

GENERAL EMPLOYEES PENSION BOARD

Minutes of August 20, 2009

Meeting was called to order by Vice Chairperson, Milena Walinski at 1:02 p.m.

Item 1. Roll Call.

Members Present: Vincent Dole, Joseph Safford, Stephen Swank, Evan Turk and Milena Walinski
Members Absent: None
Guests Present: Brendon Vavrica (Thistle Asset Consulting), Karen Schell, Brian Shutt and Katelin Fry

Item 2. Election of Officers.

Mr. Safford nominated Mr. Swank as Chairperson, seconded by Mr. Dole. Said nomination passed unanimously. Mr. Safford nominated Ms. Walinski to continue as Vice Chairperson, seconded by Mr. Turk. Said nomination passed unanimously. Mr. Safford will continue as Secretary.

Item 3. Approval of the General Employees Pension Board Agenda for August 20, 2009.

Mr. Dole moved to approve the agenda for August 20, 2009, seconded by Mr. Safford. Said motion passed unanimously.

Item 4. Approval of the General Employees Pension Board Minutes for the Meeting of May 21, 2009.

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

Item 5. Approval of the Following Invoices:

- A. Gabriel, Roeder, Smith & Company, dated May 31, 2009, in the amount of \$12,791.00 for final charge for actuarial valuation report of October 1, 2008, employee benefit statements and benefit calculations for Parker, Walinski, Randall and Petto.

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

- B. City of Delray Beach, dated April 13, 2009, in the amount of \$3,788.00 for the Speaker Workshop-Jeff Helms of \$290.00 and an audit reimbursement of \$3,498.00

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

- C. Karen Schell dated July 2, 2009, in the amount of \$77.89 for travel reimbursement for 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.

- D. RhumbLine Advisers, dated July 7, 2009, in the amount of \$2,500.00 for quarterly 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.

- E. Gabriel, Roeder, Smith & Company, dated July 9, 2009, in the amount of \$516.00 for review of ordinance 31-09 and 22-09; and preparation of opinion letters dated 06/09/09 and 06/22/09.

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

- F. Thistle Asset Consulting, Inc, dated August 10, 2009, in the amount of \$4,750.00 for performance monitoring for the quarter ending June 20, 2009.

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

Item 6. Approval of the Following DROP Retirement(s):

- A. Name: Bernard Parker
Age: 50
Monthly Pension Amount: \$2,267.23
Benefit Commenced: June 1, 2009
Benefit Requested: 100% Joint & Survivor

Mr. Safford moved to approve the DROP Retirement of Mr. Bernard Parker, seconded by Mr. Turk. Said motion passed unanimously.

- B. Name: Milena Walinski
Age: 60
Monthly Pension Amount: \$5,445.45
Benefit Commenced: June 1, 2009
Benefit Requested: Ten Year Certain

Mr. Dole moved to approve the DROP Retirement of Ms. Milena Walinski, seconded by Mr. Safford. Said motion passed unanimously. (Ms. Walinski abstained from voting.)

Item 7. Approval of the Following Retirement(s):

- A. Name: Troy Randall
Age: 60
Monthly Pension Amount: \$773.90
Benefit Commenced: June 1, 2009
Benefit Requested: Normal

Ms. Walinski moved to approve the Normal Retirement of Mr. Troy Randall, seconded by Mr. Turk. Said motion passed unanimously.

Item 8. Approval of the Following Beneficiary Disbursement(s):

- A. 75% Joint Survivor Annuity payable to Jo Ann Tarantino in the amount of \$1,407.62 as beneficiary of Richard Tarantino.

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

Item 9. 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 \$125.00, deposited June 1, 2009 for trading activity with LJR Recapture Services through April 30, 2009.
B. Sun Trust checks in the amount of \$1,778.21, deposited June 5, 2009 for class action proceeds as follows: Fruit of the Loom \$79.61 Fannie Mae \$1,698.60
C. Lynch, Jones & Ryan in the amount of \$338.00, deposited June 25, 2009 for trading activity with LJR Recapture Services through May 31, 2009.

Item 10. The General Employees Pension Board is being advised of the class action settlement report from both Portfolio Monitoring Agencies.

Board members questioned how the monitor agencies pursue settlements for the plan.

Mr. Vavrica thought the agency would submit the plan's name in with the suit and should something come out of it, the check would go wherever directed. The agencies are given access to the bank statements where they look at the specifics as far as which firms the plan holds now and has held in the past. A database is kept for review of the class action lawsuits and overlaps.

