GENERAL EMPLOYEES PENSION BOARD

Minutes of
May 21, 2009

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

Item 1. Roll Call.

Members Present:	Joseph Safford, Stephen Swank, Evan Turk and Milena Walinski
Members Absent:	None
Guests Present:	John McCann (Thistle Asset Consulting), Steve Palmquist (Gabriel, Roeder & Smith) Susan Ruby, Karen Schell and Brian Shutt

Item 2. Approval of the General Employees Pension Board Agenda for May 21, 2009.

Mr. Safford moved to approve the agenda for May 21, 2009, seconded by Mr. Turk. Said motion passed unanimously.

Item 3. Approval of the General Employees Pension Board Minutes for the Meeting of February 19, 2009.

Mr. Swank commented on page 5, second paragraph from the bottom it states, "to make moves from the index fund" whereas it should be "to make moves **to** the index fund".

Mr. Safford moved to approve the minutes for February 19, 2009 as amended, seconded by Mr. Swank. Said motion passed unanimously.

Item 4. Approval of the Following Invoices:

A. State Street Global Advisors, dated February 13, 2009, in the amount of $5,295.35 for quarterly management fee for the period of October 1, 2008 through December 31, 2008.

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

B. Gabriel, Roeder, Smith & Company, dated February 28, 2009, in the amount of $3,980.00 for preparations of actuarial valuation report of October 1, 2008 and a five year projection report.

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

C. City of Delray Beach, dated April 1, 2009, in the amount of $5,607.50 for an automatic monthly salary payment for Karen Schell, Pension Administrator with a retroactive date of October 1, 2008.

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

D. RhumbLine Advisers, dated April 7, 2009, in the amount of $2,500.00 for quarterly management fee for the period of January 1, 2009 through March 31, 2009.

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

E. Geneos Wealth Management, Inc., dated April 13, 2009, in the amount of $1,845.33 for retirement education presentation of April 9, 2009.

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

F. The Boston Company Asset Management, LLC, dated April 21, 2009, in the amount of $13,904.90 for quarterly investment management fee for the period of April 1, 2009 through June 30, 2009.

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

G. RhumbLine Advisers, in the amount of $2,500.00 for quarterly management fee for the period of October 1, 2008 through December 31, 2008.

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

H. State Street Global Advisors, dated May 4, 2009, in the amount of $5,577.86 for quarterly management fee for the period of January 1, 2009 through March 31, 2009.

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

I. Florida Public Pension Trustees Association, in the amount of $600.00 for 2009 annual membership.

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

J. Florida Public Pension Trustees Association, in the amount of $500.00 for registration fee for Karen Schell's attendance to the 25th annual conference June 28, 2009 – July 1, 2009.

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

K. Thistle Asset Consulting, Inc., dated May 11, 2009, in the amount of $4,750.00 for quarterly performance monitoring ending March 31, 2009.

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

Item 5. Approval of the Following Termination Refunds:

A. Matthew Warne (Police Department) in the amount of $1,341.92.

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

Item 6. Approval of the Following Beneficiary Disbursement(s):

A. Ten Year Certain Monthly Benefit payable to Melissa Santanastasio in the amount of $129.63 as beneficiary of Evelyn Petto.

Mr. Safford moved to approve payment of this beneficiary disbursement, seconded by Mr. Swank. 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. Lynch, Jones & Ryan in the amount of $243.00, deposited March 3, 2009 for trading activity with LJR Recapture Services through January 31, 2009.
B. Time Warner Cable in the amount of $10.27, deposited March 19, 2009 for a special dividend of common stock.
C. Lynch, Jones & Ryan in the amount of $337.00, deposited March 31, 2009 for trading activity with LJR Recapture Services through February 28, 2009.

