GENERAL EMPLOYEES RETIREMENT BOARD MEETING
Friday, August 8, 2008, 9:10 a.m.

I. CALL TO ORDER

The regular meeting of the General Employees Retirement Board was called to order by Chairman, Robert Garvy at 9:10 a.m. on Friday, August 8, 2008, in the Town Hall Council Chambers. Attending were Chairman Garvy, Trustee Lisa Gorman, Vice Chairman James Karman, Secretary Brett Madison, and Trustee Peter Elwell. Also in attendance were Board Attorney, John McCracken, Human Resources Director and Plan Administrator William Crouse, Finance Director Jane Struder, and John Carr from Callan Associates.

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 THE MINUTES

Mr. Garvy inquired if there were any comments or changes to the minutes of the Regular Meeting of May 9, 2008. There were none.

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

IV. ADMINISTRATOR'S REPORT

Mr. Crouse stated that there were no deaths to report for the purpose of the Death Records Report. He indicated that two retirements occurred. The individuals he stated were: Roosevelt Creech and Steve Kartrude. Mr. Crouse explained that these individuals met the requirements for retirement.

V. CALLAN ASSOCIATES

Mr. Carr presented his quarterly report. He gave a market overview and discussed active management versus index returns. Mr. Carr reported on investment manager asset allocation and returns. He commented on the quarterly summary and highlights on the multiple portfolios. Mr. Carr discussed performance fees on Analytic and recommended converting back to a fixed fee at 60 basis points based on the account size. He stated it seemed fair for this strategy.

Mr. Garvy stated he was in agreement with this strategy. Mr. Elwell inquired if this fee schedule was up for exploration. Mr. Carr stated he did not know whether the manager would allow for amendment and change of the fee schedule. Mr.

Karman inquired if there were other fees in the examination of this account that should be questioned. Mr. Carr stated that the only other performance-based fee that was established was the Mesirow absolute return fee. He stated that this fee schedule had a 1% management fee with a 10% incentive or profit sharing, but the hurdle rate was 5%. Mr. Carr explained a performance fee was not collected until there was a 5% absolute return which was a 1 in 10 structure versus Analytic's 20 in 2 structure which was not as equitable.

Mr. McCracken commented that the performance fee was 20% of the outperformance. Mr. Carr concurred. Mr. Garvy stated that the performance fees typically have both a smoothing factor over several years so if they accumulated excess returns in one period and underperformed in the other, they get smoothed out. He further stated that they typically had a maximum fee that was well below 200 basis points for the 130/30 strategy and had a high water mark. Mr. Garvy explained that if underperformance occurred for a quarter or two, they would have to make it up in addition to meeting their bogey before they collected on performance fees. He stated action should be taken to discuss this with them and that there were several alternatives to do this. He explained one alternative was terminating the relationship and renewing it on the fixed fee if the manager was likeable. Mr. Garvy agreed with Mr. Carr in that 60 basis points fixed fee for a 130/30 strategy at under $20 million dollars was slightly below what fixed fees were for this type of strategy. Mr. Garvy authorized Mr. Carr to pursue an alternative fee if conversion proceeded to the fixed fee at 60 basis points. He stated the board would give authorization to move forward.

Mr. Karman made a motion. Mr. Elwell seconded and the motion carried unanimously.

Mr. Carr continued to present the highlights of the performance report.

Mr. Garvy inquired about the analysis of Analytic versus the Russell 1000 index for the holdings of June 30. He stated that the energy was slightly lower than the Russell 1000 and financials were slightly higher on page 24 of the Callan Report. Mr. Garvy commented that on page 25, Sector Allocation, energy was slightly below as well as the financials.

Mr. Carr elaborated on this information. He explained that companies got classified differently on the style chart and that not much emphasis was placed on style point.

Mr. William Diamond of 220 Wells Road, Palm Beach, FL inquired why the Russell 2500 Growth Index was not simply purchased as it was shown to be so effective in the last 3 years. Mr. Garvy replied that it may be effective over a period of time, but the idea of diversification across many sectors and asset classes provided some protection against the inability to know what outperformance would occur over the next 3 years.

Mr. Carr discussed the quarterly summary and highlights of the Roanoke portfolio. He recommended bringing the managers to the meeting to inquire about the lessons they have learned and what they were doing differently as well as if they expected to recover substantially in order to be removed from the "watch" list.

Mr. Elwell suggested that the managers be scheduled to come to the November meeting.