In response to Mr. Safford's question of the reports indicating a class suit has been filed in those particular cases, Mr. Swank commented he believes the monitor agency has learned that a settlement has actually been agreed to. At some point in the near future these monies will be paid into a settlement fund at which time our Custodian needs to insure a claim is made on our behalf.

Mr. Vavrica believes the Attorneys should be making the claim on the plan's behalf; they're submitting the claim into the class action suit. If the plan's name is not in the class action, no moneys would be received regardless of what the Custodian says.

Mr. Safford questioned if Mr. Vavrica would contact the agencies and clarify what the process is?

Item 11. Review of Resolution 30-09.

Mr. Swank commented it appears the purpose is to urge the Board to disassociate or eliminate any investments tied to any of these Iranian issues.

Mr. Vavrica indicated this became Florida Law applied to Police and Fire Pension Plans that receive state moneys. Beginning January 1st, 2010 those plans that wish to continue receiving state money must eliminate investments in or related to "scrutinized companies" as defined by the Protecting Florida's Investment Act. It does not apply to the General Employees Pension Plan directly; the City has taken it upon themselves to expand and apply it to this Plan also.

City Attorney, Mr. Shutt stressed the City is urging the Board not requiring it. The language reads the City Commission would like the Boards to follow this.

In response to Mr. Swank's question if the Plan has such securities; Mr. Vavrica stated it is unlikely. The majority of the companies in this category are foreign, tending to be energy and military related. The Plan does not have an international manager which is primarily the firm that owns these.

Mr. Vavrica expressed his opinion to not adhere to this. It is an unnecessary restriction where other Board Attorneys have said as a fiduciary your first and primary goal is to the benefit of the members, not for social or political causes. To the extent that this could have negative effects in returns to the plan, it would be between social and political causes before the benefit of the members. Many other states have and are being challenged legally whether this law can be put on the plans. If the Board Members do not want to make waves with the City, everything is in place as this is a must for the Police and Firefighter's Plan.

Mr. Swank suggested taking a first step in reviewing and researching if the Plan has any such investments. Once these results are brought before the Board, further discussion and decisions could be made on whether to comply with the resolution. Board members agreed to leave as is and await Mr. Vavrica's further research.

Mr. Vavrica commented this Plan has domestic index funds. If you were in an international index fund, it could be an issue. The Board does not have to do anything until January 1st; then one has until September 30, 2010 to completely divest from any of those securities if you own them.

Item 12. Review of Plan's Investment Policy Guideline.

In reviewing the update for the Investment Policy Guidelines, Mr. Vavrica stated the addition of RhumbLine Large Cap Value and Large Cap Growth will be added. Because the percentages are not changing, that does not affect the policy other than those to be acknowledged. Currently for the large cap value section as it relates to Boston Company, comparison is to the S & P 500 Citi Value; the new fund for RhumbLine is a Russell 1000 Value. For the sake of complicity, Mr. Vavrica indicated they would like to compare Boston to the Russell 1000 Value also.

The second item, Lehman Bros. doesn't exist any longer. This section was taken over by Barclays Capital; this would be a renaming update only.

Mr. Safford moved to make a motion to approve the investment policy as amended, seconded by Mr. Turk. Said motion passed unanimously.

Item 13. Review of Asset Allocation Rebalancing and Cash Disbursements.

Mr. Swank stated the Board was hesitant to move out of fixed income into the stock market three months ago at the last meeting. It's opened for discussion as to how everyone feels and whether Board Members want to consider rebalancing to get closer to the target. There was also discussion of taking cash to pay for the expenses and disbursements.

Mr. Vavrica indicated equity funds would be roughly at 44.7%; as of June 30, equities were 42.6%. This is still within the 55% target. The Plan is still under weight which has served very well for the past 12-15 months. Considering the overweight in fixed income, this is probably the way to go as it will slowly balance the fixed income back in line. Mr. Vavrica indicated he would not recommend drawing down equities at this point. Board Members agreed.

Ms. Walinski indicated in the next five months the City will be making its annual contribution to the plan; roughly \$2.5 million. It could go straight into equity as opposed to allocating.

Mr. Swank questioned what the change on a percentage basis is in drawing from the fixed income for cash needs.