D. B J Wigderson in the amount of $7,256.88, deposited April 7, 2009 for the purchase of all previous city service.
E. Lynch, Jones & Ryan in the amount of $228.00, deposited April, 30, 2009 for trading activity with LJR Recapture Services through March 31, 2009.
F. Sun Trust checks in the amount of $39,372.77, deposited May 4, 2009 for class action proceeds as follows:

AOL Time	$581.49	Veritas Software	$436.19
Solectron	$253.39	Cisco	$1,066.80
Computer Assoc	$2,820.63	AOL Time	$13,134.13
Computer Assoc	$40.41	Symbol Tech Sec	$253.77
McKesson	$10,549.21	OM Group	$10,236.75

G. Sun Trust checks in the amount of $107,980.47, deposited May 4, 2009 for class action proceeds for Enron.
H. North Lake Rehab in the amount of $500.00, deposited May 4, 2009 for reimbursement of Marjorie Ramsey's March 1, 2009 monthly benefit not due as date of death was February 26, 2009.

Item 8. Review of Plan's October 1, 2008 Actuarial Valuation Report.

At this time Mr. Safford moved to amend the agenda to add the review of the five year projection report, seconded by Mr. Turk. Said motion passed unanimously.

Mr. Palmquist started his review by illustrating the past indexes compared to history as follows:

With the indexing study updated every year going back to 1926, if one had a 60/40 stock/bond allocation, the consecutive years which would have produced negative returns were 01/02, 73/74 and 40/41. In this decade we had 01/02 and a great probability of 08/09.

The average return for this same allocation for the past nine years is 1.6%; just as the great depression time ending 1937 at 1.2%.

Down years decade by decade in the 30's there were 4, this decade there are already 4 and a great possibility of 09 making it 5.

Continuing with the actuarial report, the City's contribution for September 30, 2010 is $2,996,262 (15.78% of covered payroll). The City has had a practice of making its full payment at the end of the first quarter of the new fiscal year (December). The city payment of 2008 was short by $118,650; upon completion of the 2006 report, there was an amendment for an early window incentive which increased the cost of the plan by that amount. The impact statement was completed, but apparently the City did not pick up the cost increase.

Mr. Safford commented if subsequent benefit changes are made throughout the year, even though we have impact statements, we don't additionally fund the plans; we wait for the next actuarial report to come out.

Ms. Walinski agreed, she also thought it was included in the next actuarial report.

Mr. Palmquist stated under the state rules, Chapter 62 of the State Administrative rules; it says the funding for any change of benefits has to start at the next fiscal year. It can start in the current year; however, no later than the next year. Mr. Palmquist does not have the date when the ordinance passed, but believes it was before September 30, 2007, which means the payment increase would have been required in the 07/08 fiscal year.

Mr. Safford suggested in the future when completing further actuarial statements to advise the City as to when that payment would be due.

Mr. Palmquist indicated another ordinance passed where three individuals took advantage of the early window incentive. The difference in annual cost was under $5,000. Under the actuarial experience, there is a net actuarial loss of $2,574,633 for the year; due largely to investments. The return for fiscal 2008 was -12.4% based on market value of assets and 4.5% (assumed rate of 7.25%) based on actuarial value of assets. The net loss caused the required employer contribution to increase by 1.78% of covered payroll. The funded ratio is 95.4% this year compared to 98.2% last year. The latest survey for Florida plans which does not have 2008 valuations in it (it only goes to 2007), had an average funded ratio for general employee's plans in the low 80% range. That number will be lower when doing 2008. The funded ratio is equal to the actuarial value of assets divided by the actuarial accrued liability. Mr. Palmquist continued reviewing the remainder of the report which included backup documentation for the above mentioned.

Mr. Palmquist reviewed the five year projection illustrating the cost of the plan using different investment return scenarios. Actual returns are not known. Presently gains and losses are spread over the future working life of the members of the plan. When one has losses the costs increase; gains costs decrease. The City is allowed to use an alternate method (most plans do) that spreads the costs over a longer period of time. It is not being recommended; however, we want to make the City aware it is an option.

Scenario 1 assumes the market return equals the assumed rate of return of 7.15% per year. At the end of a five year period (fiscal year 2015) if no funding method is changed, the City's cost would be an additional 5.99% of payroll; $1,193,711. If an alternate funding method was used, the losses would be the same each year; however they would be extended for a longer period of time. The City's cost would be an additional 3.82% of payroll; $759,565.

