GENERAL EMPLOYEES PENSION BOARD

Minutes of
November 16, 2006

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

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) and Steve Palmquist, Plan Actuary

Item 1 Approval of the General Employees Pension Board Minutes:

A. August 24, 2006 – Regular meeting.

Mr. Lynch moved to approve the minutes for August 24, 2006, seconded by Mr. Safford. Said motion passed unanimously.

B. October 2, 2006 – Special meeting.

Mr. Lynch moved to approve the minutes for October 2, 2006, seconded by Mr. Swank. Said motion passed unanimously.

Item 2 Approval of the Following Invoices:

A. Dr. Alan K. Novick, MD, P.D., dated August 7, 2006 in the amount of $30.45 for copies of medical records for William Rodriguez Disability Evaluation.

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

B. State Street Global Advisors, dated August 14, 2006 in the amount of $5,031.70 for investment management fee for the period of April 1, 2006 through June 30, 2006.

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

C. GRS Asset Consulting Group, Inc, dated August 21, 2006 in the amount of $4,000.00 for performance monitoring for the quarter ending June 30, 2006.

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

D. Gabriel, Roeder, Smith & Company, dated September 7, 2006 in the amount of $12,922.00 for completion of Actuarial Experience Study, retirement calculations for Heussi and Sohn, correspondence for Warren and draft of Summary Plan Description.

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

E. City of Delray Beach, dated September 19, 2006 in the amount of $1,083.47 for Karen Schell to attend FPPTA Trustees School on October 8 through October 11, 2006.

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

F. Gabriel, Roeder, Smith & Company, dated October 2, 2006 in the amount of $2,040.00 for an Actuarial impact of a one-time 5% benefit increase for retirees, retirement calculation for McKersie, buy back calculation for Reynolds and the revised Summary Plan Description.

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

G. Federal Express, dated October 3, 2006 in the amount of $58.06 for overnight packages of contracts for transitioning of new managers.

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 October 13, 2006 in the amount of $24,473.98 for the quarterly investment management fee for the period of October 1, 2006 through December 31, 2006.

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

I. CORA Health Services, Inc., dated October 11, 2006 in the amount of $33.00 for copies of medical records for William Renner.

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

J. CORA Health Services, Inc., dated October 11, 2006 in the amount of $20.00 for copies of medical records for Corey Nelson.

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:	Loretta Heussi
Age:	64
Monthly Pension Amount:	$1,214.27
Benefit Commenced:	November 1, 2006
Benefit Requested:	Normal Form

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

Item 4 Approval of the Following Retirement:

A. Name:	Martin Sohn
Age:	60
Monthly Pension Amount	$853.56
Benefit Commenced:	October 1, 2006
Benefit Requested:	Normal Form

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

B. Name:	Jack Ceasar (from DROP Plan)
Age:	64
Monthly Pension Amount	$1,893.39
Benefit Commenced:	December 1, 2006
Benefit Requested:	Normal Form

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

C. Name: Edward McKersie (Early Retirement)
Age: 55
Monthly Pension Amount $976.46
Benefit Commenced: October 1, 2006
Benefit Requested: Normal Form

Ms. Walinski moved to approve the early retirement of Edward McKersie, seconded by Mr. Lynch. Said motion passed unanimously.

Item 5 Approval of the Following Termination Refunds:

A. Jill Skaggs (Environmental Services) in the amount of $1,041.83.

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

B. Edrise Turner (Community Improvement) in the amount of $4,727.63.

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

C. John Murray (Water & Sewer) in the amount of $565.42.

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

D. Gary Harper (Water & Sewer) in the amount of $1,085.35.

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

E. Valerie Smith (Risk Management) in the amount of $363.83.

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

Item 6 Approval of the Following Beneficiary Disbursement:

Marian Pullum in the amount of $1,079.33 for deceased Daniel Pullum.

Mr. Safford moved to approve payment of the monthly benefit to Marian Pullum, seconded by Mr. Lynch. 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. SunTrust in the amount of $4,183.71, deposited August 18, 2006 for refund of a settlement with Mattel Securities Class Action proceeds.
B. Lynch, Jones & Ryan in the amount of $1,100.00, deposited August 24, 2006 for July 2006 commissions.
C. Jennifer Reynolds in the amount of $9,802.00, deposited September 21, 2006 for the election of the 3% enhanced multiplier for nine years and eight months of previous credited service.
D. Lynch, Jones & Ryan in the amount of $2,324.00, deposited September 25, 2006 for August 2006 commissions.
E. Deloris Ivery (Margarette Morris) in the amount of $667.09, deposited October 27, 2006 for reimbursement of the October 1st, 2006 monthly pension benefit not entitled.
F. Lynch, Jones & Ryan in the amount of $3,118.00, deposited October 30, 2006 for September 2006 commissions.

