# GENERAL EMPLOYEES PENSION BOARD
## Minutes of
## November 17, 2005

Meeting was called to order by Chairman Jeffrey Keating at 1:00 p.m.

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|---|---|
| Members Present: | Jeffrey Keating, Thomas Lynch, Joseph Safford, Stephen Swank, and Milena Walinski |
| Members Absent: | None |
| Guests Present: | Susan Ruby, Karen Schell, John McCann (GRS Asset Consulting), Steve Palmquist |

**Item 1 Approval of the General Employees Pension Board Minutes for August 18, 2005.**

Mr. Lynch requested on page five, the words "in core" be removed from the sentence of the second paragraph, first line. Mr. Lynch then moved to approve the minutes for August 18, 2005, seconded by Mr. Safford. Said motion passed unanimously.

Board members discussed the dissatisfaction of the performance of some of the managers.

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

A. State Street Global Advisors, dated August 8, 2005, in the amount of $4,694.36 for quarterly management fee for the period of April 1, 2005, June 30, 2005.

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

B. GRS Asset Consulting Group, dated August 22, 2005, in the amount of $4,000.00 for quarterly report as of June 30, 2005.

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

C. Gabriel, Roeder, Smith & Company, dated September 30, 2005, in the amount of $2,029.00 for revision of 10-01-04 Actuarial valuation report and retirement calculations for Held, Hernandez and Watson.

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

D. Davis, Hamilton, Jackson & Associates, dated October 31, 2005, in the amount of $21,563.90 for quarterly management fee for the period of October 1, 2005 through December 31, 2005.

Mr. Lynch 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: | Saundra Hernandez |
| Age: | 60 |
| Monthly Pension Amount: | $923.36 |
| Benefit Commenced: | October 1, 2005 |
| Benefit Requested: | 10 Year Certain and Life |

Mr. Safford moved to approve the DROP retirement of Saundra Hernandez, seconded by Ms. Walinski. Said motion passed unanimously.

B.

| | |
|---|---|
| Name: | Ronald Held |
| Age: | 71 |
| Monthly Pension Amount: | $1,219.69 |
| Benefit Commenced: | November 1, 2005 |
| Benefit Requested: | 100 % Joint and Last Survivor Annuity |

Mr. Lynch moved to approve the DROP retirement of Ronald Held, seconded by Mr. Swank. Said motion passed unanimously.

**Item 4 Approval of the Following Retirement:**

A.

| | |
|---|---|
| Name: | Luis Lluveras (from DROP Plan) |
| Age: | 60 |
| Monthly Pension Amount | $2,056.76 |
| Benefit Commenced: | October 1, 2005 |
| Benefit Requested: | 10 Year Certain and Life |

Mr. Lynch moved to approve the normal retirement of Luis Lluveras, seconded by Mr. Safford. Said motion passed unanimously.

B.

| | |
|---|---|
| Name: | Pedro Prado |
| Age: | 71 |
| Monthly Pension Amount | $668.65 |
| Benefit Commenced: | October 1, 2005 (from DROP Plan) |
| Benefit Requested: | Normal Form |

Mr. Lynch moved to approve the normal retirement of Pedro Prado, seconded by Mr. Safford. Said motion passed unanimously.

C.

| | |
|---|---|
| Name: | Suzanne Burtrem (Early) |
| Age: | 50 |
| Monthly Pension Amount | $906.58 |
| Benefit Commenced: | November 1, 2005 |
| Benefit Requested: | 100% Joint and Last Survivor Annuity |

Mr. Lynch moved to approve the early retirement of Suzanne Burtrem, seconded by Mr. Safford. Said motion passed unanimously.

**Item 5 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 Mr. Safford. Said motion passed unanimously.

B. Garnell Daniels (Community Improvement) in the amount of $1,465.76.

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

C. Elsa Risco (Environmental Services) in the amount of $1,406.99.

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

D. Estevan Lucio (Parks & Recreation) in the amount of $677.45.

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

E. Jose Martinez (Parks & Recreation) in the amount of $179.72.

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

F. Jill Raftery (Police Department) in the amount of $838.13.

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

G. Kenneth Repass (Parks & Recreation) in the amount of $655.51.

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

H. Michael Fairley (Parks & Recreation) in the amount of $1,595.81.

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

**Item 6 Approval of the Following Beneficiary Disbursement:**

A. Margherita Nieves in the amount of $500.00 for deceased Eufemio Nieves.

Ms. Walinski 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 $943.00, deposited August 16, 2005 for July 2005 commissions paid.
B. Lynch, Jones & Ryan in the amount of $2,713.00, deposited October 5, 2005 for August 2005 commissions paid.
C. Joseph Vashlishan in the amount of $12,456.62, deposited October 12, 2005 for the purchase of previous service with the City of Delay Beach.
D. Lynch, Jones & Ryan in the amount of $2,051.00, deposited November 9, 2005 for September 2005 commissions paid.

**Item 8 Distribution of the Quarterly Meeting Schedule for the General Employees Pension Board for Calendar Year 2006.**

Mr. Keating indicated he would not be able to attend the February and August meetings as stated.

After brief discussion, it was the consensus of the Board to move the February meeting to February 23rd, 2006 and the August meeting will be moved to August 24th, 2006.

**Item 9 Review of the Plan's October 1, 2004 Actuarial Valuation Report.**

Mr. Palmquist indicated the report was finished with all appropriate revisions. To prevent further revisions in the future, Mr. Palmquist's office has requested a copy of any future amendments/ordinances passed be forwarded to their office.

The 2001 through 2002 report indicated losses were still within the five year smoothing method. There is a sizable increase in the City's required contribution as a result of loss due to investments. The actual market return for fiscal 2003/2004 was approximately 6%. The return recognized under the smoothing method was 3.1%. (Less than the 7.75% assumption.) Year end returns were much lower than anticipated; therefore cost in the future rises to make up the difference.

