

GENERAL EMPLOYEES PENSION BOARD

Minutes of May 19, 2011

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

Item 1. Roll Call.

Members Present: David Boyd, James Smith, Stephen Swank and Milena Walinski
Members Absent: Vincent Dole
Guests Present: Brendon Vavrica & John McCann (Thistle Asset Consulting), Steve Palmquist (Gabriel, Roeder, Smith & Co), Karen Schell and Brian Shutt

Item 2. Approval of the General Employees Pension Board Agenda for May 19, 2011.

Mr. Swank indicated there were two additional deposits of money received to be added onto Item number ten in the amount of \$2,066.56. Mr. Shutt requested to move Item thirteen to the last item on the agenda. Mr. Smith moved to approve the agenda for May 19, 2011 as amended, seconded by Ms. Walinski. Said motion passed unanimously.

Item 3. Election of Officers.

Mr. Smith nominated Steve Swank for Chairperson, seconded by Ms. Walinski. Said motion passed unanimously.

Mr. Swank nominated Vincent Dole as Vice Chairperson, seconded by Ms. Walinski. Said motion passed unanimously.

Mr. Swank nominated David Boyd as Secretary, seconded by Ms. Walinski. Said motion passed unanimously.

Item 4. Approval of the General Employees Pension Board Minutes for February 17, 2011.

Mr. Smith indicated on Page 5 the Board Members agreed to have Mr. Vavrica update the search (e-mail the information prior to the next meeting for the Board's review.) and be ready to move forward. After clarification, Mr. Smith requested to have the minutes reflect this was the "large cap value" search.

Mr. Smith also requested the minutes to reflect the previous actuarial report included administration expenses in with investment expenses. Ms. Walinski stated this has been reclassified in this year's actuarial report.

Mr. Smith moved to approve the minutes of February 17, 2011 as amended, seconded by Ms. Walinski. Said motion passed unanimously.

Item 5. Approval of the Following Invoices:

- A. Gabriel, Roeder, Smith & Company, dated February 11, 2011, in the amount of \$1,114.00 for benefit calculations for Offie, purchase of government service for Dultra and further preparation of the October 1, 2010 Actuarial Valuation Report.

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

- B. RhumbLine Advisers, dated April 8, 2011, in the amount of \$5,903.00 for quarterly management fee for the period of January 1, 2011 through March 31, 2011.

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

- C. Thistle Asset Consulting, Inc, dated April 28, 2011, in the amount of \$5,750.00 for performance monitoring for the quarter ending March 31, 2011.

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

- D. The Boston Company Asset Management, LLC, dated April 18, 2011, in the amount of \$13,834.58 for quarterly investment management fee for the period of April 1, 2011 through June 30, 2011.

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

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

- A. Name: Ramon Hernandez
Age: 60
Monthly Pension Amount: \$2,008.46
Benefit Commenced: April 1, 2011
Benefit Requested: Ten Year Certain

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

- B. Name: Patricia Fox
Age: 57
Monthly Pension Amount: \$3,821.61
Benefit Commenced: May 1, 2011
Benefit Requested: 66 2/3% Joint and Survivor Annuity

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

- C. Name: Larry Lacy
Age: 60
Monthly Pension Amount: \$1,710.61
Benefit Commenced: May 1, 2011
Benefit Requested: 50% Joint and Survivor Annuity

Mr. Smith moved to approve the DROP retirement for Larry Lacy, seconded by Mr. Boyd. Said motion passed unanimously.

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

- A. Name: Candice White
Age: 60
Monthly Pension Amount: \$150.62
Benefit Commenced: May 1, 2011
Benefit Requested: 66 2/3% Joint and Last Survivor Annuity

Mr. Boyd moved to approve the Normal retirement for Candice White, seconded by Ms. Walinski. Said motion passed unanimously.

Item 8. Approval of the Following Termination Refund(s):

- A. James Parrish (Parks & Recreation) in the amount of \$4,681.41.

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

- B. Natasha Jaramillo (Utility Billing) in the amount \$1,279.10.

