GENERAL EMPLOYEES PENSION BOARD

Minutes of
November 19, 2015

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

Item 1. Roll Call

Members Present:	Teresa Cantore, Vincent Dole, Francine Ramaglia, James Smith, and Stephen Swank
Members Absent:	None
Guests Present:	Jose Christiansen and Brendon Vavrica (Thistle Asset Consulting), Milena Walinski and Karen Schell

Item 2 . Approval of the General Employees' Pension Board Agenda for November 19, 2015.

Mr. Smith requested to add discussion of the Early Retirement Incentive; Mr. Swank indicated this would be under Other Business. Mr. Smith moved to approve the amended agenda for November 19, 2015, seconded by Mr. Dole. Said motion passed unanimously.

Item 3. Approval of the General Employees' Pension Board Minutes for August 20, 2015.

Mr. Smith moved to approve the minutes of August 20, 2015, seconded by Mr. Dole. Said motion passed unanimously.

Item 4. Public Comments.

None.

Item 5. Consent Agenda:

A. Approval of the Following Invoices:

a. Gabriel, Roeder, Smith & Company, dated August 31, 2015, in the amount of $1,200.00 for benefit calculations for Owens, Santiago, Inglese and Simzer.
b. RhumbLine Advisers, dated October 8, 2015, in the amount of $7,559.00 for quarterly management fee for the period of July 1, 2015 through September 30, 2015.
c. State Street Global Advisors, dated October 9, 2015, in the amount of $2,500.00 for quarterly management fee for the period of July 1, 2015 through September 30, 2015.
d. Gabriel, Roeder, Smith & Company, dated October 6, 2015, in the amount of $1,256.00 for retirement calculations for Johnson and Davis and preparation of the October 1, 2015 Actuarial Valuation Report.
e. The Boston Company Asset Management, LLC, dated October 21, 2015, in the amount of $15,007.87 for quarterly investment management fees for the period of October 1, 2015 through December 31, 2015.
f. Denver Investment Advisors, LLC, dated October 29, 2015, in the amount of $12,028.33 for quarterly management fee for the period of July 1, 2015 through September 30, 2015.
g. Dana Investment Advisors, Inc., dated October 11, 2015, in the amount of $12,640.87 for quarterly investment management fee for the period of October 1, 2015 through December 31, 2015.

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

a.

Name:	Michael Johnson
Age:	65
Monthly Pension Amount:	$1,769.49
Benefit Commenced:	October 1, 2015
Benefit Requested:	Normal Form

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

a.

Name:	Paula Davis
Age:	58
Monthly Pension Amount	$1,249.92
Benefit Commenced:	August 1, 2015
Benefit Requested:	Ten Year Certain

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

a. Kesa Taylor (Utilities Customer Service) in the amount of $1,748.68.
b. Cesar Irizarry (Water & Sewer) in the amount of $36,480.57.
c. Orlando Serrano (Public Works) in the amount of $20,256.24.
d. Reginald Stambaugh (Ocean Rescue) in the amount of $3,959.69.
e. Michael Lopushinsky (Storm Water) in the amount of $3,242.15.
f. Johnny Thomas (Parks & Rec) in the amount of $18,407.00.
g. Curtis Reeves (Parks & Rec) in the amount of $4,440.90.

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

a. Elmer Thomas, beneficiary of Leroy Thomas in the amount of $1,193.53 (66 2/3%) effective September 1, 2015 until her death.
b. Nathalee Barnes, beneficiary of Samuel Barnes in the amount of $972.78 for one year; thereafter, the monthly benefit will be reduced to 60% (583.67) until the earlier of Mrs. Barnes death or remarriage.
c. Carolyn Fordham, beneficiary of Timothy Fordham in the amount of $1,262.05 effective September 1, 2015 until the earlier of her death or remarriage. In addition a one-time lump sum amount of $10,000.
d. Stella Nichols, beneficiary of Allan Nichols in the amount of $1,102.01 (100%) effective November 1, 2015 until her death.

