

## GENERAL EMPLOYEES PENSION BOARD

### Minutes of August 19, 2010

Meeting was called to order by Chairperson, Stephen Swank at 1:08 p.m.

#### **Item 1. Roll Call.**

**Members Present:** Vincent Dole, Stephen Swank and Milena Walinski  
**Members Absent:** Joseph Safford and Evan Turk  
**Guests Present:** Brendon Vavrica (Thistle Asset Consulting), Karen Schell and Terrill Pyburn

#### **Item 2. Approval of the General Employees Pension Board Agenda for August 19, 2010.**

Ms. Walinski requested to add discussion of appointed members and termination of Loomis Sayles.

Mr. Dole moved to approve the agenda for August 19, 2010 as amended, seconded by Ms. Walinski. Said motion passed unanimously.

#### **Item 3. Approval of the General Employees Pension Board Minutes:**

##### **A. May 20, 2010.**

Mr. Dole moved to approve the minutes for May 20, 2010 as submitted, seconded by Ms. Walinski. Said motion passed unanimously.

##### **B. July 22, 2010 Special Meeting**

Ms. Walinski moved to approve the minutes for the Special Meeting of July 22, 2010 as submitted, seconded by Mr. Dole. Said motion passed unanimously.

#### **Item 4. Approval of the Following Invoices:**

- A. Gabriel Roeder Smith & Company dated May 13, 2010 in the amount of \$2,069.00 for preparation of the October 1, 2009 Actuarial Valuation Report.

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

- B. State Street Global Advisors dated May 14, 2010 in the amount of \$5,542.33 for investment management fee for the period of January 1, 2010 through March 31, 2010.

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

- C. Gabriel Roeder Smith & Company dated June 14, 2010 in the amount of \$9,514.00 for final charges for the October 1, 2009 Actuarial Valuation Report and retirement calculations for Brown.

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

- D. Aris Sahagian, M.D. dated June 9, 2010 in the amount of \$300.00 for Johnnie Larkins Disability Evaluation.

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

- E. Gabriel Roeder Smith & Company dated July 9, 2010 in the amount of \$600.00 for retirement calculations for Bauer & Quinn.

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

- F. RhumbLine Advisers dated July 4, 2010 in the amount of \$5,810.37 for investment management fee for the period of April 1, 2010 through June 30, 2010.

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

- a. Follow up on RhumbLine Mid Cap minimum fees.

Mr. Swank reviewed the e-mail along with the Exhibit to the contract for a revised fee to the S & P 400 from a \$10,000 minimum to \$5,000. This is to be effective July 1, 2010.

- G. The Boston Company Asset Management, LLC dated July 22, 2010 in the amount of \$10,842.36 for quarterly investment Management fee for the period of July 1, 2010 through September 30, 2010.

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

**Item 5. Approval of the Following DROP Retirement(s):**

- A. Name: William S. Brown  
Age: 61  
Monthly Pension Amount: \$2,415.58  
Benefit Commenced: June 1, 2010  
Benefit Requested: 100% Joint and Last Survivor Annuity

Mr. Dole moved to approve the DROP retirement for William Brown, seconded by Ms. Walinski. Said motion passed unanimously.

- B. Name: Geraldine Bauer  
Age: 60  
Monthly Pension Amount: \$3,355.57  
Benefit Commenced: August 1, 2010  
Benefit Requested: Ten Year Certain & Life

Ms. Walinski moved to approve the DROP retirement for Geraldine Bauer, seconded by Mr. Dole. Said motion passed unanimously.

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

- A. Name: Eddie G. Quinn  
Age: 62  
Monthly Pension Amount: \$412.31  
Benefit Commenced: August 1, 2010  
Benefit Requested: Ten Year Certain & Life

Mr. Dole moved to approve the DROP retirement for William Brown, seconded by Ms. Walinski. Said motion passed unanimously.

**Item 7. Approval of the Following Termination Refund(s):**

- A. Brenden Kavana (Parks & Recreation) in the amount of \$2,492.35.

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

- B. Jillian Kenney (Parks & Recreation) in the amount of \$566.44.

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

- C. Michael Cianciaruli (Police Department) in the amount of \$6,278.11.

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

- D. Zayne Thompson (Utilities Customer Service) in the amount of \$1,109.38.

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

**Item 8. The General Employees Pension Board is being advised that the Plan has received the following check(s) which have been deposited in the Trust Account.**

- A. Lynch, Jones & Ryan in the amount of \$23.29, deposited June 2, 2010 for trading activity with LJR Recapture Services through trade date April 30, 2010.
- B. SunTrust in the amount of \$504.96 & \$847.06, deposited June 7, 2010 for settlement with Enron class action proceeds.
- C. Lynch, Jones & Ryan in the amount of \$60.19, deposited July 2, 2010 for trading activity with LJR Recapture Services through trade date May 31, 2010.
- D. Lynch, Jones & Ryan in the amount of \$201.78, deposited August 2, 2010 for trading activity with LJR Recapture Services through trade date June 30, 2010.

