GENERAL EMPLOYEES RETIREMENT BOARD MEETING
Thursday August 16, 2007, 9:00 A.M.

I. CALL TO ORDER

The meeting of the General Employees Retirement Board of Trustees was called to order by Chairman Robert Garvy at 9:00 a.m. on Thursday, August 16, 2007, in the Town Hall Council Chambers. Attending were Chairman Garvy, Vice Chairman Brett Madison, Secretary Jonathan Luscomb, Trustee James Karman, and Trustee Peter Elwell. Also in attendance were Board Attorney John McCracken, Brian Zeiler from Callan Associates, Human Resources Director and Plan Administrator William Crouse, and Finance Director Jane Struder.

II. APPROVAL OF AGENDA

Mr. Garvy inquired whether there were any changes or additions to be made to the agenda. There were no changes.

III. APPROVAL OF MINUTES

Mr. Garvy asked if there were any comments or changes to be made to the Minutes of the Regular Meeting of May 14, 2007. There were no changes or additions.

Mr. Karman moved approval of the Minutes of the Regular Meeting of May 14, 2007. Mr. Luscomb seconded. There was no further discussion and the motion carried unanimously.

IV. ADMINISTRATOR'S REPORT

Mr. Crouse reported four retirements to the Board: Dave Kyzar, Ed Rufer, Jim Hay, and Tallulah Miller. He explained that all of these individuals met the requirements for retirement.

Mr. Garvy inquired whether there were any questions from members of the Board regarding the retirements. There were none.

V. QUARTERLY REPORTS

A. CALLAN ASSOCIATES

Brian Zeiler of Callan Associates appeared before the Board and presented his report for the quarter. He explained that the total fund's portfolio posted a 5.48% return for the quarter placing it in the second percentile of the CAI Public Fund, and the total fund's portfolio outperformed the target benchmark by 1.24% for the quarter and outperformed the target benchmark for the year by 2.93%. He stated that it was a good quarter with 124 basis points ahead of the target. Mr. Zeiler conveyed that large growth beat large value, which was unusual and large cap out-performed small cap. He explained that as a result, strength was experienced in technology and energy stocks. International markets reflected the rotation in the U.S. market. He stated that asset allocations were on target and that the domestic equity manager selection added 80 basis points to the total fund performance for the quarter. Mr. Zeiler explained that the total fund was nearly 300 basis points ahead of the target. He stated that performance was broken down by asset classes and domestic equity had been a very strong area for the fund for the past five years. Mr. Zeiler relayed that Analytic Investor's portfolio posted an 8.30% return for the quarter, placing it in the tenth percentile of the CAI Large Cap Core Style group for the quarter. He explained that the portfolio outperformed the Russell 1000 by 2.40% for the quarter. NYLIM 130/30 Large Cap Fund's portfolio posted a 6.83% rate of return for the quarter placing it in the 33rd percentile of the CAI Large Cap Core Style group for the quarter and also outperformed the Russell 1000 by .93% for the quarter. Mr. Zeiler stated that Analytic and NYLIM were ahead of the benchmark even though there was a dislocation event.

Mr. Garvy stated that he hoped the dislocation event between Analytic and NYLIM would be temporary and not turn into something more significant. Mr. Garvy concurred with Mr. Zeiler regarding alternative investments in the Town was in a better position now with a good set of managers and diversification. Mr. Garvy asked if there were any other questions for Mr. Zeiler. There were none.

B. ROANOKE ASSET MANAGEMENT

Ed Vroom of Roanoke Asset Management appeared before the Board and presented his report. He emphasized that through the June 30th period, the six-month time frame had a good quarter. Mr. Vroom relayed that the total fund of the portfolio was up at 11.7%, exceeding all the benchmarks. He explained that the Russell 2500 growth was up 11.3%, the Russell 2000 was up 9.3% and the S&P up at 7%. He stated that for the Town's funds, the quarter to date was minus 2.9% and year-to-date was 8.6% positive. For the Russell 2500, the quarter to date was minus 7.9% and year-to-date 2.5% positive; the Russell 2000 quarter to date minus 7.5% and year-to-date 1.2% positive; and the S&P quarter to date minus 6.2% and positive .3% for year. Mr. Vroom relayed that the diversification of the portfolio made him comfortable in an environment going forward. He explained that the three largest segments in the portfolio that experienced growth were technology, healthcare, and consumer. Mr. Vroom discussed the historical performance annualized rates of return. He also reviewed the top 20 holdings. Mr. Vroom stated that from an investment outlook point of view, valuations were positive for stocks in general and as long as the earnings remained intact, interest rates would not go up in this environment. As a result, valuations were stable and corporations were in a good position to spend. He stated that infrastructure spending was positive and as a result, it was a good environment for wealth companies.