Second scenario illustrates a -15% return for the current year and the following years 7.25%. At the end of a five year period (fiscal year 2015) if no funding method is changed, the City's cost would be an additional 15.92% of payroll; $3,138,632. If an alternate funding method was used, the losses would be the same each year; however they would be extended for a longer period of time. The City's cost would be an additional 10.13% of payroll; $1,997,130.

Third scenario illustrates a -20% return for the current year and the following years 7.25%. At the end of a five year period (fiscal year 2015) if no funding method is changed, the City's cost would be an additional 18.61% of payroll; $3,653,243. If an alternate funding method was used, the losses would be the same each year; however they would be extended for a longer period of time. The City's cost would be an additional 11.85% of payroll; $2,324,580.

Fourth scenario illustrates a -20% return for the current year, 20% next year and the following years 7.25%. At the end of a five year period (fiscal year 2015) if no funding method is changed, the City's cost would be an additional 15.51% of payroll; $3,008,238. If an alternate funding method was used, the losses would be the same each year; however they would be extended for a longer period of time. The City's cost would be an additional 9.88% of payroll; $1,914,159.

Item 9. Review of Plan's Performance Evaluation for the Period Ending March 31, 2009.

Mr. McCann indicated equities are in balance with 43% in a value style; 57% is in a growth style. Out of 120 stocks, 14 are overlapping which is very reasonable.

The compliance report illustrates the total return over the trailing 1-year period did not exceed 8.5%. Loomis Sayles trailing three and five year period did not exceed the Russell 1000 Growth Index; the three year also did not rank in the top 50%. State Street fixed income return over the trailing 3-year period did not exceed the BCAB.

The asset allocation illustrates 39% in equities for a total of $24,329,000; 59.9% in fixed income for a total of $37,300,000; and 1.1% in cash for a total of $676,000; a grand total of $62,305,000.

At this time, Mr. McCann addressed the asset allocation. In conclusion of discussion, it was agreed to take half of the funds from Boston Company and Loomis Sayles to fund the new RhumbLine 1000 Russell growth and RhumbLine 1000 Russell value accounts. The investment policy guideline will be redrafted by Mr. McCann.

Mr. Safford moved to make a motion to allow the effective date for the RhumbLine 1000 growth and value funds be June 30, 2009, seconded by Mr. Turk. Said motion passed unanimously.

Upon funding of the two new RhumbLine accounts, Mr. McCann will have a better illustration of the allocations for the Board at the next meeting. Rebalancing will be discussed further at that time. In the meantime, the board agreed to have expenses come from the State Street account only.

Mr. Safford moved to make a motion to change the cash disbursement allocation from the three managers to Salem Trust to State Street only to Salem Trust for the next quarter, seconded by Mr. Turk. Said motion passed unanimously.

Mr. Safford questioned Board members if the redraft of the investment policy should list the managers individually with their percentages. Board members agreed to leave as is and have it more open with the 60/40% guideline.

Mr. Swank questioned due to having three index funds with RhumbLine, will the fee structure be aggregated. Mr. McCann will follow up with RhumbLine.

Mr. McCann continued reviewing the report stating the total fund for the quarter was down, -3.49% versus -5.33% ranking 46th; for one year the return was -19.50% versus the policy of -21.80% ranking 25th three years -3.94% versus the policy of -4.86% ranking 11th and five years -0.45% versus the policy of -0.85% ranking 19th. Equity return for the quarter was -8.37% versus the policy of -10.03% ranking 38th; one year -39.66% versus the policy of -38.85% ranking 85th; three years -13.30% versus the policy of 13.34% ranking 68th and five years -4.94% versus the policy of -4.95% ranking 72nd.

Boston Company's return was -14.02% versus the policy of -16.11% for the quarter ranking 79th; one year -39.28% versus -44.00%; three years -12.46% versus the policy of -15.97% and five years -3.63% versus the policy of -5.74%.

Loomis Sayles' quarterly return was -1.62% versus the policy of -4.12%; one year -40.88% versus the policy of -34.28% ranking 93rd.

RhumbLine's quarterly return was -8.59% versus the policy of -8.66%; one year -35.73% versus the policy of -36.10%.

Item 10. Other Business.

None.

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 3:00 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 May 21, 2009, which minutes were formally approved and adopted by the General Employees Pension Board on August 20, 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