GENERAL EMPLOYEES RETIREMENT BOARD MEETING
Friday, February 9, 2007, 9:00 A.M.

I. CALL TO ORDER

The meeting of the General Employees Retirement Board was called to order by Chairman Robert Garvy at 9:00 a.m. on Friday, February 9, 2007, in the Town Hall Council Chambers. Roll call was conducted. Attending were Vice Chairman Brett Madison, Secretary Jonathan Luscomb and Trustees James Karman and Peter Elwell. Also in attendance were Board Attorney John McCracken, Jeanne Valcik from Callan Associates, Accounting Supervisor, Amy Wood, and Human Resources Director and Plan Administrator, William Crouse.

II. REPORT OF ELECTION TO BOARD

Mr. Crouse reported that James Karman was re-appointed by the Town Council for another two year term. He also reported that Brett Madison had been re-elected by General Employees and would be serving another two year term as well. The Town Clerk, Sue Eichorn, proceeded with swearing in the new Trustees. Mr. Garvy congratulated both individuals on their re-elections.

III. ANNUAL ELECTIONS

Annual elections for Chairman, Vice-Chairman and Secretary were conducted. Mr. Garvy called for nominations for Chairman. Nomination of Mr. Garvy to serve as Chairman was made by Mr. Karman and seconded by Mr. Madison. Mr. Garvy called for further nominations and there were none. **Mr. Garvy was re-elected Chairman by acclamation.**

Mr. Garvy called for nominations for Vice-Chairman. Nomination of Mr. Karman to serve as Vice-Chairman was made by Mr. Luscomb and seconded by Mr. Madison. Mr. Garvy called for further nominations and there were none. **Mr. Karman was elected Vice Chairman by acclamation.**

Mr. Garvy called for nominations for Secretary. Nomination for Mr. Luscomb to serve as Secretary was made by Mr. Madison and seconded by Mr. Elwell. Mr. Garvy called for further nominations and there were none. **Mr. Luscomb was elected Secretary by acclamation.**

IV. APPROVAL OF AGENDA

Mr. Karman inquired about the Statement of Investment Policy as to why it was not on the agenda. Mr. Crouse stated that since it had been recently adopted, he had not deemed it necessary to include, but explained that it would be reflected on the agenda for the next meeting in May. Ms. Valcik added that the new policy had not been implemented yet, but it would be for the next quarter.

Mr. Crouse requested that the Quarterly Expenditure report follow the approval of the agenda. With no further discussion, Mr. Garvy moved approval of the amended agenda. Mr. Karman seconded the motion and the motion carried unanimously.

V. REPORT ON QUARTERLY EXPENDITURES

Ms.Wood proceeded with her report on expenditures on behalf of Finance Director, Jane Struder, who was attending another meeting that morning. Ms. Wood called attention to the Cash Flow Analysis report. She explained that the report relayed that transfers from money managers were not needed at that time. She stated that total operating expenses for the time period totaled $111,450.72, and that the final page of the report included the operating expenses for each year from 2000 to date. Ms. Wood explained that the columns reported the expenses as a percent of the market value assets per Mr. Garvy's request. Ms. Wood concluded her report. Mr. Garvy asked the Board members if there were any questions. There were none.

VI. APPROVAL OF THE MINUTES

Mr. Garvy inquired if there were any additions, corrections or deletions to the minutes of November 9, 2006. Mr. Karman moved approval and acceptance of the minutes of the regular meeting of November 9, 2006. Mr. Luscomb seconded. There was no further discussion and the minutes were accepted as presented and carried unanimously.

VII. ADMINISTRATOR'S REPORT

Mr. Crouse reported on retirement ordinance changes recommended by Firefighter Retirement Board of Trustees. He explained that the Board was Clarifying the purchase of service credit in the Town's police or fire retirement system to mean that the previous service must have been as a police officer or firefighter.

Mr. Crouse then explained that the supplemental pension distribution had been clarified to state that it would be calculated on the excess gains of only the pension reserve used for the retirees' portion of the plan.

Mr. Crouse reported that the Fire Board of Trustees had also clarified how the State 175 monies would be handled specifically for shared accounts.

Mr. Crouse then addressed the amendment that had been recommended regarding duty disability pensions, explaining that the revision stated that the fixed benefit must be received for minimum of five years before converting to a benefit based on age and service.

Mr. Crouse then reported that the Firefighter retirement system would be moving from a self-directed DROP program with ICMA-RC to a DROP program invested with the other retirement assets of the Town. He explained that the DROP participants' gains or losses would be based on the gains and losses experienced by the Town's retirement system. He further stated that all costs associated with this change would be covered by the plan participants.

Mr. Crouse explained that the final issue had to do with Town employees who had service credit with one Town retirement plan and then transferred to a position that was covered by a different Town retirement plan. Mr. Crouse used the example of a Lifeguard employee who was promoted into a Firefighter Paramedic position. He explained that currently, the monies contributed to the Lifeguard retirement plan were transferred to the Firefighter retirement plan at the time the employee transferred positions and when the employee ultimately retired, his or her pension was calculated as follows: the employee's service credit, times multiplier as a Lifeguard, plus service credit times multiplier as a Firefighter, times the employee's final average compensation at the time of retirement. Under the amendment, the employee's pension is calculated as follows: service credit, times the multiplier as a Lifeguard, times final average compensation as a Lifeguard at the time of transfer/promotion to the Firefighter position, paid out of the Lifeguard retirement fund; plus the service credit, times the multiplier as a Firefighter, times final average compensation as a Firefighter, which will be paid out of the Firefighter retirement fund. He explained that under the amendment each retirement system (Lifeguard and Firefighter) would be paying a pension to the retiree based on the service credit, multiplier and final average compensation earned while working in each system.

