

GENERAL EMPLOYEES PENSION BOARD

Minutes of
May 15, 2014

Meeting was called to order by Chairperson, Stephen Swank at 1:090 p.m.

Item 1. Roll Call

Members Present: Vincent Dole, James Smith, Stephen Swank, Milena Walinski and Jack Warner
Members Absent: None
Guests Present: John McCann and Brendon Vavrica (Thistle Asset Consulting), Gregory Dahlman (Dana Investment), Terrill Pyburn and Karen Schell

Item 2. Approval of the General Employees' Pension Board Agenda for May 15, 2014.

Mr. Smith moved to approve the agenda as amended for May 15, 2014, seconded by Mr. Dole. Said motion passed unanimously.

Item 3. Approval of the General Employees' Pension Board Minutes for February 20, 2014.

Mr. Dole moved to approve the minutes of February 20, 2014 as amended, seconded by Mr. Smith. Said motion passed unanimously.

Item 4. Public Comments.

For the record, there were no members from the public.

Item 5. Consent Agenda:

A. Approval of the Following Invoices:

- a. Denver Investment Advisors, LLC, dated February 11, 2014, in the amount of \$10,198.92 for quarterly investment management fees for the period of October 1, 2013 through December 31, 2013.
- b. Florida Public Pension Trustees Association, dated February 17, 2014, in the amount of \$30.00 for CPPT Re-Cert for Jim Smith.
- c. Gabriel, Roeder, Smith & Company, dated March 12, 2014, in the amount of \$3,973.00 for calculations for Wight, Feld, Rashkind and Marino-Bollan and charges for 10/01/2013 actuarial valuation report.
- d. Travelers Casualty and Surety Company of America dated February 28, 2014, in the amount of \$6,597.02 for fiduciary liability for General Employees' Pension Board for policy period of 03/01/14 to 03/01/15.
- e. Gabriel, Roeder, Smith & Company, dated April 3, 2014, in the amount of \$1,032.00 for calculations for charges for 10/01/2013 actuarial valuation report.
- f. RhumbLine Advisers, dated April 8, 2014, in the amount of \$7,809.00 for quarterly investment management fees for the period of January 1, 2014 through March 31, 2014.
- g. The Boston Company Asset management, LLC, dated January 23, 2014, in the amount of \$15,992.15 for quarterly investment management fees for the period of January 1, 2014 through March 31, 2014.
- h. The Boston Company Asset management, LLC, dated April 23, 2014, in the amount of \$16,525.55 for quarterly investment management fees for the period of April 1, 2014 through June 30, 2014.
- i. Dana Investment Advisors, Inc., dated April 12, 2014, in the amount of \$13,253.64 for quarterly investment management fees for the period of April 1, 2014 through June 30, 2014.
- j. Denver Investment Advisors, LLC, dated April 28, 2014, in the amount of \$10,384.50 for quarterly investment management fees for the period of January 1, 2014 through March 31, 2014.

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

- a. Name: Eric Feld
Age: 55
Monthly Pension Amount: \$3,611.40
Benefit Commenced: March 1, 2014
Benefit Requested: 66 2/3% Joint and Survivor Annuity

b. Name: Margo Murphy
Age: 64
Monthly Pension Amount: \$2,639.55
Benefit Commenced: March 1, 2014
Benefit Requested: Normal Form

c. Name: Lula Butler
Age: 64
Monthly Pension Amount: \$5,292.79
Benefit Commenced: May 1, 2014
Benefit Requested: Ten Year Certain

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

a. Name: Robert Wight
Age: 60
Monthly Pension Amount: \$1,438.38
Benefit Commenced: May 1, 2014
Benefit Requested: 100% Joint and Survivor Annuity

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

a. Ramona Maldonado, beneficiary of Gerardo Maldonado, in the amount of \$1,020.37 effective with a retroactive date of May 1, 2014 (66 2/3% Joint and Survivor Annuity) for her lifetime.

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

- a. Darien Landell (Parks & Recreation) in the amount of \$1,109.91.
- b. Oreal Adderly (Utility Billing) in the amount of \$404.50.
- c. Robert Johanson (City Garage) in the amount of \$9,744.52
- d. Philip Roberts (Community Development) in the amount of \$15,188.71.
- e. Raphael Costa (Parks & Recreation) in the amount of \$1,554.25.

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. SunTrust in the amount of \$411.11, deposited February 18, 2014 for settlement with OM Group Inc. class action proceeds.

G. 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, items 5A through 5G, seconded by Mr. Smith. Said motion passed unanimously.

Item 6. Presentation from Dana Investment.

