**MINUTES OF THE TOWN OF PALM BEACH
RETIREMENT SYSTEM
FIREFIGHTER BOARD OF TRUSTEES
MEETING OF FEBRUARY 18, 2011**

I. Call to Order

Chairman Ross called the meeting to order at ~~8:37~~ 9:37 A.M. at Town Hall, 360 S. County Road, Palm Beach, Florida 33480.

II. Roll Call

Roll call was taken, and all members were present.

In Attendance:

TRUSTEES:	***ALSO PRESENT:***
Wilbur Ross, Chairman	Bonni Jensen, Attorney
Mike Hays, Chairman Pro Tem	William Hanes, Administrator
Jayson French, Secretary	Gerri Duvall, Administrative Staff
Carol Simmons	Walt Maxwell, Rampell & Rampell
Sergio de Araujo	Sean Higman, Prime Buchholz

III. Approval of Agenda

Mr. French made the motion to approve the agenda for the meeting of February 18, 2011. Ms. Simmons seconded the motion. The trustees unanimously approved the motion.

IV. Comments by Trustees

There were no comments made by trustees.

V. Nomination of 5th Trustee

Mr. Hanes discussed that the rules of procedure authorize the board to make nominations for a 5th trustee 60 days before the election, and the two member-trustees and two appointed trustees elect the 5th trustee. He stated that Ms. Simmons' term of office is scheduled to expire at the May 20, 2011 board meeting. He discussed that unless the trustees decided to meet in a special called meeting, the trustees will need to make nominations at the current meeting, and elect the 5th trustee at the May 20, 2011 meeting.

Mr. Ross nominated Ms. Simmons to remain as the 5th trustee.

Mr. French and Mr. Hays discussed an interest in seeking other nominations. Mr. Ross discussed that in the recent past, the Town has not been successful getting anyone to apply for a position on the board, and stated that the current board has only two more meetings until the next cycle begins. Mr. Hays stated that if there is no one interested by the next meeting, he would be honored to have Ms. Simmons to continue her service on the board. Mr. Ross made the suggestion that Ms. Simmons be nominated today, and that the trustees can consider the election of someone different at the next meeting if they would like. Mr. Ross stated that the board will nominate Ms. Simmons at today's meeting, and unless something develops at the next meeting she will be considered for election at the next meeting.

The trustees agreed without motion.

VI. Approval of Minutes, November 29, 2010

Chairman Ross asked for a motion to approve the minutes of November 29, 2010.

Ms. Simmons asked for an update on matters discussed at the last meeting regarding Landmark Partners proposal. Ms. Jensen stated that there had been no response from the letter that she had previously sent to Landmark Partners setting out the board's complaint. Mr. Ross stated that the transaction was approved by the other limited partners, and so the transaction will go through. He stated that there is no legal way, as he understands it, that the board can enforce Landmark to do anything.

Mr. Ross moved for acceptance of the Minutes of November 29, 2010. Mr. French seconded the motion. The trustees unanimously approved the motion.

VII. Financial Report

Mr. Walt Maxwell provided the quarter ending December 31, 2010 unaudited financial report. He discussed that as of December 31, 2010, the total assets of the fund had increased from $52.9 million in 2009 to a little over $58.2 million in 2010. He noted that the investment expenses were very similar over the same period, while the plan experienced a slight increase in the non-investment administrative expenses.

Mr. Ross moved for the acceptance of the report. Mr. French seconded the motion. The trustees unanimously approved the report.

VIII. Auditor's Report

Mr. Clement Johns, Director for Goldstein, Schechter and Koch, presented the Auditor's Financial Statement report ending September 30, 2010.

Mr. Johns stated that his firm is issuing a clean, or unqualified, report. He discussed that this means that the net assets of the plan are fairly stated, and that during the course of the audit they have found no instances where the plan was not in compliance with the laws by which it is governed. He stated that there is no evidence of any misappropriations of the funds. He discussed matters of management discussions and analysis from the report.
He reviewed the statement of changes, and explained that the change from the preceding year was primarily due to a better performance. He stated that the net return was 8.6%. He stated that his firm is compiling investment information and trends from their clients, and he stated he would provide the trustees the trends when completed.

