GENERAL EMPLOYEES PENSION BOARD

Minutes of
November 18, 2010

Meeting was called to order by Chairperson, Stephen Swank at 1:07 p.m.

Item 1. Roll Call.

Members Present:	Vincent Dole, Stephen Swank and Milena Walinski
Members Absent:	None
Guests Present:	Brendon Vavrica & John McCann (Thistle Asset Consulting), Matthew Hart (Boston Company), Karen Schell and Brian Shutt

Item 2. Approval of the General Employees Pension Board Agenda for November 18, 2010.

City Attorney Brian Shutt suggested deferring item #13, Sunshine Law, to a later date when new members were also present. Mr. Dole requested to move item #14, Presentation by Boston Company to 3B.

Ms. Walinski moved to approve the agenda for November 18, 2010 as amended, seconded by Mr. Dole. Said motion passed unanimously.

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

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

Item 3B. Presentation by Boston Company:

Mr. Hart introduced himself and thanked the Board for a 15 year relationship. In reviewing the handout, page three illustrates a snapshot of the firm. Total assets under management are approximately $36.0 billion. There are five team members with 17 years of experience in the industry on average. Brian Ferguson and John Bailer who are at the top managed this strategy together for over ten years. There is no team or firm management turnover. Page six illustrates the portfolio's performance as of September 30, 2010. We're back even on the quarter; trailing slightly for year to date and one year. Long term 3, 5 and 10 years have been strong. In seven of ten calendar years we've outperformed the benchmark. Top five companies are Vodafone PLC ADS (Telecommunications), Norfolk Southern Corp (Industrials), Amerisource Bergen (Health Care), Philip Morris International Inc. (Consumer Staples) and Windstream Corp (Telecommunications). The bottom five companies that attracted from our portfolio performance were basically Financials. Bank of America Corp (Financials), JPMorgan Chase & Co (Financials), U.S. Bancorp (Financials), CVS Caremark Corp (Consumer Staples) and Wells Fargo & Co (Financials). The Financials are headlines every day. This has been a beat up sector for some years. You see weakness in these names; but on the whole you are actually very positive on financials because they've been so beaten up that they had to add to the capital ratios, they've not been spending the cash, but accumulating it in their balance sheet. In the future we think there is a possibility of an increased dividend or outside feature activity as far as mortgage and acquisitions go.

Page ten illustrates the portfolio as of the end of the quarter; the top five active overweights and top five underweights; this basically states the convictions of team and names and diversity in the sectors of where we seeing the top and bottom come from. Characteristics are important; this team does have a value bias. Price/Earnings ratio and Price/Book Value Ratio were slightly lower than the Benchmark; Historical 5 year EPS Growth and Return on Equity are both better than the benchmark. This indicates we are buying companies with good valuations for cash which continue to grow their companies in different business environments.

The team outlook is very encouraging. In talking with thousands of company managements a year; the CFO's and CEO's they converse with on a daily basis say they continue their business plans for 2010 and 2011. This signals to the team there's been no pull back in spending. They may not be hiring, but there's no pull back in the business plans which is good.

Item 4. Approval of the Following Invoices:

A. Thistle Asset Consulting, Inc, dated August 5, 2010, in the amount of $5,750.00 for performance monitoring for the quarter ending June 30, 2010.

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

B. State Street Global Advisors, dated August 24, 2010, in the amount of $5,530.31 for investment management fee for the period of April 1, 2010 through June 30, 2010.

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

C. Gabriel, Roeder, Smith & Company, dated September 13, 2010, in the amount of $4,064.00 for retirement calculations for Kinley, Smith, Weinstein, Larkins and the revision of the October 1, 2009 Actuarial Valuation Report due to change in funding method.

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

D. Karen Schell dated October 6, 2010, in the amount of $293.64 for recognition of service award for Joseph Safford.

Board Members briefly discussed the parameters for future awards/gifts of recognition agreeing it would be approved on a case by case situation. Going forward the Pension Administrator will either call or e-mail members prior for their feedback. Should there be a negative response/reaction of majority members, staff will not pursue.

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

E. RhumbLine Advisers, dated October 5, 2010, in the amount of $4,590.82 for quarterly 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.

F. Gabriel, Roeder, Smith & Company, dated October 13, 2010, in the amount of $3,723.00 for Supplemental Actuarial Valuation Report for Early Retirement Incentive Program.

