MINUTES OF THE GENERAL EMPLOYEE RETIREMENT BOARD HELD ON FRIDAY, FEBRUARY 12, 2010

I. CALL TO ORDER

This meeting of the General Employees Retirement Board was called to order by Chairman James Karman at 9:03 am on Friday, February 12, 2010, in the Central Fire Station EOC Room. On roll call, Chair James Karman and Trustees Alvin Parven, Peter Elwell, Lisa Gorman, and Brett Madison were present. Also in attendance were Human Resources Director and Plan Administrator Danielle Olson and Director of Finance Jane Struder, Risk Manager Karen Temme, Attorney John McCracken, Caler Donten, et.al. audit partner Mark Veil, Callan Associates representative John Carr, Roanoke Asset Management representative Ed Vroom, and SSgA representative Allison Corbally.

II. APPROVAL OF AGENDA

Mr. Karman announced that due to weather conditions in the northeast, the Goldman Sachs representative was not able to attend, they are rescheduled for the next meeting. No other changes to the agenda.

III. GENERAL COMMENTS BY BOARD MEMBERS

No comments were made.

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

Mr. Parven was nominated as chairman by Mr. Madison, seconded by Ms. Gorman, passed unanimously.

Mr. Karman was nominated as Vice Chairman by Mr. Parven, Mr. Madison seconded, passed unanimously.

Ms. Gorman was nominated as Secretary by Mr. Madison. Ms. Gorman declined the nomination. Mr. Madison was nominated as Secretary by Ms. Gorman, seconded by Mr. Elwell, passed unanimously.

V. APPROVAL OF MINUTES OF QUARTERLY MEETING OF NOVEMBER 13, 2009.

On Item C, VI. Mr. Karman noted that Mr. Elwell was to determine if the Statement of Investment policy for current asset allocation had to go to Town Council for approval or the General Employees Retirement Board had authority to approve. Mr. Elwell conferred with Mr. McCracken who will review the ordinance and determine if it needs to go to Council.

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

Ms. Olson distributed the quarterly investment report. Mr. Elwell suggested that the report be emailed to the board members in the future. There was a brief discussion regarding the quarterly report and its improvements.

Ms. Olson reported and listed four retirements since the last meeting of November 13, 2009. They were: Rob Walton (01/01/2010), Norman Adlersberg (DROP 01/17/2010), James Whited (DROP 02/09/2010), and Tim Wright (DROP 02/11/2010).

In May 2010, Ms. Gorman's term will expire and the election among the employee population will take place in March 2010.

The resolution regarding Protecting Florida's Investments Act was discussed by the attorney and Mr. Elwell and determined that it was not necessary to go to Council as the individual boards addressed the situation.

Mr. Karman requested the number of employees in the DROP program. Ms. Olson will provide a firm count for the next meeting. Mr. Elwell requested that an email be sent to the Board members.

VII. DISCUSSION OF RENEWAL OF FIDUCIARY LIABILITY INSURANCE (Karen Temme, Risk Manager)

Ms. Temme referred to her memo dated January 21, 2010 regarding the staff's recommendation of renewal of the fiduciary liability insurance with RLI. The new policy quote saves $3,892 from the current policy premium. Mr. Parven said that he preferred not changing carriers unless there was a significant reason to change from a AAA carrier to an A+ carrier. The quote difference was $412. Ms. Temme introduced Pam Nelson our insurance agent from Wells Fargo who addressed Mr. Parven's concerns.

Mr. Elwell made a motion to not change carriers and approved the premium of the current carrier, Mr. Karman seconded, passed unanimously.

VIII. REPORT ON AUDIT (Mark Veil)

Mr. Veil discussed the financial statements and the highlights. Note A on page 6 is general accounting policies and there have been no changes. On page 10, the funded ratio in the fifth column, is 88% as of September 30, 2008, which is relatively high.

Mr. Karman asked if the physical presence of the securities were checked as part of the audit. Mr. Veil answered that a report from the custodian is relied on to confirm securities are actually there and have been accounted for properly.

Mr. Veil discussed the draft letter with those charged with governance. There were no outstanding items. Once the letter is approved, a final letter will be distributed to the board.

Mr. Karman made a motion to accept findings of the draft letter, Ms. Gorman seconded, passed unanimously.

IX. QUARTERLY REPORTS

Mr. Carr briefly introduced the representatives attending the meeting.

A. ROANOKE ASSET MANAGEMENT (Ed Vroom)

Mr. Vroom reviewed the results from 2009 and the investment outlook and portfolio strategy. The portfolio ended the year with a 49.5% rate of return for the Total Fund, exceeding the benchmark. The recovery has put the rate of return numbers ahead of the benchmark.

On page 6, three large sector concerns, technology, health care, and consumer. Global demand in the technology sector has not picked up. The health care sector has held back depending on the current status of legislation in the U.S.

