

GENERAL EMPLOYEES PENSION BOARD
Minutes of
August 18, 2005

Meeting was called to order by Vice Chairperson Milena Walinski at 1:05 p.m.

Members Present: Thomas Lynch, Joseph Safford, Stephen Swank, and Milena Walinski
Members Absent: Jeffrey Keating
Guests Present: Karen Schell, Susan Ruby, John McCann (GRS Asset Consulting)

Item 1 Approval of the General Employees Pension Board Minutes for May 19, 2005.

Mr. Safford moved to approve the minutes for May 19, 2005, seconded by Mr. Swank. Said motion passed unanimously.

Item 2 Approval of the Following Invoices:

- A. Gabriel Roeder Smith & Company, dated April 30, 2005, in the amount of \$2,931.00 for actuarial impact statement (3% multiplier), opinion letter for credited service as police officer or firefighter, retirement calculations for Vizzi, Guerrier, East, revision of buy-back table and buy-back calculations for Koen and Ruby.

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

- B. GRS Asset Consulting Group, dated May 27, 2005, in the amount of \$4,000.00 for the March 31, 2005 quarterly report.

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

- C. State Street Global Advisors, dated May 26, 2005, in the amount of \$4,516.42 for Investment Management Fee for the period of January 1, 2005 through March 31, 2005.

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

- D. Gabriel Roeder Smith & Company, dated May 31, 2005, in the amount of \$3,079.00 for actuarial valuation report of 10-01-04, actuarial impact statement pertaining to 31 day grace period toward eligibility for death benefit, retirement calculations for Sprague and Muehlberg and buy-back calculations for Hartman, Turner, Walinski and Weldon.

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

- E. Kenneth Lee M.D., Pharm D., dated June 24, 2005, in the amount of \$500.00 for the disability evaluation of Thomas Watson.

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

- F. Gabriel Roeder Smith & Company, dated June 30, 2005, in the amount of \$6,026.00 for preparation of the 10-01-04 actuarial valuation report, retirement calculations for Turner and buy-back calculations for Feliciano and Santo.

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

- G. Davis Hamilton Jackson & Associates, dated July 22, 2005, in the amount of \$20,944.29 for the quarterly management fee for the period of July 1, 2005 through September 30, 2005.

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

- H. The Boston Company Asset Management, LLC, dated July 29, 2005, in the amount of \$23,029.12 for the quarterly management fee for the period of July 1, 2005 through September 30, 2005.

Mr. Safford moved to approve payment of this invoice subject to clarification of the separate billing of the \$2,000,000.00, either by correction or acceptance of their explanation, seconded by Mr. Swank. Said motion passed unanimously.

- I. Gabriel Roeder Smith & Company dated July 31, 2005, in the amount of \$6,130.00 for the final preparation of the 10-01-04 actuarial valuation report and retirement calculations for Kroenung.

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

Item 3 Approval of the Following DROP Retirement:

- | | |
|-------------------------|---------------------|
| A. Name: | Brian N Kroenung |
| Age: | 68 |
| Monthly Pension Amount: | \$633.29 |
| Benefit Commenced: | August 1, 2005 |
| Benefit Requested: | 100% Joint Survivor |

Mr. Lynch moved to approve the DROP retirement of Brian Kroenung, seconded by Mr. Safford. Said motion passed unanimously.

Mr. Lynch commented the Notification of Benefits Payable as a Result of Retirement should be notarized to eliminate further questioning if retiree passes away and his/her beneficiary should question retiree's signature.

Item 4 Approval of the Following Retirement:

- | | |
|------------------------|--------------|
| A. Name: | Ruth Sprague |
| Age: | 64 yrs |
| Monthly Pension Amount | \$318.58 |
| Benefit Commenced: | July 1, 2005 |
| Benefit Requested: | Normal Form |

Mr. Lynch moved to approve the normal retirement of Ruth Sprague, seconded by Mr. Swank. Said motion passed unanimously.

Item 5 Approval of the Following Termination Refunds:

- A. Santos Mercado, Jr. (Parks & Recreation) in the amount of \$1,597.98.

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

- B. Adam Faustini (Water & Sewer) in the amount of \$85.00.

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

- C. Kenneth Johnson (Planning & Zoning) in the amount of \$488.94.

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

- D. Bernard Green (Parks & Recreation) in the amount of \$117.98.

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

Item 6 Approval of the Following Beneficiary Disbursement:

- A. One time lump-sum distribution of \$10,000.00 to employee Barbara Turner's spouse as designated beneficiary for a nonservice connected death benefit.