Mr. Palmquist indicated on the new exhibit in the report, focus on comparison of actual return and salary increases were compared to assumptions. The new focus should be the number of people leaving compared to what was expected. There were nine new retirements; based on the probabilities of 13 expected. Employment terminations for three years together, 26 left with expectation of 43. Terminations were at 48, expectation was 46. These are the areas that need to be examined. Terminations and disability probability was based on age; turnover on the younger ages was expected to be much higher than the older ages. For service retirement, the table illustrates 70% of those who first reach normal retirement date to leave within the

first year; 40% each of the next few years, then 100% after 5 years. The actual has been somewhat less than that.

Milena questioned if one could retire at the age of 60; in most cases one could not because of health insurance issues. One could enter the DROP; however one could not collect Medicare until the age of 66 or later. Based on this, perhaps the actuarial assumptions need to be adjusted. This would mean that people would need to stay longer.

Mr. Palmquist agreed, stating he feels the retirement probabilities are a little too conservative; meaning the current expectation is more people leaving sooner than actuality. There may be an increase this year since the 3% multiplier went in effect and people were buying back service.

Mr. Palmquist commented it would be a good idea to review everything; salary increases, employment terminations and retirements. The reason that this is the opportune time is the market value of the fund at this report date is five million dollars more than the actuarial value. When the 2005 report is completed, it will probably read about seven million dollars more. The market value will exceed the actuarial value by several million dollars. This would also be the time to review the possibility of updating the mortality rates to strengthen the assumptions. In making the assumptions more conservative, this may cushion the market and actuarial value, where it would not affect the City's cost. If the mortality rate table is changed the way Mr. Palmquist would like it to, he would be using what is called generational mortality rates. This means there would be a built in expected improvement in mortality over time so one would not have to be concerned about the table changing.

In response to Mr. Lynch's question if this means the plan is over funded, Mr. Palmquist responded no, it could go either way. A year or two ago, the actuarial value was higher than the market value. It will go back and forth depending on the pattern of returns.

In response to Mr. Keating question of what the approximate cost and time for this study would be, Mr. Palmquist was not able to give a cost amount at this time. Mr. Palmquist indicated based on the most recent study completed for a similar size plan it is around $10,000 to $12,000 worth of time.

Mr. Lynch moved to make a motion that the Board approve the actuaries to complete an experience study review of the General Employees Plan assumptions not to exceed $12,000.00; seconded by Mr. Safford. Said motion passed unanimously.

**<u>Item 10</u> Review of Plan's Performance Evaluation for the Period Ending September 30, 2005.**

Mr. McCann reviewed the large cap Managers at this time. Boston Company equities are at 17.1 million. When looking at the box illustration, the box breaks the market value down into the specific style of manager. It is shown heavily rated on the values style. In calculation, if one were to take half of the core, 42% and add it to the value, (21 + 52 + 1 equals 74) 74% of 17.1 million is where we would like to see Boston Company be. Boston is definitely the value manager. Davis Hamilton and Jackson using the same formula is 72% in growth style stocks, which is where they should be. In reviewing 137 stocks, Mr. McCann indicated he wants to make sure the managers don't have a combination of 10%; meaning there are actually 13 stocks duplicated. There are a total of 124 different stocks in a combined portfolio which is a good diversification.

Mr. McCann indicated the total fund has 67.1 million in it. Fifty percent equities and 49% in fixed income. Managers are broken down with Boston Company at 26%, 17.2 million; Davis Hamilton and Jackson at 26% 17.3 million; and State Street at 48%, 32.6 million.

Further discussion pursued among Board members.

In reviewing the executive summary, the current quarter total fund is 1.45% but the policy is at 1.48%; with a ranking of 76. One year is 7.94%, however 7.75% is the actuarial assumption for earnings. The plan also exceeded the policy which is at 7.54% ranking 68$^{th}$ in percentile. For three years 9.16% and five years at 4.05% which did exceed the policy of 2.98%. Total equities for the quarter are 3.77%; exceeding the S&P 500, for one year a total of 13.96%, three years 15.61% and five years 1.71% which exceeded the S&P 500. Fixed income for the quarter reads a negative .68%; 2.78% for one year, 4.33 for three years and 5.52% for four years.

Boston Company's portfolio for the current quarter is 3.71% exceeding the Barra Value of 3.44%, 47th percentile ranking. One year is at 14.28% exceeding Barra Value of 13.82%, ranking 40th in percentile. 18.65% for three years, behind the Barra Value of 20.16%, ranking 24th in percentile. Five years at 4.14% exceeding the Barra Value of 2.31% ranking 34th in percentile.

Davis, Hamilton and Jackson is 3.82% for the quarter exceeding their policy of 3.78%, with a 70th percentile ranking. One year is 13.64% up from the Barra Growth of 10.66% ranking 57th in percentile. Three years is 12.53% behind the Barra Growth of 13.36%; four year is 4.28% which exceeded the Barra Growth of 4.11%, ranking 60th in percentile.

At this time Mr. McCann reviewed the Asset Allocation Analysis. The Scenario assumptions illustrate the small cap growth to be on top; this has the highest return with the highest risk. Mr. McCann illustrated the small and mid caps, introducing new information and suggestions.

Further discussion pursued among Board members concerning Manager performance along with the possibility of moving equities into index.

Mr. Keating suggested Mr. McCann come back to the Board next quarter with further information on mid cap managers either active or indexed.

**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 2:55 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 November 17, 2005, which minutes were formally approved and adopted by the General Employees Pension Board on February 23rd, 2006.

J. Safford

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