General Employee Retirement Board Meeting
Central Fire Station: EOC Room
355 South County Road
Palm Beach, FL 33480
FRIDAY, MAY 14, 2010, 9:00 a.m.

I. CALL TO ORDER

The meeting of the General Employees Retirement Board was called to order by Chairman Alvin Parven at 9:00 am on Friday, May 14, 2010, in the Central Fire State EOC Room. On roll call, Chair Alvin Parven and Trustees James Karman, Peter Elwell, Brett Madison, and Jonathan Luscomb were present. Also in attendance were Human Resources Director and Plan Administrator Danielle Olson and Director of Finance Jane Struder, Attorney John McCracken, Gabriel, Roeder, Smith & Company actuarial Brad Armstrong, Callan Associates representative John Carr, and Goldman Sachs Asset Management representatives Stephanie Spector and Michael Goosay.

II. APPROVAL OF AGENDA

Mr. Madison made a motion to approve the agenda, seconded by Mr. Elwell, passed unanimously.

III. GENERAL COMMENTS BY BOARD MEMBERS

Mr. Parven welcomed Jon Luscomb to the Board.

IV. APPROVAL OF MINUTES OF QUARTERLY MEETING OF FEBRUARY 12, 2010.

Mr. Madison made a motion to approve the minutes of February 12, 2010, seconded by Mr. Karman, passed unanimously.

V. OATH OF OFFICE FOR EXISTING MEMBERS AND NEWLY ELECTED EMPLOYEE REPRESENTATIVE

Mr. Elwell briefly explained the Town policy of board members taking the oath that is comparable to what the Town Council and Town employees take. All of the board members were sworn in by the Clerk of the General Employees Retirement Board.

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

Ms. Olson briefly reviewed the items related to the February meeting and the newly created Administrator's Report. The report will be provided at each meeting and will identify retirements, count of current employees participating in the General Employees plan, and a count of total retirees and DROP participants.

A. REPORT ON DEATH RECORDS CROSS CHECK SERVICES OF PENSION BENEFIT INFORMATION

Ms. Olson reported that the death records check was complete and pension payments are not being made to deceased members.

B. REPORT ON CONFERENCE AND TRAINING EXPENSES

The written policy was amended per the February 12, 2010 meeting and presented to the Board for the record. Ms. Olson clarified that the policy for conferences/travel is per fiscal year. There was discussion regarding any pending conference requests and there was one, which was Mr. Madison's. Mr. Madison discussed conferences and trustee school that were available.

C. REPORT ON INVESTMENT POLICY

Town Council approved the resolution to accept the Investment Policy on April 13, 2010.

VII. ANNUAL ACTUARIAL VALUATION REPORT (Brad Armstrong, Gabriel, Roeder, Smith & Co.)

Brad Armstrong from GRS discussed his report for FY2010. The fund ratio is still above 80% (as of September 2009). Mr. Parven asked how the Town of Palm Beach compared to other plans based on this percentage. Mr. Armstrong benchmarked the Town's plan at about 50% of the 2nd Quartile. The aggregate public contribution requirement on a weighted average basis compared to last year is up approximately 2.3% of payroll, a result of loss of principal in valuation assets.

Next year's experience indicators are outlined on Page A-3. Mr. Armstrong emphasized a sentence from his report on Page A-3, "This will exert significant and sustained upward pressure on future computed employer contribution rates and downward pressure on the funded ratio in the next few reports in the absence of considerable future gains."

Mr. Karman asked for a simple summary of what the board should look for based on where current investments are today. Based on historical pension benefit changes, Mr. Armstrong explained that the benefit level changes which the board is currently looking at but to identify where the pension is and watch assets as on Page C-5 to ensure that they do not fall below $10 million.

Mr. Elwell discussed the current status of the pension program and the changes that are proposed. The intent is to balance, not just to save money. Action will be taken by the Town Council later this summer after the final stages of the negotiation process with Fire-Rescue and the Police.

Mr. Elwell further clarified that the current plan would be frozen and would be considered "Part A" and the new plan would be considered "Part B". Retired employees would receive two checks because the two plans are different with significant calculation changes.

Mr. Parven commented that in the private sector, employees/retirees would receive one check with an explanation. Mr. Elwell responded that a final decision has not been made and it is possible that the Town may process the Part A and Part B pension payments as one transaction.