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

Mr. Lynch commented the letter for the awareness of the 20% withholding for Federal Income Tax for the lump sum cash payment should also be notarized.

- B. Monthly benefit of \$531.09 to employee Barbara Turner's spouse as designated beneficiary for a nonservice connected death benefit.

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

Item 7 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 \$2,334.00, deposited May 19, 2005 for April 2005 commissions paid.
- B. SunTrust in the amount of \$613.13, deposited May 23, 2005 for settlement with HCA/Columbia Healthcare class action proceeds.
- C. Vantagepoint Transfer Agents, LLC in the amount of \$10,241.08, deposited May 27, 2005 as partial payment for the buyback of previous city service for Lanelda Gaskins.
- D. Shirley White Trust in the amount of \$500.00, deposited May 28, 2005 for reimbursement of May 2005 pension benefit due to death on April 29, 2005.
- E. Kerry Koen in the amount of \$326.50, deposited June 6, 2005 for the request of actuarial calculations for the purchase of 3% multiplier for all previous years.
- F. Lynch, Jones & Ryan in the amount of \$1,595.00, deposited June 14, 2005 for May 2005 commissions paid.
- G. Vantagepoint Transfer Agents, LLC in the amount of \$11,000.00, deposited June 14, 2005 as partial payment for the buyback of previous city service for Lanelda Gaskins.
- H. Susan Ruby in the amount of \$72,761.00, deposited June 17, 2005 for the purchase of the 3% multiplier for 12 years credited service.
- I. Susan Ruby in the amount of \$326.50, deposited June 17, 2005 for the request of actuarial calculations for the purchase of 3% multiplier for 12 years credited service.
- J. Vantagepoint Transfer Agents, LLC in the amount of \$24,825.00 and Milena Walinski in the amount of \$405.00, deposited June 17, 2005 for the purchase of the 3% multiplier for 6 years credited service.
- K. Lisa Hartman and Milena Walinski both in the amount of \$254.25, deposited June 27, 2005 for the request of actuarial calculations for the purchase of 3% multiplier for all previous years.
- L. Edrise Turner and Joseph Weldon both in the amount of \$254.25, deposited June 30, 2005 for the request of actuarial calculations for the purchase of 3% multiplier for all previous years.

- M. Joseph Weldon in the amount of \$64,000.00, deposited June 30, 2005 as partial payment for the purchase of the 3% multiplier for all previous (17) years of service.
- N. Patina Santo in the amount of \$825.00, deposited June 30, 2005 for the purchase of the 3% multiplier for 2 years and 5 months credited service.
- O. Edrise Turner in the amount of \$2,351.00, deposited July 1, 2005 for the purchase of the 3% multiplier for 3 years and 4 months credited service.
- P. Vantagepoint Transfer Agents, LLC in the amount of \$22,455.00, deposited July 19, 2005 as final payment for the purchase of the 3% multiplier for Joseph Weldon's previous (17) years of service.
- Q. Lynch, Jones & Ryan in the amount of \$3,942.00, deposited July 25, 2005 for June commissions paid.
- R. Patina Santo in the amount of \$251.00, deposited August 2, 2005 for the request of actuarial calculations for the purchase of 3% multiplier for all previous years.

Item 8 Review Application for Disability Retirement for Thomas Watson.

At this time, City Attorney Susan Ruby reviewed the code for qualifications of a disability retirement.

Mr. Lynch moved to accept Dr. Lee's report in terms of disability for Mr. Thomas Watson. Based on the City's definition of total and permanent disability Mr. Watson meets the requirements per Dr. Lee's report; Mr. Safford seconded the motion. Said motion passed unanimously.

Item 9 Review of Fund Transfer.

Transferring of Funds from Boston Company to State Street Global Advisors to rebalance the ratio of equities to fixed income.

Item 10 Review of Plan's Performance Evaluation for the Period Ending June 30, 2005.

Mr. McCann indicated between the two equity managers, the City's portfolio value totals \$32,907,186.63. The one and three year index are up except for EAFE which is down to .75%.

Per Mr. McCann's summary of the Plan's performance dated June 30, 2005, the total return over the trailing 3 year period did not exceed the policy (6.42% versus 7.78%). The funds ranked 65th in percentile; the total return for one year is 7.73%.

