GENERAL EMPLOYEES RETIREMENT BOARD MEETING
Friday, February 13, 2009, 9:00 a.m.

I. CALL TO ORDER

The regular meeting of the General Employees Retirement Board was called to order by Chairman, James Karman at 9:00 a.m. on Friday, February 13, 2009, in the Town Hall Council Chambers. Attending were Trustee Lisa Gorman, Secretary Brett Madison, Trustee Peter Elwell and Trustee, Alvin Parven. Also in attendance were Board Attorney, John McCracken, Human Resources Director and Plan Administrator, William Crouse and John Carr from Callan Associates.

II. SWEARING IN OF NEW MEMBERS

Mr. Karman took Oath of Office as resident member of the General Retirement System Trustee of the Town of Palm Beach to which he had been appointed. Mr. Madison also took Oath of Office as Employee Member of the General Retirement System elected by General Public Works Employees.

III. APPROVAL OF AGENDA

Mr. Crouse explained there were a few revisions made to the agenda. He stated that members of the board would be making general comments regarding the retirement system and this particular item would be a regular occurrence on future agendas. Mr. Crouse stated that the Retirement System Actuarial Assumption Review was another item added to the agenda. He explained that it was included based on a request of the Mayor and Town Council for information pertaining to actuarial assumptions that the board followed. Mr. Crouse relayed an additional revision to the quarterly reports agenda item. He stated that Mr. Carr would present an overview prior to the report presentations from the money managers.

Mr. Karman moved approval and acceptance of the agenda; Mr. Madison seconded. There was no further discussion, and the motion carried unanimously.

IV. ANNUAL ELECTION OF CHAIRMAN, VICE-CHAIRMAN & SECRETARY

Mr. Elwell suggested to Mr. Karman that rather than going through the process of annual elections, that the board simply affirm the election of three officers that were chosen in November and have them continue to serve in the positions for the coming year.

Mr. Elwell moved approval for this action and Mr. Madison seconded. There was no further discussion and the motion carried unanimously.

V. GENERAL COMMENTS BY BOARD MEMBERS

Mr. Parven stated that the Civic Association requested him, as Director, to conduct a review of pensions for the Town of Palm Beach in order to provide information to the general population about them. He stated that he would begin this project over the next couple of weeks and have it completed over the next month.

Mr. Elwell stated that the Town Council members had been looking at these issues for months and talked about going forward on these matters. He stated that based on the economic situation and the examination of these options that the intent was not to change the plan as it existed for the existing employees.

Mr. Karman relayed that he and Mr. Parven attended the Tax and Finance Committee on behalf of the board. He provided a summary of his meeting regarding pension, cutting costs and changes to be made as a follow-up to the Council study.

Mr. Diamond of 220 Wells Road stated that he requested a copy of the board's comments sent to the Town Council in spring 2008 during the Council's review of expenses and programs. Mr. Elwell replied that he would provide him with a copy.

VI. APPROVAL OF MINUTES

Mr. Karman inquired if there were any comments made to the Minutes of November 14, 2008. Mr. Elwell requested making a clarification regarding his suggestion about a meeting regarding pensions. Mr. Karman suggesting a clarification to his comments be made and that certain wording be deleted regarding Mr. Madison's comment.

The minutes were approved by Mr. Karman.

VII. ADMINISTRATOR'S REPORT

Mr. Crouse stated that there was one retirement for George Seeholzer, Warehouse Coordinator, who had met age and service requirements. He explained that the second item had to do with the future meeting of the Retirement Board. Mr. Crouse stated that the Town Council Chambers would not be available for meetings after April of this year and would remain unavailable until June 2010. He explained that until further notice, all the Retirement Board meetings would be held at the South Fire station in the training room and that parking instructions would be provided prior to the next meeting.

VIII. DISCUSSION OF RENEWAL OF FIDUCIARY LIABILITY INSURANCE

Ms. Temme, Risk Manager, reiterated that at the November meeting the board had directed staff to go back to obtain additional quotes with various limits and deductibles. Ms. Temme stated that it was recommended that the board renew the Fiduciary Liability coverage with St. Paul Travelers with a $10,000,000 aggregate limit of liability and a $150,000 deductible at an annual premium of $25,755. She also recommended that the board grant authority to the Plan Administrator, Mr. Crouse, to approve the Fiduciary Liability Insurance coverage for the renewal date of March 1, 2009.

Mr. Elwell moved approval of Ms. Temme's recommendations. Mr. Karman seconded and the motion carried unanimously.