Mr. Elwell explained that the individual's total service with the Town would be utilized for vesting purposes. He further explained that if a participant did not have 10 continuous years of service in one plan because the individual had moved from one plan to another during their service with the Town, their 10 years of service to the Town would be considered as a whole for vesting purposes.

Mr. Garvy inquired if these issues might also affect the General Employee retirement plan. Mr. Elwell asked Mr. Crouse if the changes proposed by that Firefighter Retirement Board of Trustees were appropriate for this Board to consider for the General Employee retirement plan. Mr. Crouse replied that they were. Mr. Garvy requested that at the next meeting, Mr. McCracken provide an overview of the areas that would pertain to the General Employees retirement plan so the Board members could address those issues at that time. The other Board members concurred, and Mr. Crouse concluded his report. .

VIII. QUARTERLY REPORTS

Adele Weisman, Director of Roanoke Asset Management proceeded with her report on behalf of Ed Vroom who was recuperating from surgery. Ms. Weisman discussed the status of the portfolio and reviewed the performance for 2006. She defined Roanoke as growth stock managers that focused their research efforts in areas that offered the best growth opportunities with a long-term point of view. She relayed that the results have been long-term rates of return, but they don't often track the benchmark. She explained that 2005 was a year where they did not track the benchmark since it was outperformed and in 2006, they had expected this performance to continue, but experienced difficulty during the first half of the year. Ms. Weisman discussed this reason as a result of the economy. She stated that growth had come back during the second half of the year as improvements came along. Ms. Weisman pointed out that the highest revenue growth had been healthcare, and lowest had been technology, yet the earnings in technology were higher than the earnings in healthcare. Ms. Weisman confirmed high growth, high valuation and high P/E-to-growth ratio. She stated that growth was determined by demographics and driven by consumer spending. Ms. Weisman stated that the growth rate estimates were favorable and she expected to present a slightly better report at the next meeting.

Mr. Garvy inquired about estimates and their impact on the asset values. Ms. Weisman explained that Roanoke was using estimates one year out. She explained that at the beginning of the year, estimates were usually higher than they were at the end of the year, specifically the S&P 500. She explained that if Roanoke's analysts did not believe the estimates would be higher, they would not be classified under that list. She further explained that managers would not buy stocks based on analysts' estimates, but bought stocks based on their own research. Ms. Weisman. reiterated the importance that the pricing of growth stocks did not reflect their potential. Mr. Garvy inquired if there were any questions. There being none, the presentation concluded.

Brian Zeller of Callan & Associates presented a market overview and discussed what happened in the markets in the fourth quarter and how that change impacted their active managers. He explained that the same trends were reflected in that they experienced economic strength and value outperformed growth in the U.S. and internationally. Mr. Zeller discussed domestic equity, stating that the small cap fund was measured by the S&P 600 and it outperformed the S& P 500 by over 100 basis points.

Jeanne Valcik discussed total fund performance. She directed the Board to the asset allocation of performance on page 8 of the Callan booklet. Ms. Valcik compared old target allocation vs new target allocation. She explained that domestic equity remained the same; domestic fixed income had dropped from 40% to 20% percent; international had gone from 5% to 15%; and alternative went from 0% to 10%. Ms. Valcik stated that active managers underperformed the benchmark and the actual return for the total fund differed from the return for the total fund target. She explained that the deviation was caused by two factors: the managers outperforming or underperforming their targets (Manager Selection Effect); or the actual asset allocation being different from the target asset allocation (Asset Allocation Effect). She explained that by examining the cumulative results, the fund sponsor quantified the long-term impact of asset allocation differences from the target as well as the contribution of the fund manager's total return. Ms. Valcik concluded by stating that the last two years were well above the benchmark.

Mr. Zeller discussed the managers' analyses of Nylim, Roanoke and Thompson-Siegel's investment philosophy, stating that their processes focused on identifying companies with unrealized value. Mr. Zeller concluded by stating that Goldman posted a 3.74% return for the quarter placing the portfolio in the 62nd percentile of the CAI Core Bond Plus Style group for the quarter and in the 79th percentile for the last one-half year.

Ms. Valcik presented the State Street Global Report on the transition. She explained that part of the transition occurred at the end of December when they took money away from Goldman-Sachs and gave $7 million dollars to Mesirow for hedge fund and $6.5 million dollars to State Street for their portfolio.

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

Mr. Crouse advised the Board that each year the Pension Research Services, Inc. Was hired to perform a death records search on the Town of Palm Beach retirees to ensure that pensions were being paid to living retirees. He advised that the cost of the service was approximately $200.00.

Mr. Karman moved approval for Pension Research Services, Inc. To perform a death records search on Town retirees for the year 2007. Mr. Elwell seconded the motion. There was no further discussion, and the motion carried unanimously.

X. ADJOURNMENT

There were no further matters and the meeting was adjourned at 11:45am.

Approved: ______________________

Jonathan Luscomb, Secretary