Mr. Garvy thanked Mr. Vroom for his presentation and inquired if there were any questions. Mr. Zeiler concurred with Mr. Vroom's market observations. Mr. Elwell requested Mr. Vroom to elaborate on how he planned to offer protection regarding candidates on the campaign trail who plan to change healthcare in the public sector. Mr. Vroom responded that there was no specific healthcare reform program that had been proposed. Mr. Garvy inquired if the insurance companies would be taking the major hit if coverage moved from public to private. Mr. Vroom replied that it would depend on a wide set of circumstances. Mr. Garvy requested Mr. Vroom's opinion about the dislocation experienced in the markets today and if it was temporary. Further, he also inquired about the level of risk Mr. Vroom stated that he

difficulty, but that it was temporary. He explained that there was currently a lot of liquidity to offset the lack of liquidity experienced, but the headline risk would continue to happen Mr. Garvy inquired if the banks would be able to finance the bids because of the massive liquidity in the central banks. Mr. Vroom responded that companies who have limited amount of capital who may have been a bit aggressive may need to be bailed out and that would be headline risk that would create a bottom. Mr. Vroom concluded his presentation. Mr. Garvy thanked him for his report.

VI. DISCUSSION OF ORDINANCE AMENDMENTS

Mr. McCracken presented his summary of the suggested changes recommended by the Firefighter Board of Trustees. He stated that at the May meeting, the Board requested that the Ordinance be rewritten so the changes would be applicable to not only Firefighters, but Police officers and General Employees as well. He stated he was asked to rewrite the Ordinance and submitted it to the General Employees Board as well as Police and Fire Boards so it may go to the Town Council on unanimous approval of the Boards. It had already been approved by both the Firefighter and Police Boards. Mr. McCracken recommended that the Board approve all the changes outlined in his letter to the Board dated August 9, 2007.

Mr. Garvy thanked Mr. McCracken and asked members of the Board if there was further discussion. There being no further questions, Mr. Karman moved to approve the recommended Ordinance changes. Mr. Madison seconded the motion. Mr. Crouse asked Mr. McCracken if the change for the Duty Disability Special Provision had been clarified. Mr. McCracken replied yes. The motion carried unanimously.

VII. REPORT STATUS OF DISABILITY RETIRANTS

Mr. Crouse stated there were currently two individuals who received duty disability pensions: Kevin Reynolds, a former Electrician, and Diane Gale, a former Parking Enforcement Officer. Mr. Crouse stated they both continued to be under review by Worker's Compensation. He advised the Board to recommend no further action be required for medical exams regarding Mr. Reynolds and Ms. Gale.

Mr. Karman moved that no further action be required on these individuals. Mr. Luscomb seconded and the motion carried unanimously. Mr. Garvy thanked Mr. Crouse for his presentation.

VIII. CONSIDERATION OF ACTUARY'S FEE

Mr. Crouse discussed correspondence from Brad Armstrong, Consultant for Gabriel, Roeder, Smith and Company. He relayed Mr. Armstong's fees for next year at a rate of $12,800.00 annually, an increase of 4%. Mr. Crouse recommended approval for this fee for the next 12 months.

Mr. Garvy concurred with the fee increase and thanked Mr. Crouse for his presentation.

IX. APPROVAL OF ANNUAL RATE OF INTEREST TO BE CREDITED MEMBER CONTRIBUTIONS

Mrs. Struder stated that the rate for the10-year treasury was 4.78%, and last year it had been 4.99%. She requested that the Board determine and approve a rate of interest to credit to the members' accounts in September 2007.

Mr. Garvy asked if there were any questions from members of the Board. There being none, Mr. Karman moved that the rate of interest to be credited to members' accounts in September 2007 be set at 4.78%. Mr. Madison seconded and motion carried unanimously. Mr. Garvy thanked Mrs. Struder and proceeded to the next item on the agenda.

X. REPORT ON QUARTERLY EXPENDITURES

Mrs. Struder discussed the cash flow report through October 31, 2007. She recommended a transfer of half a million dollars from the money managers. She anticipated an estimated balance at the October of $387,807.82 dollars.

