

GENERAL EMPLOYEES PENSION BOARD

Minutes of November 20, 2008

Meeting was called to order by Chairperson, Tom Lynch at 1:04 p.m.

Members Present: Tom Lynch, Joseph Safford, Stephen Swank, Evan Turk and Milena Walinski
Members Absent: None
Guests Present: Susan Ruby, Karen Schell, Brendon Vavrica (Thistle Asset Consulting), Jonathan Stein and Paul Geller (Coughlin, Stoia, Geller, Rudman & Robbins)

Item 1. Approval of the General Employees Pension Board Agenda for November 20, 2008.

Mr. Safford moved to request the addition of speaker Jeff Helms be added to the agenda; along with a request for a not to exceed cost of \$5,000 for Mr. Helms' and to allow staff the needed funds to make a presentation to the General Employees of their pension benefits and plan structure, seconded by Mr. Turk. Said motion passed unanimously.

Mr. Safford moved to approve the agenda for November 20, 2008 as amended, seconded by Ms. Walinski. Said motion passed unanimously.

Item 2. Approval of the General Employees Pension Board Minutes for the Meeting of August 21, 2008.

Mr. Swank moved to approve the minutes for August 21, 2008, seconded by Mr. Safford. Said motion passed unanimously.

Item 3. Approval of the Following Invoices:

- A. Thistle Asset Consulting, Inc, dated August 12, 2008, in the amount of \$4,750.00 for performance monitoring for the quarter ending June 30, 2008.

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

- B. State Street Global Advisors, dated August 19, 2008, in the amount of \$5,364.97 for quarterly investment management fee for the period of April 1, 2008 through June 30, 2008.

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

- C. Gabriel, Roeder, Smith & Company, dated August 31, 2008, in the amount of \$2,233.00 for actuarial impact statement for Ordinance #32-08 and retirement benefit calculations for Dungan, Ramirez and Walker.

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

- D. Gabriel, Roeder, Smith & Company, dated September 30, 2008, in the amount of \$900.00 for retirement benefit calculations for Burtrem, Grumski and Sweet.

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

- E. Rhumbline Advisers, dated October 8, 2008, in the amount of \$2,500.00 for quarterly management fee for the period of July 1, 2008 through September 30, 2008.

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

- F. The Boston Company Asset Management, LLC, dated October 17, 2008, in the amount of \$20,087.58 for quarterly investment management fee for the period of October 1, 2008 through December 31, 2008.

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

Item 4. Approval of the Following DROP Retirements:

- A. Name: Nancy Patterson
Age: 61
Monthly Pension Amount: \$1,884.58
Benefit Commenced: December 1, 2008
Benefit Requested: Normal Form

Mr. Safford moved to approve the DROP retirement of Nancy Patterson, seconded by Mr. Swank. Said motion passed unanimously.

Item 5. Approval of the Following Retirement:

- Name: John P Walker (Normal)
Age: 60
Monthly Pension Amount: \$1,157.29
Benefit Commenced: September 1, 2008
Benefit Requested: 100% Joint and Last Survivor Annuity

Mr. Safford moved to approve the Normal retirement of John Walker, seconded by Mr. Swank. Said motion passed unanimously.

- B. Name: Alan Dungan (Normal)
Age: 60
Monthly Pension Amount: \$481.81
Benefit Commenced: August 1, 2008
Benefit Requested: 100% Joint & Survivor

Mr. Safford moved to approve the Normal retirement of Alan Dungan, seconded by Mr. Swank. Said motion passed unanimously.

- C. Name: - Jessie Ramirez (Early Incentive)
Age: 54
Monthly Pension Amount: \$2,314.98
Benefit Commenced: October 1, 2008
Benefit Requested: 100% Joint and Last Survivor Annuity

Mr. Safford moved to approve the Early Incentive retirement of Jessie Ramirez, seconded by Mr. Swank. Said motion passed unanimously.

- D. Name: Gregory Grumski (Early Incentive)
Age: 60
Monthly Pension Amount: \$2,566.63
Benefit Commenced: October 1, 2008
Benefit Requested: 100% Joint and Last Survivor Annuity

Mr. Safford moved to approve the Early Incentive retirement of Gregory Grumski, seconded by Ms. Walinski. Said motion passed unanimously.

- E. Name: Lloyd Burtrem (Normal)
Age: 60
Monthly Pension Amount: \$607.11
Benefit Commenced: November 1, 2008
Benefit Requested: 100% Joint and Last Survivor Annuity

Mr. Safford moved to approve the Normal retirement of Lloyd Burtrem, seconded by Ms. Walinski. Said motion passed unanimously.

F. Name: Douglas Stryjek (Early Incentive)
Age: 51
Monthly Pension Amount \$3,419.74
Benefit Commenced: October 1, 2008
Benefit Requested: 66 2/3% Joint and Last Survivor Annuity

Mr. Safford moved to approve the Early Incentive retirement of Douglas Stryjek, seconded by Ms. Walinski. Said motion passed unanimously.

