GENERAL EMPLOYEES PENSION BOARD
Special Meeting
Minutes of
October 2, 2006

A Special meeting was called to order by Vice Chairperson Milena Walinski at 3:03 p.m.

Members Present:	Thomas Lynch, Joseph Safford, Stephen Swank, Milena Walinski and Jeffrey Keating (by phone)
Members Absent:	None
Guests Present:	Susan Ruby, Karen Schell, John McCann (GRS Asset Consulting), Jim Linn (by phone) and Glen Thomas (by phone)

Item 1 Davis, Hamilton & Jackson
Discuss and review the Loomis Sayles (Large Cap Growth Manager) agreement and transferring of assets from Davis, Hamilton and Jackson.

Item 2 ROEBECO (Weiss, Peck & Greer)
Discuss and review the investment policy regarding foreign investments for possible cancellation of contract for Mid Cap Manager.

Item 3 Co-mingled Funds
Discuss co-mingled funds.

Mr. Safford indicated the first three items on the agenda are basically being discussed at the same time. At this time, Mr. Safford reviewed the events that had transpired in reference to the transition of the Large Cap Growth Manager from Davis, Hamilton and Jackson to Loomis, Sayles and Company; and the new Mid Cap Manager ROBECO (Weiss, Peck & Greer). First of all, the Finance Department was informed only part of the contract document was received for Loomis, Sayles and Company. In addition a representative from Loomis, Sayles and Company forwarded an e-mail stating they could not agree to the investment policy and guidelines.

Secondly, we were instructed to notify the managers Boston Company and State Street to liquidate assets to cash to be deposited with ROBECO (Weiss, Peck & Greet) a new Mid Cap Manager. An e-mail was received from a representative of ROBECO also, indicating they could not agree to the investment policy and guidelines as they invest in co-mingled and international funds which are violations to the city ordinances. We then notified Boston Company and State Street to reverse the liquidation of assets only to find out Boston Company had already completed the liquidation process. Mr. Safford indicated Boston Company was given instructions to reinvest the funds at this time.

An e-mail was sent to John McCann informing him we were not "happy campers". We felt we should have been given contact information with names and numbers of the new companies; these companies should have been supplied with copies of our investment policies, which apparently they had not because upon receipt of the investment policies, both managers indicated they could not agree with it. John McCann has a further update of the current status.

Mr. McCann apologized to everyone, specifically Joe Safford, Karen Schell and Milena Walinski for all the work they went through. Mr. McCann was working towards having the transitions completed for September 30th or October 2, 2006 as quickly and efficiently as possible. In speaking with ROBECO, (Weiss, Peck & Greer), they stated their standard fee for a separately managed account is 70 basis points; they were waiving the minimum ten million dollar fund. This was a counter offer because they could not proceed in co-mingled funds due to the ADR's and international equities which are not allowed by the city ordinances. This presented a totally different contract that was forwarded to Susan Ruby on Friday evening, September 29, 2006.

As far as the investment policy, Mr. McCann stated the following changes took place. There is a line through the one billion market liquidity deleting the whole sentence. To the last paragraph of equities we added mid or small capitalization. The Target Wt was changed to 55% equities, 45% fixed income (from 50/50). Under the representative index it now specifically mentions mid cap; 24.5% S & P 500 Value which refers to Boston, 24.5% R1000 Growth refers to Loomis, Sayles and 6.0% S & P 400 Mid Cap will reference the new mid cap manager whoever that may be. The Fixed Income Representative Index now reads Lehman Bros. Aggregate and the Cash & Equivalent Representative Index name was changed from Solomon Bros. to Citigroup. The description of the Peer Group and the Asset Category was changed from the Value Cap to S & P 500/Citigroup

Value. The Growth Capitalization equity to R1000 Growth which is what Loomis Sayles would want and the Mid S& P 400 Mid Cap equity style was added. We're changing the Domestic Fixed Income G/C government credit to now read Lehman Aggregate index. The final page only has one signature line for the Board to sign.