IX. RETIREMENT SYSTEM ACTUARIAL ASSUMPTION REVIEW

Mr. Elwell stated that the actuarial assumption review had been examined and he was satisfied with Brad Armstrong's analysis. Mr. Karman and Mr. Parven concurred that there was no need to act further based on the findings. Mr. Elwell relayed that Mr. Armstrong would be attending the May meeting to further review his analysis with the board.

X. QUARTERLY REPORTS

A. GENERAL OVERVIEW YEARLY PERFORMANCE

Mr. Carr provided a market overview of active management versus index returns. He relayed his examination of investment manager asset allocation and performance. Mr. Carr discussed investment manager returns over the last 10 years. Mr. Carr explained that 2008 was the third worst calendar year performance in the 82 year history of the S&P 500. He stated, however that he had a high degree of confidence in that a quick rebound would not be seen, it would just take a while for stock and bond markets to recover and that it would not happen overnight.

Mr. Elwell inquired if Callan had done forecasting to estimate how much worse the market may get. Mr. Carr replied that he would be covering this for the policy statement review.

Mr. Parven inquired if there was any tweaking Mr. Carr or others in the industry were doing in order to help their clients. Mr. Carr replied that they were and he would be saving that topic for later when he would explain asset allocation and policy statement in particular.

Mr. Karman explained that Mr. Carr was merely giving a context prior to the managers presentations and that once the managers present their information, then Mr. Carr would come back and tie it all in.

B. ROANOKE ASSET MANAGEMENT

Mr. Vroom presented his report. He explained the status of the fund and stated that this was the worst decline in fifty years. He stated that after experiencing a devastating quarter and year that it was foolish to talk about relative returns, but in the quarter they picked up nearly 400 basis points on the benchmark. Mr. Vroom discussed the quarterly rates of return and stock selection issues. He presented a performance comparison of the annualized rates of return for the Russell 2500. He gave a review of portfolio activity as well as sector weightings that included health care, technology and consumer markets. Mr. Vroom discussed the 2009 Investment Issues and Outlook.

Mr. Carr stated he was pleased that Roanoke made a rebound in the relative returns. He inquired if Mr. Vroom was using any predictive measures to confirm that Roanoke was headed out of the environment they experienced. Mr. Vroom replied that the market responded to different news events and was surprised at Geithner's plan that lacked specificity. He stated he was encouraged that there was a plan in place and the specifics would unfold and the market would begin to develop some confidence that the worst of the crisis would be behind us. Mr. Vroom explained that the market's reaction to stocks was no longer the devastating drop in stock prices. Adele Weisman stated that they were not economists but all of them had to have patience since it took a long time for the negative impact of the overleveraging and it will take some time for the solution and for this influx of capital in the system to have an impact. She stated they were beginning to see some positive signs. Mr. Karman concurred that sector allocation and selection was key and theirs was listed on page 7 of the booklet. He stated that it served as a clear indicator where Roanoke was at present.

C. ANALYTIC INVESTORS

Mr. Clark, Relationship Manager, gave an overview and update of the portfolio. He discussed recent developments such as staffing changes and benefits to clients. He explained portfolio objectives regarding the Analytic Core Equity Plus Fund and how Analytic added value based on a continual analysis of investor behavior. Mr. Sapra, Portfolio Manager, for the 130/30 strategy explained performance of the portfolio. He discussed the bulk of the markets negative returns and underperformance as well as returns of the Russell. He discussed the market dispersion that was experienced in that it was highly elevated. Mr. Sapra explained the significance of the number of holdings over time and market volatility. He discussed factor performance, quality and growth characteristics.

Mr. Carr requested Mr. Sapra provide some general comments regarding relative returns. Mr. Sapra replied that the portfolio strategies were designed to get full market exposure. The purpose of the shorting was not to provide a market hedge but rather to provide the manager a more efficient means of implementing a signal in a portfolio. He explained that it was a fully invested strategy. Mr. Carr inquired if Mr. Sapra foresaw any concerns regarding the prime brokerage community. Mr. Sapra replied that since the portfolio was

fully primed so all the assets were kept at Goldman Sachs and there had been no issues at all in running fully primed strategies. Mr. Karman requested Mr. Sapra define the 130/30 strategies for the sake of the new members on the board. Mr. Sapra gave an explanation and provided a definition of the fund. Mr. Madison inquired if people were still interested in the 130/30 funds. Mr. Sapra replied that there was still an interest even though it had cooled off a bit. He thought in the long term they were theoretically sound and low cost to implement. Mr. Carr inquired about fee calculations. Mr. Clark responded that the letter was asked to change how the fee was calculated from using the month end value of the account to an average daily over the month and that it was standard for all daily valued funds. Mr. Carr recommended the board sign the letter. Mr. McCracken concurred.

