General Employee Retirement Board Meeting
Town Council Chambers
360 South County Road
Palm Beach, Florida 33480
Friday, August 12, 2011, 9:00 a.m.

I. CALL TO ORDER

The meeting of the General Employees Retirement Board was called to order by Acting Chairman Brett Madison at 9:00 am on Monday, August 12, 2011, in the Town Council Chambers. On roll call, Trustees Peter Elwell, Brett Madison, and Spencer Wilson were present. Chairman Alvin Parven was absent. Also in attendance were Human Resources Director, Danielle Olson and Director of Finance, Jane Struder; Attorney Skip Randolph; Callan Associates representatives, Gwelda Swilley-Burke and Weston Lewis; and Brad Armstrong of Gabriel, Roeder, Smith & Company.

III. GENERAL COMMENTS BY BOARD MEMBERS

Ms. Olson stated that Mr. Parven would be absent for today's meeting. She will share his comments as those items are discussed during the meeting.

Mr. Madison informed the Board that John McCracken, the board's attorney, passed away. A moment of silence was observed.

II. APPROVAL OF AGENDA

Mr. Elwell made a motion to approve the August 12, 2011 agenda, seconded by Mr. Wilson, passed unanimously.

IV. COMMUNICATIONS FROM CITIZENS/MEMBERS

Jerry Powell expressed concerns over the change in service purchase as he elected to purchase in February 2011. He requested that his service purchase be recalculated with the new formula. The board members discussed that the timing of decisions versus the changes would create too many variables for the board to decide which issues they would have to consider to allow. It would not be good policy for the board to reconsider their decisions every time it affects any members who made decisions before the policy was put in place.

Marlene Rizzolo raised a question as to a mistake in the calculations used to calculate the service purchase. It was explained that there was not a mistake, that the calculations were based on the rules that existed at the time that the service purchase was made.

V. APPROVAL OF MINUTES OF QUARTERLY MEETING OF MAY 23, 2011.

Mr. Wilson made a motion to approve the May 23, 2011 minutes, seconded by Mr. Elwell, passed unanimously.

VI. ADMINISTRATOR'S REPORT (Danielle Olson, Director of Human Resources)

There were two General Employees who entered the DROP: Kathleen Ferris and James Hawkins. There was one General Employee who retired: Peggy Irvine.

VII. REVIEW OF POST-RETIREMENT REDETERMINATION OF PENSIONS (Danielle Olson, Director of Human Resources)

The review of post-retirement determination of pensions applies to the survivors of those who retired prior to 1990. Mr. Bill Hanes, pension administrator for Fire-Rescue and Police pension plans brought an application error in the Cost of Living Adjustment (COLA) increase to the General Employees' pension board. The benefit should have been should be 1% of 75% survivor benefit versus 1% of the original benefit.

Debra Diaz, principal of Rampell & Rampell discussed the report prepared by her firm.

Ms. Olson asked the board if they want to go back and collect/pay the over/underpayment of the miscalculations for the retirees outlined in the report? There was discussion that an error was made in the calculation based on policy interpretation. Those affected have been informed that their pension has been adjusted to reflect the correct pension amount. There was a discussion regarding the fiduciary responsibility of the plan versus sensitivity to those living on a fixed income.

Mr. Elwell requested to defer the matter until we could get additional information from staff, have board chair, Mr. Parven, and the board attorney present. Mr. Wilson requested the dollar amounts and steps that the other boards (Fire-Rescue and Police) approached to make sure that the matter was handled fairly.

Mr. Wilson made a motion to defer the matter until the next meeting, seconded by Mr. Elwell, passed unanimously.

VIII. APPROVAL OF DISABILITY RETIREMENT APPLICATION (Danielle Olson, Director of Human Resources)

Mr. Elwell made a motion to approve the petition by employee member, CJ Hollis, for disability retirement, seconded by Mr. Madison, passed unanimously.

IX. APPROVAL OF ACTUARY'S FEE (Danielle Olson, Director of Human Resources)

The GRS actuarialy fees for Fiscal Year 2012 remain unchanged from Fiscal Year 2011. Mr. Elwell made a motion to approve of GRS fees for Fiscal Year 2012, seconded by Mr. Wilson, passed unanimously.

X. LEGISLATIVE CHANGES IMPACTING ACTUARY REPORTING TO INCLUDE COMPLIANCE WITH SENATE BILL 1128 (Brad Armstrong, Gabriel, Roeder, Smith & Company)

Mr. Armstrong distributed calculations to the board and reviewed the Senate Bill 1128. The effective date for reporting for this bill is July 1, 2011. The bill caps overtime hours at 300. The new law also changed the minimum contribution amount. Mr. Armstrong will speak with the Town Manager, the Finance Director and the board regarding new rules on this issue to ensure that the implementation of the town's plan will not be impacted.