Mr. Safford commented while these changes are being made, we should also change the Custodian to Salem Trust and the Accountant to Caler, Donter, Levine, Druker, Porter & Veil P.A.

Ms. Walinski questioned if the investment policy needed to be enhanced or modified to accommodate future investment managers.

Mr. Keating responded that the Board had talked about the investment policy guidelines back in June when these changes were going to take place. He believes the Board needs to amend or restate the investment policy and guidelines, then move on to the next step being the managers and transitions. Mr. Keating indicated the changes Mr. McCann put forward were at his recommendation or direction because no manager can sign onto the guideline. If one does sign onto the investment policy guideline, they would be taking the same fiduciary responsibility the Board has and no manager would want to be responsible for another manager, only whatever their mandate is. Mr. Keating indicated the changes Mr. McCann outlined a few minutes ago seem appropriate and accomplish what the Board discussed back in June.

At this time, Mr. Safford moved to make a motion to approve the pension fund investment policy guidelines as amended, seconded by Mr. Swank. Said motion passed unanimously.

Mr. Lynch questioned why the Board would change the policy target of 50/50 when the flexibility is already there to go from the minimum to the maximum which is 65. Two years from now we may want to change it again back to where it was previously.

Mr. McCann indicated it is good to list the target weight in the policy as this will be illustrated as comparison with managers in his reports.

Mr. Keating indicated previously managers had the discretion to go to 60% equities/40% fixed income; however the Board decided the managers were not actively managing the money and adopted a target of 50/50 being conservative, even though the City Code states a maximum of 65%. Listing the target rate change will allow the consultants (GRS Consulting) to measure the components of the funds against the 60% figure.

Mr. Linn suggested if the Board was going to consider co-mingled funds as an investment in the future, they may want to have specific language in the investment policy to allow the ability and flexibility. Individual managers will likely invest in accordance with the policy, whereas the co-mingled fund is not so easily adjusted. Several sections of the investment policy specify limitations; such as specific prohibition on investing in non U.S. securities, private placements, letter stock and options, or engaging in short sales or margin transactions. Mr. Linn offered to forward suggestive wording to this effect.

In response to Ms. Ruby's question of the Board wanting to consider co-mingled funds, Mr. Safford and Mr. Keating stated the Board is already investing in co-mingled funds. Mr. Keating commented this is where the different State Street structure is; the Board went with a U.S. Aggregate Index Fund.

At this time, the Board moved forward with the review and discussion of ROBECO (Weiss, Peck & Greer).

Mr. McCann reiterated the fee for ROBECO as being 70 basis points; this would be a separately managed account with no ADR's. Again, a totally different contract was forwarded to Susan Ruby for review. Mr. McCann indicated he then went back to review the search that was discussed at the Board at the last meeting. Weiss, Peck and Greer being number one, Chicago Equity was number two and then State Street followed by three points. The Board already has a contract with State Street for their Fixed Income Index Fund. The agreement consists of two amended pages. Mr. McCann reviewed the performance indicating for one year State Street out performed the S & P Mid Cap 400 Index by 4% being 17%; for three and five years they out performed the S & P Mid Cap 400 Index by 3% each. State Street's fee is 55 basis points and is a co-mingled fund with no ADR's.

Mr. Safford questioned Mr. Keating's opinion on State Street as an alternative investment manager to ROBECO.

Mr. Keating stated back in June we had this discussion when the Board was basically comparing ROBECO over their five year track record where it out performed State Street's co-mingled fund by 120 basis points. Now it will be difficult to determine and compare as the two are co-mingled funds. Mr. Keating was not sure if the ADR's added in the material return to their five year performance. Mr. Keating's first preference was to use State Street especially since the Board is already investing with them. Mr. Swank and Ms. Walinski felt the Board should go for the added performance.