B. GOLDMAN SACHS ASSET MGMT. (Stephanie Spector & Michael Goosay)

C. SSgA International Index & S&P 500 Index Fund (Allison Corbally)

i. Report on release of monies to Fidelity International Fund

Ms. Corbally updated the board that SSgA came to an agreement with the regulatory authorities and SEC pertaining to losses incurred by certain active fixed income strategies dating back to the close of 2007. The Town's investments managed by SSgA were not impacted by the mandates that resulted. Ms. Corbally discussed the changes that SSgA has taken corporately.

Ms. Corbally discussed the international strategy of securities lending in addressing moving the assets to Fidelity. The redemption parameters in place until March allow for a withdrawal of 2% per month (a total of 24% of the portfolio to move elsewhere). There may be a change in the parameters or an amendment in the first week in March.

Mr. Parven asked if there will be recommendations going forward in regards to the funding of Fidelity. Mr. Carr responded that more will be known in March. Ms. Corbally will keep the board and Mr. Carr updated on the status. Mr. Elwell asked for clarification as to whether the policy would change in March or if the funds will be more readily available. Ms. Corbally claimed that information is speculation at this time but possibly the percentage or bankability would change. Mr. Carr asked if the percentage changed, would they lose what they have accrued. Ms. Corbally clarified that the bank investment would not lose what they accrued. Ms. Olson will be receiving notification through the regular format in email.

Mr. Elwell requested this item remain on the each agenda until the decision to move the funds is resolved.

D. CALLAN REPORT: (John Carr)

i. Discussion on the Town's quarterly investment performance report comparing General Retirement performance to Police and Fire Retirement Systems.

Mr. Carr wanted to put for the board's consideration the recommendation to move $2.5M from international equity to domestic fixed income. Mr. Parven asked if it should be all at once or in phases. Mr. Carr said that it did not matter because the amount was not significant. Mr. Madison asked if the $2.5M would reduce the amount in the bank. Mr. Carr said that it would probably be more like $2M.

Mr. Karman made a motion to move $2M and work towards the 24%. Ms. Gorman seconded. Mr. Elwell suggested moving what can be moved. The motion was amended to 24% to be moved, Ms. Gorman seconded.

ii. Quarterly Report on Investments.

X. STATUS REPORT - PENSION PLAN CHANGES (Peter Elwell, Town Manager)

Mr. Elwell advised all town employees through an email that he was still waiting on information he needs to give his report. Out of the December 3 special meeting, based on Jose's report, Mr. Elwell was asked to present plans of potential changes to the three plans. The options will reflect changes that will benefit the employees as well as the welfare of the town. He will include reasons why some recommendations were not chosen for the plans. There will be a special April 6 meeting at 1:30 for Mr. Elwell to present the recommendation to Town Council. The time was specifically chosen so that employees would be able to attend the meeting in the evening after work. Operational changes and actions that have been taken will also be presented in addressing the deficit, separate from the pension recommendations. Mr. Elwell expects the meeting to last past the 5:00 closing time and will make sure that there is time for employees to attend and participate. Employees and residents will have access to this report when it is posted on the website.

XI. REQUEST FOR AUTHORIZATION TO UTILIZE DEATH RECORDS CROSS CHECK SERVICES OF PENSION BENEFIT INFORMATION (Danielle Olson, Human Resources Director)

Ms. Olson requested the services of an independent vendor that will provide this report to check death records at a not-to-exceed amount of $200.

Mr. Madison moved to approve the expenditure, seconded by Mr. Elwell, passed unanimously.

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

Ms. Struder does not anticipate any transfer for this quarter, possibly for the third and fourth quarter.

XIII. DIRECTION ON CONFERENCE AND TRAINING EXPENSES (Danielle Olson, Human Resources Director)

Ms. Olson requested clarification of travel and conference attendance for training expenses (FPPTA for certification) when two training sessions may fall within one fiscal year. Training sessions are required for maintaining certifications. The current policy is limited to one per year. Mr. Madison clarified the certification process and requirements. The costs per session, days of travel,and per training were discussed. Local sessions cost less with no hotel stay. Ms. Olson asked if there was a dollar amount or a limit to the number of conferences. Mr. Elwell said that there is value to having board members educated.

Mr. Elwell made a motion to change the policy from one conference each year to two conferences with the administrator's discretion on distance and travel stay, seconded by Mr. Karman seconded, passed unanimously.

XIV. ANY OTHER MATTERS

Caler, Donten, Levine, et.al. Response letter (attached)

Mr. McKracken distributed a representation letter from the auditor Caler, Donten, Levine, Porter & Veil, P.A.

Mr. Karman moved to approve the letter, Mr. Elwell seconded, passed unanimously.

A response letter to the audit of financial statements of the Town of Palm Beach General Employees Pension Trust Fund as of September 30, 2009 was submitted and signed by Mr. Karman and Ms. Struder, Finance Director.

XV. ADJOURNMENT

The meeting was adjourned at 10:59.

Brett Madison, Secretary
General Employee Retirement Board