

GENERAL EMPLOYEES PENSION BOARD

Minutes of February 23, 2006

Meeting was called to order by Chairman Jeffrey Keating at 1:02 p.m.

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

Item 1 Approval of the General Employees Pension Board Minutes for November 17, 2005.

Mr. Safford questioned the last paragraph of Page 3, employee terminations; he requested if the Board Liaison would please review the tape and correct for clarity.

Mr. Keating indicated the subject was the experience rates; an assumption that when people reach retirement, they retire, but because they have a few years before Medicare comes into play, the retirement rate is less than half of what is built in the plan. If eligible retirees stay and work an additional five years, that dramatically changes and reduces the liability from the City.

Ms. Walinski commented Steve Palmquist was to get back to the Board with further information on the experience study. We have not heard a response from Mr. Palmquist in reference to this.

Mr. Keating indicated this could take approximately six months. This study takes longer than the actuaries; they go back and take experience studies of the last ten years and compare it to the expected rates, mortality rates and experiences with other similar plans to find out whether there is some pattern. For example, because everyone loves us in the City of Delray, we don't retire; then in Lake Worth everyone retires as soon as eligible.

Mr. Lynch moved to approve the minutes for November 17, 2005, seconded by Mr. Safford. Said motion passed unanimously.

Item 2 Approval of the Following Invoices:

- A. State Street Global Advisors, dated November 15, 2005, in the amount of \$4,908.66 for quarterly management fee for the period of July 1, 2005 through September 30, 2005.

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

- B. The Boston Company Asset Management, LLC, dated November 9, 2005, in the amount of \$18,947.02 for quarterly investment management fee for the period of October 1, 2005 through December 31, 2005 (less credit of overpayment for the third quarter).

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

- C. GRS Asset Consulting Group, dated December 5, 2005, in the amount of \$4,000.00 for the September 30, 2005 quarterly report.

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

- D. Gabriel, Roeder, Smith & Company, dated November 30, 2005, in the amount of \$1,502.00 for preparation of the October 1, 2005 actuarial valuation report, retirement calculations for Milne, Crisanti, Burtrem and buy back calculation for Weldon.

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

- E. Davis, Hamilton, Jackson, dated January 12, 2006, in the amount of \$23,161.51 for the quarterly management fee for the period of January 1, 2006 through March 31, 2006.

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

- F. GRS Asset Consulting Group, dated February 2, 2006, in the amount of \$4,000.00 for the December 31, 2005 quarterly report.

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

- G. Gabriel, Roeder, Smith & Company, dated January 31, 2006, in the amount of \$1,250.00 for retirement calculations for N'Gurumo, Randolph, Schooler and buy back calculation for Koen.

Ms. Walinski 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: Barbara Schooler
Age: 63
Monthly Pension Amount: \$3,242.54
Benefit Commenced: 04/01/06
Benefit Requested: Normal

Ms. Walinski moved to approve the DROP retirement of Barbara Schooler, seconded by Mr. Lynch. Said motion passed unanimously.

Item 4 Approval of the Following Retirement:

- A. Name: Carolyn Meggison (from the DROP Plan)
Age: 71
Monthly Pension Amount: \$604.78
Benefit Commenced: 01/01/06
Benefit Requested: 66 2/3% Survivor Annuity

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

- B. Name: Robert Phillips (from the DROP Plan)
Age: 60
Monthly Pension Amount: \$3,073.61
Benefit Commenced: 03/01/06
Benefit Requested: Normal

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

- C. Name: N'Detenga N'Gurumo
Age: 64
Monthly Pension Amount: \$1,812.18
Benefit Commenced: 03/01/06
Benefit Requested: 100% Survivor Annuity

Mr. Lynch moved to approve the normal retirement of N'Detenga N' Gurumo, seconded by Ms Walinski. Said motion passed unanimously.

D. Name:	Douglas Randolph
Age:	60
Monthly Pension Amount	\$2,142.29
Benefit Commenced:	04/01/06
Benefit Requested:	Normal

Mr. Safford moved to approve the normal retirement of Douglas Randolph, seconded by Ms. Walinski. Said motion passed unanimously.

