

GENERAL EMPLOYEES PENSION BOARD

Minutes of August 18, 2011

Meeting was called to order by Chairperson, Stephen Swank at 1:03 p.m.

Item 1. Roll Call.

Members Present: Vincent Dole, James Smith, Stephen Swank and Milena Walinski (left the meeting at 1:45 p.m.)
Members Absent: David Boyd
Guests Present: Brendon Vavrica & John McCann (Thistle Asset Consulting), Greg Dahlman (Dana Investment Advisors, Inc.), Karen Schell and Brian Shutt

Item 2. Approval of the General Employees Pension Board Agenda for August 18, 2011.

Mr. Smith requested to add consideration of changing the meeting time, e-mail of recent GASB pronouncement of pension plans, report on salary projection and discussion of bidding out Pension Board liability insurance.

Mr. Swank indicated item 8 would be moved to item 5 and move everything else down one.

Mr. Dole moved to approve the agenda for August 18, 2011 as modified, seconded by Mr. Smith. Said motion passed unanimously.

Item 3. Approval of the General Employees Pension Board Minutes for May 19, 2011.

Mr. Smith requested a change to item 12 on page 3, paragraph 3, discussion/clarification of salary projection assumption and on page 4, item C, replace the word "questioned" with "asked". Mr. Smith moved to approve the minutes of May 19, 2011 as amended, seconded by Ms. Walinski. Said motion passed unanimously.

Item 4. Consent Agenda:

A. Approval of the Following Invoices:

- a. Gabriel, Roeder, Smith & Company, dated May 12, 2011, in the amount of \$2,071.00 for benefit calculations for Hernandez, Fox, Lacy, White and further preparation of the October 1, 2010 Actuarial Valuation Report.
- b. State Street Global Advisors, dated May 17, 2011, in the amount of \$5,318.81 for investment management fees for the period of January 1, 2011 through March 31, 2011.
- c. FPPTA, dated May 31, 2011 in the amount of \$500.00 for Jim Smith's attendance to the Annual Conference June 26, 2011.
- d. James Smith dated May 31, 2011 in the amount of \$922.44 for attendance to the FPPTA annual Conference June 26, 2011. (Lodging, travel and per diem.)
- e. State Street Global Advisors, dated February 28, 2011, in the amount of \$5,468.76 for investment management fees for the period of October 1, 2010 through December 31, 2010.
- f. Gabriel, Roeder, Smith & Company, dated June 13, 2011, in the amount of \$9,600.00 for benefit calculations for Egan, Moses and further preparation of the October 1, 2010 Actuarial Valuation Report.
- g. Gabriel, Roeder, Smith & Company, dated July 8, 2011, in the amount of \$3,935.00 for benefit calculations for Clark, Hickman, Johnson-Graham, service buy back calculations for Barcinski and final charge for preparation of the October 1, 2010 Actuarial Valuation Report.
- h. RhumbLine Advisers, dated July 8, 2011, in the total amount of \$5,955.00 (three funds) for quarterly management fee for the period of April 1, 2011 through June 30, 2011.
- i. Gabriel, Roeder, Smith & Company, dated July 15, 2011, in the amount of \$517.00 for pension software maintenance/hosting fee effective August 1, 2011. (To be set up as an automated monthly payment.)

- j. The City of Delray Beach dated June 6, 2011 in the amount of \$314.97 for 3 one year licenses for ZixMail Encryption Service. (Susan Luteran, Karen Schell and Milena Walinski)
- k. The Boston Company Asset Management, LLC, dated July 20, 2011, in the amount of \$13,640.33 for quarterly management fee for the period of July 1, 2011 through September 30, 2011.
- l. Dana Investment Advisors, Inc., dated August 5, 2011, in the amount of \$785.17 for quarterly investment management fee for the period of June 22, 2011 through June 30, 2011.
- m. Dana Investment Advisors, Inc., dated August 5, 2011, in the amount of \$8,311.77 for quarterly investment management fee for the period of July 1, 2011 through September 30, 2011.
- n. Thistle Asset Consulting, Inc., dated August 5, 2011, in the amount of \$5,750.00 for performance monitoring for the quarter ending June 30, 2011.
- o. A one-time additional \$12,000.00 transfer from Boston Company Asset Management, LLC to Salem Trust Receipt and Disbursement account to cover the June's monthly benefit payments.
- p. Transfer from Loomis Sayles & Co. L.P., dated May 31, 2011 in the amount of \$2,149,000 to Harding Loevner Funds split 50/50 between the two accounts.
- q. Transfer from RhumbLine Advisers, dated June 6, 2011 in the amount of \$2,149,000 to Harding Loevner Funds split 50/50 between the two accounts.
- r. Transfer from Loomis Sayles & Co. L.P., dated June 15, 2011 for the remainder of the account balance to Dana Investment Advisors, Inc.
- s. Revised monthly redemption from State Street Global Advisors, Fund CMX6, in the amount of \$300,000 effective with the August 2011 transfer.
- t. A one-time additional \$50,000.00 transfer from Boston Company Asset Management, LLC to Salem Trust Receipt and Disbursement account to cover the August's monthly benefit payments.

