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GENERAL EMPLOYEES RETIREMENT BOARD MEETING
November 6, 2002, 1:00 P.M.

I CALL TO ORDER

The meeting of the General Employees Retirement Board of Trustees was called to order by Chairman James McC. Wearn at 1:00 p.m., November 6, 2002, in the Town Council Chambers. Attending were Chairman James McC. Wearn, Vice Chairman Robert Garvy, Secretary Vernon Richards, and Trustees Peter Elwell and Patricia McLean. Also attending were Board Attorney John McCracken, Finance Director Jane Skittone, and Human Resources Director and Plan Administrator William Crouse.

II APPROVAL OF AGENDA

Mr. Wearn stated that, if time permitted, he would like to add an item under Other Matters, explaining that he would like to discuss the Loomis Sayles sales policy which had been distributed.

Mr. Elwell moved to approve the agenda, Mr. Garvy seconded, and the motion carried unanimously.

III APPROVAL OF MINUTES OF REGULAR MEETING OF AUGUST 9, 2002

Mr. Garvy moved approval of the minutes, Mr. Richards seconded, and the motion carried unanimously.

IV ADMINISTRATOR'S REPORT

Mr. Crouse stated that he did not have any report to make other than the Loomis letter that would be covered later.

V DISCUSSION OF RENEWAL OF FIDUCIARY LIABILITY INSURANCE

Karen Temme, Risk Manager, appeared before the board and recommended that the board choose Option 2, which provided the current limits of liability of $25 million. She explained that it would increase the deductible by $50,000 and would have an annual premium of $43,000.

Mr. Garvy moved to approve the recommendation of Ms. Temme, Mr. Elwell seconded. Mr. McC. Wearn, and Mr. Richards voted aye. Patricia McLean voted nay. The motion carried.

Ms. Temme requested approval for a Waiver of Recourse in the amount of $250.00 to be presented to the Mayor and Town Council at the December 10, 2002, meeting.

Mr. Elwell moved to approve, Mr. Garvy seconded, and the motion carried unanimously.

VI CALLAN & ASSOCIATES

Jeanne Valcik of Callan Associates appeared before the board and presented the performance report through September 30, 2002, a copy of which is on file with the Plan Administrator.

Mr. Garvy stated that Loomis had not equaled the index average in the eight years of their service.

Mr. Garvy moved to put Loomis on notice with a strong indication that their entire portion of the fund would be indexed if there was no improvement within the next three months. Mr. Elwell seconded the motion, and all voting aye, the motion carried.

<u>Ms. Valcik stated that she would draft the watch letter</u>.

VII STATE STREET

A. PROCEDURES FOR HANDLING CLASS ACTION CLAIMS

Alice Dean and Kent Swauger of State Street appeared before the board and explained that, with respect to class action litigation, State Street had a standing instruction to participate.

B. YEAR END REPORT

Ms. Dean presented the year end report, a copy of which is on file with the Plan Administrator.

XIII HISTORICAL REPORT ON ADOPTION AND IMPLEMENTATION OF DROP PLAN

Mr. Crouse explained how the DROP plan was administered through his office. He went on to discuss the issue of the fixed interest rate of 7.5% on DROP funds and its effect on the cost neutrality of the plan.

Mr. Crouse referred to his memo to the board dated October 29, 2002, which explained the procedures that were followed in the Human Resources Department. He explained the current forms that were distributed to employees who wished to DROP. Mr. Crouse stated that there was only one person in the department assigned to administer the forms to insure consistency.

Mr. Crouse stated that, due to the concerns in understanding the 7.5% interest rate, the forms were revised to state clearly the language of the ordinance for the DROP.

XIV ACTUARIAL REPORT ON DROP ASSUMPTION RATE

Brad Armstrong of Gabriel, Roeder, Smith and Company appeared before the board to present an actuarial study on the 7.5% interest rate for DROP funds and whether this would keep the plan in a cost neutral environment.

Mr. Wearn inquired as to whether it would be reasonable to go to a 5.5% interest rate. Mr. Armstrong stated that 5.5% would be reasonable. Ms. Valcik stated that it was a very good risk free rate Mr. Armstrong stated that his experience showed that most other DROP plans were close to market rate. He stated that the state of Missouri DROP plan had an interest rate of zero.

XV REPORT ON ALTERNATIVE DROP PROGRAMS

Joseph J. Jankowski, Jr. and Fernando de Aguero of ICMA-RC Corporation (RC) appeared before the board to present a self-directed DROP program.

Mr. de Aguero stated that the plus fund guaranteed a rate of return with a floor and, should it drop below that floor, RC would make the guaranteed rate good. He further explained that money could be moved in and out of the plus fund as often as the participant wanted. He explained that the current rate was yielding 4.3%. Mr. de Aguero stated that a plus fund was designed to provide a steady income over the long haul.

