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Town of Palm Beach General Employees Retirement Board Meeting
February 11, 2000 Minutes

GENERAL EMPLOYEES RETIREMENT BOARD MEETING
FRIDAY, FEBRUARY 11, 2000, 9:00 a.m.

I. CALL TO ORDER

The meeting of the General Employees Retirement Board of Trustees was called to order by Town Manager Robert J. Doney at 9:00 a.m. on Friday, February 11, 2000 in the Town Council Chambers. Attending were Trustees Robert Garvy, Mayor Leslie Smith, Charlie Boggs, and Vernon Richards. Also attending were Attorney John McCracken, Finance Director Jane Skittone, Human Resources Director William C. Crouse, Human Resources Analyst Carla Kneipp, and Recorder Diane Kelly. Due to a previous engagement, Trustee James Wearn was absent.

II. ANNUAL ELECTION OF CHAIRMAN, VICE-CHAIRMAN, AND SECRETARY

Mr. Doney called for nominations for Chairman.

Mr. Boggs nominated Mr. Wearn for the Chairman position.. The motion was seconded by Mr. Richards. The motion carried unanimously. Mr. Boggs nominated Mr. Doney for Vice-Chairman. The motion was seconded by Mr. Richards. The motion carried unanimously. Mr. Boggs nominated Mr. Richards for Secretary. Mr. Garvy seconded the nomination. The motion carried unanimously. All nominations were closed, and those nominated were elected by acclamation.

III. APPROVAL OF AGENDA

There being no changes or addition to the Agenda, Mr. Boggs moved to accept the agenda. Mr. Richards seconded the motion, and all voting aye, the motion carried.

IV. APPROVAL OF MINUTES OF REGULAR MEETING OF NOVEMBER 12,

1999

As there were no corrections or additions or comments concerning the minutes of the Regular meeting of November 12, 1999, Mr. Boggs moved, and Mr. Richards seconded, to accept the minutes as presented. All voted aye, and the motion carried.

V. QUARTERLY REPORTS

A. Roanoke Asset Management

Ed Vroom of Roanoke Asset Management provided a brief history of Roanoke and discussed the long term record, growth management, the status of the equity fund and the fixed income fund for the last seventeen years. Mr. Vroom introduced his co-manager Adele Weisman, who reviewed information on diversification and the reasons for Roanoke's strategy. Ms. Weisman provided information on growth stocks in general, and an explanation of the Town of Palm Beach's fund in particular. Mr. Vroom examined the Fixed Income Portfolio, explaining the background and strategy.

Mr. Vroom then entertained questions. In answer to Mr. Garvy's question concerning the volatility of the equity portfolio, Mr. Vroom stated that generally, on a daily basis, there was volatility and there was a need to take advantage of that volatility. Ms. Weisman added that it was essentially a transitional problem. Mr. Garvy asked about the firms' new accounts that they were looking to get and the weighted average market cap of their portfolio. Mr. Vroom replied that they were expecting to get $1 billion, and the weighted average was north of $3 billion . Mayor Smith asked if there were any differences between this portfolio and that of the Public Safety Retirement Board. Mr. Vroom answered that they were "mirrors" of each other. Mr. Boggs commented on what a good job Roanoke had done this last year. Mr. Doney requested that Mr. Vroom and Ms. Weisman provide to Mr. Crouse their resumes so that Mr. Crouse could distribute them to the directors of both boards and to all those with responsibilities that necessitated them to attend the quarterly meetings. Mr. Vroom said that he would be glad to do so.

B. Loomis, Sayles & Co.

Peter Van Beuren introduced himself from the Florida office of Loomis, Sayles & Co. and then introduced the investment team from Chicago, which consisted of Michael Harris and David Sowerby.

