GENERAL EMPLOYEES RETIREMENT BOARD SPECIAL MEETING
Wednesday, January 11, 2006, 9:00 A.M.

I. CALL TO ORDER

The special meeting of the General Employees Retirement Board was called to order by Chairman Robert Garvy at 9:01 a.m. on Wednesday, January 11, 2006, in the Town Hall Council Chambers. Attending were Chairman Robert Garvy, Vice Chairman Brett Madison, Trustees Jonathan Luscomb, James Karman, and Peter Elwell. Also in attendance were Jeanne Valcik from Callan Associates, William Crouse, Human Resources Director and Plan Administrator, Jane Struder, Finance Director, and John McCracken, Board Attorney.

II. APPROVAL OF AGENDA

Mr. Garvy called for any changes or additions to the agenda submitted by Mr. Crouse. With no changes to report, Mr. Garvy called for a motion.

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

III. APPROVAL OF MINUTES

A) Regular Meeting of November 9, 2005

Mr. Garvy inquired if there were any comments or changes to the minutes of the regular meeting of November 9, 2005. There were no changes or comments. Mr. Garvy called for a motion.

Mr. Luscomb moved approval and acceptance of the minutes of the regular meeting of November 9, 2005; Mr. Madison seconded. There was no further discussion, and the motion carried unanimously.

B) Special Meeting of December 22, 2005

Mr. Garvy inquired if there were any comments or changes to the minutes of the special meeting of December 22, 2005. He advised that in the thirteenth line from the bottom of the second page, the phrase 'State Traded Fund' should be changed to 'Exchange Traded Fund'. There were no other changes or comments from the Board members. Mr. Garvy called for a motion.

Mr. Karman moved approval of the minutes of the special meeting of December 22, 2005 with the incorporated revision; Mr. Madison seconded. There was no further discussion, and the motion carried unanimously.

IV. PRESENTATION OF REVISIONS TO THE TOWN ORDINANCE, CHAPTER 82

Mr. McCracken reiterated that when attorneys for Goldman Sachs were asked to verify that the company was in compliance with the Town of Palm Beach's Ordinance and Statement of Investment Policy, the lawyers reviewed the Town's Ordinance and found that subsection 82-57 (b) stated that in order for the investment to be authorized, they had to comply with State Law and the Statement of Investment Policy. Mr. McCracken advised that the intent of the Statement of Investment Policy had always been to give some flexibility to State Law Requirements. Mr. McCracken advised that he and Ms. Valcik reviewed the Ordinance and believed that it was not properly worded. He explained that the Ordinance should have read 'Investments should be in compliance with State Law "or" the Statement of Investment Policy; not 'and'. He suggested that the Board members consider that change for recommendation to the Town Council. Ms. Valcik agreed with Mr. McCracken's statement and added that the current Ordinance did not mention 'Investment vehicles' as its language was outdated. She advised that General Employees Retirement Board had been investing in collective funds since the 1980s. Mr. McCracken explained that the Law firm of White & Case were the ones who reviewed the Ordinance very thoroughly and realized that it should read 'or' rather than 'and'. Mr. Garvy inquired whether Mr. Elwell had any comments. Mr. Elwell advised that once in a while, minor changes are found that, once corrected, allowed the Plan to be in complete compliance and expressed thanks to the White & Case for pointing out the error. Mr. Garvy called for a motion.

Mr. Elwell moved approval to recommend the change from 'and' to 'or' in subsection 82-57 (b) of the Ordinance; Mr. Luscomb seconded.

Mr. Garvy inquired about the process that was needed to change the 'and' to 'or' in subsection 82-57 (b) of the Town Ordinance. Mr. Elwell explained that upon approval of the Board, Mr. McCracken will forward to his attention a cover letter with the Ordinance. Mr. Elwell advised that he would then forward the recommendation to the Town Council for a first reading on February 14, 2006, and for a second reading and final adoption at the Town Council Meeting on March 14, 2006. Mr. Garvy inquired if there were any other questions or comments from the other Board members. There were none.

There was no further discussion and the motion carried unanimously.