The Boston Company equity return did not exceed the S&P 500 index plus .50% (8.18 versus 8.78). The equity return did not exceed the S&P 500/Barra Value (8.18% versus 10.09%); the return ranked 50th in percentile.

Davis, Hamilton & Jackson's equity return did not exceed the S&P 500 index plus .50% (5.48% versus 8.78%). The equity return did not exceed the S&P 500/Barra Growth (5.48% versus 6.43%); the equity return ranked 71st in percentile.

In response to Mr. McCann's suggestion of having the market managers come in to explain why the funds are doing so poorly, board members commented it is a waste of their time and the managers as they continuously say the same speech.

Mr. Swank questioned how much longer the board would give the managers before they start exceeding their policy.

Mr. Lynch commented for the quarter Boston ranked 93rd in the percentile. They are also in the aggressive mode according to the five year period. Being aggressive one surely shouldn't be in the bottom of the rank. In reviewing Davis, Hamilton and Jackson, they are in the conservative mode and are still in the bottom. Entering the index fund would be more conservative.

Mr. McCann stated the board has had problems relying on the equity managers for quite some time. It goes back to the year of 2000 when the entire market collapsed and growth never came back. Mr. McCann commented not to look at the past quarter only; it would be fair to look at the past three to

five years. Three years for the Boston Company, 8.18% versus the Barra Value of 10.09%. That is almost two percent down for each year for three years. Five years at 4.80% put them in the top 34th percentile, exceeding the Barra Value by .44%.

Mr. Lynch stated the reason for the 50/50 split is to have growth and value so if one is out the other would hopefully be in. Index funds may be the safest. Whenever the Board decides to pull away, the managers finally get their act together and start making money. Mr. Lynch commented the trouble with transferring a large sum of moneys to the index fund is the fee that would be involved.

Mr. McCann suggested advising the managers of the possibility of removing half of the moneys to put into an index fund. If they would change their fees, the other half would remain with them, if not transfer all into the index.

Mr. Lynch stated at the last meeting conversation was of equities paying dividends. The board may need to focus on a manager who is focused on dividends.

Mr. McCann commented Boston Company changed their discipline ways; they are now going for higher data where the stocks exceed the dividends.

Board members commented they have great respect for Mr. Keating's thinking and would like to receive his opinion before making any final decision. Perhaps start with the approach of moving one third from Boston into the index fund; monitor that for three to six months.

Mr. McCann stated Davis Hamilton had 1.17% for the quarter which exceeded the Policy (S&P 500/Barra Growth) which was at .14%. This still ranked them in the 84th percentile. Their policy was in the 95th percentile. The growth managers that made money were probably ones that were in the lower quality stocks. However, in reviewing Boston Company for the quarter, they are negative and the policy was highly positive ending in the 93rd percentile. The index was 2.58% and that universe was in the 18th. Mr. McCann indicated with the Board's direction, he would like to get in touch with the managers and advise them there is a lack of confidence in their management ability. If at the end of this quarter/this fiscal year end if they do not exceed their index, the Board will be looking at different alternatives.

Board members were in agreement.

Ms. Walinski questioned if Mr. McCann could bring the Board a list of core managers should that be what the Board would want to do with the core index fund.

Mr. McCann indicated he would bring an asset allocation illustrating ten percent in small cap/mid cap along with manager index names.

Other Business Brought Before the Board:

Mr. Safford addressed the letter of August 11, 2005 from Salem Trust to Board Members. Mr. Safford's opinion of this letter is to have Salem Trust disclose that they are making an annual fee of one quarter of one percent of the average daily net asset balance in the money market funds. When a check is issued to a retiree versus direct deposit, there could be some float. Salem Trust would make money off of this float. The majority of payments to retirees are direct deposits.

Mr. Safford indicated the actuarial report received from Gabriel, Roeder, Smith and Company is the second revised copy. There was a difference in contribution rates between General Employees vs. Union Employees; this came together into one rate for both. The report illustrates the City will need to contribute an additional \$571,000 due to lower than expected investment returns.

Motion to Adjourn:

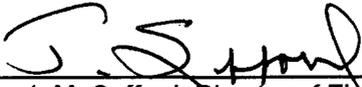
There being no further business, Mr. Safford moved to make a motion for adjournment, seconded by Mr. Lynch. Said motion passed unanimously. The meeting adjourned at 2:45 p.m.

GENERAL EMPLOYEES PENSION BOARD

Minutes of August 18, 2005

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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 August 18, 2005, which minutes were formally approved and adopted by the General Employees Pension Board on November 17, 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