Mr. Gregory Dahlman gave a brief presentation on behalf of Dana Investment.

Item 7. Review of Actuarial Contracts.

Mr. Swank indicated the board received several other municipality contracts for review.

Mr. Smith created a summary of all contracts. He commented he has had good relationships with GRS and in good faith, instead of putting it out for bid, the board may want to review the contract and consider a counter proposal. Currently GRS has prepared and submitted a proposal; however, has not had the benefit of feedback from the board. If the board is not satisfied with our reaction to their proposal, maybe then it would be time to put out to bid. Mr. Smith came up with several items for discussion with GRS. First is what the base price should be. Mr. Smith suggested reducing it by \$1,000. Second, Mr. Smith likes the idea of a 5 year agreement versus 1 or 3 year. Third, Mr. Smith does not like caps; or an automatic CIP. A few cities fix their fees for the first three years; flat fees instead of hourly rate (perhaps

\$500.00 for attending additional Board meetings). The same with the actuarial impact study, perhaps \$1,000.00; let's indicate a dollar amount not to exceed.

Mr. Dole questioned what the procedure was on bidding out.

Mr. Smith indicated per Acting City Attorney, Terrill Pyburn, we do not have to bid a professional service so there is no requirement for us to bid out. Further City Commission should be advised due to budget purposes. However, as this expense is paid out of the pension plan, the burden is strictly on the board as there is no requirement to bid out.

Ms. Walinski commented previously before the last change in the ordinance, any changes and expenses had to be approved by the City Commission. As it is a professional service and the authority to engage in the actuary is now up to the board, it no longer needs to go before City Commission.

After a brief discussion, Mr. Swank suggested moving forward with discussion of forgoing the process of request for proposals and bidding. After a brief discussion, the board agreed this would be a longer process than attempting to negotiate directly with GRS. Mr. Swank indicated he feels the board is in the proper range of fees for a similar size plan. In addition, the board has shown they reviewed the contract and can continue to renew with GRS without getting a feel for what the market price is for this type of service.

Mr. Smith stated he is not willing to accept GRS's proposal the way it is submitted. He feels negotiation should take place. Mr. Smith requested to find out the total charges for the past two years 2012 and 2013.

Further discussion pursued with the final result being to contact GRS for a final bill for the GE pension actuarial report fees. At the same time let GRS know we have not ignored their contract; the board continues to review it.

Item 8. Review of Plan's Performance Evaluation for the Period Ending March 31, 2014.

Mr. Vavrica started by reviewing the Compliance report. Dana's equity return over the trailing 2-year period did not rank in the top 40% of the Mobius Broad Large Cap Growth Universe (46th). RhumbLine's MidCap equity return over the trailing 3-year (13.34 vs 13.37) or 5-year (24.82 vs 24.86) period did not exceed the S & P 400 Index. Also the equity return over the trailing 3-year period did not rank in the top 40% of the Mobius Broad Mid Cap Universe (42nd). RhumbLine's Large Cap Value equity return over the trailing 3-year (14.72 vs 14.80) or 5-year (14.83 vs 14.89) period did not exceed the R1000V Index. RhumbLine's Large Cap Growth equity return over the trailing 3-year (14.58 vs 14.62) or 4-year (15.48 vs 15.52) period did not exceed the R1000G Index.

Mr. Vavrica continued with the review of the Executive Report. The asset allocation illustrates a total of \$109,694,000; Midcap \$18,080,000 (16.5%), Large Value \$25,767,000 (23.5%), Large Growth \$24,152,000 (22.0%), International \$4,943,000 (4.5%), Fixed Income \$35,731,000 (32.6%) and \$1,021,000 in Cash (0.9%).

The total fund for the quarter was 2.31% vs. 2.03% ranking 28th; for one year the return was 14.71% vs. the policy of 12.19% ranking 17th; three years 10.70% vs. the policy of 9.87% ranking 25th and five years 13.55% vs. the policy of 14.38% ranking 78th. Equity return for the quarter was 2.42% vs. the policy of 2.17% ranking 14th; one year 22.61% vs. the policy of 20.91% ranking 26th; three years 13.92% vs. the policy of 13.60% ranking 12th and five years 20.93% vs. the policy of 21.52% ranking 37th. Fixed Income return was 2.19% vs. the policy of 1.72% for the quarter ranking 56th; one year 0.65% vs. -0.10% ranking 36th; three years 4.11% vs. the policy of 3.76% and five years 5.04% vs. the policy of 4.81%.