B. Approval of the Following DROP Retirement(s):

- a. Name: Dolores Egan
Age: 60
Monthly Pension Amount: \$3,052.61
Benefit Commenced: June 1, 2011
Benefit Requested: 100% Joint and Survivor Annuity
- b. Name: Benjamin Moses
Age: 60
Monthly Pension Amount: \$2,535.38
Benefit Commenced: June 1, 2011
Benefit Requested: 100% Joint and Survivor Annuity
- c. Name: Margaret Johnson Graham
Age: 52
Monthly Pension Amount: \$2,593.35
Benefit Commenced: July 1, 2011
Benefit Requested: 50% Joint and Survivor Annuity
- d. Name: Johnny Hickman
Age: 60
Monthly Pension Amount: \$844.02
Benefit Commenced: July 1, 2011
Benefit Requested: Ten Year Certain

- e. Name: Anne Hopp
Age: 63
Monthly Pension Amount: \$749.90
Benefit Commenced: September 1, 2011
Benefit Requested: 66 2/3% Joint & Survivor Annuity
- f. Name: Vivian Mitchell
Age: 56
Monthly Pension Amount: \$2,536.71
Benefit Commenced: September 1, 2011
Benefit Requested: Normal Form
- g. Name: Benjamin E Leonard
Age: 64
Monthly Pension Amount: \$2,484.31
Benefit Commenced: September 1, 2011
Benefit Requested: 50% Joint and Survivor Annuity

C. Approval of the Following Retirement(s):

- a. Name: Willene Clark
Age: 63
Monthly Pension Amount: \$582.10
Benefit Commenced: August 1, 2011
Benefit Requested: Normal Form
- b. Name: George Diaz
Age: 60
Monthly Pension Amount: \$2,605.08
Benefit Commenced: August 1, 2011
Benefit Requested: Normal Form

D. Approval of the Following Termination Refund(s):

- a. Raul Aleman (Parks & Recreation) in the amount of \$175.20.

E. The General Employee's Pension Board accepts that the Plan has received the following check(s) which have been deposited in the Trust Account.

- a. Catherine Houston in the amount of \$1,042.92, deposited July 14, 2011 for reimbursement of the July 1st, 2011 benefit, whereas Mr. Johnson was not entitled to as date of death was June 29, 2011.
- b. Sun Trust in the amount of \$2,229.07 deposited July 18, 2011 for class action proceeds from Cardinal Health.
- c. A direct deposit in the amount of \$110.63, deposited June 3, 2011 for litigation proceeds from Qwest Securities.
- d. James Smith in the amount of \$64.00, deposited July 26, 2011 for reimbursement to the Plan for Travel Advance/Expense reconciliation for the FPPTA Annual Conference of June 26th through June 29th, 2011.
- e. Sun Trust in the amount of \$1,195.41, deposited August 5, 2011 for class action proceeds from OM Group, Inc.
- f. Robert Barcinski in the amount of \$450.00, deposited August 5, 2011 for fees associated with the actuarial calculation of previous government service.

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

Ms. Walinski requested to have item 4 (A) s pulled for discussion. Mr. Shutt indicated this would be the first item after the consent agenda.

Mr. Dole moved to approve the consent agenda for August 18, 2011 as amended, seconded by Ms. Walinski. Said motion passed unanimously.

Item 4 (A) s. Revised monthly redemption from State Street Global Advisors.

Ms. Walinski indicated the receipt and disbursement account has been short the last several months due to additional employees entering the DROP and/or retiring. The initial thought was \$300,000.00 would cover the additional expenses; however, there has been an early incentive program offered by the City Manager. In reviewing the expenses, we thought perhaps we should raise it to \$400,000 per month to build a small cushion in lieu of having to scramble at the end of the month to obtain the proper moneys needed. The moneys would be taken from State Street.

Mr. Smith moved to increase the automatic monthly redemption from \$300,000 to \$400,000 effective with the August withdrawal to be revisited at the November 2011 meeting, seconded by Mr. Dole. Said motion passed unanimously.