Mr. McCracken explained to the Board that subsection 82-57 (b) of the Ordinance was applicable to the Town of Palm Beach's Police, Fire and General Employees Retirement Boards and suggested that his letter to Mr. Elwell be sent not only the Town Council, but to the other two Boards, their lawyers and administrator(s). Mr. Elwell agreed. Mr. McCracken advised that his letter would be forwarded within the next two days and it would advise the other two Boards of the General Employees Retirement Board recommendation and intention to proceed at the February 2006 meeting and explain that if there were any objections, to advise him or the town manger. The Board members agreed.

V. REVIEW AND DISCUSSION OF THE INVESTMENT POLICY STATEMENT

Ms. Valcik of Callan Associates explained that the Florida law, although it lists certain vehicles that a Fund is allowed to invest in, also states that the Investment Policy, as adopted by the Town, is what governs the Fund's investment in the market. She explained that this was a liberal approach in contrast with the law in the State of Georgia, which does not allow a Plan to invest more than 10% in International funds. Ms. Valcik explained that there were some changes made to the Investment Policy Statement. The first of these changes was under number five of the Executive Summary; where Ms. Valcik added 'the Town of Palm Beach Ordinance governing pension investments and this Investment Policy Statement'. She explained that she pondered the fact that the Statement of Investment Policy references the Florida Statutes (F.S. 215.47(1-8), (10) and (16). She advised that she read the mentioned statutes and explained that the mention of them in the Investment Policy Statement had probably been around for a very long time. Ms. Valcik explained that it was not clear which of the paragraphs applied to the Plan. Ms. Valcik recommended deleting (1-8), (10) and (16). Mr. McCracken suggested using the language that was just approved for the Ordinance and deleting the reference of F.S. 215.47 (1-8), (10) and (16) altogether and replace it with 'imposed by law or the Statement of Investment Policy'. Mr. Garvy inquired whether the Plan was subject to State law. Ms. Valcik responded yes. Mr. Garvy inquired whether there should be mention in the Investment Policy Statement that the Plan was in compliance with State law and the Town of Palm Beach. Mr. Elwell explained that based on what Mr. McCracken had mentioned, it was not absolutely necessary to have such a statement because the Plan would comply with the Ordinance, and the Ordinance will state that 'Investments should be in compliance with State Law or the Statement of Investment Policy'. Mr. Elwell explained that to someone who had not read the Ordinance, that issue might not be clear. He explained that he preferred if number five of the Executive Summary read 'Investment Managers will be retained to ensure that investments are managed in a prudent and professional manner in compliance with all applicable statutes and regulations such as F.S. 215.47'. Ms. Valcik reiterated that she had read all of F.S. 215.47 and it was not clear which ones did and did not apply to the Fund. Mr. Garvy agreed with Ms. Valcik's statement. Mr. McCracken suggested that rather than linking the Investment Policy Statement to F.S. 215.47, there were other statutes that were applicable to investments and explained that he preferred the flexibility of having a law firm explain that "under F.S …, this is a permissible investment". The Board agreed to delete '…in compliance with all applicable statutes and regulations such as FS 215.47 (1-8), (10) and (16)' and replace it with 'conditions, limitations, and restrictions imposed by law or as provided in this Statement of Investment Policy'. The Board members agreed. Mr. Elwell asked Mr. McCracken to provide the appropriate revised language. Mr. Garvy inquired whether the Board would be able to review the finalized document before it was submitted to the Town Council. Mr. McCracken advised that once he and Mr. Valcik revised the document, it would be forwarded over to all Trustees and the Plan Administrator for review. Mr. McCracken also explained that the Ordinance referred to the Statement of Investment Policy and the current document referred to the Investment

Policy Statement. He inquired which title should be used consistently. The Board members agreed that they would consistently use the 'Statement of Investment Policy'.

The next change Ms. Valcik referred the Board to was on the next page under 'Long Term Performance Index' for small and mid-cap managers. She explained that the table was written before the new money managers were selected. She explained that both small and mid-cap mangers were now benchmarked to the Russell 2500 and, as a result, Russell 2000 was deleted from the table. Mr. Garvy asked whether the new table gave flexibility if the Board were to change money managers. Ms. Valcik replied that the table would have to be changed back to Russell 2000. Mr. Garvy requested more information. Ms. Valcik explained that the Russell 2500 covered small and mid-cap, but if a small-cap only manger were to be hired, the benchmark would need to be the Russell 2000 (the small-cap benchmark). Mr. Garvy inquired if it would be possible to keep the Russell 2000 so that there would be flexibility if a small-cap only manager would be hired in the future. Ms. Valcik explained that the peer group would also need to be changed. Mr. Garvy explained that the Statement of Investment Policy should be written in such a way as to allow flexibility and, if a new manager was hired, would not require that the Board change the benchmarks in the Statement of Investment Policy, or have to go to the Town Council with a Resolution. After discussion, the Board decided to delete the benchmark table and have a new Board adopted policy for the benchmarks which allowed flexibility, did not require changing the Statement of Investment Policy when a new manger was hired, or require Town Council approval. Mr. Elwell suggested that the new policy be available for the next meeting. Mr. Garvy inquired of Ms. Valcik whether she could have a new policy by the February 2006 meeting. Ms. Valcik advised yes.