G. Name: Harry Sweet (Normal)
Age: 60
Monthly Pension Amount \$118.14
Benefit Commenced: October 1, 2008
Benefit Requested: 100% Joint and Last Survivor Annuity

Mr. Safford moved to approve the Normal retirement of Harry Sweet, seconded by Ms. Walinski. Said motion passed unanimously.

Item 6. Approval of the Following Termination Refunds:

A. Michael Rodriguez (Police Department-Building Maintenance) in the amount of \$2,269.52.

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

B. Victoria Dinan (Police Department) in the amount of \$1,754.17.

Mr. Safford moved to approve payment of this termination refund, seconded by Ms. Walinski. 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. Michael Johnson in the amount of \$350.00, deposited September 3, 2008 for payment of actuarial calculation request for purchase of air time.
- B. Lynch, Jones & Ryan in the amount of \$398.00, deposited September 9, 2008 for trading activity with LJR Recapture Services through July 31, 2008.
- C. Lynch, Jones & Ryan in the amount of \$237.00, deposited September 22, 2008 for trading activity with LJR Recapture Services through August 31, 2008.
- D. Lynch, Jones & Ryan in the amount of \$243.00, deposited November 4, 2008 for trading activity with LJR Recapture Services through September 30, 2008.

Item 8. Distribution of the Quarterly Meeting Schedule for the General Employees Pension Board for Calendar Year 2009.

Mr. Swank moved to approve the schedule as listed, seconded by Mr. Safford. Said motion passed unanimously.

Item 9. Review/Discuss an Asset-Recovery Portfolio Monitor Program.

Mr. Geller indicated Coughlin, Stoia, Geller, Rudman & Robbins is a nationwide firm with offices in Palm Beach County. Their firm is in Boca Raton. They represent all institutional investors; large to small municipalities, in security litigation and portfolio monitoring programs. Their firm is the largest in the country. Time and energy is devoted in resources into the portfolio monitoring program. Mr. Geller urges the Board to consider having the portfolio monitored. Security class action recoveries have become significant. Many funds are not aware the money is available; if they do, they think the custodial bank is

taking care of it and they are not. Mr. Geller indicated they report on every case, whether it is theirs or not. They advise on a monthly or quarterly basis what cases are out there that has been resolved through settlement or trial.

Mr. Swank questioned when saying file a lawsuit, is this participating in the class suit?

Mr. Geller explained to participate in a class suit just as a passive class member; one doesn't file an actual lawsuit, but submits a claim form.

Mr. Geller continued stating the most important thing for the Board to review is the international funds. The Florida funds will give an idea of funds similar to the City's that have hired their firm to monitor their portfolio. Their firm represents more Florida funds than every other security law firm combined in monitoring their portfolios. Other firms may hire a third party; they don't as they take it as confidential data. Their firm would review the data and provide reports to the Board illustrating the cases in which the City purchased stock during the defined class period and suffered a loss, the attorneys representing the class, cases settled, claim filing deadline, and any other information the Board would need to know to make sure no money is left on the table due to the City.

The fees are negotiated on a case by case basis; ultimately, it's up to the judge. A contractual agreement could be executed. At the end of the case negotiation could be made on behalf of the Board for 15%, which is fair. Perhaps the case goes on for five years, the case is settled and other individuals are impacted by the agreement; in this case, the class action would be approved by a federal court. Typically in a class action, the high is around 25%, the low is 9-10% depending on several factors. There are no fees if there is no recovery; and no fees for monitoring.

Mr. Vavrica commented he did speak with a few other entity attorneys that had mutual clients as well as one other monitoring firm. The same message was received in terms of cost and the fact that many plans have multiple monitoring services. There is no cost outright. If two firms file the same case, it would be the Board's discretion to pursue the case with one or the other of the firms. Mr. Vavrica indicated from hearsay of other pension attorneys, there is no reason not to engage multiple firms other than the increase in time the Board may have to give both companies if the findings are similar. One would listen to each firm as opposed to one. The message being covered twice is certainly better than being covered once.

Mr. Lynch requested an agreement be submitted to City Attorney, Susan Ruby for both firms, Coughlin, Stoia, Geller, Rudman & Robbins and Saxena White for further discussion upon receipt by the Board.

Item 10. Approval and signature of the Pension Fund Investment Policy.

Ms. Ruby stated the City Commission approved an investment in foreign securities up to 25%. There was a line under the other assets portion of the investment policy that was read by some to conflict with that. We removed this line.

Mr. Safford moved to approve the amended Investment policy as is, seconded by Mr. Swank. Said motion passed unanimously.

Item 11. Approval of Summary Plan Description.

At the last meeting Mr. Safford and Ms. Walinski did not have sufficient time to review the entire Plan Description. Minor changes were completed. This was prepared in house as opposed to our actuaries, thereby saving costs.

Mr. Safford moved to approve the Summary Plan Description, seconded by Ms. Walinski. Said motion passed unanimously.

Item 12. Review letter from GRS – Tools and Services.

