GENERAL EMPLOYEES RETIREMENT BOARD SPECIAL MEETING
Thursday, December 22, 2005, 2:00 P.M.

I. CALL TO ORDER

The special meeting of the General Employees Retirement Board was called to order by Chairman Robert Garvy at 2:10 p.m. on Thursday, December 22, 2005, in the Town Hall Council Chambers. Attending were Vice Chairman Brett Madison, Trustees James Karman, Peter Elwell, and William Crouse, Human Resources Director and Plan Administrator. Mr. Garvy, Board Attorney John McCracken and Jeanne Valcik from Callan Associates were available via live conference call.

II. DISCUSSION AND APPROVAL FOR TEMPORARY CHANGES IN THE INVESTMENT OF THE GOLDMAN SACHS MONIES

Mr. Garvy explained that the special meeting was called in order for the Board to approve temporary investment of the monies which Goldman Sachs Asset Management was appointed to manage. He advised this temporary investment would be in place until such time as to allow the Policy of the Board to be changed to permit the investment of the Funds more permanently into the Goldman Sachs commingled vehicle.

Mr. Karman asked Mr. Garvy to give a brief background of the problem and explain why a temporary investment was needed. Mr. Garvy explained that lawyers with Goldman Sachs Asset Management have advised that the Town's Investment Policy prohibited investment in Goldman Sachs Asset Management's commingled Fund. Mr. Garvy advised that Mr. McCracken believed that the Investment Policy was open to some interpretation and as a result, the Board should clarify the Policy, and in the interim, Ms. Valcik suggested that the monies should be temporarily invested in the Lehman Aggregate Bond Fund I-Shares symbol AGG. Mr. Garvy explained that the Lehman Aggregate Bond Fund I-Shares was a proxy for the Lehman Aggregate Index. Mr. Garvy advised that at the General Employees Retirement Board Special meeting of January 11, 2006, the Board would adjust the Policy which would then be presented to the Council in two readings and approved in about March of 2006. At that time, Mr. Garvy advised that the monies would then be returned to Goldman Sachs Asset Management to be invested in their commingled Fund. Mr. Karman thanked Mr. Garvy for his explanation. Mr. McCracken clarified that it was the Ordinance, not the Policy, which needed to be modified and approved in two readings. Mr. McCracken explained that the Statement of Investment Policy did permit investing into Goldman Sachs Commingled Fund; however, he advised it was the Ordinance which was in question because its language requires that investments be consistent with both the Ordinance and the Statement of Investment Policy. Mr. Garvy advised that he believed that there were a few changes that needed to be made, including the provision of the Ordinance which has been in place since the 1940s and needed to be updated. Mr. Garvy thanked Mr. McCracken for his clarification. Ms. Valcik clarified that the money would be used for actual purchase of securities representing the Lehman Aggregate, which was Barclays Global Investors (BGI)

I-Shares; an Exchange Traded Fund (ETF). Mr. Garvy thanked Ms. Valcik for her clarification. Mr. Karman inquired about the dollar amount of the investment. Mr. Garvy advised that it was approximately $25.2 million. Mr. Elwell inquired if the Lehman Aggregate Bond Fund was a safe place to put the $25.2 million. Mr. Garvy answered yes and explained that that ETF was designed to track the Lehman Aggregate Bond Index and was the exchange traded fund equivalent to the Lehman Aggregate Bond Index. Mr. Karman inquired if the Fund was a Lehman product. Mr. Garvy explained that it was an Exchange Traded Fund issued by BGI and explained that the largest holding was over 38% in U.S. Government agencies and 37% in AAA rated securities, which was conservative and, as a result, safe. Mr. Madison inquired if there was a firm that would monitor the $25.2 million once it is put into the Lehman AGG. Ms. Valcik advised that (SSGA) State Street Global Advisors was the transition manager and, in that role, they are responsible for monitoring the money. Mr. Madison thanked Ms. Valcik for her information. Mr. Karman inquired if there were any other vehicles besides the Lehman Aggregate Bond Fund I-Shares that could be considered. Mr. Garvy advised that a short-term money market Fund was another option, but the Lehman Aggregate Bond Fund I-Shares was the closest vehicle that was available to invest in while the Ordinance was being revised. He also explained that the Lehman Aggregate Bond Fund I-Shares was more consistent to the Funds long-term Investment Policy. Ms. Valcik concurred with Mr. Garvy's statements and advised that the Bond portion of the Investment Policy stated that the Fund should, at minimum, add the return of the Lehman Aggregate Index. She also advised that putting the $25.2 million into the Lehman Aggregate Bond Fund I-Shares would be replicating the Funds passive policy. Ms. Valcik further explained that when Loomis Sayles and Company managed the Core Plus Fixed Income portfolio their goal was also the Lehman Aggregate Index. Mr. Karman inquired about the timeframe for the transition. Ms. Valcik advised that it would probably be about three months. Mr. Elwell agreed with Ms. Valcik's answer regarding the timeframe and explained that the second reading of the Ordinance would be on March 14, 2006. Mr. Garvy advised that the shares trade on the Exchange and was fairly inexpensive to buy in and buy out because they trade like stocks. Ms. Valcik advised that it was not unusual in a transition for a Bond portfolio to get exposure to the U.S market buying Exchange Traded Fund. She advised that the day before Christmas was not the best day to purchase securities. She explained that she consulted SSGA and they advised that the money should be traded during the week of December 26, 2005, or following January 1, 2006. Mr. Garvy thanked Ms. Valcik and inquired if there were any other questions from the Board. There were none and Mr. Garvy called for a motion.

Mr. Karman moved approval for the $25.2 million originally given to Goldman Sachs Asset Management to be put into the Lehman Aggregate I-Shares until the ordinance is revised; Mr. Garvy seconded.

Mr. Crouse inquired whether the motion should include the date the monies be put into the Lehman Aggregate Bond Fund I-Shares. He also inquired about who would be responsible for advising SSGA. Ms. Valcik advised that SSGA was awaiting email confirmation from Mr. Crouse. The Board members agreed on the week of December 26, 2005, and agreed that Mr. Crouse should send an email advising State Street Global

Advisors of the Board's decision. There was no further discussion and the motion carried unanimously.

III. ANY OTHER MATTERS

Mr. Garvy reminded the Board that there was a special meeting which would be held on Wednesday, January 11, 2006. He advised that at that meeting the Board would discuss the issue of the Ordinance amendment and recommendation to the Town Council.

Mr. Garvy inquired if there were any other matters to be discussed. There were none.

VII. ADJOURNMENT

There being no further business, the meeting adjourned at 2:28 p.m.

Approved: ______________________
James Karman, Secretary