Item 5 Approval of the Following Termination Refunds:

- A. Mary Anne Mylott (Police Department) in the amount of \$1,156.80.

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

Item 6 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 \$2,599.00, deposited December 6, 2005 for refund of October 2005 commissions paid.
- B. Joseph Weldon in the amount of \$61,170.00, deposited December 6, 2005 for the purchase of two additional years of credited service at the 3% multiplier rate.
- C. Joseph Weldon in the amount of \$350.00, deposited December 19, 2005 for the payment of actuarial calculation of purchase of previous two years service.
- D. Lynch, Jones & Ryan in the amount of \$2,110.00, deposited January 9, 2006 for refund of November 2005 commissions paid.
- E. Lynch, Jones & Ryan in the amount of \$2,139.00, deposited February 7, 2006 for refund of December 2005 commissions paid.

Item 7 Review of Assigning investment consulting practice to GRS Asset Consulting Group, Inc.

Mr. McCann discussed the corporate reconstruction with GRS Asset Consulting Group, stating every thing will remain the same, except they have been incorporated.

Mr. Safford commented he believes the previous contract was with GRS Asset Consulting Group.

Mr. McCann indicated Gabriel, Roeder, Smith and Company is in consent with the assignment; he will be working with GRS with their 401k plan and Defined Benefit Pension plan.

Further discussion pursued with reference to the signed contract.

Mr. Lynch moved to accept the change of ownership and continue with the arrangements throughout the new agreement, seconded by Mr. Safford. Said motion passed unanimously.

Mr. McCann stated he would forward the contract to Ms. Ruby as soon as possible.

This item should be brought back to the Board at the next meeting.

Item 8 Review of Fiduciary Liability 2006-2007.

Mr. Safford stated he spoke with Frank Babin, the Risk Manager relative to this matter. At last year's meeting when the Board approved the premium, Mr. Lynch suggested seeking additional quotes. To Mr. Safford's knowledge, the firm Arthur J. Gallagher had looked at alternative quotes; this being their final recommendation to remain with the same expiring company. The renewal premium will remain the same, depending on whether or not the Board would want the TRIA (Terrorism Risk Insurance Act) coverage. Mr. Safford does not see any reason to bring in the TRIA act coverage.

Mr. Keating stated one of the items Mr. Lynch mentioned was to possibly raise the deductible to reduce the premiums.

Mr. Lynch commented if Arthur J. Gallagher did look at other companies, they would have quoted them. Mr. Lynch recommended obtaining a cost factor for a \$25,000 and \$50,000 deductible; he also agreed with Mr. Safford that the TRIA coverage was not needed.

Mr. Safford stated he would refer this to Mr. Babin's attention. Mr. Safford indicated the policy is already in place with an effective date of February 7, 2006. The short time span of two weeks before expiration was the same problem last year where coverage had to be bound.

Mr. Lynch commented we may have to live with this again, however Mr. Babin needs to look into this earlier in the future. Mr. Lynch feels the \$10,000 deductible is quite low for the minimal exposure needed.

Item 9 Review of Plan's Performance Evaluation for the Period Ending December 31, 2005.

Mr. McCann reviewed the performance for the quarter ending December 31, 2005. The total fund did not exceed the policy for the three year period; 8.17 vs. 9.24. The total fund ranked 71st in percentile and did not exceed the assumed actuarial rate of return of 7.75% for the one year period (3.86%). The Boston Company did not exceed the S & P 500/Barra Value for the three year period, 16.03 vs. 17.48. Boston Company did meet or exceed all other expectations. Davis, Hamilton and Jackson did not exceed the S & P 500 index plus .5%, (11.14 vs. 14.89). They also did not exceed the S & P 500/Barra Growth, 11.14 vs. 11.33 for the three year period. The equity return ranked 85th in percentile. State Street fixed income return for the three year period did not exceed the LBAB, 3.96% vs. 4.05%.