**Item 9. Review of Disability Physician.**

Ms. Schell indicated Dr. Kenneth Lee was the previous physician who completed the disability evaluations for the General Employees. Dr. Lee is no longer practicing; Dr. Sahagian and Dr. Welliver took over his patients. At the time of Mr. Larkins disability application, the Board decided to allow Dr. Sahagian and/or Dr. Welliver to complete Mr. Larkins evaluation.

In the meantime, research was completed; the results were illustrated comparatively. There was a complaint against Dr. Sahagian; no complaints against Dr. Welliver. Both physicians are working in the same office.

Mr. Dole commented he would rather not have a doctor who was more accident prone than the employee. He doubted the average employee has as many infractions as this physician.

Ms. Schell continued stating in further research, we were able to obtain two physicians under the American Academy of Disability Evaluating Physicians, Dr. Sherri Pinsley and Dr. Joseph Alshon. Phone calls were placed to each. There was no success with Dr. Sherri Pinsley as no voice mail was available. A voice mail message was left with Dr. Alshon; no response as of to date.

Mr. Swank indicated he would like the Board to move this business with someone locally provided their experience and arrangement was reasonable.

Mr. Dole suggested contacting the local hospitals for their recommendations.

Mr. Swank indicated Dr. Alshon is a client of his. He could vouch for his quality of practice; he has been around for a while, he is a pain physician and does this type of evaluation. Mr. Swank volunteered to get in touch with him and see if he would have any interest in this.

Ms. Pyburn indicated as a point of order going forward, if Dr. Alshon is selected by the Board, Mr. Swank may need to refrain from voting due to his business relationship.

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

Mr. Vavrica reviewed the process of claim filing. There is a large amount of activity taking place due to the financial issues within the last few years.

Ms. Schell indicated every quarter prior to the preparation of the agenda, she follow ups with Ms. Walinski to see if there were any direct deposits for class action proceeds; this quarter there was none.

**Item 11. Follow up on Reconciliation of Plan Assets (Actuarial Report).**  
(Karen's salary, hosting fees, custodian fees, consultant fees, actuarial fees.)

Ms. Walinski indicated her worksheet illustrates all is separated by investment expense. This past year it was all included as a whole; further caution will be taken in the future.

**Item 12. Discussion of appointed Board Members.**

Ms. Walinski indicated Mr. Safford will be retiring October 15, 2010. Presently the only required member of the committee is the Finance Director. Even though the final say will be by City Commissioners, Ms. Walinski was interested in hearing other Board Member's opinion. Going back in history, the Finance Director has always been a participant of the plan. The City now gives Department Heads, City Attorneys and Assistant City Attorneys the option of participating in the defined benefit plan or participating in the 457 with a match of 9%. Ms. Walinski would like to see another employee mandated on the committee as when one is a member of the plan, they have more interest in it.

Mr. Dole commented it is important all members should have some qualifications. He questioned how many city employees would really qualify to serve on the Board; have the fundamental background to understand the whole pension business?

Mr. Swank stated if the ordinance read at least two members who participate in the plan in addition to the Finance Director, there would then be three City Employees and two outside individuals. Members agreed this may not be in the best interest of the Board.

Ms. Walinski suggested the wording be the Finance Director of the City if they were a member of the plan. The reason behind having the Finance Director on the Board was they are a knowledgeable person, they understood the impact, the contributions and the funding of the plan; the Board needs someone who understands the ramifications.

Mr. Swank feels it is important the Finance Director be on this Board whether they are a participant or not. There would need to be more thoughts on this as he does not see making a recommendation that could possibly force someone to leave.

Ms. Pyburn suggested having the recommendation of that at least two members of the Board shall be members of the plan; or possibly one member shall be the Finance Director or his/her designee so long as they are a member of the plan. As there are no specific qualifications listed, the Board may want to make a recommendation as to the qualifications that are important.

Mr. Vavrica indicated most other Boards have a five member plan structured where there are two active members and two members appointed by the City. You always have an even match and the fifth member is selected by the other four.

At this time the Board left this discussion as a wait and see whether the new Finance Director chooses to participate in the plan or not.

**Item 13. Review of Plan's Performance Evaluation for the Period Ending June 30, 2010.**

Mr. Vavrica indicated the compliance report illustrates the total return for the trailing three years did not exceed the policy, -2.11% vs. -1.47%. Loomis Sayles did not exceed the R1000G Index over the trailing 3-year period nor 5-year period. Loomis Sayles also did not rank in the top 50% (95<sup>th</sup>) of the Mobius Broad Large Cap Growth Universe. Rhumbline MidCap did not exceed the S & P400 index over the trailing 3-year period. Rhumbline Large Cap Value did not exceed the R1000V index over the trailing 5-year period. Rhumbline Large Cap Growth did not exceed the R1000G index over the 5-year period.