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

G. The Boston Company Asset Management, LLC, dated October 18, 2010 in the amount of $11,684.87 for quarterly management fee for the period of October 1, 2010 through December 31, 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:	Terry Kinley
Age:	65
Monthly Pension Amount:	$1,561.27
Benefit Commenced:	September 1, 2010
Benefit Requested:	50% Joint & Survivor Annuity

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

B. Name: Thomas Smith
Age: 61
Monthly Pension Amount: $2,220.08
Benefit Commenced: September 1, 2010
Benefit Requested: Ten Year Certain & Life

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

C. Name: Richard Weinstein
Age: 62
Monthly Pension Amount: $1,392.65
Benefit Commenced: September 1, 2010
Benefit Requested: 100% Joint & Survivor Annuity

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

D. Name: Ollie J. Cole
Age: 60
Monthly Pension Amount: $2,014.94
Benefit Commenced: October 1, 2010
Benefit Requested: 50% Joint & Survivor Annuity

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

E. Name: Joel Glover
Age: 63
Monthly Pension Amount: $1,281.98
Benefit Commenced: November 1, 2010
Benefit Requested: Ten Year Certain & Life

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

F. Name: Robert Lindemuth
Age: 71
Monthly Pension Amount: $1,155.88
Benefit Commenced: November 1, 2010
Benefit Requested: 66 2/3% Joint & Survivor Annuity

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

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

A. Name: Andrea Strohmer
Age: 65
Monthly Pension Amount: $2,854.82
Benefit Commenced: November 1, 2010
Benefit Requested: Ten Year Certain & Life

Ms. Walinski moved to approve the Normal retirement for Andrea Strohmer, seconded by Mr. Dole. Said motion passed unanimously.

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

A. David Ricks (Parks & Recreation) in the amount of $9,360.82.

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

B. Roumy Florvil (Police Department) in the amount of $2,183.27.

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

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

A. Monthly benefit of $400.00 to Mrs. Athalone Brailford beneficiary of Clifford Brailford until the earlier of Mrs. Brailford's death or remarriage.

Mr. Dole moved to approve payment of the Beneficiary Disbursement for Mrs. Athalone Brailford, seconded by Ms. Walinski. Said motion passed unanimously.

Item 9. 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 $74.96, deposited September 7, 2010 for trading activity with LJR Recapture Services through trade date July 30, 2010.
B. SunTrust in the amount of $133.26, deposited September 24, 2010 for settlement with Coco-Cola class action proceeds.
C. Lynch, Jones & Ryan in the amount of $28.55, deposited September 22, 2010 for trading activity with LJR Recapture Services through trade date August 31, 2010.
D. Merrill Lynch in the amount of $117.14, direct deposited on September 9, 2010 for class action settlement.
E. SunTrust in the amount of $7.71 & $35.99, deposited October 13, 2010 for settlement with Worldcom class action proceeds.
F. Cynthia Ramirez in the amount of $252.54, deposited October 22, 2010 for buyback of previous City Service
G. BNY ConvergEx Recapture Services in the amount of $262.20, deposited November 1, 2010 for trading activity through trade date of September 30, 2010.

Item 10. Distribution of the Quarterly Meeting Schedule for the General Employees Pension Board for Calendar Year 2011.

No comments.

Item 11. Follow up on Disability Physician.

Board Members were advised Dr. Alshon accepted the Board's request to partake as the Disability Evaluating Physician as long as the applicants were a minimum. Members requested receipt of fees in writing by Dr. Alshon and/or his office.

As Mr. Swank could not vote due to a conflict of interest, Members gave staff the authority to use Dr. Alshon until new members were appointed.

Item 12. The General Employees Pension Board is being advised of the class action settlement report from both Portfolio Monitoring Agencies.

Mr. Vavrica reiterated the monitor reports illustrate which class action settlement cases are ongoing in which the Board would have a potential interest in should something develop.

Item 13. Sunshine Law discussion by the City Attorney's Office.

Deferred to a later date.

Item 14. Presentation by Boston Company.

See Item 3B.

Item 15. The General Employees Pension Board is being copied on the letters of transfers and deposits as approved on the August 19th, 2010 meeting.

Mr. Swank briefly reviewed the transfer letters and City's contributions.

Item 16. Review of Plan's Performance Evaluation for the Period Ending September 30, 2010.

Mr. McCann started out by reviewing the Aggregate Equity Analysis report as of September 30, 2010. This report illustrates all of the equity portfolios. The portfolio value is $40,438,794.15. Large cap stocks total 76%; Mid Cap stocks totals 23%; 30% is in value; 33% is in core; and 35% is in growth. Non US Stocks total 3.14% of the portfolio.

Mr. Vavrica reviewed the comparison of Loomis Large Cap Growth Portfolio with the old manager versus the new manager. The new portfolio is larger in weighted average and median. The new manager holds a smaller cap company than the old portfolio; the maximum is similar; and the new portfolio has a larger cap. A significant change in the dividend yield 1.34% versus .79% and the number of securities is reduced from 47 to 37.