Mr. Sowerby, Loomis Sayles' equity manager, began the presentation by reviewing the history of Loomis, Sayles and discussed stocks and the Town's stock portfolios. In response to

Mr. Garvy's question regarding the total equity, Mr. Sowerby replied that his statistics were for the entire Callan large cap value universe. Mr. Sowerby characterized Loomis, Sayles as " quality value stock bearers". Mr. Sowerby went on to explain their strategy and why 1999 was a challenging year for their portfolio, and that over the longer term, their strategy was quite valid. In answer to Mayor Smith's question concerning IBM on both the "to sell" and the "to buy" lists, Mr. Sowerby stated that when stocks get "too expensive", they do sell the stock and then, if the stocks fall back into the proper position for potential earnings, the stock is bought back. He explained that the overall Price to earnings ratio was never compromised in this positioning. Mr. Sowerby ended his part of the presentation by reviewing the historical performance of extreme valuation of growth stocks from December 1978 to December 1999. Mr. Garvy asked about the underperformance relative to the Russell 1000 Index. Mr. Sowerby explained that 1999 had been a real challenge, with one third of the markets, including Loomis-Sayles, choosing to get more conservative, which wasn't the best strategy. Mr. Garvy asked about the rankings for performance for the 1995 to 1998 period , but Mr. Sowerby referred that question to Mr. Deane, as Callan Associates had the ranking. Mr. Boggs commented that in recent buys/sells, Loomis-Sayles seemed to be going to bigger caps . Mr. Sowerby explained that Loomis-Sayles now was squarely positioned as a large cap value manager. Mr. Garvy stated that though value had been out of favor for some time, over the long time value does well and that the present situation was underevalualtion of value and overevaluation of growth.

Mr. Harris referred to the Bond Market during 1999 and then discussed the Bond Market outlook for the year 2000 and followed with an explanation of the portfolio's position. Mr. Garvy asked for the comparisons with Lehman Aggregate Index, which Mr. Sowerby provided.

C. Callan Associates

Carl Deane of Callan Associates delineated how Callan's data was received, dealt with, and disbursed to the Boards prior to the quarterly meetings. Mr. Deane pointed out that his report was not accurate because the value data received from the bank was not accurate for either the Public Safety Board or the General Employees Board. Because of this, he felt he could not hand out inaccurate data. Mr. Deane stated that he would have to check with the bank for more accurate information. Ms.Skittone, Finance Director, stated that she had yet to get the corrected 12-31-99 statement from the auditors. Mr. Deane stated that when she received the statement, he would also get one from First Union and then would be able to give corrected data to the separate Boards.

Mr. Doney interrupted Mr. Deane's presentation so that Mayor Smith could ask a question prior to her departure. Mayor Smith stated that as far as the splitting of the boards was concerned, the Town Council anticipated the present problem, so for the "older members" of the Board, this problem was not a big surprise, even though it was to Mr. Deane. Mayor Smith then asked about the proposed fees, stating that she found them high. Mr. Deane explained how the fees would have worked without the split and with the split, and that having considered various possibilities, he suggested a $22,000 fee plus travel expenses, which would be split with the other board as his time down here was also on their behalf.

Mr. Deane explained that there was also an asset-based fee possibility, which was a higher fee but included a lot more services. After discussion concerning the splitting of the Board and the subsequent fees and the retainer plus fees, Mr. Boggs moved, and Mr. Garvy seconded, that for the next calendar year the fees should be set at $22, 000 plus travel expenses. Mr. Crouse voiced his desire that both Boards do the same thing. The question was called, the vote was taken, and the vote was unanimously in favor.

Mr. Dean continued his presentation by giving individual manager analyses, using the information he received from the managers so the board would get a feel for where the different managers were among their peer group universes. Mr. Deane answered Mr. Garvy's question concerning Loomis-Sayles by saying that, using a weighted average equities/values report, Loomis-Sayles had a $56 billion capitalization compared to the S & P's $142 billion capitalization. Because the board did not have the report in front of them, Mr. Deane stated that as soon as he received the data from First Union, he could get it to the Board within two weeks. Mr. Allen Smith from First Union stated that there were more problems with the transfer than anticipated and the delay was his responsibility as he was checking each item, one by one, and it took much longer than expected. Mr. Smith stated that he should have the final corrected statement of 12-31-99 early next week and he would get the data out as soon as possible so that Mr. Deane and the money managers could reconcile everything as soon as possible. The money managers concurred that what First Union was doing was in sync with what they were doing. Mr. Deane asked that First Union get the data to the money managers first so that they could get correct data together to send to Callan Associates and then Callan Associates, with a two-week turnaround, would disburse it to the Board. Mr. Doney, with Mr. Crouse's assistance, reviewed the procedure of report disbursal for future meetings and the schedule of presenters for the future meetings before he called a short recess.

