

GENERAL EMPLOYEES PENSION BOARD

Minutes of February 16, 2012

Meeting was called to order by Chairperson, Stephen Swank at 1:00 p.m.

Item 1. Roll Call.

Members Present: David Boyd, Vincent Dole, James Smith and Stephen Swank
Members Absent: Milena Walinski
Guests Present: Matthew Hart and Jessica Rochlin (The Boston Company), John McCann and Brendon Vavrica (Thistle Asset Consulting), Peter Arts (Plastridge Agency, Inc), Frank Babin, Barbara Flynn and Brian Shutt

Item 2. Approval of the General Employees Pension Board Agenda for February 16, 2012.

Mr. Smith requested Item 6, Review of General Employees' Plan's Cost Shared by Police and Fire be moved to the next meeting of May 17, 2012. Mr. Smith moved to approve the agenda for February 16, 2012 as amended, seconded by Mr. Dole. Said motion passed unanimously.

Item 3. Approval of the General Employees' Pension Board Minutes for November 17, 2012.

Mr. Smith moved to approve the minutes of November 17, 2012, seconded by Mr. Dole. Said motion passed unanimously.

Item 4. Consent Agenda:

A. Approval of the Following Invoices:

- a. Thistle Asset Consulting, Inc., dated November 7, 2011, in the amount of \$6,500.00 for performance monitoring for the quarter ending September 30, 2011.
- b. Gabriel, Roeder, Smith & Company, dated November 14, 2011, in the amount of \$3,126.00 for benefit calculations for Timerman and Crutchfield, review of salary increase assumption and preparation of the October 1, 2011 Actuarial Valuation Report.
- c. Dana Investment Advisors, Inc., dated August 15, 2011, in the amount of \$6,946.92 for quarterly investment management fee for the period of October 1, 2011 through December 31, 2011.
- d. State Street Global Advisors, dated November 8, 2011, in the amount of \$5,336.27 for quarterly investment management fee for the period of July 1, 2011 through September 30, 2011.
- e. Florida Public Pension Trustees Association, dated December 5, 2011, in the amount of \$600.00 for the 2012 annual active membership.
- f. Gabriel, Roeder, Smith & Company, dated December 9, 2011, in the amount of \$2,647.00 for supplemental actuarial valuation for change in salary assumption, attendance of November 17th meeting and further preparation of the October 1, 2011 Actuarial Valuation Report.
- g. Florida Public Pension Trustees Association, dated December 21, 2011, in the amount of \$450.00 for James Smith's attendance to the FPPTA Trustees School February 5, 2012 – February 8, 2012.
- h. Florida Public Pension Trustees Association, dated December 27, 2011, in the amount of \$800.00 for CPPT Certification Program fee for James Smith.
- i. James Smith, dated December 27, 2011, in the amount of \$882.20 for travel advance for attendance to the FPPTA Trustees School February 5 – February 8, 2012.
- j. RhumbLine Advisers, dated January 9, 2012, in the amount of \$5,234.00 for quarterly investment management fee for the period of October 1, 2011 through December 31, 2011.
- k. Gabriel, Roeder, Smith & Company, dated January 9, 2012, in the amount of \$1,209.00 for benefit calculations for Bailus and further preparation of the October 1, 2011 Actuarial Valuation Report.
- l. Thistle Asset Consulting, Inc., dated February 6, 2012, in the amount of \$7,750.00 for performance monitoring for the quarter ending December 31, 2011.
- m. Dana Investment Advisors, Inc., dated January 20, 2012, in the amount of \$8,464.56 for quarterly investment management fee for the period of January 1, 2012 through March 31, 2012.
- n. The Boston Company Asset Management, LLC, dated January 24, 2012, in the amount of \$12,544.24 for quarterly investment management fee for the period of January 1, 2012 through March 31, 2012.
- o. Denver Investment Advisors, LLC, dated January 30, 2012, in the amount of \$748.36 for quarterly investment management fee for the period of December 12, 2011 through December 31, 2011.