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

C. Giovannina Salomon (Parks & Recreation) in the amount of \$6,686.17.

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

Item 9. Approval of the Following Beneficiary Disbursement(s):

A. Monthly benefit of \$118.14 to Mrs. Carol Sweet beneficiary of Harry Sweet until Mrs. Sweet's death.

Mr. Smith moved to approve the beneficiary benefit to Mrs. Sweet, seconded by Ms. Walinski. Said motion passed unanimously.

Item 10. 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. A total of 4 checks in the amount of \$30,697.02, deposited April 4, 2011 for class action proceeds from Enron.
- B. Direct deposit in the amount of \$54.95, for class action proceeds from Hartford Financial Services.
- C. Direct deposit in the amount of \$2,011.61, for class action proceeds from Cardinal Health, Inc.

Item 11. The General Employees Pension Board is being advised of the class action settlement report from both Portfolio Monitoring Agencies.

No comment.

Item 12. Review of the Plan's October 1, 2010 Actuarial Valuation Report.

Mr. Palmquist reviewed the Actuarial Valuation Report indicating the City's Contribution for this year if paid on December 31st would be \$2,365,620.00. If paid on October 1st, the amount is listed as \$2,324,586.00.

There were several amendments to the plan this year. Mr. Palmquist indicated the assumptions are in good shape with the exception of salary. There was a net actuarial loss of \$394,904 due to investments loss of \$1.9 million and a gain of approximately \$1.5 million from lower than expected salary costs. The funded ratio is 96.4% this year compared to 96.8% last year. The average funded ratio of other plans both within and outside of Florida is approximately 75%. The City of Delray Beach's funded ratio is outstanding. City costs should decrease as new hires come on board.

Mr. Palmquist indicated the salary assumptions may need to be reviewed. The assumption is used to project a member's current salary to the salaries upon which benefits will be based. These are based on the experience study completed back in 2006. Mr. Palmquist commented other than the salary; the experience study should be okay.

Mr. Smith questioned if further study in the salary assumptions would require additional work on the Finance Staff.

Mr. Palmquist stated no as data is forwarded on a yearly basis and they have the majority of it already.

Mr. Smith commented in light of the economic environment, the 5.7% salary projection seems too high. He questioned if a change in the salary projection wouldn't make a significant change in the actuarial numbers.

Mr. Palmquist responded yes; for an approximate .5% in reduction of salary assumption, it may reduce payroll contributions by approximately 2%.

After a brief discussion, Board Members agreed to have Mr. Palmquist gather further information for consideration to change the salary assumptions with the Finance Department.

Mr. Boyd moved to accept the Actuarial Valuation Report as presented, seconded by Ms. Walinski. Said motion passed unanimously.

Ms. Walinski moved to maintain the assumed rate of return of 7.25% for the next several years, seconded by Mr. Smith. Said motion passed unanimously.

Item 13. Review of Plan's Performance Evaluation for the Period Ending March 31, 2011.

A. Review of quarterly performance.

Mr. Vavrica started his review with the Index Comparison in the Executive Summary. The Compliance report illustrates the total return over the trailing 3-year period did not exceed the policy, 3.85 vs. 5.00; nor did the return rank in the top 40% of the Universe, 50th. Loomis Sayles' equity return for the trailing 3 and 5 year period did not exceed the R1000G Index' 3 year -1.94 vs. 5.18 and 5 year -0.56 vs. 4.13. Loomis Sayles' also did not rank in the top 40%; 100th. Rhumbline Large Cap Value equity return over the trailing 5 year period did not exceed the R1000V Index; 26.15 vs. 26.80. Nor did it rank in the top 40% of the Mobius Broad Large Cap Value Universe; 45th. Rhumbline Large Cap Growth equity return over the trailing 3 and 5 year period did not exceed the R1000G Index; 3 year 18.23 vs. 18.26 and 5 year 27.06 vs. 27.15.

The asset allocation is currently in line illustrating a total of \$85,953,000; total equities of \$50,398,000 (58.6%); Fixed Income \$35,243,000 (41%) and \$312,000 (.4%) in Cash.