Item 8 Review of Transition from Davis Hamilton & Jackson to Loomis Sayles and "Trade Sheet" authorization.

Mr. Keating indicated Loomis Sayles was able to take in approximately 60% of the securities into the commingled funds, and 38% was sold.

Ms. Walinski indicated when money is coming or going into the account with Loomis Sayles, a "trade sheet" needs to be completed. Ms. Walinski is concerned if the appropriate people were out of the office for any extended length of time, moneys would be put on hold. Is there a smoother method than to have this "trade sheet" completed for each transaction?

Mr. McCann stated he would speak with Loomis Sayles to see if there is an easier way of handling this.

Item 9 Review and discuss the funding of the Receipt and Disbursement account for allocation.

Ms. Walinski questioned how the Board wanted to allocate the funding of the Receipt and Disbursement account.

After a brief discussion, Mr. Safford moved to approve the distribution of funds in the amount of 55% from the equity managers to be split 50/50 (27.5%) and 45% from State Street, the fixed income manager, seconded by Mr. Swank. Said motion passed unanimously.

Item 10 Review and discuss percentage distribution and wiring instructions of City Contributions in the plan.

Mr. Keating commented this item should be disbursed in a similar manner. Fixed income should be 45% and 55% split between the two equity managers. Periodically the Board will need to review the accounts from John's report and rebalance, rather than rebalancing the receipts and disbursements.

Mr. Safford moved to approve the City Contributions be distributed in the amount of 55% between the equity managers in equal amounts (27.5%) and 45% to State Street, the fixed income manager, seconded by Mr. Lynch. Said motion passed unanimously.

Item 11 Review Application for Disability Retirement.

Ms. Ruby reviewed the rules and regulations of the disability pension requirements needed to approve the disability pension requests. As this is an initial hearing, the decision is based on the written evidence before the members. The findings needed to be made by the Board are: a participant may retire from the service of the City under the plan if he/she becomes totally and permanently disabled, as defined in this Section of the Code of Ordinances. The definition of total and permanent disability is if, in the opinion of the Retirement Committee, the participant is wholly prevented from engaging in any occupation for wage or profit; and a participant will be considered permanently disabled if, in the opinion of the Committee, the participant is likely to remain so disabled continuously and permanently from the cause specified. Whether it's a total disability that prevents any work for any wage or profit and whether it's permanent in nature.

Ms. Ruby continued stating the Board would need to find whether the claimant's application of service incurred disability will be approved; and whether the physician opined that the Claimant met or has not met the definition. The Board will also need to determine whether the application is approved or denied; approve whether all requirements of the plan have been met, and then approve the order.

Should the Board deny the application, the applicant has a period of time to request a full hearing before the Board based on testimony and other evidence.

A. William Rodriguez.

The applicant was not in attendance.

In reviewing Dr. Lee's report, Mr. Lynch noted Dr. Lee's quote as, "under the strict guideline provided by the regulations, this gentleman cannot be considered totally disabled". Mr. Lynch stated going back to the petition the physician says he has not met the required definition and therefore the Board would not be able to approve this claim and it should be denied.

Mr. Safford seconded that, because it is neither total nor permanent.

Mr. Lynch moved to deny Mr. William Rodriguez's claim as the claimant did not meet the requirements under the City's code of ordinance for disability by the Retirement Committee, seconded by Mr. Safford. Said motion passed unanimously.

B. William Renner

As the applicant was in attendance, Ms. Ruby indicated the order was very similar and the findings are the same.

Mr. Lynch indicated Dr. Lee stated in his findings "he cannot perform his present occupation; however, he can perform work in the sedentary to light PDC".

Ms. Ruby indicated one of the requirements of the General Employees Pension Plan is that the applicant can't do any work for wage or profit. If you can do any job for wage or profit with the City or another employer, then under the definition one would not meet the definition of total and permanently disabled.

Mr. Lynch stated this makes it a little more difficult from the Board's standpoint. He questioned if the City was willing to give him a light job that is different than what he was doing?

Mr. Safford indicated they do that for one year; then, if they are not able to return to their regular position without any restrictions they are terminated. Mr. Safford questioned the applicant if he had been on light duty.

Mr. Renner responded he was on light duty for a little while; however, he has been off for over a year. His physician stated he should not return to work until examined by an orthopedic specialist. One physician stated Mr. Renner was able to return to light duty. When examined by an orthopedic, the orthopedic stated he was not able to return to work.