Mr. Garvy inquired as to the fee that would be paid to RC. Mr. Jankowski stated that the fee would come out of the participants' funds quarterly. Mr. de Aguero stated that the current fee was 55 basis points on assets. Mr. de Aguero stated that they currently had $16 billion of assets under management.

Ms. Valcik inquired as to whether RC received revenue sharing. Mr. de Aguero stated that they did not take those rebates, but took a net and the funds went back into the individuals' accounts.

Mr. Crouse stated that the Town of Palm Beach chose to bring ICMA in as a 457 Plan provider in about 1980, so the employees were very familiar with how the company operated. He explained that ICMA's assistance on line, in person, and over the phone was outstanding. He explained that unless the board moved to go to a self directed program, the administration duties of the DROP would continue to grow and the issues before the board would continue as well.

Ms. McLean stated that she had spoken to several individuals as to whether they would like a self directed DROP or not, and she felt it was a 50/50 split. She stated there were quite a few people who were quite savy in investments while there were those who did not want to think about it at all, especially after they retire.

Mr. Crouse stated he would recommend grandfathering-in the current participants in the Town's DROP and have any new DROP participants go directly into the self directed DROP.

Mr. Elwell moved to reduce the DROP interest rate to 5.5% for anyone who dropped after the August 2002 meeting, effective October 1, 2002, and to grandfather-in the individuals who dropped prior to August 2002, with a 7.5% interest rate, with the interest rate to be revisited at the May 2003 meeting. Mr. Garvy seconded, and the motion carried unanimously.

Mr. Elwell moved to show the intent of the Board to move in the direction of a self directed DROP plan and that, through attrition, the self directed program would be the only plan offered, and that at the February meeting, the Board would consider approving ICMA-RC as the self directed DROP plan's provider. Mr. Garvy seconded. The vote was taken, with Mrs. McLean voting against, and the motion passed.

Mr. Elwell moved to grandfather-in the current DROP participants to participate in the Town's current DROP plan; however, they would have the option to move to the self directed plan if they so desired. Mr. Garvy seconded, and the motion carried unanimously.

Mr. McCracken stated that he would come back to the February meeting with a proposed ordinance to take to the Town Council.

Mr. Wearn requested that Mr. Crouse prioritize the remaining agenda items and list those items that would be able to be carried over to the next meeting. Mr. Crouse stated that the following six items should be covered at this meeting and the remaining be deferred to the next meeting. He stated that Item 9, Item 10, Item 11, Item 12, Item16, Item 17, Item 19, and Item 21 needed to be covered at this meeting and Item 8 and Item 18 would be deferred.

XII REPORT ON QUARTERLY EXPENDITURES

Ms. Skittone presented the report on quarterly expenditures and recommended a transfer of $200,000

Mr. Garvy moved to accept the report and approve the money transfer, Mrs. McLean seconded, and the motion carried unanimously.

IX APPROVAL OF ACTUARY'S FEE

Mr. Wearn stated that Mr. Armstrong has asked for a fee of $10,800 for fiscal year ending September 30, 2003, payable in quarterly payments of $2,700. He explained that this was an increase of 2.9%.

Mr. Elwell moved to approve the actuary fee, Mr. Garvy seconded, and the motion carried unanimously.

X REPORT ON DUTY DISABILITY RETIRANT KEVIN REYNOLDS

Mr. Crouse stated Mr. Reynolds had been involved in a rear end collision which resulted in his duty disability retirement. He explained that Mr. Reynolds has been seen by Dr. Lichtblau and that Dr. Hanna, the Town Physician had reviewed the report. Mr. Crouse explained that Dr. Hanna had concluded that Mr. Reynolds would be able to do sedentary work; however, the Town did not have this type of work available for an electrician. Mr. Crouse recommended that Mr. Reynolds continue to receive his duty disability pension and that his condition be reviewed in one year.

Mrs. McLean moved the continuation of Mr. Reynold's duty disability pension; Mr. Richards seconded, and the motion carried unanimously.

XI APPROVAL OF RETIREMENT APPLICATIONS

A. JOHN FLETEMEYER, SUPERVISOR/LIFEGUARD

Mr. Elwell moved to approve, Mr. Garvy seconded, and the motion carried unanimously.

B. W. MICHAEL SHARPE, MASTER MECHANIC/PW

Mrs. McLean moved to approve, Mr. Richards seconded, and the motion carried unanimously.

