MINUTES OF THE GENERAL EMPLOYEE RETIREMENT BOARD
HELD ON FRIDAY, NOVEMBER 13, 2009

I. CALL TO ORDER

This meeting of the General Employees Retirement Board was called to order by Trustee Alvin Parven at 9:00 am on Friday, November 13, 2009, in the Central Fire Station EOC Room. On roll call, Trustees Alvin Parven, Peter Elwell, Lisa Gorman, and Brett Madison were present. Chair James Karman was absent. Also in attendance were Human Resources Director and Plan Administrator William Crouse and Director of Finance Jane Struder, Callan Associates representative John Carr and Cavanaugh Macdonald Consulting, LLC Principal and Consulting Actuary Jose Fernandez.

II. APPROVAL OF AGENDA

A motion to approve the agenda was made by Mr. Madison, seconded by Ms. Gorman, passed unanimously.

III. GENERAL COMMENTS BY BOARD MEMBERS

No comments were made.

IV. APPROVAL OF MINUTES OF SPECIAL MEETING OF AUGUST 31, 2009

A motion was made by Mr. Elwell, seconded by Mr. Madison, passed unanimously.

V. DRAFT REPORT ON THE REVIEW OF THE TOWN'S RETIREMENT SYSTEMS (Jose I. Fernandez, Principal and Consulting Actuary, Cavanaugh Macdonald Consulting, LLC). Followed by questions and comments from citizens and trustees.

Jose Fernandez from Cavanaugh Macdonald Consulting discussed the draft report prepared for the Town on the general employee retirement system. Copies of the report and presentation were distributed prior to the meeting. Mr. Fernandez briefly explained the scope of the work requested by the Town.

Mr. Parven and Mr. Fernandez discussed the benchmarking survey that the actuary used. He stated that nationwide state retirement systems are looking at plan design changes or cost sharing changes. There are strict restrictions in most states as to what changes can be made with current benefits, but with non-vested there may be some flexibility.

Mr. Fernandez discussed the current plan, the equation used, its funded status, and value of assets compared to other Town pension plans.

Mr. Fernandez discussed the different methods that can be used in determining the savings of the Town's contribution and the three types of plans that could be selected: 1) defined benefit plan, 2) defined contribution plan; and 3) a hybrid plan, combining both.

Mr. Elwell asked Mr. Fernandez to further explain the impact on staff of the three different plans.

Mr. Madison expressed concern as to the risk of employees making their own investment decisions in a defined contribution plan. Mr. Parven acknowledged the concern as well taken. Mr. Fernandez discussed the hybrid plan that would combine both the defined benefit and defined contribution plans.

Mr. Fernandez discussed the various changes that could be made to new hire benefits which could include multiplier changes and contribution amounts. The FRS system was discussed and the impact it would have on the Town. Mr. Fernandez discussed a hybrid plan and the impact it would have on the Town.

On Page 24, potential benefit changes were discussed such as reduction in the multiplier, final average pay, eligibility for retirement, normal form of payment for married survivors, and COLA. Mr. Elwell clarified that these changes are an array of options, not specific recommendations.

Mr. Fernandez discussed the details surrounding survivorship and made a comparison of benefit options.

Mr. Fernandez explained that the options outlined in the report may be combined or used separately when building on the pension plan. On Page 38 a grid demonstrates 30 different combinations in the contribution rates and the impact of the changes long-term.

The table on Page 44 ranks the Town of Palm Beach in comparison to other organizations based on the benefits of its retirement plan.

Mr. Madison asked what the Town Council expects from the Retirement Board and analysis made by Mr. Fernandez. Mr. Elwell explained that there is not an obligation of the Board but an opportunity to present specific recommendations to Town Council.

Ms. Gorman discussed the meeting she had with employee members regarding the pension and inquired about the Town Council meeting being open to employees who want to make comments. The Town Council will have a special meeting on December 3rd to hear from the employees. There is not a defined timeframe as to when decisions will be made by the Town Council. Members have the ability to attend or listen to the meeting.