Mr. Carr discussed the highlights of Thompson, Siegel and Walmsley and how their strategy had done exceptionally well. He presented a review of the International Manager Search for Board Approval. Mr. Carr also discussed investing in emerging markets versus the developed international markets as it would give some flexibility. He stated that the key to accomplish this was by prudent use of emerging market equity as it had the potential to increase return. Mr. Carr explained that it was important to identify active managers that opportunistically used emerging market equity based on their outlook for the asset class. He suggested controlling the total plan risk by searching for managers that limit emerging market equity exposure to 15% relative to the MSCI EAFE Index.

Mr. Garvy stated that as part of the manager search criteria, candidate managers should be given the ability to invest up to 15% of the assets under their guidance in emerging markets.

A motion was made by Mr. Elwell to let Callan managers invest up to 15% of the assets under their guidance in emerging markets. Mr. Madison seconded. The motion carried unanimously.

Mr. Carr presented the quarterly summary and highlights of Goldman Sachs. He explained that their investment approach combined long-term strategic investment tilts with short-term tactical trading opportunities.

Mr. Garvy stated Goldman Sachs was a "AA" rated portfolio, but it had some exposures in it that were small. He inquired if the board was comfortable with a high quality portfolio and asked if there were any observations or opinions. Mr. Karman stated it was a good report and that he would feel comfortable continuing with this portfolio and manager. Mr. Madison agreed that they have been good managers and they knew what they were doing.

Mr. Carr continued his report and presented the summary and highlights of the Mesirow portfolio.

Mr. Garvy inquired if there were any questions about Mr. Carr's report. There being none, Mr. Garvy thanked Mr. Carr for his presentation.

VI. CONSIDERATION OF ACTUARIES FEE

Mr. Crouse referred to Brad Armstrong's letter regarding fees from last year. He stated that he encouraged keeping the increases low at $160.00 per quarter and recommended approval for $13,440.00 for the upcoming fiscal year.

Approval for the Gabriel Roeder Smith fees was moved by Mr. Karman and seconded by Mr. Madison. The motion carried unanimously.

Mr. Karman inquired if GRS performed the actuarial work for Fire and Police and inquired how long they have been involved with them. Mr. Crouse replied that they have been handling actuarial work with the Town since the 1940's.

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

Ms. Struder requested board approval for the annual rate of interest this year to be applied to member contributions at 3.99%.

A motion was made by Mr. Elwell and seconded by Mr. Karman. The motion carried unanimously.

VII. REPORT ON QUARTERLY EXPENDITURES

Ms. Struder requested a transfer of $100,000 from the money managers in order to make it through October 31st, 2008 where she foresaw a deficit of over $44,000.

Mr. Elwell requested Mr. Carr confirm this with a recommendation. Mr. Carr approved and recommended taking expenditures out of the fixed income portfolio. A motion was made by Mr. Elwell and seconded by Mr. Karman. The motion carried unanimously.

VIII. REQUEST FOR DETERMINATION LETTER FROM IRS

Mr. McCracken explained this issue and requested a proposed amendment.

Mr. Diamond stated he thought the Town Council would look to the board for or against that determination letter. He inquired when it would present itself to the Town Council. Mr. McCracken replied it would probably be at the December meeting. Mr. Elwell confirmed. Mr. Garvy added that the determination letter was an expenditure that was unwarranted presently. He stated there did not seem to be a substantial risk that the Town was out of compliance nor did he feel the IRS would be imposing any punitive action on Palm Beach. Mr. Elwell agreed and stated he took comfort in the information Mr. McCracken presented. He reiterated how little risk there was with the IRS financially punishing the Town for anything that may be amiss. Mr. Elwell stated that it was important to have confidence that

the Town was not out of compliance and that the hiring of an expert for these matters resolved any outstanding issues. He explained that this letter would make it a particularly unnecessary expense. Mr. Garvy added that at this current time, we see no need for the expenditure for a determination letter from the IRS.

Mr. Madison stated that he attended the FPPTA conference in Orlando. He requested the board's permission to attend the certification program in order to become a certified Trustee. Mr. Garvy inquired on the certification course cost. Mr. Madison replied that it was $800.

A motion was made by Mr. Elwell and seconded by Mr. Karman to allow board members to pursue certification with the Florida Public Pension Trustees Association. The motion carried unanimously.

XIII. ANY OTHER MATTERS

Mr. Garvy stated his 9 year term had come to completion this would be his final meeting. He stated how much he enjoyed having served on the board as well as his close association with all the members.

Mr. Elwell presented Mr. Garvy with an award and stated how much he appreciated his tenure with the Town as well as the impact he had made and how greatly he would be missed. Mr. Garvy thanked Mr. Elwell and the board members.

XIV. ADJOURNMENT

There being no further business, the meeting adjourned at 11:30 a.m.

Approved: ______________________
Brett Madison, Secretary