mr. Armstrong stated that the experience of salaries has been to be lower than what is assumed, causing a positive experience for the 2010 plan year. He explained that the overall plan losses went up marginally, but not as bad as it could have been but for the positive experience of lower salaries paid below the assumed increase. He stated that the overall payroll had gone down .6% year over year, so the projection for liabilities is reduced for the active members.

Mr. Armstrong discussed that under the ordinance it is the responsibility of the board to approve the transfer to the reserve account enough monies to pay for the benefits to be paid out. He discussed that it is simply an accounting process, but does not have any practical significance. He stated that when the trustees adopt approval of the report, then they have in effect approved the transfer to the reserve account for the payment of benefits.

Mr. Armstrong stated that the legislature enacted a law that will require municipal plans to calculate an additional actuarial valuation to be reported to the state based on a 7.75% assumed rate of return.

Mr. Hanes discussed matters of Firefighters who wish to purchase service credit as allowed under the law. He discussed that several members had discussed with him an interest in purchasing eligible service credit. He discussed that there is an assumption used in calculating the cost that represents an increase of salary from the time of purchase until the time of retirement, and he noted that the proposal by the Town provides that all salaries will be frozen at the time of implementation of the new plan. He stated that he had requested from Mr. Armstrong that he place on hold the calculation of benefits for members who complete the application process and provide a check payment made payable to the actuary, and discussed that Mr. Armstrong will be able to calculate the cost later when the law has been enacted and the appropriate assumptions can be utilized by Mr. Armstrong. Mr. Armstrong stated that from his point of view it would represent an administrative hold until the calculation is done. He agreed with Mr. Hanes.

Mr. Ross made a motion that the actuary not be required to perform a calculation of the cost of purchasing eligible service credit until such time that a plan change has been enacted by Town Council, and directed that the

actuary will perform the calculation at that time based on assumptions that will provide for member cost representing the full actuarial cost of the benefit. Mr. French seconded the motion. The trustees unanimously adopted the motion.

Mr. Hanes raised the issue for board approval of a state Chapter 112 requirement that the board adopt an expected short term, middle term and long term rate of return for the plan. Mr. Armstrong stated that the current assumption is 8.0%, and discussed that the historical return has been close to the return assumption.

Ms. Simmons made the motion to continue to accept the 8% return. Mr. de Araujo seconded the motion. The trustees unanimously adopted the motion.

Ms. Simmons moved for the approval of the 2010 Actuarial Valuation. Mr. de Araujo seconded the motion. The trustees unanimously adopted the motion.

IX. Investment Report

Mr. Higman presented matters of the investment report to the board. He reported that the portfolio is up by 3.7% for the quarter and the one year is up by 12.1%. He discussed that as of April 30, the one year has performed at 13.8%. He stated that 70% of active managers are trailing their benchmarks, and noted that relative to other active manager performance, this plan's active manager performance has been very good.

Ms. Simmons observed progress from Stralem and CRM, and stated that Stralem is doing a little better than they had been doing, while CRM is doing much better. She also observed that Artisan and Harris have flip flopped from the last meeting in February. Mr. Higgins discussed at length matters of importance to value versus growth orientation strategies with regard to the two international actively managed funds.

Mr. Higman noted that Guggenheim has rebounded within the inflation hedging category, and stated that they have kept their team. He noted that Prime Buchholz will continue to watch them going forward. He stated that the plan should complete the liquidation of holdings from Guggenheim soon.

Mr. Higman discussed three requests for change made by IRM. The first request was to allow IRM to invest with below investment grade securities. He stated Prime Buchholz is opposed to them doing so. The second request is to allow IRM to invest straight with

corporate securities, or with corporate bonds. Mr. Higman stated that IRM is a very capable bond manager, and Prime Buchholz believes it would be a good thing to do. The third request would require a change in the Board's Investment Policy Statement (IPS) from a restriction to buy up to 5% of an issuer to state a restriction not to exceed the higher of 5% or the benchmark weight. Mr. Higman stated Prime Buchholz does not oppose the change, but hesitates to change the IPS at this time, and didn't believe that we would miss an opportunity if we didn't do it.