In reviewing the performance evaluation summary, Mr. McCann stated the total fund exceeded the index 50/50. The quarter return was up 1.77%, for one year 3.86 vs. 3.76; the three year trailed 8.17% vs. 9.24% and five year 3.51% vs. 3.69%. Total equities which is Boston Company and Davis, Hamilton and Jackson combined, the quarter return did exceed the policy return 3.09% vs. 2.09%, one year 6.01% vs. 4.91%, three year did not exceed the S & P 500, 13.63% vs. 14.39%, and five year 1.38% vs. .54%. Fixed income was even with the policy return, one year 2.42% vs. 2.43%, three year 3.96% vs. 4.05% and five year 5.68% vs. 5.75%. Boston Company improved, exceeding their policy for the quarter 3.22% vs. 2.70%, one year 6.62% vs. 6.33%, three year which did not exceed the policy, 16.03% vs. 17.48% and five year 3.54% vs. 2.53%. Davis, Hamilton and Jackson quarterly return was 2.97% vs. 1.44%, one year 5.39% vs. 3.46%, three year 11.14% vs. 11.33% and four years 2.57% vs. 1.33%.

Further discussion pursued with the performance of Davis, Hamilton, Jackson & Associates.

Mr. Lynch suggested the Board continue to look for other Managers with the possibility of making some changes in the future.

At the last meeting Mr. McCann stated he was requested to bring further information on mid cap managers either active or indexed. Mr. McCann reviewed the comparison of managers and their returns. Mr. McCann stated the illustrations show the top managers and will add a few more.

Item 10 Other Business.

A. Review of Custodian.

Ms. Walinski commented she wants to keep the Board members apprised of the situation with the General Employees Custodian, Salem Trust; they have not been performing as well as liked. Some items mentioned were audit fees, response time for customer service, manually overriding employee file information, incorrect 1099 information, new design of bank statements and incorrect transferring of figures onto new statement.

Mr. Lynch commented this is an area where the Board members would not recognize these items as they have little or no contact with. The Board had always wanted to go local or at least as close as possible. Mr. Lynch suggested interviewing a few banks, and mentioned Northern Trust as one prospect.

Mr. Keating feels this is really critical given the numbers of employees we have in our retirement plan.

Ms. Walinski stated she was going to pursue further research. She stated the Police and Firefighters had tried to get together with Northern Trust; however Northern Trust never returned calls.

B. Pension Software

Ms. Walinski indicated the City of Delray Beach has software that had been written quite some time ago that will need to be rewritten and updated. Part of this software provides data from payroll and develops information we supply to the actuaries. Ms. Walinski stated a few individuals went to Boynton Beach to review their pension software application provided by Ellen Schafer who had written it herself. Ms. Walinski commented there were a few items of concern and questioned the Board members if any of them know of another municipality or company that has their own pension software.

Mr. Lynch stated he is amazed there isn't a software service where one could do the actuary study.

Ms. Walinski stated she personally would like to have this. In the software package that was reviewed, one would need to receive the factors being used by Steve Palmquist; however the calculations could be processed right then.

Mr. Lynch commented the calculations should still be completed by a third party, however it would at least give one an idea of what they would be expecting.

Ms. Walinski questioned the Board if the pension plan would pay for this?

In response to Mr. Lynch's question of the cost, Ms. Walinski responded approximately \$12,000.00. Broken down it would be \$10,000.00 for the software and \$1,500.00 for licensing. This particular software that was reviewed is written in COBOL. One issue of concern is that Ms. Schafer is a one person office; therefore we would need to buy the source code. The program was overall very nice. All individuals that Ms. Walinski conversed with was very happy with Ms. Schafer's customer service stating she was always very helpful and good. As a person, she has a very good reputation.

Mr. Lynch suggested when interviewing for a custodian, request what software service these individuals are using.

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.

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 23, 2006, which minutes were formally approved and adopted by the General Employees Pension Board on May 18, 2006.



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