Mr. Safford commented the applicant is neither totally nor permanently disabled.

Mr. Swank confirmed the Board has to be able to say the applicant couldn't go out and be an administrative person sitting at a desk; that he is incapable of doing any type of work.

Ms. Ruby indicated if the Board were to deny the claim, Mr. Renner would have the ability to appeal for a full hearing. At the full hearing, further evidence and proof presented by the claimant would be heard and reviewed; however at the present time, the Board is limited to the information provided by the physicians and Dr. Lee's report.

Mr. Renner questioned why Dr. Lee is on the Board for the Police and Firefighter's, but not on the General Employees' Pension Board? Why he has an input on that board and not this one?

Ms. Ruby and Mr. Safford stated Dr. Lee is not on the Police and Firefighter's pension board. Mr. Safford commented he is the physician for this Board.

Further discussion pursued between the applicant and Board members.

Mr. Lynch questioned if Dr. Lee felt he could not make a decision based on his qualifications as an internist, and since Dr. Lee is our only consulting physician, does Dr. Lee have the right to refer to other people for specialties, if he needed their help?

Mr. Safford responded that he believes Dr. Lee reviews all input received from the physicians involved and performs his physical. If Dr. Lee was short of information, he has the opportunity to refer back to those individual physicians.

Mr. Lynch stated based on the reports, the Board doesn't have a choice; Dr. Lee basically says Mr. Renner cannot perform his present occupation, however is not permanently or totally disabled from other occupations. According to our statutes at this stage, Mr. Lynch recommends the Board follows the statutes and the disability application should be denied.

Mr. Safford moved to deny Mr. William Renner's claim as the claimant does not meet the requirements under the City's code of ordinance for disability by the Retirement Committee, seconded by Mr. Lynch. Said motion passed unanimously.

Mr. Renner questioned if he has a right to file against this motion.

Ms. Ruby stated yes he has the right to appeal it.

Other Discussion: At this time Mr. Lynch stated he would like to step back and clarify an item on the Investment Policy and Guidelines. On page 2, under the fixed income, it states the investment in the fixed income securities will be managed actively to pursue opportunity. Mr. Lynch feels this should be changed to say it will be managed to pursue opportunity. After a brief discussion, Mr. Lynch moved to change the wording on the second page of the Investment Policy under Fixed Income to read "the investment in the fixed income securities will be managed to pursue opportunities presented", seconded by Ms. Walinski. Said motion passed unanimously.

Item 12 Distribution of the Quarterly Meeting Schedule for the General Employees Pension Board for Calendar Year 2007.

Mr. Keating and Mr. Lynch indicated they may not be available at the August meeting. Discussion was that if all other members attend, there would still be a quorum. If necessary, Mr. Keating could participate by phone.

Item 13 Review and discuss the Experience Study.

As Mr. Keating and Mr. Lynch were not in attendance for the last meeting, Mr. Palmquist summarized the recommendations of the experience study as follows:

A rate of salary increase illustrates an assumption where everyone received a 5% increase annually. The study ties the salary increases to length of service. In reviewing this study, most groups had a higher percentage increase in pay during the earlier years of employment with a slight decrease based on longevity. Delray's experience for people in the first year of service had a 5.6% increase; people with two years had 6.6%, etc. Individuals with 10-14 years of service had an average of 5%, 15-19 years of service averaged 4.4% and 20 years or more averaged 3.8%. Overall average for everyone is 5.1%. Stripping out inflation left 2.4% per year; leaving the real pay increase (the amount over and above inflation). Recommendation and expectancy inflation of 3% per year is being suggested; the same as it has been for the past 80 years on average. This has a very slight change in cost compared to the present assumption of 5%. The reasoning is to have a more accurate gauge of what is actually occurring and what anticipation will continue to occur.

Rates of terminations are employment terminations not including retirement, disability or death. Over an 8 year time span there were 178 people who terminated with an anticipation of 118. The actual number was 51% higher than expected. Recommendation is for the first five years of service, rates of termination are tied to service; for individuals of five or more years of service, tie to age. If this method is followed, expectancy would be 170 individuals leaving versus 178; quite a bit closer to what had actually occurred.

Probabilities of Retirement: Currently the assumption is once a person reaches normal retirement, 70% will leave in the first year; 40% each of the following four years; no one would stay in the fifth year.

There have not been a tremendous number of retirements to where we feel comfortable with strictly going with the experience. Mr. Palmquist suggested changing the first year rate from 70% to 40%; projecting a more accurate assumption.