XVII ACTUARIAL REPORT ON STUDY REGARDING ABILITY OF RETIREES TO DESIGNATE A NEW BENEFICIARY

Brad Armstrong of Gabriel, Roeder, Smith and Company appeared before the board and presented a supplemental actuarial report proposing that the board allow individuals who retired prior to September 30, 1993, to designate a surviving spouse as the beneficiary for the automatic 75% pension benefit to a surviving spouse, providing the retiree was married to the surviving spouse for at least one year at the time of death. He stated that there would be a small cost to this benefit change.

Mr. Elwell moved to defer discussion of this benefit until such time as the retirement fund was in a better financial position. Mr. Garvy seconded, and the motion carried unanimously.

Mr. Armstrong stated that this report would still be factual at anytime the board decided to revisit the matter.

XIX QUESTION ON WHETHER THE BOARD AUTHORIZED AN ACTUARIAL REPORT ON ELIMINATI

NG RECALCULATION OF DISABILITY PENSION TO RETIREMENT PENSIONS

Mr. McCracken stated that the reason for this item was the confusion over whether the board had asked for an actuarial study on this issue. He stated that the issue was whether a duty disability pension was to be recalculated to a pension based upon age and service, which is what the ordinance stated. Mr. McCracken stated that the Public Safety board had decided to not have the pension recalculated from the minimum that they were provided due to the effect on the tax savings for the individual. He stated that, in the case of the General employees, the minimum may be more than the recalculated pension; therefore, to eliminate the recalculation provision for the General board, an actuarial report would be required. He stated that he brought this back to the board for a decision as to whether the report was wanted.

Mr. Elwell moved to defer this item due to cost and the investment climate, Mr. Garvy seconded, and the motion carried unanimously.

XVI APPROVAL OF ANNUAL RATE OF INTEREST TO BE CREDITED MEMBER CONTRIBUTIONS

Mr. Crouse stated that since 1980, the annual rate of interest to be credited at 5.5% to employees who leave the Town's employment before vesting and take the contributions out of the system. He stated that the last time this had been addressed by the actuary was 1996.

Mr. Armstrong presented his study on the interest rate and explained that the 5.5% would give portability to those employees. He explained that this amount was very comparable to the total fund.

Mr. Crouse stated that, from the Human Resources standpoint, this would be paying the individuals who leave and explained that it did not attract or retain employees. He further explained that many employees left prior to vesting because the vesting period was 10 years.

Ms. McLean stated that the interest should be tied to the inflation rate. Mr. Wearn stated that the department of labor does supply this information monthly. Mr. Armstrong stated that the inflation assumption was currently 5% and wage inflation was 5.5%.

Mr. Garvy moved to set the interest rate at the CPIU rate for the previous twelve months as of September 30, but, not to exceed 5.5% without approval of the board. Ms. McLean seconded, and the motion carried unanimously.

XXI REQUEST FOR WALL STREET JOURNAL

Ms. McLean requested that she be able to receive the Wall Street Journal and stated that the cost would be $175 a year plus $39 for the on-line services. She stated that as a student at FAU, she would be able to get the subscription for $98.

Mr. Garvy moved to approve both the subscription fee and the on-line service fee. Mr. Elwell seconded, and the motion carried unanimously.

XVIII DISCUSSION OF PROPOSED ORDINANCE PROVIDING FOR OPTION TO PURCHASE ELIGIBILITY OR BENEFIT SERVICES

Mr. Elwell moved to defer this item due to the investment climate. Mr. Richards seconded, and the motion carried unanimously.

XX DISCUSSION OF PROPOSED ORDINANCE TO REMOVE BOARD OF TRUSTEES REQUIREMENT TO APPROVE RETIREMENTS

Mr. McCracken stated that this item had been covered at the last meeting in a motion made by Mr. Elwell which modified the ordinance, if necessary, or changed the practice. Mr. McCracken stated that the board should just change their practice and have Mr. Crouse report on the retirements in the administrator's report.

Mr. Garvy moved to accept Mr. McCracken's recommendation, Ms. McLean seconded, and the motion carried unanimously.

XXII ANY OTHER MATTERS

Mr. Wearn stated that in the Loomis letter that had been requested, he found the report on their sale policy allowed them to take any position that they wished and that there was not any clear criteria expressed. He stated that he felt this was unacceptable.

VIII DISCUSSION OF REVISION TO THE INVESTMENT POLICY

Ms. McLean moved to defer this item to the next meeting. Mr. Richards seconded, and the motion carried unanimously.

XXIII ADJOURNMENT

There being no further business, Mr. Elwell moved to adjourn. Ms. McLean seconded, and the motion carried unanimously.

The meeting adjourned at 6:45 p.m.

APPROVED:

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Patricia McLean, Secretary