FRIDAY, FEBRUARY 24, 2012, 09:00 a.m.

I. CALL TO ORDER (09:11:05 AM)

The meeting of the General Employees Retirement Board was called to order by Chairman Alvin Parven at 9:15 am on Friday, February 24, 2012, in the Town Council Chambers. On roll call, Chairman Alvin Parven, Trustees Peter Elwell, Brett Madison, and Spencer Wilson were present. Also in attendance were Acting Human Resources Director, Kennie Wells for Human Resources Director, Danielle Olson; Director of Finance, Jane Struder; Attorney, Skip Randolph; Risk Manager, Karen Temme; Callan Associates representative, Weston Lewis; Goldman Sachs representatives Stephanie Spector and Michael Goosay; State Street representative, Mark Bergen; and Mesirow representative, Lee Diamandakis.

II. APPROVAL OF AGENDA(09:11:31 AM)

Mr. Madison made a motion to approve the February 24, 2012 agenda, Mr. Wilson seconded, passed unanimously.

III. GENERAL COMMENTS BY BOARD MEMBERS (09:12:47 AM)

There were no comments from Board members.

IV. APPROVAL OF MINUTES OF QUARTERLY MEETING OF NOVEMBER 14, 2011. (09:11:33 AM)

Mr. Elwell stated that there was a correction needed on the second page of the meeting minutes, under the Administrator's Report. The DROP participant's correct retirement eligibility should be November 2010, not November 2000 as stated in the minutes. Mr. Madison made a motion to approve as amended, Mr. Wilson seconded, passed unanimously.

V. DISCUSSION OF RENEWAL OF FIDUCIARY LIABILITY INSURANCE (Karen Temme, Risk Manager) (09:12:55 AM)

Mr. Parven and Ms. Temme discussed prior to the meeting the option of an extension of the insurance rather than a renewal. Ms. Temme presented information on the extension or renewal of fiduciary liability insurance with RLI. Ms. Temme requested to extend the current policy until May 1, 2012 for an additional premium of $3,400.00 instead of renewing it for $19,994.00, cancelling it and waiting for a prorated refund of premiums. Ms. Temme requested that the Board purchase tail coverage for a 3-year period for approximately $39,987.00. The tail coverage premium must be paid in advance and there is no prorated refund of premium if cancelled prior to the end date. Tail coverage covers claims that are made after the May 1, 2012 cancellation of the fiduciary liability insurance. Any claims made after the May 1, 2012 cancellation date will not be covered by the policy.

There was discussion regarding tail insurance and its necessity. Charlene O'Toole with Wells Fargo, who notifies the insurance carriers on the Board's behalf. Three years is a standard term; however, policies for one, two, or three years are available. Ms. O'Toole did not receommend getting a one-year term. Ms. Temme discussed the statute of limitations on a fiduciary liability claim being four years but can extend past four years, up to nine years. Prior to the the fiduciary liability policy being cancelled, the Board has up to thirty days to purchase the discovery period coverage.

There was discussion to make a motion at this meeting for authorization of the final action be made by the consolidated board on April 2, 2012. Legal counsel agreed to delegate the decision to the new board.

Although the risk is minimal, Ms. Temme recommended coverage through May 1, 2012. Mr. Elwell made a motion to approve as amended through April 30, 2012, with the condition that the question of three years versus five years on the tail insurance be addressed by the new consolidated board when it meets on April 2, 2012, Mr. Wilson seconded, passed unanimously.

VI. ADMINISTRATOR'S REPORT (09:23:26 AM)

Ms. Olson, Director of Human Resources and Plan Administrator was absent due to extended leave. Ms Wells, Acting Director of Human Resources, discussed the Administrator's Report and requests.

A. REQUEST FOR AUTHORIZATION TO UTILIZE DEATH RECORDS CROSS CHECK SERVICES OF PENSION BENEFIT INFORMATION (Danielle Olson, Human Resources Director)

Ms. Wells requested authorization from the Board to conduct a death records check to confirm that the pension is not paying any pension to a deceased retiree. The fee to conduct the search will not exceed $200.00. Mr. Madison made a motion, Mr. Wilson seconded, passed unanimously.

Ms. Wells provided a report requested by Mr. Parven at the last meeting that listed the history of employees versus retirees and the last time retireees outnumbered contributing employee members. History was only as of August 2010 as there was no record of such figures kept in Board packets prior to that meeting. The last meeting in November 2011 was the first record showing retirees outnumbering employee contributors.

Since the last board meeting one employee retired, Alan Brown. The Town currently has 24 participants in DROP and 153 retirees, for a total of 177 participants. There are 172 active employees contributing to the pension plan.

VII. OVERVIEW OF RETIREMENT BOARD CHANGES (Peter B. Elwell, Town Manager)(09:25:18 AM)

Mr. Elwell discussed the transition of the three boards combining: Fire, Police, and General Employees retirement boards.