At this time, the Board moved to **Item 8. Other Business.**

Mr. Smith questioned if the Board wanted to reschedule a start time for future meetings to earlier in the morning as this may be more convenient for City staff members. Board members agreed to leave the meetings scheduled as they are.

Mr. Smith requested if staff would be able to e-mail information on the recent GASB pronouncement on pension plans. Staff will forward this.

Mr. Smith questioned if the actuary is moving forward with the salary projection study.

Ms. Walinski commented information has been forwarded to GRS (the actuary) and work is in progress.

Mr. Smith questioned if the Pension Board liability insurance could be bid out.

Board Liaison Ms. Schell commented this liability insurance is handled by Risk Management. Every year it is requested to be outsourced. Records of companies contacted with rate quotes are attached as backup to the invoice for Board Members to review.

Item 5. Dana Investment Presentation.

Mr. Greg Dahlman introduced himself as senior portfolio manager. Dana Investment is a firm based in Milwaukee, Wisconsin; with one and a half billion in equity and fixed income. They're involved with 65 different plans in Florida. Mr. Dahlman indicated Dana tends to do well in down markets versus up markets. He wants to give the plan a repeatable performance as possible. Most of their strategies have beaten the benchmark 70-80% of the time. Dana owns 50-55 stocks in the portfolio; it is not comingled. Dana's growth rates will historically be well in excess of the benchmark.

Item 6. Review of the Plan's Performance Evaluation for the Period Ending June 30, 2011.

A. Review of quarterly performance.

Mr. McCann reviewed the executive report indicating the asset allocation as of June 30, 2011 illustrated \$86,055,000. Mr. McCann suggested further review of the asset allocation at the next meeting for possible rebalancing. Loomis Sayles/Dana Investments are quite behind in their target. The Total fund fiscal year to date is 10.14% (as of August 15, 2011, 5.5%) versus the policy of 10.78%.

Mr. Vavrica reviewed the performance update as of July 31, 2011 indicating the Market Value as \$84,720,000.

At this time Mr. Vavrica reviewed the Manager Search for the Small Cap Core Equity and Intermediate Fixed Income. The illustrations rank the risk and return for three years and nine years, fees and then the final score analysis.

Mr. Vavrica cautioned the Board Members as it relates to the asset allocation; they had just increased the monthly redemption from fixed income. If the contributions come in and are allocated only to equity, that itself will readjust the total allocation to 60/40 without physically taking money from the fixed manager.

Board members agreed to hold off on the small cap at this time and revisit this at the next meeting in conjunction with the asset allocation.

Mr. Vavrica continued reviewing the Intermediate Fixed Income search, illustrating the ranks and returns of five candidates. In reviewing the score analysis, Denver ranks first, Garcia Hamilton second, SEIX (part of SunTrust) third, followed by RBC Global and Sawgrass.

Mr. Swank questioned if this was something the Board could phase into; \$5 million now with additional increases at future meetings. His thought was to minimize the loss in anticipating a rise in interest rate with State Street losing principal. He did not want to give up the 1% by transferring it all now.

Mr. Vavrica indicated coming out of the comingled fund, there wouldn't be any costs associated with redeeming money from them. Obviously buying on the other end, there's cost. But you're not getting hit on both sides.

Mr. Dole moved to fund a new fixed income manager, Denver with an initial investment of \$5,000,000 from State Street, seconded by Mr. Smith. Said motion passed unanimously.

Mr. Vavrica commented the fee structure of 22.5 bp's may or may not apply for the \$5,000,000.

Mr. Swank stated to advise them that there would be more funds forthcoming.

The Executive Summary was not verbally reviewed in detail; however for record keeping is as follows:

The Compliance report illustrates the total return over the trailing 3-year period did not exceed the policy, 4.49 vs. 5.95; nor did the return rank in the top 40% of the Universe, 41st. Loomis Sayles' equity return for the trailing 3 and 5 year period did not exceed the R1000G Index' 3 year -2.38 vs. 5.01 and 5 year -0.19 vs. 4.08. Loomis Sayles' also did not rank in the top 40; 98th. Rhumbline Large Cap Value equity return over the trailing 3 and 5 year period did not exceed the R1000V Index; 3 year 28.88 vs. 29.94 and 5 year 22.23 vs. 22.78. Nor did it rank in the top 40% of the Mobius Broad Large Cap Value Universe; 27th. Rhumbline Large Cap Growth equity return over the trailing 3 and 5 year period did not exceed the R1000G Index; 3 year 34.97 vs. 35.01 and 5 year 23.79 vs. 23.85. State Street did not exceed the BCAB over the 3 year period; 6.47 vs. 6.47.