Rates of Mortality: For all past actuarial history, the use of the mortality table was a static table. For a 60 year old, whatever the probability of dying this year, ten years from now it would have the same probability, 20 years and so on. Due to technology, a generational mortality table can be used. A built in expected improvement in mortality each year could be completed in the future so the probability of a 60 year old dying this year will be slightly higher than the probability next year and so forth. If we incorporate this, which is recommended, there would be less worry of the table we use in five years from now being behind.

Mr. Palmquist emphasized on the mortality rates; we're not just changing from one static table to another. We're using what we call generational mortality rates accessed by computer nowadays whereas in the past it was almost impossible.

Assumed Rate of Return: Mr. Palmquist continued reviewing terms of asset allocation explaining he is not advising the Board members on assets. If the Board does not change the asset allocation the assumed rate of return should be in the 7-7.25% range. If the allocation was changed to 60/40, then 7.50-7.75% is reasonable to anticipate. Keep in mind these are rates net of the investment fees; which have been approximately 40 basis points in total for investment fees.

Mr. McCann indicated the Asset Allocation Analysis report he ran was with the present mix with DHJ and Boston, 50/50. The policy at 50/50, then included the Mid Cap Manager; over 30 years there's a 64% probability of exceeding the 7.75% (gross) return.

Mr. Palmquist indicated his input is similar with the exception he took the 40 basis points out.

After further discussion between Board members, Mr. Lynch moved to make a motion that the Board agree with the four assumptions of page two of the Experience Study being salary scale, termination rates, retirement rates and mortality and adjust the plan to use 7.25% as an assumed rate of return using the market value approach but only using enough to zero out the change in the City's contribution, seconded by Mr. Swank. Said motion passed unanimously.

Item 14 Review of Plan's Performance Evaluation for the Period Ending September 30, 2006.

In reviewing the plan's performance evaluation for the period ending September 30, 2006, Mr. McCann indicated the breakdown is 50% in equities, \$36.3 million; 49% in fixed income, \$34.9 million and cash with a grand total of \$71.8 million.

For one year the total fund return was 6.33% versus the policy of 7.22% ranking 68th, this quarter the return was 4.04% versus the policy of 4.74% ranking 41st. Three years 6.80% versus the index of 7.85% ranking 80th in percentile and five years 5.47% versus the policy of 6.38% ranking 62nd in percentile. Equity return for the quarter was 4.49% versus the policy of 5.67% ranking 55th; one year 9.74% versus 10.79 ranking 58th, three years 11.11% versus 12.30% ranking 69th and five years 6.32% versus 6.97% ranking 65th. Fixed income the quarterly return was 3.81% matching the policy of 3.81% ranking 12th, one year a return of 3.65% versus the policy of 3.67% ranking 55th, three years 3.34% versus 3.38% ranking 57th and for five years 5.15% versus 5.22% ranking 29th.

Boston Company equity portfolio came back with a great quarterly return of 6.70% exceeding the policy of 5.27% ranking 10th; for one year 16.82% exceeding the policy of 14. 61% ranking 1st; three years 15.29% versus the policy of 16.26% ranking 30th and five years 8.58% versus 9.11% ranking 50th. Davis, Hamilton and Jackson were below the policy in all aspects.

Mr. McCann briefly reviewed the status of the completion of the "Trade Sheet" stating he is awaiting a return response from Noreen of Loomis, Sayles and Company who is working on it diligently because they do not like it any more than the Board.

Mr. McCann continued with a review of the Mid Cap Manager Search. Responses to Mr. McCann's e-mail sent to eight different Mid Cap managers led to three being eliminated immediately due to ADR's. The remainder candidates are as follows: Mellon Equity Associates, LLP, Oakbrook Investments, LLC, RhumbLine Advisers, The Colony Group, LLC and VMF Capital. In further research, Mr. McCann stated Oakbrook Investments did not have a five year return. In sorting by three and five year returns, The Colony Group was on top, Oakbrook was second for the three year return and RhumbLline was second for five year return. Sorting by risk, as of June 30th, 2006 The Colony Group had the lowest three year risk and Mellon Equity had the best of the five year risk. The Score Analysis illustrated The Colony Group with a total score of 95, RhumbLine following with a score of 77and Mellon Equity with a score of 71.

Mr. Keating moved to approve using RhumbLine for the Mid Cap Manager and also authorize the transfer of 6%, $4.2 million, funded from the fixed income manager State Street to bring them down to 45%; the balance coming out of Boston Company, 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 3:12 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 16, 2006, which minutes were formally approved and adopted by the General Employees Pension Board on February 12, 2007.

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