Boston Company's quarterly return was 3.27% vs. the policy of 3.02% ranking 15th; one year 27.74% vs. the policy of 21.57% ranking 1st. Dana's quarterly return was 2.25% vs. the policy of 1.12% ranking 13th. Harding Loevner's quarterly return was -0.11% vs. the policy of 0.23% ranking 65th.

RhumbLine's Midcap quarterly return was 3.06% vs. the policy of 3.04% ranking 34th; one year 21.18% vs. the policy of 21.25% ranking 60th. RhumbLine's Large Cap Value quarterly return was 3.00% vs. the policy

of 3.02% ranking 20th; one year 21.50% vs. the policy of 21.57% ranking 59th. RhumbLine's Large Cap Growth quarterly return was 1.11% vs. the policy of 1.12% ranking 44th; one year 23.13% vs. the policy of 23.22% ranking 51st. Denver's quarterly return was 1.83% vs. the policy of 1.55% ranking 69th; one year 2.50% vs. the policy of 2.05% ranking 57th and State Street's quarterly return was 1.81% vs. the policy of 1.84% ranking 66th.

Mr. Vavrica commented fixed income is underweight; equity is slightly overweight. Benefit payments are paid out of fixed income. Equities are rising, drawing on fixed income which is a function of good results. Mr. Vavrica suggests making a little bit of a move back; approximately 3% which would be 3.3 million. The biggest overweight managers are Boston and RhumbLine Value and RhumbLine growth. A secondary option is considering the outflow, approximately \$300,000 per month, is to put it in the R & D account as cash. Possibly suspend drawing from State Street until the cash balance has been drawn down. Right now the plan has an automatic withdrawal from State Street every month to the R & D account. Suspend the draw down until you reduce it down.

Ms. Walinski suggested suspending the withdrawal from State Street and alternate withdrawals from the three different manager's accounts.

After a brief discussion, Mr. Dole moved to suspend the monthly withdrawal from State Street, alternate withdrawals for three months each from RhumbLine Value, RhumbLine Growth and Boston, seconded by Mr. Smith. Said motion passed unanimously.

Item 9. Other Business.

Mr. Warner stated there has been a problem where some material was posted publicly on a bulletin board in the City Hall Lobby which is a breach of ethics. He wanted to let the board members know there will be an investigation and members may be questioned internally, by the ethics commission or the police. Please be cautious of all material given in your meeting package. If at the end of the meeting you do not want to keep any or all material, please leave it on the table and Karen will shred it.

Ms. Schell brought up the updating of State Street signer authorization. Mr. Boyd's name will be removed; Ms. Walinski is retiring and will be removed. The new signer's being on the list will be Jack Warner, Steve Swank as he is Chairperson, Francine Ramaglia as Assistant City Manager (as Mr. Barcinski is retiring) and Karen Schell. Ms. Schell had briefly talked with Milena and she felt okay with her being on list as well. We want to have three people in City Hall; Ms. Schell would be the last person to sign if need be. Individuals would only be signing for requests approved by the board. It was Mr. Warner's suggestion that Ms. Schell be the fourth signature. Ms. Schell also stated State Street calls as a follow up to confirm a transaction request. The two individuals that would be called would be Mr. Warner and Ms. Francine Ramaglia.

The second authorization is for Salem Trust where two signatures are requested. Again, the following individuals would be authorized: Jack Warner, Francine Ramaglia, Jack Warner, Steve Swank and Ms. Schell as a last resort. Mr. Warner indicated it was his suggestion to have Ms. Schell as a signer as she is doing the work and most familiar with what is taking place.

Mr. Dole moved that Ms. Schell update the authorization signers for both Salem Trust and State Street to be from any of the following individuals: Francine Ramaglia, Jack Warner, Steve Swank and Karen Schell, seconded by Mr. Smith. Said motion passed unanimously.

Mr. Smith requested if Ms. Walinski's position as trustee would go before the City Commissioners. He indicated he would like to see someone from outside the Finance Department. This is something we have sunshine laws on and it is easy for someone to bring something up that shouldn't be discussed outside the board between members.

Mr. Dole disagrees stating this is a very significant financial fiduciary responsibility. He does not know the City staff well; however, he does not see where individuals would be qualified outside the Finance Department.

At this time, Mr. Swank presented a recognition award to Ms. Milena Walinski who has been with board for several years and is retiring. The board wishes her well.

Motion to Adjourn:

There being no further business, Mr. Dole moved to make a motion for adjournment, seconded by Mr. Warner. Said motion passed unanimously. The meeting adjourned at approximately 3:15 p.m.

The undersigned is 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 15, 2014, which minutes were formally approved and adopted by the General Employees' Pension Board on August 21, 2014.



Karen Schell

Secretary General Employees' Pension Board