All of the Town Council members have been provided and have had the opportunity to read the employee letters, suggestions, and emails. Mr. Madison suggested that Town

Council have the ability to go through the report and determine what will or will not be considered so that when receiving comments from employees, they have better direction.

Comments from attendees: Jeff Taylor, Building Official and Paul Castro, Building Department

Mr. Elwell will take into consideration the venue and time of the December 3rd meeting.

VI. QUARTERLY REPORTS (John Carr, Callan)

A. GENERAL OVERVIEW ANNUAL PERFORMANCE

Mr. Carr discussed the Asset Allocation and Performance. Mr. Carr discussed investment returns through September 30. The last fiscal year, the total fund was basically flat.

Goldman Sachs sent a letter to Bill Crouse on October 21, 2009 which was enclosed in the meeting packets. Effective in the new year, they will be allowing their asset management division to purchase new bond issues that are underwritten by Goldman Sachs & Company, the investment banking arm of Goldman Sachs. This will be monitored by reviewing quarterly reports which will disclose all of the securities that fall under this provision. Callan is comfortable with what they have requested.

A motion to retain Goldman Sachs and consent to the terms outlined in their letter dated October 21, 2009 was made by Mr. Madison, seconded by Mr. Elwell, passed unanimously.

Callan will continue to monitor the situation and the Board maintains the option to make a change if they do not feel comfortable with Goldman Sachs.

Mr. Carr continued discussing the investment manager returns on Page 18.

B. DISCUSSION ON THE TOWN'S QUARTERLY INVESTMENT PERFORMANCE REPORT COMPARING GENERAL RETIREMENT PERFORMANCE TO POLICE AND FIREFIGHTER RETIREMENT SYSTEM

In the last fiscal year period, the general employees plan has been the best performer among the three town retirement plans as shown in Jane Struder's report.

C. DISCUSSION OF THE BOARD'S CURRENT ASSET ALLOCATION IN REFERENCE TO THE TERMINATION OF MADISON SQUARE & ANALYTIC - TRANSFERING INVESTMENTS TO INDEX S&P 500

A motion was made by Mr. Madison, seconded by Ms. Gorman to approve the amended investment policy statement as written, passed unanimously.

Mr. Elwell noted that the revised investment policy must go before the Town Council for formal approval as a resolution. Staff will look into whether or not it can be approved by the Board or if it has to go to Town Council without any further action from the Board,.

VII. REVIEW & DISCUSSION OF PROPOSED RESOLUTION TO DIVEST INVESTMENTS IN IRAN AND SUDAN

The resolution was previously discussed with John McCracken and he is comfortable with it.

A motion to approve the resolution to divest investments in Iran and Sudan was made by Mr. Elwell, seconded by Mr. Madison, passed unanimously.

VIII. ADMINISTRATOR'S REPORT (William Crouse)

Mr. Crouse reported and listed five retirements since the last meeting of August 14, 2009. They were: Marion Strohl (09/11/2009), Elliot Crockam (09/28/2009), Richard Dytrych (DROP 10/01/2009), Bonny Allen (10/23/2009), and Nancy Wiseman (DROP 11/01/2009).

Mr. Crouse informed the Board that the purchase of the S&P 500 flagship account was done immediately and the accounts were closed out effective the end of August.

The Board will address the liability insurance at the February 2010 meeting.

This is Mr. Crouse's last meeting as he will be retiring in January 2010. Danielle Olson will be his successor as HR Director.

IX. REPORT ON QUARTERLY EXPENDITURES (Jane Struder, Director of Finance)

A motion was made by Mr. Elwell, seconded by Mr. Madison to approve Jane Struder's report, passed unanimously. No fund transfers were requested.

X. ANY OTHER MATTERS

Mr. Elwell spoke of Mr. Crouse's retirement and thanked him for his 31 years of service to the Town and to the Retirement Board.

XI. ADJOURNMENT

A motion to adjourn at 12:00 pm was made by Mr. Elwell, seconded by Mr. Madison, passed unanimously.