Mr. Garvy inquired if there were any questions. Mr. Karman asked Mrs. Struder if there had been only one transfer made this year. Mrs. Struder confirmed that only one had been made. Mr. Karman moved that, per Mrs. Struder's recommendation, a transfer of $500,000.00 be made. Mr. Elwell seconded the motion, and all voting aye, the motion carried. Mr. Garvy inquired if there were any other matters to be made before the Board.

XI. ANY OTHER MATTERS

Mr. Madison stated that he had attended the Florida Public Pension Trustees Association Conference the previous June and commented on several issues that had been presented. Mr. Garvy thanked Mr. Madison for sharing his comments with the Board. Mr. Garvy inquired if there were any other matters to be discussed. There were none.

VIII. ADJOURNMENT

There being no further business, the meeting adjourned at 10:30am.

Approved: ______________________
Jonathan Luscomb, Secretary

GENERAL EMPLOYEES RETIREMENT BOARD MEETING
Monday May 14, 9:00 A.M.

I. CALL TO ORDER

The meeting of the General Employees Retirement Board of Trustees was called to order by Chairman, Robert Garvy at 9:00 a.m. on Monday, May 14, 2007, in the Town Hall Council Chambers. Attending were Chairman Garvy, Vice Chairman Brett Madison, Secretary Jonathan Luscomb, Trustee James Karman, and Trustee Peter Elwell. Also in attendance were Board Attorney, John McCracken, Brian Zeiler from Callan Associates, Human Resources Director and Plan Administrator, William Crouse, and Finance Director, Jane Struder. Mr. Elwell addressed the Board regarding the loss of Town employee, Bruce Witherspoon and a moment of silence was observed.

II. APPROVAL OF AGENDA

Mr. Garvy inquired whether there were any changes or additions to be made to the agenda. There were no changes to report.

III. APPROVAL OF MINUTES

Mr. Garvy inquired if there were any comments or changes to the Minutes of the Regular Meeting of February 9, 2007. There were no changes or additions to be made.

Mr. Elwell moved approval of the Minutes. Mr. Karman seconded. There was no further discussion and the motion carried unanimously.

IV. ADMINISTRATOR'S REPORT

Mr. Crouse, conveyed that the Annual Death Record Report that had been approved at the February 9th meeting had been completed. He reported that no discrepancies had been found and the final cost for the report was $150. He explained that the Board had originally approved up to $200.

Mr. Crouse then reported on 9 retirements: Joe Trione, Patricia McLean, Jim Bowser, Leander Brown, Tim Luecke, Michael McMorrow, Henry Berger, Mark Hassell, and Robert Passander. He explained that all of these individuals met the requirements for retirement.

Mr. Garvy asked Mr. McCracken whether there were any actions required of the Board regarding the retirements. Mr. McCracken responded that there were none.

V. ANNUAL ACTUARIAL VALUATION

Brad Armstrong of Gabriel, Roeder, Smith and Company appeared before the Board to present a summary of the valuation results. He explained that the September 30, 2006 Actuarial Valuation Report indicated that accrued retirement system obligations were 88.4% funded by accrued assets, which compared to 87.8% the previous year. He then discussed contribution requirements, explaining that the aggregate public contribution requirement increased by 0.14% of payroll since last year due to experience during the year. Mr. Armstrong advised the Board that year to year experience variations were expected in the operation of a retirement system as members vary their activities and economic conditions change. He also relayed that investment gains were scheduled for the next three years and were attributable to the recognition of gains from the 2003-2005 fiscal years. Mr. Armstrong further explained that there would be no supplemental pension distribution payable this year. He then concluded his report.

Mr. Garvy thanked Mr. Armstrong for his presentation and inquired about the amount of transfer that should be made. Mr. Armstrong responded that the reserve itself was $3,002,235.00 dollars. Mr. Garvy inquired if contribution levels would continue to stabilize or decline. Mr. Armstrong responded that it should trend down to 17.5% for the general group, but would not fall dramatically. Mr. Garvy asked Mr. Elwell if the Town Council was amendable to an expenditure of 17.5% . Mr. Elwell responded that he believed so and referred to Mrs. Struder for confirmation. She relayed that the new reports had not been issued yet to determine that.

Mr. Garvy thanked Mr. Elwell and inquired if there were any more questions. There being no further questions, Mr. Karman moved to transfer $3,002,235.00 dollars from the Employer Reserve Fund to the Retirement Reserve Fund. Mr. Elwell seconded the motion. The motion carried unanimously. Mr. Karman moved to accept the actuarial report and Mr. Elwell seconded. The motion carried unanimously.

