

GENERAL EMPLOYEES PENSION BOARD

Minutes of August 16, 2012

Meeting was called to order by Chairperson, Stephen Swank at 1:05 p.m.

Item 1. Roll Call

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

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

Mr. Smith requested to pull Item 4 F (b) and (c) from the consent agenda to the regular agenda for discussion. Mr. Dole moved to approve the agenda as amended for August 16, 2012, seconded by Mr. Smith. Said motion passed unanimously.

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

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

Item 4. Consent Agenda:

A. Approval of the Following Invoices:

- a. Dana Investment Advisors, Inc., dated April 12, 2012, in the amount of \$9,685.85 for quarterly investment management fee for the period of April 1, 2012 through June 30, 2012.
- b. Denver Investment Advisors, LLC, dated May 9, 2012, in the amount of \$3,446.70 for quarterly investment management fee for the period of January 1, 2012 through March 31, 2012.
- c. Gabriel, Roeder, Smith & Company, dated May 11, 2012, in the amount of \$8,649.00 for benefit calculations for Haynes, Bailus, White and Dorsett and further preparation of the October 1, 2011 actuarial valuation report and annual charge for additional actuarial disclosure of present value reflecting the FRS interest rate as required under Senate Bill 1128.
- d. State Street Global Advisors, dated May 14, 2012, in the amount of \$4,429.26 for investment management fee for the period of January 1, 2012 through March 31, 2012.
- e. Karen Schell dated June 11, 2012, in the amount of \$327.56 for travel advance for attendance to the FPPTA 28th annual conference June 24th through June 27th, 2012.
- f. Gabriel, Roeder, Smith & Company, dated June 13, 2012, in the amount of \$5,021.00 for benefit calculations for Rios-Guzman and final preparation of the October 1, 2011 actuarial valuation report and employee benefit statements.
- g. Gabriel, Roeder, Smith & Company, dated July 5, 2012, in the amount of \$1,350.00 for benefit calculations for Johnson, Coloe and Harden; and service purchase calculation for Harden.
- h. RhumbLine Advisers, dated July 10, 2012, for a total amount of \$5,868.00, for quarterly investment fees for the period of April 1, 2012 through June 30, 2012.
- i. Gabriel, Roeder, Smith & Company, dated July 16, 2012, in the amount of \$526.00 for an increase in automatic monthly payment of software maintenance/hosting fee.
- j. The Boston Company, dated July 17, 2012, in the amount of \$13,379.73 for quarterly investment fees for the period of July 1, 2012 through September 30, 2012.
- k. Dana Investment Advisors, Inc., dated July 14, 2012, in the amount of \$9,316.99 for quarterly investment management fee for the period of July 1, 2012 through September 30, 2012.
- l. Denver Investment Advisors, LLC, dated July 26, 2012, in the amount of \$3,493.18 for quarterly investment management fee for the period of April 1, 2012 through June 30, 2012.
- m. Thistle Asset Consulting, Inc., dated August 7, 2012, in the amount of \$7,750.00 for quarterly performance monitoring ending June 30, 2012.

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

- a. Name: Dennis Rios-Guzman
Age: 60
Monthly Pension Amount: \$1,733.44
Benefit Commenced: June 1, 2012
Benefit Requested: Ten Year Certain
- b. Name: Robert L Johnson
Age: 60
Monthly Pension Amount: \$2,957.15
Benefit Commenced: July 1, 2012
Benefit Requested: Ten Year Certain
- c. Name: Celius Justin
Age: 60
Monthly Pension Amount: \$746.20
Benefit Commenced: August 1, 2012
Benefit Requested: Ten Year Certain

C. Approval of the Following Early Retirement(s):

- a. Name: Gerardo Maldonado
Age: 56
Monthly Pension Amount: \$1,530.56
Benefit Commenced: July 1, 2012
Benefit Requested: 66 2/3% Joint and Survivor Annuity

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

- a. Derrick McCray (Parks & Recreation) in the amount of \$3,503.00.
b. Joe Robinson (Parks & Recreation) in the amount of \$7,940.62.
c. Eduardo Del Portillo (Finance Department) in the amount of \$20,708.02.
d. Amy Robinson (Finance Department) in the amount of \$4,334.27.
e. Ian Sobel, (Public Works) in the amount of \$4,519.32.
f. Anthony Herring (Water & Sewer) in the amount of \$2,087.52.