Motion to approve the GRS report by Brett Madison, seconded by Mr. Karman, passed unanimously.

VIII. QUARTERLY REPORT FROM GOLDMAN SACHS ASSET MGMT. (Stephanie Spector & Michael Goosay) rescheduled from February 12, 2010 due to travel difficulties and inclement weather

Mr. Carr introduced representatives of Goldman Sachs, Stephanie Spector and Michael Goosay. Mr. Carr and Mr. Karman commented on the Board's interest in the current situation with Goldman Sachs.

Mr. Goosay discussed the Goldman Sachs report. There has been positive excess return overall for 2009 and the first quarter of 2010. Mr. Parven asked what Goldman's objective in regards to the benchmark. Mr. Goosay responded that the target is currently 125 basis points of tracking error relative to the benchmark was used (over the long-term). Performance over the last three years has been flat and the two prior years were positive.

Mr. Goosay explained that three credit analysts have left from the team of 55 (one high-yield analyst, one based in London that focused on non-U.S. issues, and one was a distressed analyst) and two have been hired with another 3 to 5 additional planned.

Mr. Carr asked about the fund utilized to purchase investment credit. Mr. Goosay explained Goldman Sachs policy on purchasing its own funds and its policy on purchases in the secondary market. Goldman Sachs has not utilized the credit to date. Mr. Carr commented that everything should be disclosed by Goldman and the situation will be continued to be monitored. Mr. Elwell discussed a written communication from Goldman as to their short-term and long-term goals and how they will proceed.

Mr. Goosay discussed the current situation of the Goldman Sachs probe. He explained that the Town's funds have not been invested in the type of transaction in question. The recent departures are not a result of what is going on at Goldman Sachs, other departures were for other reasons.

Mr. Carr asked if the fixed income division had any loss of clients since the announcements of the investigation of the SEC. Mr. Goosay responded that there not have been any as a direct result of the investigation.

IX. QUARTERLY REPORT FROM CALLAN ASSOCIATES, INC. (John Carr, Callan Associates, Inc.)

A. INTRODUCTION OF NEW STAFF

Mr. Carr introduced Gwilda Swilley-Burke as an addition to the Town's consulting team in the Atlanta office with 20 years of experience with government pension plans.

B. GENERAL OVERVIEW OF INVESTMENT PERFORMANCE

Mr. Carr discussed Callan's Quarterly Report. Mr. Karman clarified that Mr. Carr was satisfied with the current allocations as more conservative. Mr. Carr did not recommend any changes today. At the August meeting, the board may discuss liability driven investing.

Mr. Parven explained, as part of the board's fiduciary responsibility should be aware and understand different investing and risk in response to the current economy. Mr. Karman agreed and commented that the board should be more proactive.

As a result to the discussion with SSgA at the last meeting, the committee met internally and made no changes to the redemption gates. The Town is allowed to accrue 2% every month but is unable to move the entire amount of the index fund.

Mr. Carr discussed the costs associated with the management of the pension plan and that approximately 50% of the pension assets are under index funds (most inexpensive way to get exposure to the market). How the assets are allocated will drive the cost of the management of the plan.

Ms. Swilley-Burke discussed Thompson, Siegel & Walmsley's performance. Mr. Carr added that there is no concern with this money manager.

C. REPORT ON RELEASE OF MONIES TO FIDELITY INTERNATIONAL FUNDS

D. CONFIRMATION OF FUND TRANSFER (24%) FROM INTERNATIONAL EQUITY TO DOMESTIC FIXED INCOME

Ms. Olson reported that the move of 24% of the international fund did occur ($1.9 million to the domestic fixed income fund).

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

Ms. Struder discussed her Cash Flow Projection and Operating Expense Report (goes through July 31) submitted to the Board. There is no transfer necessary for this quarter, but a transfer may be needed for next quarter.

Motion made by Mr. Elwell to accept the report and take no action, seconded by Mr. Karman, passed unanimously.

XI. ANY OTHER MATTERS

Motion by Mr. Karman to adjourn at 10:50, seconded by Mr. Luscomb, passed unanimously.

Respectfully Submitted,

Brett Madison, Secretary
Town of Palm Beach
General Employees Retirement Board