The asset allocation illustrates a total of \$86,055,000; total equities of \$50,478,000 (58.7%); Fixed Income \$35,256,000 (41%) and \$321,000 (.4%) in Cash.

The total fund for the quarter was .87% vs. 1.06% ranking 58th; for one year the return was 17.94% vs. the policy of 19.27% ranking 75th; three years 4.49% vs. the policy of 5.95% ranking 41st and five years 4.64% vs. the policy of 5.35% ranking 29th. Equity return for the quarter was -0.09% vs. the policy of 0.03% ranking 55th; one year 32.00% vs. the policy of 32.78% ranking 5th; three years 2.07% vs. the policy of 4.41% ranking 69th and five years 2.93% vs. the policy of 3.70% ranking 57th. Fixed Income return was 2.26% vs. the policy of 2.30% for the quarter ranking 48th; one year 3.88% vs. 3.93% ranking 42nd; three years 6.47% vs. the policy of 6.47% and five years 6.53% vs. the policy of 6.53%.

Boston Company's quarterly return was -1.17% vs. the policy of -0.50% ranking 84th; one year 29.35% vs. the policy of 28.94% ranking 57th.

Loomis Sayles' quarterly return was 1.58% vs. the policy of 0.76% ranking 11th; one year 30.48% vs. the policy of 35.01% ranking 66th.

RhumbLine's Midcap quarterly return was -0.70% vs. the policy of -0.73% ranking 50th; one year 39.51% vs. the policy of 39.38% ranking 19th. RhumbLine's Large Cap Value quarterly return was -0.51% vs. the policy of -0.50% ranking 69th; one year 28.88% vs. the policy of 28.94% ranking 63rd. RhumbLine's Large Cap Growth quarterly return was 0.77% vs. the policy of 0.76% ranking 28th; one year 34.97% vs. the policy of 35.01% ranking 27th.

Item 7. Sunshine Law discussion by the City Attorney's Office.

City Attorney, Brian Shutt reviewed the Sunshine Law. When Members meet with other Board Members, e-mails, discussions and phone conversations, one may not talk about items that may come up in front of the Board. Mr. Shutt cautioned members about calling City Staff, as they are Board Members. Mr. Shutt reminded Board Members e-mailing and responding to other Board Members is a violation of the Sunshine Law.

Another item is the new Palm Beach County commission on ethics. An ordinance went into effect on June 1, 2011. Palm Beach County has imposed new restrictions compared to the State Commission on Ethics. Relatives working and coming before the Board, that member would not be able to vote on an item of this sort. One would need to step down and file a conflict of interest form. Mr. Shutt continued reviewing the procedures for a city vendor and or lobbyist also.

Item 8. Other Business.

Mr. Vavrica questioned if the Board wants to establish any schedule with meeting their active managers?

Mr. Smith feels it's important to review every year, so that every meeting we have a different person in. It's a question of seeing them face to face and evaluating them and letting them know where they stand.

Mr. Swank commented if they're performing, there is no need to see them. If they're underperforming, that's when we should be talking to them.

Mr. Dole would keep it the way it is; should there be a particular question or issue, bring them in.

Mr. Vavrica commented Managers are used to being in at least once a year if not every quarter. That is normal for a Board like this. When Managers don't come in on a regular basis, they think something is wrong. Mr. Vavrica suggested if the Board had Boston and Dana come in once a year, it would be every other meeting.

Mr. Swank confirmed for the time being, once a year we will meet with these two large cap manager. February meeting we will have Boston.

Mr. Vavrica indicated if all moves forward with the intermediate bond allocation, the investment policy would need to be adjusted. The Board needs to authorize the change; page 4 under fixed income, with respect to the Barclays Capital Aggregate bond, we will add a sentence, for Denver with respect to the intermediate. 6% as a total fund target for the intermediate fixed income and it would reduce from 45 to 39, the long term. It just adjusts that range. We would add the names to the front page.

Mr. Dole moved to change the investment policy as discussed, seconded by Mr. Smith. Said motion passed unanimously.

Motion to Adjourn:

There being no further business, Mr. Smith moved to make a motion for adjournment, seconded by Mr. Dole. Said motion passed unanimously. The meeting adjourned at approximately 3:12 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 18, 2011, which minutes were formally approved and adopted by the General Employees Pension Board on November 17, 2011.



David Boyd
Secretary, General Employees Pension Board

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