

**GENERAL EMPLOYEES PENSION BOARD**  
**Minutes of**  
**February 17, 2005**

Meeting was called to order by Chairman Keating at 1:05 p.m.

Members Present: Jeffrey Keating, Thomas Lynch, Joseph Safford, Stephen Swank, and Milena Walinski

Members Absent: None

Guests Present: Karen Schell, Susan Ruby, Doug Randolph, John McCann (GRS Asset Consulting), Paul Leahy and Dave Macey (Boston Co.)

Mr. Lynch moved to amend the agenda for February 17, 2005 to insert Boston Company's presentation before Item 6, Review of Plan's Performance Evaluation for the Period Ending December 31, 2004, seconded by Mr. Safford. Said motion passed unanimously.

**Item 1 Approval of the General Employees Pension Board Minutes for November 18, 2004.**

Mr. Lynch moved to approve the minutes for November 18, 2004, seconded by Mr. Safford. Said motion passed unanimously.

**Item 2 Approval of the Following Invoices:**

- A. State Street Global Advisors, dated November 11, 2004, in the amount of \$4,436.33 for quarterly management fee for the period of July 1, 2004, September 30, 2004.

Mr. Lynch moved to approve payment of this invoice, seconded by Mr. Safford. Said motion passed unanimously.

- B. Gabriel, Roeder, Smith and Company, dated November 22, 2004, in the amount of \$4,000.00 for consulting services for the quarterly report as of September 30, 2004.

Mr. Lynch moved to approve payment of this invoice, seconded by Mr. Swank. Said motion passed unanimously.

- C. Gabriel, Roeder, Smith and Company, dated December 31, 2004, in the amount of \$2,032.00 for interim fees for 2004 actuarial report, retirement calculations for Grant, Mitchell and buy-back calculations for Reynolds.

Mr. Lynch moved to approve payment of this invoice, seconded by Mr. Swank. Said motion passed unanimously.

- D. Florida Public Pension Trustees Association, dated January 1, 2005, in the amount of \$400.00 for annual membership to FPPTA Organization.

Mr. Lynch moved to approve payment of this invoice, seconded by Mr. Swank. Said motion passed unanimously.

- E. Davis Hamilton Jackson & Associates, L.P., dated January 21, 2005, in the amount of \$21,673.83 for quarterly management fees for the period of January 1, 2005 through March 31, 2005.

Mr. Lynch moved to approve payment of this invoice, seconded by Mr. Swank. Said motion passed unanimously.

- F. GRS Asset Consulting Group, dated February 3, 2005, in the amount of \$4,000.00 for quarterly report as of December 31, 2004.

Mr. Lynch moved to approve payment of this invoice, seconded by Mr. Swank. Said motion passed unanimously.

**Item 3 Approval of the Following Retirement:**

A. Name:	Matthew Mitchell Jr.
Age:	67
Monthly Pension Amount	\$288.69 (5 years vested at 50%)
Benefit Commenced:	February 1, 2005
Benefit Requested:	100% Joint and Last Survivor Annuity

Mr. Lynch moved to approve the normal retirement of Matthew Mitchell Jr., seconded by Mr. Swank. Said motion passed unanimously.

B. Name:	Emily McAuley	(from DROP Plan)
Age:	70	
Monthly Pension Amount	\$1,032.21	
Benefit Commenced:	May 1, 2005	
Benefit Requested:	Normal Form	

Ms. Walinski moved to approve the normal retirement of Emily McAuley, seconded by Mr. Lynch. Said motion passed unanimously.

**Item 4 Approval of the Following Termination Refunds:**

A. Jennifer Hall (Police Department) in the amount of \$285.33.

Mr. Lynch moved to approve payment of this termination refund, seconded by Ms. Walinski. Said motion passed unanimously.

B. Lisa Monaco (Police Department) in the amount of \$585.68.

Mr. Lynch moved to approve payment of this termination refund, seconded by Ms. Walinski. Said motion passed unanimously.

C. Gina Marie Doerr (Police Department) in the amount of \$47.56.

Mr. Lynch moved to approve payment of this termination refund, seconded by Mr. Swank. Said motion passed unanimously.

D. Ashlee Vargo (Planning & Zoning) in the amount of \$751.84.

Mr. Lynch moved to approve payment of this termination refund, seconded by Mr. Swank. Said motion passed unanimously.

E. James Borsos (Planning & Zoning) in the amount of \$219.33.

Mr. Lynch moved to approve payment of this termination refund, seconded by Ms. Walinski. Said motion passed unanimously.

F. Devin Miller (Water & Sewer) in the amount of \$2,019.59.

Mr. Lynch moved to approve payment of this termination refund, seconded by Ms. Walinski. Said motion passed unanimously.

**Item 5 The General Employees Pension Board is being advised that the Plan has received the following checks which have been deposited in the Trust Account.**

- A. Lynch, Jones & Ryan in the amount of \$3,405.00, deposited November 18, 2004 for refund of commissions paid.
- B. Lynch, Jones & Ryan in the amount of \$2,874.00, deposited December 20, 2004 for refund of commissions paid.
- C. SunTrust in the amount of \$37.49, deposited January 5, 2005 for settlement in the case of National Health Labs.
- D. Lynch, Jones & Ryan in the amount of \$2,091.00, deposited January 21, 2005 for refund of commissions paid.

At this time the Board moved to the Boston Company presentation.

