

GENERAL EMPLOYEES PENSION BOARD

Minutes of February 19, 2015

Meeting was called to order by Chairperson, Stephen Swank at 1:07 p.m.

Item 1. Roll Call

Members Present: Teresa Cantore, Vincent Dole, James Smith, and Stephen Swank
Members Absent: Francine Ramaglia
Guests Present: Jeffrey Amrose (Gabriel Roeder Smith), John McCann, Brendon Vavrica (Thistle Asset Consulting), Janice Ruskin, Karen Schell, Barbara Carlson and Milena Walinski.

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

Mr. Smith requested to add an item for discussion; city allocation overhead. Mr. Swank indicated this would be addressed under other business. Mr. Smith moved to approve the agenda for February 19, 2015, seconded by Mr. Dole. Said motion passed unanimously.

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

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

Item 4. Public Comments.

Ms. Walinski questioned item 5.A.c on the consent agenda. She was under the impression the CFO was already allowed to participate in the pension plan.

Ms. Schell stated she would check into and report back at the next meeting.

Item 5. Consent Agenda:

A. Approval of the Following Invoices:

- a. Florida Public Pension Trustees Association, dated November 14, 2014, in the amount of \$30.00 for Jim Smith CPPT recertification.
- b. Florida Public Pension Trustees Association, dated November 14, 2014, in the amount of \$600.00 for 2015 yearly active membership fee.
- c. Gabriel, Roeder, Smith & Company, dated November 13, 2014, in the amount of \$1,446.00 for calculations charge for Slydell, 10/01/2014 actuarial valuation report and actuarial impact allowing CFO to be a member of the pension board.
- d. Gabriel, Roeder, Smith & Company, dated December 10, 2014, in the amount of \$3,228.00 for service purchase calculations charge for Hartman and Gaum-Rickard and 10/01/2014 actuarial valuation report charges to date.
- e. RhumbLine Advisers, dated January 8, 2015, in the amount of \$8,275.00 for quarterly management fee for the period of October 1, 2014 through December 31, 2014.
- f. Gabriel, Roeder, Smith & Company, dated January 7, 2015, in the amount of \$1,536.00 for service purchase calculations charge for Schmitz and 10/01/2014 actuarial valuation report charges to date.
- g. State Street Global Advisors, dated January 14, 2015, in the amount of \$2,500.00 for quarterly management fees for the period of October 1, 2014 through December 31, 2014.
- h. The Boston Company Asset Management, LLC, dated January 22, 2015, in the amount of \$17,905.77 for quarterly management fee for the period of January 1, 2015 through March 31, 2015.
- i. Thistle Asset Consulting, Inc., dated February 9, 2015, in the amount of \$7,750.00 for quarterly performance monitoring ending December 31, 2014.
- j. Dana Investment Advisors, Inc., dated January 10, 2015, in the amount of \$14,990.22 for quarterly management fee for the period of January 1, 2015 through March 31, 2015.

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

- a. Name: Donna Quinlan
Age: 57
Monthly Pension Amount: \$4,187.70
Benefit Commenced: February 1, 2015
Benefit Requested: Ten Year Certain and Life

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

- a. Name: Whitney Eubanks
Age: 60
Monthly Pension Amount: \$1,226.58
Benefit Commenced: March 1, 2015
Benefit Requested: 75% Joint and Survivor

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

- a. Vantage Transfer Agents, LLC fbo Lisa Hartman, dated December 5, 2014, in the amount of \$35,735.00 for purchase of air-time (3% enhanced multiplier).
b. Vantage Transfer Agents, LLC fbo James Schmitz, dated December 18, 2014, in the amount of \$57,641.00 for purchase of previous government service.

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, seconded by Mr. Smith. Said motion passed unanimously.

Item 6. Review of Fiduciary Liability Insurance Renewal.

After a brief discussion, Mr. Smith moved to approve Option 1 (Current Program) with Travelers Casualty and Surety Company of America in the amount of \$6,848.00, seconded by Mr. Dole. Said motion passed unanimously.

Item 7. Review of Salem Trust Company and the STIF.

Mr. Vavrica commented the Salem Trust letter with reference of the Short-Term Investment Fund is not something the Board is involved in. Approximately 3-4 years ago Salem Trust presented this investment option of no risk to invest your cash and get an extra 50 bsp. We said there is risk; the board ultimately decided not to invest.

In addition, Ms. Schell commented the Police and Firefighters' pension meeting was yesterday. At that meeting, legal counsel, Stephen Cypen made a comment that Salem Trust's audit was not favorable.

Mr. Vavrica indicated there was an SAE16 completed and the audit was not favorable; there were deficiencies noted in the audit. Salem Trust's rebuttal was in their conversion of 2013 which had a few problems. This audit was examining the period which covered the conversion and found issues; some documentation was lost in the transition. Mr. Vavrica commented they are trying to get into the investment management business in addition to custodial services.

Ms. Schell indicated she wanted to bring this information before the board, as in the past there have been some questionable caution items with Salem Trust.

Mr. Swank suggested the board wait for a response from Salem Trust with reference to this audit.

Item 8. Review of Gabriel Roeder Smith & Company.

A. Review of Actuary's Contract.

After a lengthy discussion and review of the contract with Mr. Amrose, there was an amended agreement to make the contract from February 1, 2015 to September 30, 2020, cap the consumer price index to 3%,

and the actuarial valuation report and employee benefit statements fee to be \$15,500 plus the 1.7% cpi for this year's report. (Mr. Amrose essentially lowered the fee \$250 from last year.) Attendance for one additional meeting would be at the hourly rate; low \$400's.