Mr. Vavrica indicated the compliance report illustrates the total return for the trailing three years did not exceed the policy, -0.81% vs. 0.24%. 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% (94th) of the Mobius Broad Large Cap Growth Universe. RhumbLline MidCap did not exceed the S & P400 index over the trailing 3-year period. RhumbLline Large Cap Value did not exceed the R1000V index over the trailing 3 or 5-year period. RhumbLine Large Cap Value did not rank in the top 50% (55th) of the Mobius Broad Large Cap Value Universe. RhumbLline Large Cap Growth did not exceed the R1000G index over the 5-year period.

The asset allocation illustrates 51.9% in equities for a total of $40,448,000; 47.6% in fixed income for a total of $37,110,000; and .5% in cash for a total of $417,000; a grand total of $77,975,000.

Mr. Vavrica continued reviewing the report stating the total fund for the quarter was down, 7.08% versus 7.67% ranking 85th; for one year the return was 9.62% versus the policy of 10.56% ranking 41st; three years -0.81% versus the policy of 0.24% ranking 38th and five years 3.08% versus the policy of 3.70% ranking 40th. Equity return for the quarter was 12.00% versus the policy of 11.74% ranking 37th; one year 11.79% versus the policy of 11.55% ranking 22nd; three years -7.78% versus the policy of -6.38% ranking 89th and five years 0.58% versus the policy of 1.14% ranking 73rd. Fixed Income return was 2.44% versus the policy of 2.49% for the quarter ranking 75th; one year 8.17% versus 8.17%; three years 7.44% versus the policy of 7.43% and five years 6.20% versus the policy of 6.20%.

Individual performance evaluation summary for Boston Company's quarterly return was 10.21% versus the policy of 10.13% ranking 69th; one year 8.65% versus the policy of 8.90% ranking 58th.

Loomis Sayles' quarterly return was 14.51% versus the policy of 13.00% ranking 12th; one year 14.54% versus the policy of 12.65% ranking 9th.

RhumbLine's Midcap quarterly return was 13.13% versus the policy of 13.12% ranking 20th; one year 17.67% versus the policy of 17.78% ranking 13th. RhumbLine's Large Cap Value quarterly return was 10.10% versus the policy of 10.13% ranking 73rd; one year 8.84% versus the policy of 8.90% ranking 55th. RhumbLine's Large Cap Growth quarterly return was 13.00% versus the policy of 13.00% ranking 32nd; one year 12.54% versus the policy of 12.65% ranking 22nd.

At this time Mr. Vavrica reviewed the Investment Alternatives for the Asset Allocation Analysis.

Board Members agreed there was a need for small cap and international exposure more so than real estate. In addition, Members agreed to reduce the fixed income and shorten the duration to be more sustainable with the

interest rates. Mr. Vavrica commented he would like to explore with the Board's permission the idea of potentially reducing the relation of the fixed income portfolio whether or not there is a change the percentage allocation. There is a possibility State Street has an intermediate fixed income portfolio and perhaps splitting it or a different fixed income manager if State Street is not an option the Board wants to pursue. If the Board changes the overall percentage allocation of the fund by shortening the duration, we reduce the sensitivity of the fund to interest rate increases in the future.

Board Members agree to have Mr. Vavrica commence his search for an international index for some exposure to emerging markets if the amount of money being allocated is sufficient to warrant having a management. In addition look at the fixed income portion to not only take the 5% out, but also shorten the duration. Given the expectations for future rate increases, it may be wise to have an active manager who can move around a little bit.

It was questioned if the need to change the allocation to 60/40 would need to be approved at this meeting. Mr. Vavrica indicated these changes wouldn't become effective until the moneys are moved from fixed to equity. This would not be accomplished until at least the next meeting. At that time the Board could formally change the allocation. By the time the strategy is implemented, there would be the 31 days for the policy to take effect.

Item 17. Other Business.

Board Members were informed of the replacement process for selecting a Board Member. Ms. Schell stated she would obtain a list of the applicants and forward to all members. Should anyone know of someone who is interested with the necessary qualifications please have them contact City Clerk's office or Karen Schell.

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 3:17 p.m.

The undersigned is the Acting Finance Director of the City of Delray Beach and the Vice Chairperson 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 18, 2010, which minutes were formally approved and adopted by the General Employees Pension Board on February 17, 2011.

Milena L. Walinski

Milena L. Walinski, CGFO
Vice Chairperson, General Employees Pension Board

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