Mr. Swank commented at this point part of the goal is not just in selecting the best performing managers, but also the ability to accomplish the transition. With a postponement by having new agreements reviewed for ROBECO, and State Street could be expedited with simply amending an agreement, Mr. Swank has no objections in going with State Street.

Mr. Safford agreed with Mr. Swank. His concern with ROBECO was that the Board would not be invested in the co-mingled funds, but stand alone. For the amount of money being invested, the returns would not be the same as a larger co-mingled fund. There is a bigger risk.

Mr. McCann commented this is a very good point. This is a new fund and should not be considered for that reason alone; with no ADR's this is a completely different fund with no history. The impact the ADR's have had over the last five years is unknown.

Ms. Walinski feels the Board couldn't even consider ROBECO because it is not the same fund. There is no data to make a decision. She also suggests going with State Street.

Mr. Lynch commented he wasn't here for the discussion at the last meeting, however it sounds as though the Board was heading for the better scoring which was not worth it. He stated he is comfortable with State Street.

Mr. Safford moved to make a motion to approve State Street as a new Mid Cap Manager in lieu of ROBECO (Weiss Peck & Greer), seconded by Mr. Keating. Said motion passed unanimously.

Ms. Walinski questioned if the board wanted to discuss Davis, Hamilton & Jackson any further as they have been officially terminated. She questioned if the contract with Loomis, Sayles is in good order.

Mr. Linn stated he has reviewed the contract several times and believes nothing has changed. Mr. Linn feels the person forwarding the last round of e-mails may not have been aware of the side letter that was executed. The side letter basically states Loomis, Sayles will not invest in any funds that are prohibitive in our investment policy guidelines; if they decide to, they will give 30 days advance notice. This would then give the Board the opportunity to go along or pull their money out.

Ms. Ruby indicated the Board approved the Loomis, Sayles agreement; however she feels the Board should reiterate the approval subject to the side letter.

Mr. Safford moved to make a motion to approve the Loomis, Sayles agreement to include the side letter which was approved by all parties, seconded by Mr. Swank. Said motion passed unanimously.

In response to Ms. Walinski's question of an effective date, Mr. Keating stated it would be effective immediately. All funds/money are to be transferred from Davis, Hamilton and Jackson to Loomis, Sayles.

Mr. Safford indicated Lynch, Jones & Ryan is the transition manager to protect our interest, as there are some stocks of Davis, Hamilton and Jackson that may be transferred and some liquidated.

Item 4 Pension Software
Discussion of increase in cost.

Mr. Safford indicated the local Gabriel, Roeder and Smith Company's office has an outstanding pension software package. This local office was always under the understanding they were part of the larger GRS national group and had rights to sell their software program. Unbeknownst to the local GRS office, they did not have any rights for these sales. Mr. Safford continued stating there was a concern in that there were two different software packages. The local developed software package (the one the Finance Department was interested in) is not what they want to sell. The national software package is supported by a large group of software programmers. We have recently reviewed this and have been in touch with these individuals. At this time we are bringing this subject back to the Board as there is a difference in cost of approximately $10,000. The Board had originally approved $50,000 and now we are looking at $60,000 plus an annual maintenance of 10%, ($6,000 per year) or a lease fee of $18,000 per year.

Ms. Walinski stated she requested who the support person(s) would be. It was stated the National Office would be doing all the support. This would never have been noticed had our office not requested a contract. It was at this time our office was informed the local office did not have the rights to sell this program. Ms. Walinski explained the software itself is excellent; very professional, more functionality, customization and we feel it will be around for quite some time to perform what is needed.

Mr. Safford commented it links into our payroll system and employees would be able to obtain quotes under the web page. The closest professional package to this was with Pension Gold and they exceeded $100,000.00.

Mr. Lynch moved to make a motion to accept the GRS national software pension program for $60,000, seconded by Mr. Safford. Said motion passed unanimously.

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 approximately 3:55 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 October 2, 2006, which minutes were formally approved and adopted by the General Employees Pension Board on November 16, 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