Mr. Elwell moved approval to change the contract by recommendation of Mr. Carr. Mr. Parven seconded and the motion passed unanimously.

D. MESIROW

Mr. Barefield, client portfolio manager, discussed the history of the investment process of Mesirow. He explained risk management and its importance on the operational side. Mr. Barefield discussed hedge fund universe to portfolio investment. He reviewed the integrated processes designed to uncover and create value. Mr. Barefield explained Mesirow's long-term perspective focused on stability of results exclusive of market trends. He assessed strategy allocation and the portfolio's construction process as well as analyzed performance results.

A discussion ensued between Mr. Carr and Mr. Barefield regarding liquidity.

E. GOLDMAN SACHS ASSET MANAGEMENT

Ms. Witham, portfolio manager, was made available via conference call. She gave a market review by discussing yield curves and sector excess returns. Ms. Witham presented the performance summary and attribution. She discussed the deterioration in the non-agency ARMs market in that it had been more extreme than other notable market crashes in recent history. Ms. Witham relayed that as the financial crisis had deepened, CDX indices had significantly diverged from cash bonds. She explained that the basis had started to tighten as cash spreads fell due to increasing risk appetite for corporates combined with rising treasury yields.

Mr. Carr inquired about securitization. Ms. Witham discussed this topic and gave an outlook regarding volatility and recovery. Mr. Elwell requested feedback from Mr. Carr regarding recovery. Mr. Carr relayed his concern about reaching a late recovery and inquired if there were any strategies used to reach it sooner. Ms. Witham explained more about the recovery period and further discussion ensued between her and Mr. Carr. He suggested to the board that no risks within fixed income be taken as a result of dislocation. Mr. Carr suggested that no radical changes should be made at this time. Mr. Karman recommended keeping a close watch on the investment. Mr. Carr agreed. Mr. Madison inquired if the board should place Goldman on watch or if it would be too drastic at this point. Mr. Karman replied that it was a bit early to make that decision, but that he felt the

board should look at it again at the May meeting. Mr. Elwell and Mr. Carr supported that decision. Mr. Elwell and Mr. Parven requested that at the May meeting, Mr. Carr should offer a deeper level of scrutiny in addition to what he would advise to determine what options the board had.

F. CALLAN ASSOCIATES

Mr. Carr presented the quarterly summary and highlights of SSGA. He reviewed the passive index fund return and stated that there would be no action item for SSGA. He suggested that the board move forward to discuss the search a bit more and bring three managers to the May meeting.

Ms. Gorman inquired why Goldman Sachs and other investment companies were staying off the benchmarks if it was not working. Mr. Carr responded that it was because that was an area where all active managers have been able to outperform and add value. Mr. Carr further explained the significance of benchmarking.

Mr. Carr summarized the capital market projections. He explained that Callan developed projections of capital market performance at the start of each year. He stated that these projections were a key component of asset allocation studies, incorporating the economic and financial environment in which pension plans, money managers and the consultants would operate. Mr. Carr stated that information was integrated on past capital market performance, key economic indicators and market insights. He discussed the range of projected rates of returns and explained that at any given year, there could be some negative returns sustained.

Mr. Elwell suggested clarification regarding the yearly predictions graph. Mr. Carr explained the bar chart on his hand-out. Mr. Diamond asked for further clarification of the annual rates of return. Mr. Carr provided additional feedback and explanation regarding the percentages. He also recommended that no changes be made to the policy statement or asset allocation.

XI. REQUEST FOR AUTHORIZATION TO UTILIZE DEATH RECORDS CROSS CHECK SERVICES OF PENSION BENEFIT INFORMATION

Mr. Crouse reviewed the cost of the death records request and recommended approval to conduct the search with an amount not to exceed two-hundred dollars.

Mr. Parven moved approval and Mr. Madison seconded. The motion passed unanimously.

XII. REPORT ON QUARTERLY EXPENDITURES

The quarterly expenditures report was accepted as submitted with no presentation.

XIII. ANY OTHER MATTERS

Mr. Karman suggested that Mr. Elwell present a brief summary of the review of pension performance discussed at the Council meeting. Mr. Elwell provided a quarterly review and comparison of the investment result of the three retirement boards.

Mr. Diamond inquired what department was doing the best. Mr. Elwell responded that Public Safety had performed the best.

XIII. ADJOURNMENT

Mr. Karman inquired if there were any other questions before concluding the meeting. There being no further business, the meeting adjourned at 11:45 a.m.

Approved: ______________________
Brett Madison, Secretary