VI. REPORT ON AUDIT

Ms. Donna Wisneski of Caler, Donten and Levine, et al presented a summary of the Pension Trust Fund Audit for the fiscal year ending September 30, 2006. She relayed that the net assets held in the Pension Trust since that day was $66,571,537. She explained that Trust Fund recorded an increase in assets of $4.1 million, and the amount of increase was $2.5 million left in net assets of the prior year of $6.7 million. She stated that net assets of the Pension Fund increased by $4,174,840 for FY 2006; contributions for the Town and employees totaled $2.8 million; benefits for individuals were $2.6 million; and actuarial contribution had increased as well. Ms. Wisnescki explained that actuarial calculations were completed using the entry age actuarial cost method.. She further explained that administrative expenses of the plan were reimbursed on a retrospective basis by an addition to the Town contribution rate. Ms. Wisneski then discussed alternative investment funds consisting of pooled funds that were not publicly traded. She explained that alternative investment funds invested primarily in domestic and foreign equity and debt securities, which themselves were publicly traded. She stated that investments in the underlying funds were generally valued at fair value as determined by the management of the fund by reference to the value of the underlying fund's assets. Ms. Wisneski concluded her presentation.

Mr. Garvy asked the Board if there were any questions. Mr. Garvy asked about interest rate risks and calculations and reiterated policy procedures. He thanked Ms. Wisneski for her presentation. Mr. Elwell moved to accept the auditor's report. Mr. Madison seconded the motion and the motion carried unanimously.

VII. PRESENTATION STATUS OF SELF DIRECTED DROP – SECOND YEAR

Fernando DeAguero and Trey Sizemore of ICMA-RC appeared before the Board.

Mr. DeAguero stated that Trey Sizemore would be replacing Harvey Kramer as the Retirement Plan Specialist for the Town. Mr. DeAguero then discussed the growth of the plan's assets, the number of participants, and the fund performance. He stated that 76% of all assets were in the plus fund. He further relayed that the plan consisted of a small group of participants, seven individuals in all with a very standard drop plan. He stated that only one person received distributions from the plan.

Mr. Garvy invited questions from members of the board. Mr. Karman asked about participant information. Mr. DeAguero replied that online access and reports were provided as well as educational seminars, literature and other materials to participants in the plan. He further explained that this information was provided to participants in both the DROP plan and the 457 Plan. Mr. DeAguero then briefly discussed the new benefits program, ICMA-RC Pathway. Mr. Garvy thanked Mr. DeAguero for his presentation.

VIII. CALLAN ASSOCIATES

A. QUARTERLY REPORT

Brian Zeiler of Callan Associates appeared before the board and presented his report for the quarter. He discussed some developments in the broader market and how it had impacted some managers. Mr. Zeiler then reviewed the fund's asset allocation at the broad asset class level explaining that they experienced riskier assets. He stated that Small-cap and mid-cap managed to outperform large-cap. He stated that the international markets had stronger growth abroad than in the U.S., which has helped equity prices overseas. Mr. Zeiler discussed Actual versus Target Asset Allocations. He explained that the total fund's portfolio posted a 3.17% return for the quarter, placing it in the 1st percentile of the CAI Public Fund. Mr. Zeiler stated that the target was 1.83%, so it was a very strong quarter, and well above the benchmark. He explained that manager selection was very positive, and Mesirow experienced a good quarter overall. Mr. Zeiler spoke about asset class rankings, total fund ranking and risk analysis. He gave a quarterly summary and highlight of Roanoke Asset Management's portfolio. He explained that they posted a 5.12% return for the quarter, placing it in the 32nd percentile of the CAI Small/MidCap Growth Style group for the quarter and in the 61st percentile for the last year. He stated that Roanoke's portfolio outperformed the Russell 2500 Growth by 1.08% for the quarter and underperformed the Russell for the year by 3.06%. Mr. Zeiler shared highlights of Thompson, Siegel & Walmsley's portfolio. He explained that they posted a 6.05% return for the quarter and were in the 52nd percentile for the last year. Mr. Zeiler stated that Thompson Siegel's portfolio outperformed the Russell 2500 Value by 2.97% for the quarter and underperformed the Russell 2500 Value for the year by 1.44%. He then summarized SsgA International's portfolio, stating that they posted a 4.19% return for the quarter, placing it in the 24th percentile of the CAI Core International Equity Style group for the quarter and in the 21st percentile for the last year. He stated that SsgA's porfolio outperformed the MSCI EAFE Index by 0.11% for the quarter and outperformed the SSCI EAFE Index for the year by 1.24%. Mr. Zeiler then discussed Goldman Sachs Asset Managment's portfolio, reporting that they posted a 1.28% return for the quarter, placing it in the 96th percentile of the CAI Core Bond Plus Style group for the quarter and in the

83 percentile for the last year. He explained that Goldman's portfolio underperformed the L/B Agg by 0.22% for the quarter and underperformed the L/B Agg for the year by 0.08%.