Ms. Simmons asked Mr. Johns about the note on page 3 that indicates a target index of 7.0%. Mr. Johns stated that the 7% target comes from the policy index, but that the actuarial assumed rate of return is 8.0%.

Ms. Simmons asked about the significant number of lower graded US government investments representing BBB- and below grade investments with Mr. Higman. Mr. Higman stated that the securities would not have been purchased at a BBB, but probably downgraded, then held or sold. He stated that he would review and provide the information to the trustees. Mr. Ross stated it is concerning since half the amount in the US government investments is held at BBB+ or below, and he wanted to know how many of the securities were downgraded. Ms. Simmons noted the significant increase from the preceding year. Mr. Higman stated that something does not appear right, and agreed to look into it and get back to the trustees.

Mr. Johns reviewed the funding and contribution schedule, and noted that the plan experienced a reduction in the funding ratio from 85% to 74% over the last fiscal year.

IX. Fiduciary Liability quotes

Mr. Chuck Wilde, Wells Fargo, presented matters of the renewal of the fiduciary liability insurance policy to the trustees. He discussed that his firm only received one bid, and the bid came from RLI/Swett & Crawford. He discussed that the actual bid on the premium did not change from the preceding year. He recommended that the board approve the purchase of the recommended policy, including a $10,000,000 limit and $250,000 deductible, with an annual premium of $17,794.

Ms. Simmons asked why there was only one company to bid. Ms. Sharleen O'toole, Wells Fargo, discussed that several of the companies that had previously bid on the coverage no longer offer coverage for this line of business. She also noted that one company stated that they do not bid on providing business for plans that have a funding level of less than 80%. She stated that Wells Fargo went to six companies seeking bids, but only received the one bid.

Mr. Wilde stated that the company is rated A plus by AM Best rating service.

Mr. Hanes asked the Wells Fargo representatives to address the board regarding what happens to the premium if and when the current board is dissolved. Ms. O'toole stated that the board would receive a pro rata return on premium if that were to happen. She stated there would be no penalty.

Chairman Ross made the motion for the board to purchase the fiduciary insurance policy as recommended. Mr. French seconded the motion. The trustees unanimously adopted the motion.

X. Quarterly Investment Report

Mr. Higman discussed matters of the investment report.

Mr. Higman stated that January seemed to perform in line with expectations. He discussed from the quarterly report that the overall return was 5.7% from the beginning of this fiscal year. He stated that for the quarter we are behind the benchmarks, but over the longer periods we are performing above the benchmarks.

Mr. Higman discussed that Stralem is a higher quality investment and more defense oriented, but the strategy has hurt them in the shorter term. He stated that CRM has rebounded nicely in the last quarter, but mentioned there has been a change in ownership, but the team has remained intact.

Mr. Higman stated that the international portfolio was very strong over the calendar year, at 11.5% compared to the benchmark of 7.7%. Ms. Simmons noted that Artisan is not doing so well. Mr. Higman answered that Artisan is a growth oriented strategy, as opposed to Harris who is value oriented. He noted that quality growth companies are not being rewarded today. Ms. Simmons noted that they had underperformed their benchmark. Mr. Higman answered that the index does not have the overweighting to emerging markets as does the Artisan fund. Mr. Ross noted that Artisan has not looked good in the 1, 3 or 5 year period.

Mr. Ross asked Mr. Higman to bring to the next quarterly meeting a comparison between Artisan and the better performing growth managers over the trailing 10 year period. Mr. Higman stated that the better performing growth companies will have had the tendency to be more value in their orientation, and would not be pure growth. He stated that Artisan remains on the Prime Buchholz A list.

Mr. Higman stated that the flexile capital class over the year was up 7% versus the benchmark of 5.6%. He discussed changes at Archstone Market Neutral.

Mr. Higman discussed that fixed income is up 6.4% in line with the index.

Mr. Higman discussed the inflation hedging as a group, and noted that Guggenheim continues to rebound because of the REIT market, and that they continue to make redemptions. Mr. Hanes stated that the most recent redemption was for $568,000. Mr. Higman noted that the TAP fund had a strong performance.

