GENERAL EMPLOYEES RETIREMENT BOARD SPECIAL MEETING
Friday, March 3, 2006, 11:30 A.M.

I. CALL TO ORDER

The special meeting of the General Employees Retirement Board was called to order by Chairman Robert Garvy at 11:55 a.m. on Friday, March 3, 2006, in the Town Hall Council Chambers. Attending were Chairman Robert Garvy, Vice Chairman Brett Madison, Trustees James Karman, Jonathan Luscomb and Peter Elwell. Also in attendance were William Crouse, Human Resources Director and Plan Administrator and John McCracken, General Employees Retirement Board Attorney. Ms. Jeanne Valcik from Callan Associates, Chris Sullivan and Peter Bonanno from Goldman Sachs Asset Management also took part in the meeting via conference call.

II. REVIEW OF INVESTMENT GUIDELINE OF THE GOLDMAN SACHS ASSET MANAGEMENT AND COMPLIANCE WITH THE STATE STATUTE & STATEMENT OF INVESTMENT POLICY

Mr. Garvy requested that Ms. Valcik outline the issue at hand. Ms. Valcik advised that the Goldman Sachs' attorneys had concluded that there was no issue with the Town of Palm Beach investing in the collective trust. She asked Goldman Sachs to comment. Mr. Bonanno agreed with Ms. Valcik's comment. Ms. Valcik advised that the vehicle issue was no longer and that all were in agreement that the collective trust was appropriate. Ms. Valcik advised that on February 18, 2006 via email, Mr. McCracken asked Goldman Sachs Asset Management to review the Florida law and inform whether there were any differences in the investments of the collective trust. She explained that Mr. Bonanno responded to Mr. McCracken, via a letter on March 1, 2006. The Board members were given a copy of both the email and letter and Ms. Valcik stated that there were three very important points that she wanted to discuss in more detail with the Board members. The first point, Ms. Valcik advised, was in reference to Residential and Commercial Mortgage Backed Securities. She explained that Florida law permitted up to 25% of Fund investment in residential and commercial mortgage backed securities. She advised that the Lehman Aggregate, the benchmark, had 35% in mortgages and Loomis Sayles, prior to being terminated, had 36.5% in mortgages. Mrs. Valcik explained that it was appropriate to invest at least the benchmark weight of 35%. She advised that the State of Florida invested in various vehicles, which when totaled, were more than 25%. Ms. Valcik advised the Board that she discussed the issue with and forwarded a copy of Bonanno's letter to the Florida State Board of Administration and advised that the General Employees Retirement Fund was invested around the benchmark weight and there should not be any issues with Fund Policy as stated.

Ms. Valcik then discussed Corporates and advised that there was a 3% investment limitation. She reminded that Board that in the past, they had had discussions and had added language to page ten of the Statement of Investment Policy to address the issue.

Ms. Valcik stated that because there was a 40% weight given to the Fixed Income Fund, there was a 5% limitation. Ms. Valcik explained that 40% of the Fund, with the 5% limitation, would not be over 2% per issuer. Ms. Valcik explained that it was a Fund level 3%, and advised that that language was made clear in the Statement of Investment Policy in the past. She advised that a manager would have to be given an amount greater than 60% of the total Fund, with a 5% limitation to be in violation.

The third item Ms. Valcik spoke about was the derivatives foreign currency forward contracts. With reference to the Florida State Board of Administration, she explained that the State of Florida uses forward currency contracts and was considering the investment in currency as an asset class. Ms. Valcik explained that the Fund policy as stated, with the use of foreign currency, would be precisely what would be expected from Goldman Sachs Asset Management, with the type of Fund that the General Employees Retirement Board had with them. Mr. Garvy thanked Ms. Valcik for her summary and commented that it was clear from John McCracken's memo that the Town of Palm Beach, by Ordinance, authorized the Board to make investments that are outside statutes, as long as the Board believes that those investments were in the best interest of Plan participants. He stated that he had no issues with item one and two, as discussed by Ms. Valcik , however, he advised that he was concerned with derivatives, specifically the statement that '…the Fund may enter into such transactions to seek to increase total return.' Mr. Garvy stated that the involvement in these derivative investments was not for the purpose of hedging, but, it could not be used to seek increase in total return. He inquired of the Board members whether or not they unanimously believed that there should be a large amount of the Fund engaged in a vehicle that is speculative in nature. Mr. Garvy advised that it was expected that 99% of the time, everything would be fine; however, he asked if the Board wanted to try to achieve that extra yield, when the derivatives have counterparties that stand behind obligations, not collateralized by anything other than good will. Ms. Valcik asked Goldman Sachs to respond with reference to risk control that they use and reminded the Board that Goldman Sachs was a very risk-controlled money manager. Mr. Chris Sullivan from Goldman Sachs Asset Management addressed the Board. He explained that with respect to the derivatives, there was going to be no more than 5% of the overall risk. Mr. Sullivan advised that one of the reasons why currency was included in the portfolio was because it was a potential source of return, and was among the least correlated with other kinds of bond risks, and provided a diversification effect to the overall risk and return of the portfolio. Mr. Garvy thanked Mr. Sullivan for his information. Mr. Garvy explained that during periods of extreme distress, diversification tended to converge. Mr. Garvy stated that that issue concerned him. Mr. Sullivan agreed that Mr. Garvy's statement was generally true, but explained that where conversion tended to be seen, not including historical correlations, were in areas such as mortgages, corporates, high yield and emerging markets. Mr. Sullivan explained that he did not believe that was the case for currency. Mr. Garvy inquired whether any Board members had any questions or comments. Mr. Karman stated that what he would like, though it might not be permitted, was to be able to review the currency situations periodically. He stated that based on Goldman Sach's explanation, he would go along with the investment. Mr. Garvy advised that he did not believe that it was likely, as far as the commingled trust, to review the investments periodically. He stated that the Board would simply need to pay attention to the amount that was invested in currency and be cognizant that the risk would be limited to no more than 5% of the Fund. Ms. Valcik advised the Board that BGI, one of the other money managers that interviewed for the Board, had currency as a very big part of their contribution to return. Mr. Garvy inquired about formal action the Board needed to take. Mr. McCracken stated that under the Statement of Investment Policy, the Board should make a finding that the deviation from policy was in the best interest of Plan participants. Mr. Elwell inquired of Mr. Garvy whether Goldman Sachs' explanations were sufficient for the Board to make this decision on behalf of Plan participants, or whether Mr. Garvy had any of the same concerns that caused him to ask Goldman Sachs the previous questions. Mr. Garvy responded that he was satisfied and stated that with the aid of Callan Associates, the Board will be able to monitor the exposure of the portfolio in a reasonable fashion. Mr. Garvy stated that he asked the questions in order for the other Board members to be fully aware of what the concerns might be, and if there were reservations, the Board members would have the opportunity to express them.

Mr. Elwell moved approval to invest in the Goldman Sachs collective trust as the Board believed that in doing so, it was in the best interest of Plan participants; Mr. Luscomb seconded. There was no further discussion, and the motion carried unanimously.

III. ANY OTHER MATTERS

Mr. Garvy inquired if there were any other matters to be discussed. There were none.

IV. ADJOURNMENT

Mr. Karman moved approval to adjourn the meeting; Mr. Madison seconded. There being no further business, the meeting adjourned at 12:30 pm.

Approved: ______________________
James Karman, Secretary