GRS forwarded a letter of the Tools and Services they offer. Upon review, Board members didn't feel there was anything new they were not aware of. Mr. Safford commented if there is a particular situation

where the City is in need of information; a request is sent to GRS and they then use the necessary tools for completion. No further action was taken at this time.

Item 13. Review of the Plan's Performance Evaluation for the Period Ending September 30, 2008.

Mr. Vavrica started by reviewing the equity analysis report stating there is \$29.6 million in Boston and Loomis stock with 100% being US Securities; no foreign exposure which is what should be since the plan has a domestic large cap growth and domestic large cap value manager. Of the \$29.6 million, 82% is considered large cap (by Morning Star's standard); 18% mid cap; no small cap. Between the two managers, there are 6 of the 116 stocks held by both managers; a good diversification.

Mr. Vavrica continued with the review of the Executive Summary indicating all but small cap value is down and many significantly. The trailing for three years did not exceed the policy (1.43 vs. 1.96). The trailing for one year did not meet the actuarial assumption of 7.25%; some securities have a maturity date of more than 30 years. After a brief discussion of the 30 year maturity date, Mr. Safford moved to have the maturity date changed as the Board is responsible for making sure all is within the guidelines, seconded by Mr. Swank. Said motion passed unanimously.

The asset allocation illustrates 48.7% in equities for a total of \$34,038,000; 50.3% in fixed income for a total of \$35,155,000; and 1% in cash for a total of \$704,000; a grand total of \$69,897,000.

Mr. Vavrica indicated this report is as of September 30, 2008; therefore the numbers are different today as, the equity market has dropped significantly since. With that said the plan is light on equities; fixed income is significantly higher. Mr. Vavrica questioned the Board as to how and if they would like to rebalance.

With the City Contributions being deposited the end of December; Board Members felt rebalancing at this time would not be in the best interest with the market being so volatile. Further discussion lead to Board Members agreeing to have the City Contributions split 50/50 between equities and fixed income. Mr. Lynch requested if Mr. Vavrica saw any down turn in economic indicators to advise the Board Members and perhaps they would call a special meeting prior to the next scheduled meeting in February 2009.

Mr. Safford moved to have the City Contributions deposited as follows: **split the funds 50% to State Street Global Advisors, 23.75% to Boston Company, 23.75% to Loomis, Sayles & Company and 2.5% to RhumbLine**, seconded by Mr. Turk. Said motion passed unanimously.

The total fund for the quarter was down, -7.13% versus -5.13% ranking 50th; for one year the return was -12.51% versus the policy of -10.99% ranking 37th three years 1.43% versus the policy of 1.96% ranking 27th and five years 3.64% versus the policy of 4.40% ranking 67th. Equity return for the quarter was -13.21% versus the policy of -8.93% ranking 96th; one year -24.57% versus the policy of -21.97% ranking 86th; three years -33% versus the policy of .21% ranking 67th and five years 4.35% versus the policy of 5.17% ranking 82nd.

Boston Company's return was -5.59% versus the policy of -4.97% for the quarter ranking 18th; one year -22.22% versus -24.50%; three years 2.03% versus the policy of .16% and five years 6.86% versus the policy of 6.62%.

Loomis Sayles' quarterly return was -20.68% versus the policy of -12.33%; one year -28.69% versus the policy of -20.88% ranking 93rd.

Rhumbline's quarterly return was -10.82% versus the policy of 10.87%; one year -16.61% versus the policy of -16.68%.

Mr. Vavrica indicted for the fiscal year; the plan started with \$80.4 million, net flows (which include fees, deposits, cash inflows and outflows) is an outflow of just under \$400,000; investment losses of \$10,116,000 leaving a balance of \$69,896,000 as of September 30th, 2008. The inception number was \$19 million with an outflow of the fund of \$5.4 million; leaving a total investment gain of \$56,138,000.

As Loomis Sayles has done quite poorly for the past several months, Mr. Lynch requested further index recommendations and a couple of other managers in the Loomis categories for the next meeting.

Item 14. Other Business.

Mr. Safford indicated staff would like to have a pension workshop with Speaker Jeff Helms doing his presentation on Five Key Risks of Retirement. Mr. Helms is a speaker at the FPPTA meetings and was previously heard from a presentation to the Police and Firefighters Board and Employees. A survey completed by individuals attending this meeting rated Mr. Helms very, very high.

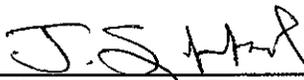
In addition to this Speaker, staff would add a power point presentation for the General Employees discussing the plan and benefit structure and respond to any questions that may arise. Mr. Safford commented this may alleviate quite a few concerns about the plan.

Mr. Safford moved to authorize the allowance of expenditures not to exceed \$5,000 for the pension presentation, seconded by Ms. Walinski. Said motion passed unanimously.

Motion to Adjourn:

There being no further business, Mr. Safford moved to make a motion for adjournment, seconded by Mr. Turk. 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 20, 2008, which minutes were formally approved and adopted by the General Employees Pension Board on February 19, 2009.



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