Mr. Vavrica indicated drawing \$295,000 monthly the percentage would be 1.3% per quarter of the June 30th balance. Now it is probably down to 1.2% per quarter. As the asset increases, the percentage is decreasing.

Board Members agreed not to rebalance at this time and simply draw down the fixed income for cash disbursements. Decision on allocating the City Contributions would be discussed at the November meeting.

Item 14. Review of Plan's Performance Evaluation for the Period Ending June 30, 2009.

Mr. Vavrica indicated the compliance report illustrates the total return for the trailing three years did not exceed the policy, -1.55% vs. -1.51%. The trailing one year period did not exceed the actuarial assumed rate of 8%. Loomis Sayles trailed the two year and inception.

The asset allocation illustrates 43% in equities for a total of \$28,063,000; 56% in fixed income for a total of \$37,200,000; and 1% in cash for a total of \$683,000; a grand total of \$65,946,000.

Mr. Vavrica continued reviewing the report stating the total fund for the quarter was down, 6.77% versus 10.12% ranking 100th; for one year the return was -13.20% versus the policy of -12.45% ranking 37th three years -1.55% versus the policy of -1.51% ranking 19th and five years .99% versus the policy of 1.15% ranking 40th. Equity return for the quarter was 14.51% versus the policy of 17.14% ranking 89th; one year -30.32% versus the policy of -26.61% ranking 95th; three years -8.87% versus the policy of -8.21% ranking 81st and five years -2.55% versus the policy of -2.23% ranking 78th. Fixed Income return was 1.81% versus the policy of 1.79% for the quarter ranking 71st; one year 6.06% versus 6.06%; three years 6.44% versus the policy of 6.43% and five years 5.01% versus the policy of 5.02%.

Individual performance evaluation summary for Boston Company's quarterly return was 18.11% versus the policy of 17.51% ranking 23rd; one year -23.62% versus the policy of -28.63% ranking 19th.

Loomis Sayles' quarterly return was 9.83% versus the policy of 16.32% ranking 100th; one year -36.93% versus the policy of -24.50% ranking 100th.

RhumbLine's quarterly return was 18.70% versus the policy of 18.75% ranking 37th; one year -27.63% versus the policy of -28.02% ranking 83rd.

Mr. Vavrica indicated he has spoken to Loomis Sayles' at length and they kept talking about the quality; equities held tend to be higher quality. Normally Mr. Vavrica would say change managers; however he is inclined to say leave them for a bit as they have nowhere else to go but up. They claim to be outperforming by 150 to 200 basis points. The good news is half of their funds have been moved into the index funds. Should they change their style now, Mr. Vavrica suggests firing them immediately.

Board Members agreed they have a history of letting money managers go when at their lowest and begin to outperform. After further discussion, Board Members requested Mr. Vavrica to commence a study of potential candidates for replacing Loomis Sayles along with a comparison of a ten year period of what Loomis Sayles did compare to the index to illustrate the trend.

Mr. Vavrica commented if time is a concern and members are not ready to make the decision, they could move those moneys into the index fund; all is in place to accommodate that.

Item 15. Other Business.

Mr. Safford advised the Board the City Manager forwarded documentation to the actuary to review various alternatives of changes to the pension plan to promote cost savings. He may or may not move forward with the proposed changes: Change the pension option from a 60% survivor benefit to a single life benefit. Change the normal retirement date from 10 years service and age 60 to 10 years service and age 65. Change the service connected disability from 75% to 60%.

Ms. Walinski stated a letter was received from the Custodian Salem Trust where they wanted to discuss the solutions to liquidity problems some of their clients are experiencing. Currently, available cash is put into a Goldman Sachs Government Money Market Fund. They stated if that same amount had been put into Salem Trust's Overnight Short Term Investment Fund, the annual return would have been quite a bit more. Ms. Walinski questioned if Mr. Vavrica knew more of this or what makes up these different items?

Mr. Vavrica indicated he has seen letters that have gone to other clients. It's easy for one to say you made "x" dollars in your money market last year, you could have made three times more with us. There is no explanation or what risk is in the fund. The way you are currently structured, there is not a tendency to have a lot of cash.

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 2:43 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 20, 2009, which minutes were formally approved and adopted by the General Employees Pension Board on November 19, 2009.



Joseph M. Safford, Director of Finance
Secretary, General Employees Pension Board

/kms

cc: General Employees Pension Board Members
David Harden, City Manager
Brian Shutt, City Attorney
Department Heads