Mr. Vavrica continued reviewing the report stating the total fund for the quarter was 3.55% versus 3.797% ranking 58th; for one year the return was 11.78% versus the policy of 12.44% ranking 35th; three years 3.85% versus the policy of 5.00% ranking 50th and five years 4.28% versus the policy of 4.97% ranking 36th. Equity return for the quarter was 5.94% versus the policy of 6.58% ranking 64th; one year 16.78% versus the policy of 17.82% ranking 46th; three years 1.82% versus the policy of 3.55% ranking 90th and five years 2.66% versus the policy of 3.40% ranking 74th. Fixed Income return was 0.41% versus the policy of 0.43% for the quarter ranking 55th; one year 5.17% versus 5.14% ranking 38th; three years 5.32% versus the policy of 5.31% and five years 6.04% versus the policy of 6.03%.

Individual performance evaluation summary for Boston Company's quarterly return was 6.22% versus the policy of 6.45% ranking 31st; one year 14.70% versus the policy of 15.15% ranking 54th.

Loomis Sayles' quarterly return was 2.29% versus the policy of 6.03% ranking 99th; one year 12.45% versus the policy of 18.26% ranking 88th.

RhumbLine's Midcap quarterly return was 9.39% versus the policy of 9.36% ranking 21st; one year 27.08% versus the policy of 26.95% ranking 17th. RhumbLine's Large Cap Value quarterly return was 6.47% versus the policy of 6.45% ranking 23rd; one year 29.54% versus the policy of 29.60% ranking 57th. RhumbLine's Large Cap Growth quarterly return was 6.03% versus the policy of 6.03% ranking 35th; one year 33.94% versus the policy of 33.99% ranking 35th.

B. Replacement of Loomis Sayles

Mr. McCann reviewed the Large Cap Growth Search for replacement of Loomis Sayles. Explaining the returns/risks and the up/down capture.

After a brief discussion, Ms. Walinski moved to direct Thistle Asset Consulting to meet/discuss with Dana Investment assuming approximately \$7.5 million worth of investment to negotiate fees of 60 basis points or lower, seconded by Mr. Smith. Said motion passed unanimously. If that be the case, Thistle Asset Consulting would then move forward to contract with the Chairperson having the authority to execute those agreements (subject to City Attorney's approval) in order to move the assets from Loomis Sayles to Dana.

C. Investment Policy

Mr. Smith asked if Board Members could be informed of any continuing education seminars coming up. Ms. Schell indicated she would forward the FPPTA link to all members illustrating the Annual Conference and the Certification Program they offer.

Secondly, Mr. Smith requested if Mr. Vavrica would underline changes to the Investment Policy in the future.

Mr. Vavrica indicated on page 3 under Equities, "appropriate foreign exchange" has been added due to the new international manager coming on board. On page 6, the Target Asset Mix Table has been updated to illustrate International Equity with a target of 5%, minimum 0% and maximum of 25%. (2.5% for both EAFE and Emerging Markets) The corresponding change on page 10, specifically listing the benchmark for those two, Developed Markets is the MSCI EAFE and the Emerging Markets is the MSCI Emerging Markets.

D. Asset Allocation Analysis

Ms. Walinski questioned if the Board was pursuing anything with an active fixed income management.

Mr. Vavrica indicated it was discussed putting it in an asset allocation and reviewing what would happen should the Board move money to an intermediate fixed income.

Mr. Vavrica reviewed the Investment Alternatives illustration in the Asset Allocation Analysis, explaining the alternatives and comparisons of distributing money from the different asset classes to a small cap and intermediate fund.

After a brief discussion, Board Members requested Mr. Vavrica to commence a small cap search and hold off on the intermediate fund at this time.

Item 14. Sunshine Law discussion by the City Attorney's Office.

City Attorney, Mr. Shutt distributed a copy of the Public Records/Sunshine Laws to the Board Members for their review. Effective June 1, 2011, the County Commission's new ethics rule will be applicable to this plan. Therefore, at the next meeting Mr. Shutt will be discussing that as well.

Item 15. Other Business.

Mr. Smith questioned if certain items on the agenda could be approved as consent items versus approving each one. Mr. Shutt indicated he would look into this further.

Motion to Adjourn:

There being no further business, Ms. Walinski moved to make a motion for adjournment, seconded by Mr. Smith. Said motion passed unanimously. The meeting adjourned at approximately 3:10 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 19, 2011, which minutes were formally approved and adopted by the General Employees Pension Board on

August 18, 2011.



David Boyd
Secretary, General Employees Pension Board

/kms

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