E. Approval of the Following Beneficiary Disbursement(s):

- a. Joanne Cappelen, beneficiary of Michael Coloe, in the amount of \$630.46 effective June 1, 2012. In addition, a lump sum payment of \$10,000 as Mr. Coloe has over five years of credited service.

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

- a. The Plastridge Agency, Inc. in the amount of \$18.23 for overpayment of benefits for the Fiduciary Liability Policy as a result of a change in rated premium.
b. David Harden, in the amount of \$750.00 for payment actuarial calculations to purchase previous city service and estimate of monthly benefit calculations. *(Item pulled from consent agenda for discussion to item 5b.)*
c. Richard Hasko, in the amount of \$450.00 for payment of actuarial calculations to purchase previous city service. *(Item pulled from consent agenda for discussion to item 5c.)*
d. A direct deposit in the amount of \$58.93 from QWEST comm.

G. The General Employees' Pension Board is being advised of the class action settlement report from both Portfolio Monitoring Agencies.**H. Update of Summary Plan Description.**

Mr. Smith moved to approve the consent agenda as amended, seconded by Ms. Walinski. Said motion passed unanimously.

Item 5. The General Employees' Pension Board accepts that the Plan has received the following check(s) which have been deposited in the Trust Account.

- b. David Harden, in the amount of \$750.00 for payment actuarial calculations to purchase previous city service and estimate of monthly benefit calculations.
- c. Richard Hasko, in the amount of \$450.00 for payment of actuarial calculations to purchase previous city service.

Mr. Dole and Mr. Smith questioned what the Board is approving on these items.

Ms. Schell explained the City will pay for one actuarial calculation request per employee. Any further requests will be at the employee's expense. These checks are being deposited into the General Employees' pension plan account to pay for the full request. Ms. Schell continued explaining what the purchase of previous city service entailed.

Mr. Shutt indicated there is an ordinance in process before Commissioners as permanent code to allow individuals to participate.

Mr. Smith moved to approve these items, seconded by Mr. Dole. Said motion passed unanimously.

Item 6. Review of Plan's Performance Evaluation for the Period Ending March 31, 2012.

- A. Small Cap**
- B. Policy Investment Change**
- C. Rebalancing**
- D. Soft Dollars**

Mr. Vavrica started by reviewing the Executive Report indicating the non-compliances. The asset allocation illustrates a total of \$87,516,000; total equities of \$52,230,000 (59.7%); Fixed Income \$34,748,000 (39.7%) and \$538,000 (.6%) in Cash.

The total fund for the quarter was -1.76% vs.-1.11% ranking 49th; for one year the return was 4.31% vs. the policy of 4.86% ranking 20th; three years 11.11% vs. the policy of 12.42% ranking 72nd and five years 2.91% vs. the policy of 3.62% ranking 24th. Equity return for the quarter was -4.08% vs. the policy of -3.73% ranking 59th; one year 0.97% vs. the policy of 1.87% ranking 27th; three years 15.52% vs. the policy of 16.29% ranking 12th and five years -0.76% vs. the policy of 0.16% ranking 69th. Fixed Income return was 2.06% vs. the policy of 2.06% for the quarter ranking 30th; one year 7.45% vs. 7.48% ranking 43rd; three years 6.93% vs. the policy of 6.94% and five years 6.80% vs. the policy of 6.80%.

Boston Company's quarterly return was -4.85% vs. the policy of -2.20% ranking 91st; one year -0.87% vs. the policy of 3.00% ranking 86th. Dana's quarterly return was -3.47% vs. the policy of -4.02% ranking 14th. Harding Loevner's quarterly return was -6.36% vs. the policy of -7.81% ranking 31st. RhumbLine's Midcap quarterly return was -4.90% vs. the policy of -4.93% ranking 39th; one year -2.25% vs. the policy of -2.33% ranking 23rd. RhumbLine's Large Cap Value quarterly return was -2.20% vs. the policy of -2.20% ranking 18th; one year 2.94% vs. the policy of 3.00% ranking 57th. RhumbLine's Large Cap Growth quarterly return was -4.01% vs. the policy of -4.02% ranking 25th; one year 5.72% vs. the policy of 5.76% ranking 14th. Denver's quarterly return was 1.36% vs. the policy of 1.48% ranking 84th.