Mr. Amrose briefly reviewed the Senate Bill 534 which has already been approved by the board. This bill passed in 2013 requires the reporting of additional items to be submitted with the Plan's Financial Statements to the State Department of Management Services. (Fee - \$2,500 - \$3,000.) GASB 67 entails new accounting rules requiring new information into the plans financial statements. GASB 68 entails new requirements for the city's financial statement. (Fee - \$1,500 - \$2,000.) Mr. Amrose will contact the City of Delray Beach to pick up the cost.

Mr. Dole moved to approve the contract with GRS as amended and agreed to, seconded by Mr. Smith. Said motion passed unanimously.

B. Review of Actuarial Report.

Mr. Amrose reviewed the actuarial report for the fiscal year ending September 30, 2015 stating this plan is in excellent shape. (Huge funded ratio with realistic assumptions of 7.25 %.) Required contributions are 12.88% of payroll totaling \$2,046,827; a decrease of \$121,365 from last year's contribution due to an actuarial gain of \$769,762. The investment return was 12% based on market value; 8.8% based on actuarial value of assets. The funded ratio this year is 97%. If the market value had been the basis, the City contribution rate would have been 9.4% and the funded ratio would have been 102.7%.

Employer's normal cost is 10.7%; being the least that will be contributed by the city.

Mr. Dole moved to approve the actuarial report for fiscal year ending September 30, 2014, seconded by Mr. Smith. Said motion passed unanimously.

Mr. Dole also moved to maintain the 7.25% assumed invested return for the next year and future years, seconded by Mr. Smith. Said motion passed unanimously.

Item 9. Review of Plan's Performance Evaluation for the Period Ending December 31, 2014.

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

Mr. Vavrica reviewed the Compliance report stating RhumbLine's Midcap equity return over the trailing 3-year (19.93 vs 19.99) or 5-year (16.50 vs 16.54) period did not exceed the S & P 400 Index. RhumbLine's Large Cap Value equity return over the trailing 3-year (20.72 vs 20.89) or 5-year (15.30 vs 15.42) period did not exceed the R1000V Index. RhumbLine's Large Cap Growth equity return over the trailing 3-year (22.21 vs 20.26) or 5-year (15.75 vs 15.81) period did not exceed the R1000G Index. Denver 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 (79th).

Mr. Vavrica continued with the review of the Executive Report. The asset allocation illustrates a total of \$115,409,000; Midcap \$19,260,000 (16.7%), Large Value \$27,087,000 (23.5%), Large Growth \$26,242,000 (22.7%), International \$4,863,000 (4.2%), Fixed Income \$36,529,000 (31.7%) and \$1,428,000 in Cash (1.2%).

The total fund for the quarter was 3.84% vs. 3.23% ranking 3rd; for one year the return was 9.37% vs. the policy of 8.59% ranking 15th; three years 13.72% vs. the policy of 12.17% ranking 18th; and five years 11.00% vs. the policy of 10.59% ranking 21st. Equity return for the quarter was 5.11% vs. the policy of 4.49% ranking 7th; one year 11.65% vs. the policy of 10.99% ranking 5th; three years 20.19% vs. the policy of 19.33% ranking 12th and five years 14.86% vs. the policy of 14.76% ranking 7th. Fixed Income return was 1.29% vs. the policy of 1.34% for the quarter ranking 31st; one year 5.26% vs. 4.84% ranking 47th; three years 2.69% vs. the policy of 2.34% and five years 4.46% vs. the policy of 4.26%.

Boston Company's quarterly return was 4.39% vs. the policy of 4.98% ranking 52nd; one year 12.50% vs. the policy of 13.45% ranking 33rd. Dana's quarterly return was 7.83% vs. the policy of 4.78% ranking 1st. Harding Loevner's quarterly return was -2.61% vs. the policy of -3.97% ranking 40th.

RhumbLine's Midcap quarterly return was 6.29% vs. the policy of 6.35% ranking 30th; one year 9.74% vs. the policy of 9.77% ranking 30th. RhumbLine's Large Cap Value quarterly return was 4.75% vs. the policy of 4.98% ranking 41st; one year 13.15% vs. the policy of 13.45% ranking 21st. RhumbLine's Large Cap Growth quarterly return was 4.76% vs. the policy of 4.78% ranking 45th; one year 13.00% vs. the policy of 13.05% ranking 25th. Denver's quarterly return was 0.81% vs. the policy of 1.07% ranking 70th; one year 4.24% vs. the policy of 4.08% ranking 77th and State Street's quarterly return was 1.80% vs. the policy of 1.79% ranking 10th.

The board agreed to extend the redemption program to have the monthly redemption taken from Dana Investments for the month of May 2015. Further redemptions will be discussed at the May 2015 meeting.

Item 10. Other Business.

Mr. Smith questioned if there was any further information in the city's overhead for the City Attorney and city audit. We thrive on investment performance and low administrative charges. The attorney fees, if we need an attorney for service, should be paid on an hourly basis. Mr. Smith is in favor of asking for an estimate of any services requested. He doesn't feel the plan should be charged for sitting at a meeting.

Mr. Swank indicated he was under the impression Mr. Warner was going to be at this meeting for further discussion and review.

Mr. Smith questions the charges for the audit and does not feel the plan should pay if it is part of the city's audit. If it's a special audit of the plan that would be a different story and the plan should pay for it.

The pension administrator's expense should be allocated accordingly, should the Police and Fire plan split, to go three ways. (Police, Fire and General)

Mr. Dole commented the presentation by Mr. Warner was not well presented. He also shares a genuine concern.

Motion to Adjourn:

There being no further business, Mr. Dole moved to make a motion for adjournment, seconded by Mr. Smith. Said motion passed unanimously. The meeting adjourned at approximately 3:08 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 February 19, 2015, which minutes were formally approved and adopted by the General Employees' Pension Board on May 21, 2015.



Karen Schell

Secretary General Employees' Pension Board