F. The General Employees' Pension Board Accepts the Plan has Received the Following Check(s) Which Have Been Deposited in the Trust Account.

a. James Smith in the amount of $12.06, deposited October 15, 2015 for reimbursement to the plan for travel advance/expense for the FPPTA Trustees School of October 4th through October 7th, 2015.

G. The General Employees' Pension Board is Being Advised of the Class Action Settlement Report From Both Portfolio Monitoring Agencies.

H. Distribution of the Quarterly Meeting Schedule for the General Employees' Pension Board for Calendar Year 2016.

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

Item 6. Review of Actuary Pension Data Use for Other Post-Employment Benefits for the City of Delray Beach.

After a brief review from the trustees, Ms. Ramaglia moved to approve usage of the actuarial pension data for other post-employment benefits for the city of Delray Beach, seconded by Mr. Dole.

Item 7. Review of Salem Trust.

A. Review of Audit Report.

Mr. Vavrica indicated at the last meeting Salem Trust was accelerating their process to get the next audit; it has been finished and it was clean. What Salem Trust was predicting was going to happen happened. Everything has been addressed and identified.

B. Review of RFP for custodial services.

Ms. Schell indicated in the very beginning of the inefficient audit of Salem Trust, it was questioned whether the board should go out for an RFP for custodial services. At the last meeting this item was not officially on the agenda as everyone agreed Salem Trust was up to par and do we really want to do an RFP; Ms. Ramaglia suggested addressing this item on the agenda for the record.

Ms. Ramaglia spoke to Mr. Warner who attended the November 18th Police and Fire meeting and indicated they are going out for an RFP. The City's Finance Department would like to go ahead and do an RFP for custodial services for the city, and both pension plans.

The board's conversation at a previous meeting was that the City is looking at formalizing both pension plans plus the city's custodial plan. Even though this board is satisfied with the people providing services, it would be a methodical purpose for each contractual relationship in doing solicitation.

A draft of the RFP was completed by purchasing. Mr. Smith wanted to make sure the board would be able to review the response before selection.

Mr. Vavrica suggested a question be added to say if one or both of the boards did not want to go along as part of the package deal, you as a respondent to the RFP could you also price it on a single plan and not the package. If the RFP is a package, people are going to bid it accordingly. If the City and Police and Fire board would like to go along, the General Employees say no, then the pricing is way off. If one plan was going to be on its own, how would you bid that? If all together, how would you bid that? The board agreed, commenting this would be a good revision.

It was questioned how would the boards be involved in the selection process?

Item 8. Review and Discussion of General Employees' Pension Plan Charges.

Ms. Schell included emails going back and forth. The last meeting the board questioned what other charges would be involved that would be expensed to the plan.

Mr. Swank stated discussion of an invoice from the auditors of $17,500 and $100 from City Attorney were still open and in question.

Mrs. Cantore stated she received an email the $17,500 is basically a detail of charges produced and given to the City when the City went out for an RFP for audit services. Within that RFP they had provided information stating for the police and fire pension we would charge a specific amount of money. Police and fire have now since out sourced that function through another firm. CDL has used that same line of fees and included it in their fee back to the city for the pension review and is now coming to the General Employees Pension Plan.

Mr. Vavrica questioned if there was agreement between the City and the General Employees' Pension Board outlining what the General Employees Pension Plan would be expected to pay? Mr. Vavrica highly suggested receiving a legal opinion on this matter. Should an invoice or invoices is paid out of the plan that wasn't authorized via a contract or agreement, one may be able to come back and say you shouldn't have been able to do that and pursue legal issues.

Ms. Schell commented the code states "The City may pay all expensed incurred in the administration of the plan, including expenses and fees of the trustee, but it shall not be obligated to do so, and any expenses and fees not so paid by the City shall be paid from the Trust Fund."

Mr. Swank responded it does not say the Plan is obligated to reimburse the City for items they paid. It shouldn't have to come from the Fund as the City already paid them. We are fiduciaries of the Plan and it is our duty to minimize costs.