Mr. Vavrica reviewed the asset allocation indicating there was conversation of changing the target from 55% equities to 60% equities as well as adding small caps and/or real estate. Mr. Vavrica illustrated different scenarios and how they would affect the different target allocations.

Mr. Dole moved to change the policy target allocation to 60/40 with no underlying changes, seconded by Ms. Walinski. Said motion passed unanimously.

Mr. Vavrica reviewed the Real Estate Manager Search. After further discussion, it was the consensus of the Board to not move forward with any Real Estate investments at this time.

Mr. Vavrica moved onto the Manager Search for Small Cap Core Equity reviewing the summarization on page 10.

As a reminder to the Board, Mr. Vavrica indicated Denver gave a very a favorable fee based on a \$15 million allocation. The contract indicates if the investments are not up to the \$15 million by December 31, 2012, Denver reserves the right to come to the table to renegotiate the fee.

Mr. Swank indicated he would like to have Denver make their presentation at the November 15, 2012 meeting; Dana in February 2013.

Mr. Smith moved to establish a 5% allocation to small cap from large cap; splitting it between growth and value, seconded by Mr. Dole. Said motion was denied; Mr. Swank, Mr. Dole and Ms. Walinski dissenting.

The Board continued discussion to increase mid-cap.

Mr. Dole moved to provide new targets as follows: 20% large value; 20% large growth; 15% mid; 5% international; (totaling 60% for equities) and 34% to State Street and 6% Denver (totaling 40% for fixed income), seconded by Ms. Walinski. Said motion passed unanimously.

Mr. Dole then moved to take \$1.6 million out of Boston and \$3.2 million out of RhumbLine Growth into the RhumbLine mid-cap, seconded by Ms. Walinski. Said motion passed unanimously.

Mr. Vavrica indicated the subject of soft dollars was brought up by another plan. Soft dollars are perks for doing business. Managers are tasked with best execution; if they can buy a stock for \$1.00 commission one place, they are not supposed to buy it for \$2.00 elsewhere. There is something in the industry called soft dollars, where if one received something of value (usually it's research), they use it to benefit your portfolio. Mr. Vavrica indicated Dana and Boston will send a report of their commissions indicating the price paid and any soft dollar transaction. The Board should be aware of it and at some point you think it is an unreasonable level based on what you are receiving, it should be addressed with them or changed.

Item 7. Other Business.

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

Mr. Shutt indicated an approach was made to the Police and Fire Pension Board's attorney where they responded with an agreement that was not acceptable to us. They wanted to be able to direct Karen as their own employee to do certain duties. She is a City Employee with no need for an agreement. We are still conversing back and forth; however, Mr. Shutt does not see a resolution as to them agreeing to pay 50% or percentage of time that is provided for their pension issues.

After further discussion, board members felt they should only reimbursement for 50% of costs. Mr. Smith moved to limit reimbursement to the City to 50% of the cost of providing pension administration to the General Employees' pension plan beginning the new fiscal year October 1, 2012, seconded by Mr. Dole. Said motion passed unanimously.

Ms. Walinski commented there is a seminar presented by Bolton Partners, Inc. on how the GASB 68 new rules will affect you on September 6, 2012. Any members interested may attend; Karen will forward the e-mail. On another note, Mr. Boyd has requested GRS to attend the November 2012 meeting to address the impact/potential the new rules will have on the General Employees' plan.

Mr. Smith requested attendance to the FPPTA Trustee School; would Karen make the necessary arrangements for October 2012.

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 3:26 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 16, 2012, which minutes were formally approved and adopted by the General Employees' Pension Board on November 15, 2012.



David Boyd
Secretary, General Employees' Pension Board

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