Mr. Garvy asked if there were any observations the Board members would like to make. There being none, Mr. Garvy thanked Mr. Zeiler and Mr. Armstrong for their reports.

B. REVIEW OF ROANOKE EXPERIENCE

Mr. Zeiler reiterated that Roanoke had a strong quarter, but not strong enough to get off the "watchlist." Mr. Zeiler stated that he was qualitatively optimistic.

Mr. Garvy thanked Mr. Zeiler.

IX. REVIEW: STATEMENT OF INVESTMENT POLICY

Mr. Zeiler stated that he recommended no changes to the Statement of Investment Policy. He stated that wider asset allocation targets had been included, and that these reflected the alternative programs that were launched, such as the 130/30 language and other language specifying the nature of the alternatives. Mr. Zeiler stated those were the major changes.

Mr. Garvy asked Mr. McCracken if he had anything to add. Mr. McCracken confirmed that it was consistent with the Board's recommendations and that it had subsequently been approved by the Town Council, so no further action was required. Mr. Garvy thanked Mr. McCracken and proceeded to the next item on the agenda.

X. DISCUSSION OF ORDINANCE AMENDMENTS

Mr. McCracken discussed how proposed changes to the retirement ordinances for one employee group could have an affect on the ordinance as it pertained to other employee groups. He explained that there were several changes the Firefighter Retirement System was proposing that should be considered as changes to retirement ordinance as a whole. He explained that one of the proposals, the transfer of service from one employee group to another, should be included in the ordinance section that pertained to all employee groups. Mr. McCracken then stated that any language about a supplemental pension should be included in each section of the ordinance that pertained to an individual employee group. Mr. McCracken then explained that a third proposal regarding Chapters 175 and 185 of the State Statute did not pertain to the General Employee group, so it would not be necessary to include this language in that section of the ordinance.

Mr. Elwell stated that it was important that ordinance changes be coordinated between all three boards, especially when the changes could affect another board. He stated that this would require a coordinated effort of all boards before the finished product could be presented to the Town Council. Mr. Elwell suggested that Mr. McCracken address this situation with the attorneys of the other boards and that a coordination of this procedure be included in the proposed ordinance. Mr. Elwell then explained that there were times when a proposed ordinance change would have no impact on the other Retirement Boards, and in those cases, the process shouldn't be slowed down.

Mr. Elwell then moved that Mr. McCracken proceed with meeting with representatives of the other Retirement Boards of Trustees to finalize the proposed ordinance revision, including a coordination of the procedure to be used amongst the three boards, and that the proposed ordinance be brought back to the General Employee Retirement Board meeting in August. Mr. Madison seconded the motion, and it carried unanimously.

XI. REPORT ON QUARTERLY EXPENDITURES

Ms. Struder presented the Cash Flow Projection from the period May 1st through July 31st, 2007. She stated that the balance was $382,443.39, so there was no need for a transfer at that time. She stated that the estimated balance available for September 30, 2007 was $129,282.12.

Mr. Garvy inquired if there were any questions for Ms. Struder. There were none. No action was required and Ms. Struder concluded her report.

XII. ANY OTHER MATTERS

Mr. Elwell relayed that the June Town Council meeting had been rescheduled from the second Tuesday of the month to either June 18th or June 19th. He explained that a representative of each retirement board would present a short annual report to the Town Council at this meeting. He explained that the reports would include information about any new investment managers, the latest actuarial and financial reports, and other issues. Mr. Elwell then explained that Mr. Crouse would be preparing the staff report that would be included with the written back-up for the Council to review. Mr. Elwell invited Mr. Garvy to appear on behalf of the General Employees Board to address the Town Council. Mr. Garvy accepted and stated he would ensure his availability on both days.

VIII. ADJOURNMENT

Mr. Garvy asked if there were any other questions before concluding the meeting. There being no further business, the meeting adjourned at 11:45am

Approved: ______________________
Jonathan Luscomb, Secretary