**Other Business Brought Before the Board:**

Mr. Paul Leahy and Mr. Dave Macey from Boston Company presented a brief review of their performance. Mr. Leahy indicated the investment objective for the City of Delray Beach General Employees' Retirement Fund is to outperform an Index of the S&P 500 over a full market cycle by utilizing a value-oriented, research-driven, and risk-averse investment process. The minimum Market Cap of \$1 Billion, no foreign securities, maximum 5% per security and maximum 20% per industry are all in compliance. The portfolio illustrates a strong fourth quarter investment performance making it more of a challenging year. The portfolio is ahead of the S&P 500 and BARRA Value for the fourth quarter. Annually it is ahead of S&P 500 (11.5% vs. 10.9%), but under the BARRA Value (11.5% vs. 15.7%); five years it is ahead of both S&P 500 and the BARRA Value. In reviewing the Asset Allocation, ordinarily the cash would be anywhere from 2% to the high end of 5%; generally it is 2-3% which is where we are at (2%).

Mr. Dave Macey thanked the Board for the business relationship with The City of Delray Beach. Mr. Macey reviewed the Performance Attribution Analysis. The illustration shows the Sector Contributions to Equity Return for the calendar year of 2004. There was a very strong performance from Energy, Financial Services and Utilities. Mr. Macey commented the philosophy of how Boston Company invests money into funds is to include exceedingly good value characteristics, strong business fundamentals and positive business momentum. The most difficult of these three is the business momentum aspect. In the past several years, Boston Company has found that if they can find stocks that satisfy these three areas, performance does very well in the portfolio.

In response to Mr. Keating's question of what the outlook is for 2005, Mr. Macey's characterization was not very astounding; however he believes the S&P will be in a 3-3.5% range. If the stock market on the S&P 500 basis were to be 1250-1290 by the end of the year, that would be about a 3-5% lift (gain) with about a 2% dividend. This may create a 7-8% equity return in this environment.

**Item 6 Review of Plan's Performance Evaluation for the Period Ending December 31, 2004.**

Per Mr. McCann's summary of the Plan's performance dated December 31, 2004, the plan did not exceed the policy for three years (4.89% versus 5.61%). The funds ranked 57th in percentile; the total return is 6.51%.

Boston Company equity return did not exceed the S&P 500 index plus .50% (3.89% versus 4.09%). The equity return did not exceed the S&P 500/Barra Value (3.89% versus 6.47%). The equity return ranked 57<sup>th</sup> in percentile.

Davis, Hamilton & Jackson equity return did not exceed the S& P 500 index plus .50% (1.65% versus 4.09%). The equity return did exceed the S&P 500/Barra Growth (1.65% versus .63%). The equity return ranked 40<sup>th</sup> in percentile.

State Street fixed income return portion did not exceed the LBAB (6.78% versus 6.88%). The fixed income return ranked 25<sup>th</sup> in percentile.

Delray Beach General Employees Pension Plan has a total of 66.6 million which consists of 45% fixed income (35.6 million), 54% equity (30.1 million) and 1% cash (900 thousand).

The managers' distribution is listed as 45% for State Street 30.1 million, 29% for the Boston Company 19.1 million, and 26% for Davis, Hamilton and Jackson, 17.3 million.

Mr. McCann questioned the Board if they would like to rebalance at this time or wait until next quarter.

Mr. Keating indicated this would be to shift money back to the bonds. The policy objective is 50/50 and currently it is 56/44; this would be approximately 2.5 million dollars. The Board agreed to rebalance next quarter.

The General Employees Pension Plan current quarter return is up at 5.87% (51st percentile) for a total fund with the policy at 5.05%. For the year, the plan earned 6.51% (69th percentile) with the policy at 7.64%. For three years at 4.89% (57th<sup>nd</sup> percentile) with the policy at 5.61% and for five years the plan earned 4.33% (46th<sup>th</sup> percentile) with the policy at 3.03%. A total equity for both managers is up 10.82% (45th percentile) for the past quarter with the policy at 9.23%, one year is 8.88% (72<sup>nd</sup> percentile) with the policy at 10.88%. Fixed income is .94% (46th percentile) same as the index for the quarter (.95%), one year at 4.26% and three years is 6.78%.

Boston Company is ranked in the 15<sup>th</sup> percentile for the quarter, 45<sup>th</sup> for one year, 57<sup>th</sup> for three years and 33<sup>rd</sup> for five years.

Davis, Hamilton, Jackson is ranked 31<sup>st</sup> for the quarter, 73<sup>rd</sup> for one year and 40<sup>th</sup> for three years.

**Item 7 Review of Fiduciary Liability Insurance Policy 2005-2006.**

Mr. Safford indicated the renewal of the General Employees Retirement System Fiduciary Liability presented by Arthur J. Gallagher & Company in Miami has already been bound. This is before the Board to request confirmation.

Mr. Lynch suggested going with a higher deductible decreasing the cost; he feels \$20,000-\$50,000 would be sensible to accommodate our needs. Since it has already been submitted, Mr. Lynch suggested seeing if this could be reduced next year.

Mr. Lynch moved to make a motion to approve the insurance premium seconded by Mr. Swank. Said motion passed unanimously. (Board members agreed to have Mr. Safford check on the cost savings if any for a higher deductible.)

**Motion to Adjourn:**

There being no further business, Mr. Safford moved to make a motion for adjournment, seconded by Mr. Swank. Said motion passed unanimously. The meeting adjourned at 2:30 p.m.

The undersigned is the Finance Director of the City of Delray Beach and the Secretary for the General Employees Pension Board. The information provided herein is the minutes of the City of Delray Beach General Employees Pension Board of February 17, 2005, which minutes were formally approved and adopted by the General Employees Pension Board on May 19th, 2005.

  
\_\_\_\_\_  
Joseph M. Safford, Director of Finance  
Secretary, General Employees Pension Board

/kms

cc: General Employees Pension Board Members  
David Harden, City Manager  
Susan Ruby, City Attorney  
Department Heads