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

a. Name: James Hilgenfeldt
Age: 60
Monthly Pension Amount: \$2,267.74
Benefit Commenced: February 1, 2012
Benefit Requested: 100% Joint and Survivor Annuity

b. Name: Joanna Weaver
Age: 55
Monthly Pension Amount: \$3,873.79
Benefit Commenced: February 1, 2012
Benefit Requested: 75% Joint and Survivor Annuity

C. Approval of the Following Retirement(s):

a. Name: David Bailus
Age: 58
Monthly Pension Amount: \$1,949.95
Benefit Commenced: January 1, 2012
Benefit Requested: 75% Joint and Survivor Annuity

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

a. Willie Sumler (Parks & Recreation) in the amount of \$2,929.35.

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

Mr. Dole moved to approve the consent agenda for February 16, 2012, seconded by Mr. Boyd. Said motion passed unanimously.

Item 5. Review of Fiduciary Liability quotes for General Employees' Pension Board.

Mr. Arts explained the carrier was changed from National Union Fire Insurance to Travelers Insurance; the rating increased from A to A+; the deductible was lowered from \$5,000 to "0"; the sublimit of liability for cap penalties increased from \$25,000 to \$100,000. Overall there was a savings of \$222. One other offer that we would like to put out there for consideration which would help staff in their timing would be to move the expiration date from March 23rd, to March 1st. The carriers like to renew policies within 30 days.

Mr. Smith moved to approve the Fiduciary Liability Renewal effective with the March 1st date with Travelers Insurance, seconded by Mr. Dole. Said motion passed unanimously.

Item 6. Review of General Employees' Plan's Cost Shared by Police and Fire.

This item was moved to the May 2012 meeting.

Item 7. Presentation by Boston Company.

Mr. Matthew Hart introduced Jessica Rochlin to the board members. Continuing he indicated The Boston Company is a large cap equity income manager with three strategy highlights being focus on dividend growth and yield, maximizing total return, generating more consistent outperformance over time. Second highlight is the focus on risk for capital protection; aiming to protect capital in down markets. And the third, value oriented; we don't like to say we are only value. Each analyst tries to match the valuation of the company reviewed; we've been improving business momentum. Mr. Hart thanked the board for being a client since 1996.

Ms. Jessica Rochlin reviewed the annual sector performance.

Item 8. Review of Plan's Performance Evaluation for Period Ending December 31, 2011.

Mr. McCann reviewed the Callan Periodic Table of Investment Returns.

Mr. Vavrica started with the review of the executive report indicating a few "no's" in the compliance report; the total return over the trailing 3-year period did not exceed the policy, 9.82 vs. 11.90; nor did the return rank in the top 40% of the Universe, 87th. The total return did not exceed 8.5% nor exceeded the CIP+5%. Boston's equity return for the trailing 3 year period did not exceed the R1000V Index 11.81 vs 12.38; nor did it rank in the top 40; 72nd. State Street did not exceed the BCAB over the 3 year period; 6.77 vs. 6.78; nor did it rank in the top 40%, 72nd.

The asset allocation illustrates a total of \$83,980,000; total equities of \$47,257,000 (56.3%); Fixed Income \$35,827,000 (42.7%) and \$825,000 (1.0%) in Cash.

The total fund for the quarter was 6.93% vs. 6.73% ranking 30th; for one year the return was 2.13% vs. the policy of 3.78% ranking 47th; three years 9.82% vs. the policy of 11.90% ranking 87th and five years 2.46% vs. the policy of 3.36% ranking 31st. Equity return for the quarter was 12.03% vs. the policy of 11.26% ranking 3rd; one year -1.65% vs. the policy of -0.12% ranking 34th; three years 14.16% vs. the policy of 15.26% ranking 7th and five years -1.00% vs. the policy of -0.07% ranking 66th. Fixed Income return was 1.14% vs. the policy of 1.12% for the quarter ranking 70th; one year 7.78% vs. 7.86% ranking 40th; three years 6.77% vs. the policy of 6.78% and five years 6.51% vs. the policy of 6.51%.

