

GENERAL EMPLOYEES PENSION BOARD

Minutes of August 16, 2007

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

Members Present: Thomas Lynch (arrived at 1:11 p.m.), Joseph Safford, Stephen Swank, Evan Turk and Milena Walinski
Members Absent: None
Guests Present: Susan Ruby, Karen Schell, John McCann & Brendon Vavrica (Thistle Asset Consulting), David Macey and Jerry O. Navarrete (The Boston Company)

Item 1. Election of Chairman.

- A. Election
- B. Signature Authorization

This item was deferred for the arrival of Thomas Lynch.

Item 2. Approval of the General Employees Pension Board Minutes for May 17, 2007.

Mr. Safford moved to approve the minutes for May 17, 2007, seconded by Mr. Swank. Said motion passed unanimously.

Item 3. Approval of the Following Invoices:

- A. State Street Global Advisors, dated May 10, 2007, in the amount of \$5,047.26 for quarterly management fee for the period of January 1, 2007 through March 31, 2007.

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

- B. Gabriel, Roeder, Smith & Company, dated May 30, 2007, in the amount of \$20,000.00 for pension software – requirements analysis, account maintenance utility and data reports.

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

- C. Gabriel, Roeder, Smith & Company, dated June 30, 2007, in the amount of \$2,570.00 for retirement calculations for Schlump, Bullard and Gast, Buyback calculations for Maloney and Rooney, and opinion letters regarding proposed amendments.

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

- D. The Boston Company Asset Management, LLC, dated July 23, 2007, in the amount of \$26,076.41 for quarterly management fee for the period of July 1, 2007 through September 30, 2007.

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

- E. RhumbLine Advisers, dated July 24, 2007, in the amount of \$2,500.00 for quarterly management fee for the period of April 1, 2007 through June 30, 2007.

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

Item 4. Approval of the Following Retirement:

A. Name: Dolores Schlump
Age: 66
Monthly Pension Amount \$1,454.81
Benefit Commenced: July 1, 2007
Benefit Requested: Normal Form

Mr. Safford moved to approve the normal retirement of Dolores Schlump, seconded by Mr. Turk. Said motion passed unanimously.

B. Name: Donna Reynolds
Age: 60
Monthly Pension Amount \$343.15
Benefit Commenced: August 1, 2007
Benefit Requested: Normal Form

Mr. Swank moved to approve the normal retirement of Donna Reynolds, seconded by Mr. Safford. Said motion passed unanimously.

Item 5. Approval of the Following Termination Refunds:

A. Cynthia Ramirez (Utility Billing) in the amount of \$203.96.

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

B. Kristina King (Ocean Rescue) in the amount of \$1,123.55.

Mr. Safford moved to approve payment of this termination refund, seconded by Mr. Swank. 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. Vantagepoint Transfer Agents, LLC in the amount of \$16,491.00, deposited July 16, 2007 for the purchase of "airtime" for Susan Maloney.
- B. SunTrust in the amount of \$1,413.73, deposited July 23, 2007 for settlement proceeds with CVS.
- C. Susan Maloney in the amount of \$350.00, deposited July 30, 2007 for actuarial cost for the purchase of air time.

At this time the Board moved back to item 1.

Item 1. Election of Chairman.

- A. Election
- B. Signature Authorization

Mr. Safford nominated Thomas Lynch as Chairman and Milena Walinski as Vice Chair person. Mr. Lynch has been with the Board for a long time, served as Mayor of the City and has a tremendous business background. Mr. Swank seconded the motion. Said motion passed unanimously.

Item 7. Presentation by Boston Company.

Mr. Jerry Navarette started the presentation, by thanking the Board members for their invitation; it is always appreciated to have the opportunity to meet with their valued clients, particularly those with longevity. Mr. Navarette indicated he handles the relationships end and Mr. David Macey is a senior advisor to the large value investment teams. Before Mr. Navarette started on the company overview, he addressed the Board with recognition of his sympathy for the loss of Jeff Keating. Mr. Keating was very well respected, and highly regarded at the Boston Company; we extend our regrets.

Mr. Navarette continued stating the parent firm Mellon Financial Corporation merged with the Bank of New York. All went as scheduled and is now final. The new parent organization of the Boston Company is the Bank of New York Mellon. Both firms had asset management subsidiaries; Mellon's before the merge having \$1 trillion of assets under management; after the merger the new asset organization has \$1.1 trillion. There is no material impact, or any impact to the Boston Company, its clients or the way money is managed. The firm has approximately \$76.4 billion under management. A year ago it would have been closer to \$60 billion. The firm has been growing both in the number of clients brought on board and the assets managed appreciating. The benchmark life performance for 2007 is a little disappointing; however the one, three, five and ten year periods have outperformed the benchmark. The strategy return demonstrates the investment strategy will outperform the benchmark more years than when it doesn't.

Mr. Safford commented the illustrations indicate gross of fees versus net of fees. The S&P 500 is basically net of fees; however the chart illustrates gross of fees.

Mr. Lynch requested future illustrations to indicate net of fees as the numbers are a fair comparison to the Board.

Mr. Macey briefly reviewed several pages of the investment philosophy, the selection of stock, the sell decision, the investment objective and Delray's investment performance versus the S & P. He continued with an overview of the illustrated annual composite returns, the quarterly and annual sector attributions, discussion of the strategy and finally the portfolio structure.