After the recess, Mr. Deane continued his presentation by discussing P/E ratios, examining Loomis performance within the bond market this past year. He also discussed Roanoke's performance, using a weighted average capitalization. It was stated that both fixed income portfolios had more volatility relative to other core fixed income portfolios. Mr. Deane concluded that he hopefully would get the corrected information to the Board as soon as possible, going for a two-week turnaround once he received the data. Mr. Doney then verified that all present had a calendar of upcoming meetings and when the different presenters were expected to be present. Ms. Skittone asked that First Union present a corrected 1-31-00 statement when they did a corrected 12-31-99 statement, and Mr. Smith replied that yes, they would and the 2-29-00 would be correct also.

VI REPORT ON STATEMENT OF INVESTMENT POLICY

Mr. Crouse reported that it was the custom of the Board to review the Statement of Investment Policy once a year, with the review established for the February meeting. He explained that had been reviewed every quarter for quite some time and was last revised in May of 1999. He further explained that the Town Council had passed a resolution in November of 1999, so the policy did not need to be reviewed as it had recently been adopted as a resolution. Mr. Doney asked Mr. Deane if the policy addressed all the changes discussed in the splitting of the Board. Mr. Dean answered in the affirmative. Mr. Boggs moved and Mr. Garvy seconded to approve Resolution 31-99 and the revised investment policy dated 5-14-99. All voting aye, the motion passed.

VII REPORT ON QUARTERLY EXPENDITURES (Jane Skittone, Finance Director)

Ms. Skittone reported that there were three separate schedules: the Cash Flow Projection for the upcoming period of 2-1-00 through 4-30-00; the Operating Expenses from 10-02-99 through 12-31-99; and the Operating Expenses from 1-01-00 through 1-31-00. It was not recommended that a transfer be made at this time. Ms. Skittone stated that when she received the corrected statement for 12-31-99, she would get the data to Mark Vale, the auditor, and he would do an audit of the fund as of 12-31-99 and a "true-up" would be done at that time. Mr. Boggs moved to accept the quarterly report. Mr. Garvy seconded. The motion passed.

VIII RETIREMENT APPLICATIONS

A. Robert Moore, Director of Planning, Zoning & Building (Application to DROP)
B. Brian House, Code Compliance Officer II (Application to DROP)

Mr. Crouse reported that both Robert Moore and Brian House met the minimum requirements for retirement. Mr. Boggs moved to accept the retirement applications for Brian House and Robert Moore. Mr. Garvy seconded. The motion passed with no opposition.

IX ANY OTHER MATTERS

A. Proposed Revision to DROP Ordinance

Mr. Crouse reported that there were thirteen participants in the DROP plan to date, and there had been some concern on the handling of leave time. He explained that currently, each participant was handled as a retiree, which they were, and were "cashed out" with their accumulated leave, but that left no accrual for the DROP participants. He stated that this had been a real concern to the DROP participants. Mr. Crouse explained that it had been recommended that this particular portion of the Ordinance be removed, with these individuals keeping their normal benefits throughout their participation in the DROP, and that these be "cashed out" when they left the employment of the Town. Mr. Crouse explained that this would be no cost to the Board and would improve the benefits.

After discussion, Mr. Boggs moved, with Mr. Richards seconding, that the proposed change to the DROP Ordinance as listed in the February 11th memorandum from Mr. Crouse be approved, with the Ordinance to be prepared and forwarded to the Town Council for their meeting of March 13th . The motion passed unanimously.

B Retiree Insurance

Mr. Richards asked about insurance for retirees. After discussion, it was determined that there was a great diversity in retiree situations, that there probably was a need to revisit this issue in the future. Mr. Crouse mentioned that there would be new tax incentive programs available that should be able to address this situation. He explained that presently the Town picked up 50% of the health premium for retirees, which was not required by state law.

X ADJOURNMENT

There being no other items to discuss, Mr. Garvy moved for adjournment.
Motion was seconded, and all voting aye, the motion carried. The meeting was adjourned at 12:07 PM.

Approved:________________________________
Vernon Richards, Secretary

FUTURE RETIREMENT BOARD MEETINGS:

Friday, May 12, 2000, 9:00 a.m.
Friday, August 11, 2000, 9:00 a.m.
November 2000 meeting to be rescheduled due to conflict with Veteran's Day holiday (discussion regarding rescheduling to take place during August 2000 meeting)