The asset allocation illustrates 48.42% in equities for a total of \$35,607,000; 50.4% in fixed income for a total of \$37,061,000; and 1.2% in cash for a total of \$900,000; a grand total of \$73,568,000.

At this time the Board moved to **Item 13 B. Follow up on outflow expense reconciliation.**

In May \$500,000 was transferred from the cash disbursement account to Boston Company. The Board was in agreement there was still an excess amount in which another transfer should take place.

After a brief discussion, Mr. Swank moved to make a motion that we reduce the monthly transfer from State Street to the distribution account from \$295,000 per month to \$260,000 per month; and also transfer \$500,000 from the distribution account to the Rhumbline Large Growth account, seconded by Mr. Dole. Said motion passed unanimously.

Mr. Vavrica continued reviewing the report stating the total fund for the quarter was down, -4.40% versus -4.62% ranking 6<sup>th</sup>; for one year the return was 11.46% versus the policy of 13.73% ranking 73<sup>rd</sup>; three years -2.11% versus the policy of -1.47% ranking 30<sup>th</sup> and five years 1.98% versus the policy of 2.46% ranking 42<sup>nd</sup>. Equity return for the quarter was -11.61% versus the policy of -11.25% ranking 46<sup>th</sup>; one year 15.62% versus the policy of 16.26% ranking 25<sup>th</sup>; three years -10.29% versus the policy of -9.34% ranking 83<sup>rd</sup> and five years -0.94% versus the policy of -0.47% ranking 75<sup>th</sup>. Fixed Income return was 3.53% versus the policy of 3.49% for the quarter ranking 9<sup>th</sup>; one year 9.54% versus 9.50%; three years 7.58% versus the policy of 7.55% and five years 5.55% versus the policy of 5.54%.

Individual performance evaluation summary for Boston Company's quarterly return was -12.36% versus the policy of -11.15% ranking 70<sup>th</sup>; one year 14.89% versus the policy of 16.62% ranking 26<sup>th</sup>.

Loomis Sayles' quarterly return was -12.45% versus the policy of -11.75% ranking 63<sup>rd</sup>; one year 13.04% versus the policy of 13.61% ranking 48<sup>th</sup>.

RhumbLine's Midcap quarterly return was -9.55% versus the policy of -9.59% ranking 6<sup>th</sup>; one year 24.78% versus the policy of 24.92% ranking 1<sup>st</sup>. RhumbLine's Large Cap Value quarterly return was -11.10% versus the policy of -11.15% ranking 23<sup>rd</sup>. RhumbLine's Large Cap Growth quarterly return was -11.73% versus the policy of -11.75% ranking 34<sup>th</sup>.

**A. Follow up on change in management for Loomis Sayles.**

Mr. Vavrica reminded the Board Members at the last meeting they were notified of a portfolio manager change with Loomis Sayles who started in late May; it's as if the Board hired a new firm. This is a mutual fund, owned by Wells Fargo, and Evergreen Fund which is part of Wachovia. The

history of this new manager has been strong, outperforming the Russell 1000 Growth Index. Outperforming more when the market is down; fairly diversified with 75-80 stocks.

Mr. Vavrica indicated the manager's search is an updated version of what the Board reviewed 6-9 months ago. The managers are illustrated by different classifications then scored.

Mr. Dole commented he would be willing to give Loomis Sayles' new manager a chance as this is a completely new approach to the portfolio at Loomis. Given his performance in the past it may be worth waiting to see what happens. Perhaps within the next quarter Mr. Vavrica could do further research into what actual changes have been made to the portfolio. Mr. Dole does not believe one quarter will be sufficient time for effect of any changes to take place; however would agree to the next two quarters.

Mr. Dole moved to maintain Loomis Sayles and at the February 2011 meeting the Board will review the performance, if the ranking is not within 1-49, Loomis Sayles will then be terminated and replaced, seconded by Ms. Walinski. Said motion passed unanimously.

**Item 14. Other Business.**

At the special meeting of July 22, 2010 the Board agreed to move the City's Contribution payment from December 31<sup>st</sup> to October 1st to attain cost savings. Ms. Walinski requested direction on how the City's Contribution should be made.

After consideration and discussion, Ms. Walinski moved to have the City's contribution be split 50% to Rhumbline Mid Cap and 50% Rhumbline Growth to bring the asset allocation back to target, seconded by Mr. Dole. Said motion passed unanimously.

**Motion to Adjourn:**

There being no further business, Mr. Dole moved to make a motion for adjournment, seconded by Ms. Walinski. Said motion passed unanimously. The meeting adjourned at approximately 3:20 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 19, 2010, which minutes were formally approved and adopted by the General Employees Pension Board on November 18, 2010.



Milena L. Walinski, Acting Finance Director  
Vice Chairperson, General Employees Pension Board

/kms

cc: David Harden, City Manager  
Brian Shutt, City Attorney  
Department Heads