Boston Company's quarterly return was 14.84% vs. the policy of 13.11% ranking 1st; one year -2.78% vs. the policy of 0.39% ranking 79th. Dana's quarterly return was 11.38% vs. the policy of 10.61% ranking 18th. Harding Loevner's quarterly return was 6.60% vs. the policy of 3.93% ranking 12th. RhumbLine's Midcap quarterly return was 12.95% vs. the policy of 12.98% ranking 44th; one year -1.67% vs. the policy of -1.73% ranking 26th. RhumbLine's Large Cap Value quarterly return was 13.05% vs. the policy of 13.11% ranking 16th; one year 0.38% vs. the policy of 0.39% ranking 59th. RhumbLine's Large Cap Growth quarterly return was 10.57% vs. the policy of 10.61% ranking 33rd; one year 2.63% vs. the policy of 2.64% ranking 10th.

Mr. Vavrica continued indicating previous discussion was to project where the board would like to see the plan in terms of overall diversification. (Fast forwarding 5-10 years.) In reviewing the Asset Allocation Analysis, page 3 illustrates the correlation matrix. This is the supporting data for why or how you can add relatively risky asset classes and yet reduce the overall risk profile of the fund.

The investment alternatives illustrate four alternatives. First, is the current investment policy; 45% in fixed income; 22% in each of large value and large growth; 6% to mid-cap stocks; 2.5% each to international and emerging equities. The projected long term rate of return under the current assumption used is 7.76% on a standard deviation of 10.33%. The Sharpe ratio is the efficiency rating between risk and return. The next three columns illustrate the expected return with further diversification.

Mr. Vavrica stated in order to obtain the long term approach, he suggests moving to 60/40 overall and to further diversify among those categories. Even if there was no change in the allocation, adjusting the mixes of allocation and real estate is encouraged and recommended. If the plan is not to change the policy, we would need to rebalance. (Currently within a 5% range.) The suggestion is not to change to 60/40 because the board is currently at 58%, but to further diversify. If the 60/40 is adopted, a rebalance/reduction in equity wouldn't be necessary.

At this time Mr. Vavrica reviewed the real estate manager search. When looking at the search, there are only two managers listed; reason being, given your assets size, real estate allocations start at the \$5-\$10 million dollar range. These two managers are active in Florida and start at \$1 million in terms of accepting allocations. This real estate would be core property; big shopping malls, large office complexes, high rise buildings, multi family/big apartment complexes. (Not single family homes.) This would be more than one property.

The consensus of the board was to have both real estate managers in for a presentation at the May 17th meeting with a limitation to a 15 minute presentation and 10 minutes for questions.

Mr. Vavrica continued stating Small Cap Core Manager Search was also provided. This was to be taken in steps after reviewing the overall diversification. (If adopted, recommends taking it from large cap as that is where the vast majority of equities are.) The alternative is if we tweak the allocation to 60/40 some of that money could come from fixed income reducing the need to take as much from large cap.

Mr. Vavrica confirmed at the May meeting, the real estate managers would make their presentation, and then the board would have a discussion on the overall asset allocation in conjunction with either real estate and/or small cap.

Item 9. Other Business.

Mr. Smith provided the board with a copy of the basic program study guide from the Trustees School Program in which he managed to pass the first of three exams for certification. The next school is in October.

Mr. Smith indicated he doesn't understand the background on the retirement benefit calculator as far as payment. Was the software paid up front?

Mr. Boyd commented there is a software program that was purchased prior to him coming on board; the cost may be an ongoing maintenance fee.

Mr. Smith questioned the possibility of receiving the agenda package earlier. The Board's consensus was five days to review was sufficient time for them.

Finally Mr. Smith commented City Commission has gone to an electronic paperless backup agenda system. Could this Board do the same?

Motion to Adjourn:

There being no further business, Mr. Boyd moved to make a motion for adjournment, seconded by Mr. Dole. Said motion passed unanimously. The meeting adjourned at approximately 2:58 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 February 16, 2012, which minutes were formally approved and adopted by the General Employees Pension Board on May 17, 2012.



David Boyd
Secretary, General Employees Pension Board

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