On page four, item five, Ms. Valcik suggested changing the term 'Committee' to 'Board'. Mr. McCracken advised that throughout the document, the Board of Trustees is also referred to as the 'Pension Board'. After discussion, it was agreed that in the beginning of the document there should be the 'General Employees Retirement Board, (the Board)'. In addition, throughout the remainder of the document, the term 'Board' should be used in place of 'Pension Board' and 'Committee'.

Ms. Valcik advised that on page five there was a typographical error in the first line of the second to last paragraph. Mr. Valcik explained that there needed to be an 's' at the end of the word 'disbursement'. The Board members agreed.

On page seven, Mr. Garvy pointed out that with the topic 'Manager-Selection Procedures', the hyphen should be deleted. The Board members agreed.

On page ten, number four, under 'Domestic and Non-U.S. Equity Managers', Ms. Valcik advised that the term 'the restrictions set forth in' was deleted. The Board members, after discussion, decided to delete the entire sentence and utilize the language of the Ordinance. The same was done for number three under 'Fixed Income' on page eleven.

With reference to the paragraph under 'Mutual/Commingled Funds' on page twelve, Mr. McCracken explained that he was surprised that the paragraph stated that Board was authorized to invest in mutual or commingled Funds whose guidelines differed from the Statement of Investment Policy. He explained that that paragraph raised red flags for him as he believed that it would be against standard business practice to invest in such Funds. Mr. McCracken advised that when he discussed the paragraph with Ms. Valcik, she had agreed with that the paragraph's flexibility; while he disagreed. Ms. Valcik explained that according to the paragraph, the Board would look at the commingled Fund guidelines and ask managers whether they could agree with the Statement of Investment Policy. Next, Ms. Valcik explained that the manager would inform the Board of any difference. She informed the Board that such language was standard industry practice and gave the Board a few examples of such statements of other plans. Mr. Garvy agreed with Ms. Valcik's statement and explained that the Board still retained the authority to invest or not invest in a vehicle. He advised that in order to change the mutual/commingled Fund guidelines, there would need to be approval from all participants and the prospectus would need to be changed. Mr. Garvy addressed Ms. Valcik and explained that his only concern was with the last line of the paragraph that stated that '…the Board's guidelines have no bearing on mutual/ commingled funds' policies'. He advised that the wording relinquished too much oversight from the Board and recommended that the Board reword the last sentence. After discussion, Mr. Luscomb suggested deleting '…the Board's guidelines have no bearing on mutual/commingled funds' policies'. Mr. Elwell also suggested deleting 'However' from the beginning of the last sentence. The Board members agreed.

Ms. Valcik informed the Board that the table on page fourteen would be deleted. She also explained that on page fifteen under the heading 'Event Driven…', there were two extra spaces before the word 'Release' that would also be deleted. That concluded Ms. Valcik's recommended changes. Mr. Garvy inquired if there were any other changes or comments from Board members. Mr. Elwell suggested that Ms. Valcik provide the Board with a new revised Statement of Investment Policy as well as the current Statement of Investment Policy showing the revisions that were just discussed. Mr. Crouse advised the Board members that if they had an issue with the new revision of the Statement of Investment Policy that Ms. Valcik will provide, they needed to contact him as soon as possible so that he could consult with all Board members and devise a date and time for a special meeting prior to the February 2006 meeting.

VI. ANY OTHER MATTERS

Mr. Garvy inquired if there were any other matters to be discussed. There were none.

VII. ADJOURNMENT

Mr. Karman moved approval to adjourn the meeting; Mr. Madison seconded. There being no further business, the meeting adjourned at 10:05 a.m.

Approved: ______________________
James Karman, Secretary