General Employee Retirement Board Meeting
Town Council Chambers
360 South County Road
Palm Beach, Florida 33480
FRIDAY, FEBRUARY 11, 2011, 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, February 11, 2011, in the Town Council Chambers. On roll call, Chairman Alvin Parven and Trustees Peter Elwell, and Brett Madison were present, James Karman was absent. Also in attendance were Human Resources Director, Danielle Olson and Director of Finance, Jane Struder; Attorney John McCracken; Callan Associates representative, Gwelda Swilley-Burke; Risk Manager, Karen Temme; Brad Armstrong of Gabriel, Roeder, Smith & Company; Ed Vroom from Roanoke Asset Management; Stephanie Spector and Mike Smith of Goldman Sachs Asset Management; and Noel Henry of State Street (SSgA).

II. APPROVAL OF AGENDA

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

III. SWEARING IN OF NEW MEMBER

Spencer Wilson was sworn in as a new trustee of the General Employees Retirement Board by the Clerk, Jody Justice.

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

Mr. Parven was nominated as Chairman by Mr. Elwell, seconded by Mr. Madison, passed unanimously. Mr. Madison was nominated as Vice Chairman by Mr. Elwell, seconded by Mr. Wilson, passed unanimously. Mr. Wilson was nominated as Secretary by Mr. Madison, seconded by Mr. Elwell, passed unanimously.

V. GENERAL COMMENTS BY BOARD MEMBERS

There were no general comments.

VI. APPROVAL OF MINUTES OF QUARTERLY MEETING OF NOVEMBER 12, 2010.

A motion was made to approve the minutes from the November 12, 2010 meeting by Mr. Madison, seconded by Mr. Wilson, passed unanimously.

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

Ms. Olson reported little movement in plan participation.

There is a change to the November meeting as the normally scheduled day falls on Veterans' Day. The proposed date is Monday, November 14, 2011. There were no concerns of the board members, this date will stand for the November meeting.

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

Karen Temme recommended renewing the Liability insurance with RLI as discussed in her memo to the Board. The RLI policy has a $10M limit of liability, $150k deductible, and an annual premium of $19,994. The current policy is with Travelers. Mr. Parven made a motion to approve, Mr. Madison seconded, passed unanimously.

IX. REPORT ON DROP ADMINISTRATION (Brad Armstrong, Gabriel, Roeder, Smith & Company)

Mr. Armstrong discussed the origins of the 2% DROP provision and explained the report on DROP administration. Copies of his presentation were distributed to the Board. There were questions asked and discussion as to the relevance of the 2% benefit reduction. DROP provisions are common among pension plans. The Town's program is up to 5 years. About a third of the Town's employees utilize the DROP program. If the 0.27% (outlined in Mr. Armstrong's report) was added to the contribution by the employees or the Town, then the DROP's 2% benefit reduction could be eliminated and be cost neutral and would require a change to the ordinance.

Mr. Elwell commented for the record that Mr. Armstrong's analysis of the 2% DROP reduction satisfies a periodical actuarial assessment as to whether or not changes need to be made to the program.

Mr. Wilson conveyed comments received by employee members that they would be more open to a shorter term and larger reduction (during DROP period) rather than a lifetime reduction, a "haircut" approach.

Mr. Elwell pointed out that the system we have right now allows those using the DROP to pay for the cost rather than add a percentage to all employees who may not utilize the DROP but still have to pay for the 30% who do. A "haircut" approach to the DROP program would have to be presented for consideration in a timely manner as there will be plan changes in the near future. If changes are made, they will continue on in the Bucket A benefit and will continue on in the Bucket B benefit as well. The board members agreed that it would be best to leave the benefit as it is for now.

X. QUARTERLY REPORTS

A. ROANOKE ASSET MANAGEMENT (Ed Vroom)

Ms. Swilley-Burke introduced Ed Vroom of Roanoke Asset Management who manages small to mid cap growth products. He pointed out that 2010 produced a rate of return close to 31%, exceeding benchmarks.

B. GOLDMAN SACHS ASSET MGMT. (Stephanie Spector/Mike Smith)

Stephanie Spector introduced Mike Smith. Mr. Smith discussed the performance portfolio for 2010 and where we are today. He also discussed team changes.

C. SSgA S&P 500 Index Fund (Noel Henry)

Noel Henry described State Street's services and what they provide to the Town through its portfolio. Liquidation of the EAFE in September 2010 is shown on Page 6 of SSgA's summary report on the Town's investment.

Ms. Swilley-Burke asked Mr. Henry about State Street's Trading Division that has been the subject of recent articles and further clarified that the Board would like information on what overall percentage of revenue it will affect and impact other divisions. Mr. Henry will provide the information to Ms. Swilley-Burke for distribution to the Board. Once the information is received, the Chair will decide if it is necessary to have a representative from SSgA at the next quarterly meeting to be held in May 2011.

D. CALLAN REPORT: (Gwelda Swilley-Burke)

Ms. Swilley-Burke discussed the handout she distributed. Mr. Parven explained that he requested this report which would provide a snapshot of where investments are now and what took place last quarter. This report will now be included in the quarterly reports distributed by Callan. The report is intended to provide information not only to the Board but to any members.

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

Ms. Swilley-Burke discussed a second handout that was provided for the annual meeting. Mr. Parven requested that Callan continue to provide this report for the Board. It compares the General Fund with the Police and Firefighters' Funds, the General having the best performance over the last year. Mr. Elwell requested that future reports provide size-specific data.

ii. Quarterly Report on Investments.

Ms. Swilley-Burke reviewed Callan's quarterly report. Across all capitalizations, growth outperformed value for the past year.

Thompson, Siegel & Walmsley (TSW) has underperformed for the last year, as well as their longer term two- and three-year number. As Callan is concerned that their long-term number needs to come up, they are recommending to the Board that TSW be put on watch for a couple of quarters. Roanoke was also listed in this memo but they have come back up and would like to retract the probation/watch for Roanoke.

Mr. Madison made a motion to put TSW on probation watch, seconded by Mr. Elwell, passed unanimously. Ms. Swilley-Burke described the process of putting a firm on probation watch. She will send a notification letter to Ms. Olson and it will be sent from the Town to TSW.

Ms. Swilley-Burke distributed and explained two additional handouts: Memorandum regarding Callan's Capital Market Projections/Expected Return for the Plan and a chart entitled, "The Callan Periodic Table of Investment Returns."

XI. REVIEW OF POST-RETIREMENT REDETERMINATION OF PENSIONS (Danielle Olson, Human Resources Director)

Ms. Olson requested for permission to seek an independent audit of the records and report back to the Board at the May 13, 2011 meeting for an amount not to exceed $2,500. Mr. Elwell made a motion for Ms. Olson to seek an independent audit in an amount not to exceed $2,500, seconded by Mr. Wilson, passed unanimously.

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

Ms. Olson requested permission to perform a death records search through Social Security numbers. Mr. Wilson made a motion to perform a death records check in an amount not to exceed $200, seconded by Mr. Elwell, passed unanimously.

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

Ms. Struder provided a quarterly report provided in the meeting packets. There are no requests for transfers from the money managers. Expenses through December of the fiscal year were $73,834.

XIV. ANY OTHER MATTERS

XV. ADJOURNMENT

Mr. Madison made a motion to adjourn at 11:24 am, seconded by Mr. Wilson, passed unanimously.

Respectfully Submitted,

Spencer Wilson, Secretary
Town of Palm Beach
General Employees Retirement Board