Mr. Smith requested Ms. Schell to go back for the past three years (2013-2015) and do a detailed administrative expense accounting for the General Employees' Pension Plan in the same format as Police and Fire.

Mr. Swank questioned how the City justifies these expenses?

Mr. Smith moved to not approve the invoice of audit expenses for $17,500 seconded by Mr. Dole. Said motion passed 4-0 with Ms. Ramaglia abstaining.

Ms. Ramaglia moved to obtain the governing documents and Florida Statutes if they apply; have the CFO, Treasurer and City Attorney attend the next meeting with a report indicating what we are allowed to do within the framework of the plan, the basis for how they would be billing us for those type of expenses with an estimate of ours from the auditors and attorneys and with the basis of allocation for the other administrative charges ranging from telephone to other office and out of pocket expenses. Said motion denied due to lack of a second.

Mr. Smith does not agree the plan should pay for having the City Attorney sit in on the board meetings. Mr. Smith moved the board not accept charges from City Attorney unless they are preauthorized and estimated costs given by the City Attorney, seconded by Ms. Ramaglia. Said motion passed unanimously.

Further discussion pursued.

Ms. Ramaglia moved to approve the City Attorney invoice of $100.00, seconded by Mr. Smith. Said motion passed 3-2 with Mr. Swank and Mr. Dole opposing.

Mr. Swank questioned how this board is viewing the ongoing question of whether we are legally able to pay bills presented by the City. What happens when the next bill from the CFO of the City says your share of telephone or technology is $5,000? Is the board going to keep saying no don't pay or do we concern ourselves with whether we have the legal ability to pay such bills?

Mr. Dole stated the consensus of the board is that someone representing the City appears before the board to present plans for charging and a proposed agreement to cover that. The main thing is to have a product to vote on.

Item 9. Review of Plan's Performance Evaluation for the Period Ending September 30, 2015.

A. Review of City's Annual Contribution.
B. Monthly draw.

Mr. Vavrica started by reviewing the aggregate equity analysis explaining the allocation and percentage continuing with the review of the Compliance report indicating the total return over the trailing 1 year period did not equal or exceed 8.0% nor the CPI+5% (0.30%). RhumbLine's Midcap equity return over the trailing 3-year (13.08 vs 13.12) or 5-year (12.93 vs 12.93) period did not exceed the S & P 400 Index. RhumbLine's Large Cap Value equity return over the trailing 3-year (11.45 vs 11.59) or 5-year (12.18 vs 12.29) period did not exceed the R1000V Index. Nor did the equity return over the trailing 5-year period rank in the top 40% of the Mobius Broad Large Cap Value Universe (42nd). RhumbLine's Large Cap Growth equity return over the trailing 3-year (13.55 vs 13.61) or 5-year (14.42 vs 14.47) period did not exceed the R1000G Index. Denver fixed income return over the trailing 3-year (1.69 vs 1.71) period did not exceed 20% BCAB and 80% BCIGC index. Nor did the fixed income return over the trailing 3-year period did not rank in the top 40% of the 65% Mobius Broad Fixed Income and 35% Intermediate Fixed Income Universe (55th).

Mr. Vavrica continued with the review of the Executive Report. The asset allocation illustrates a total of $107,703,000; Midcap $17,943,000 (16.7%), Large Value $22,083,000 (20.5%), Large Growth $21,892,000 (20.3%), International $4,339,000 (4.0%), Fixed Income $31,432,000 (29.2%) and $1,899,000 in Cash (1.8%).

The total fund for the quarter was -5.54% vs. -4.32% ranking 24th; for one year the return was 0.30% vs. the policy of 0.49% ranking 12th; three years 8.42% vs. the policy of 7.57% ranking 45th; and five years 8.87% vs. the policy of 8.53% ranking 34th. Equity return for the quarter was -8.14% vs. the policy of -7.87% ranking 36th; one year -0.87% vs. the policy of -1.26% ranking 29th; three years 12.42% vs. the policy of 11.57% ranking 24th and five years 12.46% vs. the policy of 12.32% ranking 9th. Fixed Income return was -0.91% vs. the policy of 1.09% for the quarter ranking 16th; one year 1.35% vs. 2.81% ranking 9th; three years 1.35% vs. the policy of 1.52% and five years 2.90% vs. the policy of 2.98%.