The Department of Management Services is required to have standardized ratings of the health of local government defined benefit plans in Florida by January 1, 2012. The ratings will be recommended to the legislature.

Ms. Olson explained that the proper calculations have been added to the payroll system so that the amount of overtime hours incurred after July 1 are capped at 300 hours as outlined in this bill.

XI. MONEY MANAGER - PERFORMANCE REPORTS

A. Thompson, Siegel & Walmsley LLC (Tracy L. Musser, Institutional Client Service Manager)

Tracy Musser discussed TS&W's report. Ms. Swilley-Burke asked Ms. Musser to discuss performance and what measures were put into place. Ms. Musser discussed the stability and structure of the company, along with any changes in staff and clients.

B. Mesirow (Dan O'Neill)

Dan O'Neill reviewed Mesirow's structure and principles and changes. Mesirow's portfolio report was discussed.

XII. QUARTERLY REPORTS (Gwelda Swilley-Burke, Callan)

A. Update of Staff Changes at Callan Associates, Inc.

Gwelda Swilley-Burke introduced a new representative, Weston Lewis, a consultant in the Atlanta office of Callan. Mr. Lewis gave a brief biography of his time with Callan and experience. Ms. Swilley-Burke explained that the board will not be paying for two representatives, that the fee will be the same flat quarterly rate.

B. Discussion on the Town's Quarterly Investment Performance Report

Mr. Lewis discussed the national and international markets overview. Ms. Swilley-Burke continued to asset allocation and performance.

There was a discussion regarding relaxing of the rule regarding sell-off in the case of an additional downgrade. Ms. Swilley-Burke recommended that as of now the board does not relax the rule because of the volatility of the market, to allow some time to get back to the AA average rating portfolio standard. It should be reviewed on a quarterly basis, with a stipulation that if something in the interim occurs, an emergency meeting should be called to discuss.

Ms. Swilley-Burke discussed the manager analysis. Roanoke has underperformed and Ms. Swilley-Burke recommends giving them another quarter before placing them on watch. They may have to attend a meeting before their scheduled spring meeting. The board discussed asking Roanoke to attend the November 2011 meeting as a precaution to further underperformance. Ms. Swilley-Burke recommended to keep TS&W on watch for another quarter. Pyramis performed well and above the median and Index.

XIII. ANNUAL RATE OF INTEREST TO BE CREDITED MEMBER CONTRIBUTIONS (Jane Struder, Director of Finance)

Ms. Struder presented that the Treasury yield was 2.82% on July 29, 2011 and requested permission from the board to use this percentage. Mr. Elwell made a motion to approve the use of 2.82%, seconded by Mr. Wilson, passed unanimously.

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

Because the employer contribution will be reduced, Ms. Struder discussed that $1.1 million will have to be transferred to fund expenses. This will most likely be the amount needed quarterly for the next year because of the plan change estimate. Flagship Equity Fund (performed by Ms. Olson and coordinated with Callan). Mr. Elwell made a motion to move $1.1 million from the flagship fund to cash reserves, seconded by Mr. Wilson, passed unanimously.

XV. ANY OTHER MATTERS

The Town Manager discussed the current status of the changes and transition in the pension plan. The expected cutover for October 1 will be changing as the town has not received the special magistrate's report for the police union negotiations. As of the date of the meeting, the date remains unknown, the report is expected by the end of the month. Once it is received, the matter will be considered by the Town Council and will go through two readings before being implemented. The Town Manager's office will keep everyone informed as the matter progresses.

The structure of the pension boards are expected to change as well. Mr. Elwell has proposed that the three pension boards be combined into one, with representation from each of the various employee groups, along with the Town Manager sitting ex officio. His expectation will be that there will be a transition period that the funds will stay as they currently are while the new board is assembled. Deciding policies and funds regarding investment consolidations will be the responsibility of the new board.

Ms. Olson distributed copies of the quarterly performance report on the OPEB trust supplied by Ms. Struder.

Mr. Madison noted that the next board meeting will be held on Monday, November 14, 2012.

XVI. <u>ADJOURNMENT</u>

A motion was made by Mr. Wilson to adjourn the meeting at 11:32 am, seconded by Mr. Elwell, passed unanimously

Respectfully Submitted,

Spencer Wilson, Secretary
Town of Palm Beach
General Employees Retirement Board