The target date for the transition of the three boards is April 1, 2012, which is a Sunday; therefore, the first meeting will be held on Monday, April 2, 2012 at 9:00 am. Human Resources and Finance is working with the Town Manager during this transition. The Town Council will be appointing the five citizen members of the board on March 14, 2012. An announcement will be made to the public. There will be elections for the three employee representatives, one representing each of police, fire, and general employees. Mr. Elwell will sit ex officio, making it a nine-member board. By Friday, March 30, 2012, all members will be sworn in by the Town Clerk.

The three separate boards will expire on Saturday, March 31, 2012 at midnight.

At the first meeting on Monday, April 2 at 9:00 am, the new board will go over insurance, inheriting the contracts, and other business regarding consolidating the boards. The three funds will continue to operate with three sets of professionals for an undetermined time. The Town attorney will be the board attorney.

The Town Council has approved on first reading an ordinance for the withdrawal from the state revenue sharing 175 and 185 programs, and an ordinance for the consolidation of the boards. Mr. Elwell anticipates the two ordinances being adopted on second reading at the March Town Council meeting prior to the appointment of the new board members. The Town Council has approved the resolution that defines the new 401a, the defined contribution component of the hybrid pension plan.

The administrative team is putting into place the employee group meeting and one-on-one education and training programs with ICMA-RC, the provider of the 401a. Meetings will take place throughout March and April 2012.

There will be an ordinance between now and the conversion date of May 1, 2012, providing all the details of the changes to the defined benefit program. There will continue to be three plans within the ordinance: fire, police, and general employee sections and each will be modified in a manner necessary to affect all changes being approved by the Town Council. The general portion of the ordinance for the overall operations of the retirement program will also be amended as needed. The implementation date of the existing retirement program will freeze on May 1, 2012. The meetings will be held on a quarterly basis, with additional meetings as needed.

VIII. QUARTERLY REPORTS(09:34:09 AM)

A. GOLDMAN SACHS ASSET MGMT. (Stephanie Spector/Michael Goosay)

Stephanie Spector and Michael Goosay presented Goldman Sach's quarterly portfolio review. Mr. Goosay discussed the current economy, inflation and its affects on the performance of the Town's portfolio with Goldman Sachs. Treasury Inflated Protected Security (TIPS) were discussed.

B. SSgA S&P 500 Index Fund

Mr. Bergen discussed SSgA's firm overview and quarterly report. SSgA is going through a few internal organizational changes. Allison Corbally who has serviced our account in the past is still in the Atlanta office; however, now Mr. Bergen will service our account from the Boston office.

C. MESIROW (Lee Diamandakis)

Mr. Diamandakis presented an update to the board on new Mesirow offices outside of the United States. Mr. Diamandakis discussed Mesirow's challenges in meeting the benchmark of the Town investment. An update with January 2012 performance results as a separate handout was distributed to the board.

D. CALLAN REPORT: (Weston Lewis)

Mr. Lewis discussed Callan's handout, "The Callan Periodic Table of Investment Returns." Mr. Lewis discussed Callan's white paper that he distributed, "Talking Points to Promote Public Defined Benefit (DB) Pensions".

Discussion on the Town's quarterly investment performance report comparing General Retirement performance to Police and Fire Retirement Systems.

Mr. Lewis discussed the prepared graphs comparing the three retirement boards: fire, police, and general employees.

Quarterly Report on Investments.

Mr. Lewis discussed Roanoke's assets under management and Callan's concerns with its performance. Mr. Lewis recommended that Roanoke be put back on watch. Callan will send a memo to serve as documentation for reasons concerning the watch.

Mr. Wilson made a motion to put Roanoke back on watch, Mr. Madison seconded, passed unanimously.

Mr. Parven clarified with Mr. Lewis that the memo from Callan to Roanoke will specify the concerns. It was discussed that Roanoke will be asked to come to the May meeting with the new board.

IX. REPORT ON QUARTERLY EXPENDITURES (Jane Struder, Finance Director) (10:28:43 AM)

Ms. Struder discussed the Cash Flow Projection and Operating Expense Report, for the period February 1 through April 30, 2012. Ms. Struder requested a transfer of $1,000,000.00 from the money managers to fund anticipated expenses. Expenses for the first quarter totaled $74,443.29.

Mr. Elwell made a motion to transfer $1,000,000.00 and that Ms. Struder work with Callan in determining which funds will be transferred, seconded by Mr. Madison, passed unanimously.

Mr. Wilson asked for clarification if the April 30, 2012 date on the report is related to the plan changes. Mr. Elwell discussed that the three funds will remain distinct from one and other for a period of time. Ms. Struder receives reports only for the General Employees retirement plan. In the future she will see the consolidated board's plans. Finance will be maintaining the accounting in-house for the consolidated board in the future.

X. ANY OTHER MATTERS (10:33:06 AM)

Mr. Parven thanked each of the members of the Board for their efforts and dedication to the Town of Palm Beach residents and retirement plan.

XI. ADJOURNMENT (10:34:16 AM)

Mr. Elwell made a motion to adjourn the meeting at 10:40 am, Mr. Wilson seconded, passed unanimously.

Respectfully Submitted,

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Brett Madison, Secretary
Town of Palm Beach
General Employees Retirement Board