Boston Company's quarterly return was -9.23% vs. the policy of -8.40% ranking 58th; one year -3.23% vs. the policy of -4.42% ranking 60th. Dana's quarterly return was -6.64% vs. the policy of -5.29% ranking 20th. Harding Loevner's quarterly return was -13.82% vs. the policy of -13.97% ranking 91st.

RhumbLine's Midcap quarterly return was -8.44% vs. the policy of -8.50% ranking 40th; one year 1.39% vs. the policy of 1.40% ranking 18th. RhumbLine's Large Cap Value quarterly return was -8.37% vs. the policy of -8.40% ranking 58th; one year -4.64% vs. the policy of -4.42% ranking 60th. RhumbLine's Large Cap Growth quarterly return was -5.29% vs. the policy of -5.29% ranking 20th; one year 3.10% vs. the policy of 3.17% ranking 37th. Denver's quarterly return was 0.95% vs. the policy of 1.01% ranking 16th; one year 2.40% vs. the policy of 2.73% ranking 11th and State Street's quarterly return was 1.23% vs. the policy of 1.23% ranking 32nd. AllianzGI Convertible Bonds quarterly return was -8.04% vs. the policy of -7.20%; one year -2.50% vs. the policy of -2.51%.

Mr. Vavrica continued with a detail review of the target allocation. Everything on the equities with the exception of midcap is within .50%. The board has been withdrawing those down and the market sold off some. The largest overweight currently is in the midcap; 16.7% vs. 15%. That is certainly well within range. Due to the distribution schedule, it would make sense to shift that over to the midcap and help draw that down. The one caveat being is the City will make their annual contribution in December. Doesn't make sense to draw them down and add it right back.

Further discussion/review pursued with the monthly expenses and draws.

The consensus of the board is to have the annual contribution to the R & D account; leaving a total of $1,200,000 in the R & D account and split the remainder as 50% to Denver and 50% to RhumbLine Value.

Item 10. Other Business.

Mr. Smith would like to request the actuary specifically break out the costs attributable to the early incentive retirement currently being offered.

Ms. Schell indicated once she receives all individuals accepting this incentive, an actuarial impact statement will be requested illustrating that amount.

Mr. Smith indicated he attended the FPPTA schooling and received several distribution documents and commented the schooling is improving every year.

Mr. Swank summarized the discussion of the plan charges to Mr. Warner as follows: the board addressed the invoice for the share of the audit fees as well as the legal invoice. Payment was approved of the legal cost; however, not the audit share. The board would like to hear the ongoing methodology of what can be expected. The consensus of the board for the audit fee would be to request the auditor track their time to give us a better allocation of the overall charge to the plan. Essentially the board is not comfortable with the $17,500 and the fact they said the fee was similar to the amount of work put in by the Police and Fire. The board finds it hard to believe as there are more issues and audit work involved for a standalone audit for police and fire where the General Employees' is simply part of the overall city audit. The board would like to have a written agreement as to how the costs would be charged going forward. The board feels their fiduciary responsibility to the plan is not to keep on paying bills that essentially come out of the blue. They request more frame work in the written agreement of what their responsibility is as far as costs to the city. The board requests finance department to draft an agreement regarding methodology of what tasks are going to be passed through to them.

Motion to Adjourn:

There being no further business, Mr. Smith moved to make a motion for adjournment, seconded by Ms. Ramaglia. Said motion passed unanimously. The meeting adjourned at approximately 3:00 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 November 19, 2015 which minutes were formally approved and adopted by the General Employees' Pension Board on February 18th, 2016.

Karen Schell

Karen Schell
Secretary General Employees' Pension Board