Mr. Macey closed their presentation stating he had the great honor, pleasure and privilege of meeting with Jeff Keating down the street. He was stunned to hear the sad news of Jeff; at age 57 he jogged past his home and passed away. Mr. Macey stated he has been in this business too long and has met a number of able investors. On record in his shop he has e-mails sent to various people that Jeff Keating was, in retrospect, the best, smartest and finest investor he has ever ran into to have a dialoging conversation with. He was very cordial, generous with his time and understanding. There's an author John Donne who wrote something called for Whom the Bells Toll. *"No man is an island, entire of itself; every man is a piece of the continent, a part of the main; if a clod be washed away by the sea, Europe is the less, as well as if a promontory were, as well as if a manor of thy friend's or of thine own were; any man's death diminishes me, because I am involved in mankind, and therefore never send to know for whom the bells tolls; it tolls for thee."* He is my loss also; you have my empathy and sympathy. I'm going to miss him more than you can know. Thank you.

Item 8. Review of the Plan's October 1, 2006 Actuarial Valuation Report.

Mr. Palmquist commented the actuarial valuation report was completed at the end of February, 2007 however; he was not able to attend the last Board meeting to review it at that time. Last year an experience study was completed in which the assumptions used were reviewed to determine the cost and liabilities of the plan. This report reflects all of the new assumptions. The major change was to reduce the expected rate of return from 7.75% to 7.25%. This is net of management fees.

The required employer contribution for fiscal year ending September 30, 2006 is \$2,279,729 to be paid by December 31, 2007. The City had a tradition of making the full payment in the first quarter of the new fiscal year. Interest is tacked on from the evaluation date of October 1, 2006 to the end of December, 2007. That is \$271,671 (1.15%) more than the present fiscal year. The cost increase is solely because of less than expected recognized earnings during fiscal year 2006. Looking at the returns, the most recent year net of investment expenses is 6.2%; the return recognized under the smoothing method is 5.5%. That year the assumed rate of return was 7.75%, thereby creating a loss due to investments. There was a net actuarial loss of \$1,334,136 and a loss due to investments of \$1,364,536. From all other sources there was a small gain of \$30,400. Revisions that had the effect of making the cost of liability go up were salary increase assumption, new updated mortality rates and investment earnings reduction. Turnover rates and the retirement probabilities made it go down. Mr. Palmquist indicated this plan is in a good position to meet whatever it takes to face moving forward.

Mr. Palmquist continued stating he would expect the City's contributions as a percent of payroll to be more stable as we go forward. With all the changes, all we're trying to do is come up with a net assumption and methodology that keeps the City's cost of the percent of payroll as stable as possible.

The plan's funded ratio is important as under the Government Accounting Standard Board this information needs to go in the City's financial statements. The funded ratio is comparing the actuarial valuation of assets to the

accrued liability. Typically this percentage increases 1-2 percentage points per year. In comparison to other Florida municipal/governmental plans, the average is in the low 80's; compared to large statewide plans throughout the country, the average is in the mid 80's. Comparing Delray's 98.5% to either of those, Delray is in very good shape. Mr. Palmquist commented back in October of 2000, about 90% of his clients had a funded ratio over 100%; today approximately 10% of his clients have a funded ratio over 100%. Everyone has been going through the same cycle. We should now see an up tick in the ratio as we move forward.

At this time Mr. Safford moved to accept the actuarial report as submitted, seconded by Mr. Swank. Said motion passed unanimously.

Item 9. Review of Investments allowed under the General Employees Pension Plan.

The Board tabled this item for the next meeting.

Item 10. Review of Plan's Performance Evaluation for the Period Ending June 30, 2007.

Mr. McCann distributed an Asset Allocation Analysis Report based on international and small cap; however due to the length of the meeting suggested discussion of this at the next meeting. Board members agreed.

Mr. McCann reviewed the Plan's Performance Evaluation by stating the asset allocation illustrates 58% in equities for a total of \$44,835,000; made up of \$20,719,000 with Boston, \$19,394,000 with Loomis and \$4,721,000 with RhumbLine. There is 42% in fixed income for a total of \$33,250,000; and 0% for cash for a total of \$358,000; a grand total of \$78,443,000.

The total fund for the quarter did not exceed the index, 3.02% versus 3.24% ranking 80th; for one year the return was 13.38% versus the policy of 13.63% ranking 40th; three years 7.67% versus the policy of 7.99% ranking 68th and five years 7.22% versus the policy of 8.13% ranking 65th. Equity return for the quarter was 5.97% versus the policy of 6.34% ranking 74th; one year 21.22% versus the policy of 20.66% ranking 29th; three years 12.06% versus the policy of 11.70 ranking 41st and five years 10.01% versus the policy of 10.72% ranking 71st.

The quarterly return for fixed income was -0.53% versus the policy of -0.52% ranking 51st; for one year 6.09% versus the policy of 6.11% ranking 25th and five years 4.93% versus the policy of 5.00% ranking 29th.

Item 11. Other Business.

As a brief update on the Complaint for Declaratory and Injunctive Relief for Sharhonda Harris, Susan Ruby indicated there is a request for an agreed order to have a court order to pay money to the mother for the benefit of the child, Sharhonda Harris.

Motion to Adjourn:

There being no further business, Mr. Safford moved to make a motion for adjournment, seconded by Ms. Walinski. Said motion passed unanimously. The meeting adjourned at approximately 3:17 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 August 16, 2007, which minutes were formally approved and adopted by the General Employees Pension Board on November 15, 2007.



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