Mr. Ross asked about the issue of a margin call by TAP, and asked Mr. Higman to discuss. Mr. Higman stated that the margin call was not significant. Mr. Higman apologized to the board for not being prepared with the reason for the margin call, but emphasized that it was very small. Mr. Ross asked that Mr. Higman have an explanation at the next meeting. Mr. Higman stated that he would have it. Mr. Higman stated that his understanding regarding the letter from TAP to LP's, including this fund, is related to a disclosure that should have been made, and was not, within the Private Placement Memorandum.

Mr. Higman discussed matters of the total plan's asset allocation. He discussed that the state limitation on foreign investment is at 25% and it must be determined by pulling the portion in hedge funds that are foreign investment and add to the other international, even though the international by itself represents only 17.9% of the portfolio. He stated that approximately 30 to 31% of the hedge funds are non-US, net of long/short. He stated that the calculated percentage states the full exposure to non-US securities.

Mr. Higman discussed the categorization of TIPS. He stated that legally the TIPS can be categorized as a bond or treasury securities. He stated that they are recommending that the board cut back on TIPS and the reduction from TIPS be replaced with core bonds.

Mr. Higman discussed that the state law change of last year allows the board to increase the allocation of foreign securities from 10% to 25% and discussed other matters of general re-balance of the portfolio that are to be made.

The trustees discussed with Mr. Higman matters of allocation and categorization of TIPS in the portfolio. Mr. Higman stated that he is recommending that the TIPS be reduced from the fixed income categorization because of the Prime Buchholz assumptions that indicates a reduction in TIPS performance and an increase in bond performance going forward.

Mr. Higman stated that he has taken the most conservative position for satisfying the law following the view that the portfolio should include no less than 20% in the fixed income category. The trustees questioned Mr. Higman and Ms. Jensen on matters of the way state law categorizes asset classes, including TIPS, commodities, REITS, and convertibles.

Ms. Jensen stated that the state statute classifies real estate in a separate category that is neither an equity or fixed income class. Mr. Higman stated that the convertibles have been used as fixed income, but with an equity kicker in order to get more equity exposure while categorized and satisfying state law regarding allowable fixed income asset class limitation. Ms. Jensen stated that the state statute actually caps fixed income at 80 percent. She stated that convertibles are deemed to be equity by statute. Mr. Ross stated that in order for the trustees to go forward with a reallocation, it will be necessary that everyone understands the correct categorization they are required to use by state law. Mr. Higman stated that absent a different interpretation of the rules, he recommended only having the bond allocation in TIPS reduced to traditional bonds for that allocation. The trustees debated with Mr. Higman the choice of reducing TIPS and replacing with bonds. On the issue of inflation protection assets, Mr. Higman stated that one of the reasons Prime Buchholz has advocated for a basket of inflation protection securities, i.e. TIPS, commodities, natural resources, and real estate, is because each one of those components work better or worse in different type of inflation environments. He stated that the TAP investment since August, 2010, is up 28% because of its participation in commodities. Mr. Higman stated that he is recommending to cut back on TIPS because the neutral position is that if the allocation is 15% for the basket, then the plan should allocate a quarter of the total to each of the asset classes. He stated that as of today, if you placed the existing TIPS into the inflation category, we would have a total inflation protection category of 19.6%. He stated that the neutral position is 25% in each of the buckets. He acknowledged being modestly underweighted in the inflation category. Ms. Simmons noted that we have 21.25 in the inflation hedge category, made up of 10% in TIPS, 3.7% in natural resources, 3.75% in commodities, and 3.75% in real estate. Mr. Higman agreed but stated that the actual weight is 12.8% in TIPS, 1.8% in real estate, 2.8% in natural resources, and 2.2% in commodities. He recommended to the board to reduce the TIPS exposure to 3.75%, and to direct the difference be allocated toward the purchase of a core bond index.

Mr. Ross stated that he would recommend taking the TIPS to 10%, as is the policy. Mr. Ross stated it is his concern that we don't know how commodities are categorized by statute. Mr.

Higman stated that we should be able to solve that issue very soon with a few phone calls. Mr. Higman confirmed the following: The TIPS will be reduced to 10%, with 2.8% difference to commodities, if allowed, specifically to the TAP fund. Mr. Ross recommended that the board agree to take this difference to the TAP fund subject to Mr. Higman sending his finding to the Administrator, who will send to the trustees and subject to an objection by a trustee. He stated that if there is any dispute over the matter, the board will reconvene into a special called meeting. The trustees agreed without motion.