Ms. Simmons asked Mr. Higman what he has done regarding a request by Mr. Ross at the February 18, 2011 meeting to compare Artisan with other active growth managed funds. Mr. Higman discussed that Artisan is currently ahead of its benchmark, based on the April numbers, for the one, three, five and seven year periods. He distributed to the trustees a handout from which he discussed a comparison of Artisan with Harris (Oakmark), Vanguard (indexed growth), and Wm Blair. He noted that Harris is value oriented and outperformed over a period when value was outperforming, but discussed that it is important to have the balance between value and growth. Mr. Higman stated that Blair is the only growth fund within the Prime Buchholz approved list that is approved and recommended by Prime Buchholz to be in the client portfolio. Ms. Simmon expressed her displeasure with the limited growth comparison of one manager to compare with Artisan, and stated that Mr. Higman should have sent out the handout comparisons in advance of the meeting. The trustees agreed that Mr. Higman should review the approved list maintained by Prime Buchholz before the August board meeting and provide comparisons of approved growth managers at the August 19, 2011 meeting.

Mr. Higman suggested that to comply with the requirements of the Florida state law on scrutinized companies that he will report to the board annually after sending out and receipt of response from the managers. He discussed that the board has very little exposure with companies that are in the portfolio.

Ms. Simmons moved to approve the investment report. Mr. French seconded the motion. The trustees unanimously approved the report.

X. Attorney Report

Ms. Jensen reminded the trustees of the legal filing requirement for financial disclosure. She discussed state legislation. She stated that there were no substantive changes in state Chapter 175 law that will impact this plan. She discussed that the municipal plans will be required to report actuarial valuations based on a 7.75% rate of return assumption. She discussed legislation that limited use of compensation for retirement calculations. Mr. Hanes stated that the legislation does not restrict municipalities from setting compensation levels less than the maximum allowable by the new law.

Ms. Jensen discussed her merger with the firm of Klausner & Kaufman. She indicated that her representation with the Firefighter plan will not be impacted.

Ms. Jensen discussed matters of the issue previously raised with the board regarding K-1 Federal Income Tax filing, that she and Mr. Hanes have discussed the matter of filing with Mr. Maxwell as well as other people they know in the tax community, and asserted there is

no clear directive. Ms. Simmons suggested that since there is not a clear answer to the issue, she suggested that the matter be deferred until the new board is created and that the new board can consider matters of filing. She asked that the issue be tabled at this time.

Ms. Jensen commented on requests she made with managers regarding filing of class action proof of claims, and discussed a lack of response. She stated that CRM has responded they have been aggressive in filing of the claim forms, and collecting the assets that are available from the filings. She stated she is not able to make the same comment about T. Rowe Price with the answers she has received from that fund. Mr. Higman stated that he would follow up with T. Rowe Price to request their policy for filing proof of claim forms.

XI. Administrator Report

Mr. Hanes discussed that he had received from Mr. Clement Johns, Auditor, a chart that compares with the Firefighter plan their client universe in several administrative and investment categories. He distributed the quarterly comparison report provided by Director Jane Struder.

XII. Disbursements

Ms. Simmons made the motion to ratify the disbursement report. Mr. French seconded the motion. The trustees unanimously adopted the motion.

XIII. Retirement/Benefits

Mr. Hanes stated that three members had submitted applications to DROP very recently, but they did not do so timely enough to be presented for ratification at the current meeting. He stated that the new DROP members will appear at the next August 19, 2011 meeting of the board for ratification, and that there is no action necessary at this meeting for this item on the agenda.

XIV. Old Business

There was no old business to present.

XV. Adjournment

Ms. Simmon moved to adjourn. Mr. French seconded the motion. The trustees unanimously approved the motion to adjourn.

Next Quarterly Meeting Date:
August 19, 2011
9:00 a.m.

Secretary: J. E. [signature] Dated 8-19-11

Attested by: William [signature] Hanes Dated 8/19/2011