Mr. Ross made the motion that the TIPS be reduced to 10% with the proceeds directed to TAP, provided the majority of trustees are satisfied with the letter Mr. Higman will send around to address the Gresham communication regarding the London Metals Exchange. If the Trustees individually want more discussion or information as a result of the letter, then they will notify Mr. Hanes that they want a meeting of the Trustees to discuss the matter further. Ms. Simmons seconded the motion. The trustees unanimously adopted the motion.

XI Administrator's Report

Mr. Hanes provided the administrator's report. He stated that the status of the review of member files that was discussed at the previous meeting had been resolved with all member benefits adjusted as of October 1, 2010 for payments going forward. He discussed that the plan had sought and received an agreement for full recovery of past overpayment of the one individual who was overpaid. He stated that full payment has been received.

Mr. Hanes discussed that the actuary will be present at the May 20, 2011 board meeting, and that the actuarial report will be provided the members prior to that meeting.

Mr. Hanes stated that he has provided to the trustees for their review a memorandum from Ms. Jane Struder regarding comparisons of investments between the three Town of Palm Beach plans.

Mr. Hanes stated that he had discussed with Ms. Jensen the need for the plan to have a litigation policy, including a policy for filing proof of claims. He deferred to Ms. Jensen for a discussion on that topic.

Councilman William Diamond asked about matters of board decisions, and whether the issues and decisions regarding asset allocation from this plan are communicated to other boards. Mr. Hanes and Mr. Higman discussed that there are slight differences between the Police Officer and Firefighter plans, but major differences between the public safety plans and that of the General Employees plan. Mr. Higman elaborated on the differences.

XII. Attorney's report

Ms. Jensen provided the report for the board. She discussed matters of a proposed distribution policy regarding member DROP and Share account monies after termination of employment.

Mr. Ross asked about the experiences of members choosing to DROP. Mr. Hanes stated that the plan has experienced quite an increase of late. The trustees raised questions about the actuarial impact of members choosing to retire or DROP at the current rate. Mr. Hanes stated that he would advise the actuary to be prepared to discuss at the May 20, 2011 meeting of the board.

Mr. Ross made the motion to adopt the policy as presented. Ms. Simmons seconded the motion. The trustees unanimously adopted the policy.

Ms. Jensen discussed matters of legislative proposals.

Ms. Jensen stated that the legal staff is following up on the scrutinized companies requirements required under Florida law.

Ms. Jensen and Mr. Hanes discussed a matter of the final month pro ration of payments between the deceased and beneficiary at death. The trustees chose to defer action until the discussed changes of Town of Palm Beach plans are settled.

Ms. Jensen stated that she will raise the issues Mr. Hanes has raised with State Street, the custodian, regarding filing of class action claims on behalf of the board.

XIII. Retirement/Benefits Report

Mr. Hanes provided the report and recommendation for approval of payment of DROP benefits for Michael Curcio, Roger Bassett, and Peter Codispoti. He explained that action by the board represents ratification of the action already taken by the member to receive retirement benefits.

Mr. Ross moved to accept the report. Ms. Simmons seconded the motion. The trustees unanimously adopted the motion.

XIV. Disbursements

Mr. Hanes provided the report and recommendation to the trustees. He explained that the action sought is to ratify payments already made.

Mr. Ross made the motion to accept the report. Mr. French seconded the motion. The trustees unanimously adopted the report.

TOWN OF PALM BEACH RETIREMENT SYSTEM
FIREFIGHTER BOARD OF TRUSTEES
Minutes of February 18, 2011 Meeting

XV. Adjournment

Ms. Simmons made a motion to adjourn. Mr. Hays seconded the motion. The trustees unanimously adopted the motion.

Next Quarterly Meeting Date:
May 20, 2011
9:00 a.m.

If a person decides to appeal any decision made by this Board with respect to any matter considered at this meeting, he/she will need a record of the proceedings, and that, for such purpose, he/she may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based.
Notice: Disabled persons who need an accommodation in order to participate in this meeting are requested to contact the Human Resources Department at 838-955-8771 for TDD callers. Please make your requests at least (5) working days before this meeting.

Secretary: ______________________ Dated 5-20-11

Attested by: ______________________ Dated 5-20-2011