

# GENERAL EMPLOYEES PENSION BOARD

## Minutes of May 16, 2013

Meeting was called to order by Chairperson, Stephen Swank at 1:02 p.m.

### **Item 1. Roll Call**

Members Present: David Boyd, Vincent Dole, James Smith, Stephen Swank and Milena Walinski  
Members Absent: None  
Guests Present: Brendon Vavrica and John McCann (Thistle Asset Consulting), Jeffery Amrose (Gabriel, Roeder, Smith & Company), Brian Shutt and Karen Schell

### **Item 2. Approval of the General Employees' Pension Board Agenda for May 16, 2013.**

Mr. Smith requested to add an item; the review of an independent auditor. Mr. Boyd moved to approve the agenda as amended for May 16, 2013, seconded by Mr. Dole. Said motion passed unanimously.

### **Item 3. Approval of the General Employees' Pension Board Minutes for February 21, 2013.**

Mr. Dole moved to approve the minutes of February 21, 2013, seconded by Mr. Smith. Said motion passed unanimously.

### **Item 4. Consent Agenda:**

#### **A. Approval of the Following Invoices:**

- a. Gabriel, Roeder, Smith & Company, dated February 13, 2013, in the amount of \$892.00 for benefit calculations for Hasko and further preparation of the October 1, 2012 Actuarial Valuation Report.
- b. State Street Global Advisors, dated February 12, 2013, in the amount of \$3,622.80 for investment management fee for the period of October 1, 2012 through December 31, 2012.
- c. Florida State University, CAPD, dated March 26, 2013, in the amount of \$250.00 for James Smith 34<sup>th</sup> Annual Police and Firefighters Pension Trustees School Registration for May 20, 2013 through May 22, 2013.
- d. Doubletree Hotel, dated March 26, 2013, in the amount of \$297.00 for hotel accommodations for James Smith's attendance to the 34<sup>th</sup> Annual Police and Firefighters Pension Trustees School for May 20, 2013 through May 22, 2013.
- e. James Smith, April 15, 2013, in the amount of \$523.20 for travel advance for attendance to the 34<sup>th</sup> Annual Police and Firefighters Pension Trustees School May 20, 2013 through May 22, 2013.
- f. Florida Public Pension Trustees Association, dated March 26, 2013, in the amount of \$500.00 for James Smith 29<sup>th</sup> Annual FPPTA Conference Registration for June 23, 2013 through June 26, 2013.
- g. Omni Orlando Resort at ChampionsGate, dated March 26, 2013, in the amount of \$540.00 for hotel accommodations for James Smith attendance to the 29<sup>th</sup> Annual FPPTA Conference for June 23, 2013 through June 26, 2013.
- h. James Smith, dated May 28, 2013, in the amount of \$340.10 for travel advance for attendance to the 29<sup>th</sup> Annual FPPTA Conference for June 23, 2013 through June 26, 2013.
- i. Gabriel, Roeder, Smith & Company, dated April 5, 2013, in the amount of \$2,234.00 for benefit calculations for Marion, Young, Grant and Geer and further preparation of the October 1, 2012 Actuarial Valuation Report.
- j. RhumbLine Advisers, dated April 8, 2013 for a total of \$7,028.00 for quarterly management fee for the period of January 1, 2013 through March 31, 2013.
- k. Thistle Asset Consulting, Inc., dated May 6, 2013, in the amount of \$7,750.00 for performance monitoring for the quarter ending March 31, 2013.
- l. Dana Investment Advisors, Inc., dated April 11, 2013, in the amount of \$10,531.86 for quarterly management fee for the period of April 1, 2013 through June 30, 2013.
- m. The Boston Company Asset Management, LLC, dated April 15, 2013, in the amount of \$14,247.28 for quarterly management fee for the period of April 1, 2013 through June 30, 2013.

- n. Denver Investment Advisors, LLC, dated May 2, 2013, in the amount of \$10,354.26 for quarterly management fee for the period of January 1, 2013 through March 31, 2013.

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

- a. Name: Shirley Geer  
Age: 64  
Monthly Pension Amount: \$1,411.28  
Benefit Commenced: March 1, 2013  
Benefit Requested: 100% Joint and Survivor Annuity
  
- b. Name: Ricardo Grant  
Age: 62  
Monthly Pension Amount: \$1,361.77  
Benefit Commenced: April 1, 2013  
Benefit Requested: 50% Joint and Survivor Annuity
  
- c. Name: Clifford Marion  
Age: 62  
Monthly Pension Amount: \$758.88  
Benefit Commenced: April 1, 2013  
Benefit Requested: 100% Joint and Survivor Annuity

**Approval of the Following Normal Retirement(s):**

- d. Name: Roy Khanna  
Age: 60  
Monthly Pension Amount: \$902.22  
Benefit Commenced: June 1, 2013  
Benefit Requested: 100% Joint and Survivor Annuity

**C. Approval of the Following Termination Refund(s):**

- a. Kacy Young (Parks & Recreation) in the amount of \$8,820.32.
- b. Jonathan Rodriguez (Finance-Utilities) in the amount of \$3,599.80.
- c. Gregory Odom (Finance-Utilities) in the amount of \$1,144.69.

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

- a. Carmen Young, beneficiary of Allan Young, in the amount of \$443.39 effective January 1, 2013. In addition, a lump sum payment of \$10,000 as Mr. Young had over five years of credited service.

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

- a. City of Delray Beach in the amount of \$2,024.00, deposited March 5, 2013 for reimbursement of actuarial fees for a request measuring the financial impact of stopping member contributions after 30 years of service.
- b. A direct deposit from BNY in the amount of \$129.44, deposited March 20, 2013 for commission recapture for February 2013.
- c. State street Bank and Trust Company in the amount of \$2,469.70, deposited April 30, 2013 for proceeds from a tax reclaim receipt received in connection with prior security holdings for the Loomis Sayles Large Cap Growth Trust.

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

Mr. Smith requested items 4(A)(c-h) be pulled for discussion. Mr. Swank requested item 4(A)(j) and item 4(B)(d) be pulled for discussion. Mr. Dole moved to approve the consent agenda as amended, seconded by Mr. Boyd. Said motion passed unanimously.

**Item 5. Review of letter from Saxena White, Autoliv, Inc. Litigation.**

No action taken.

**Item 6. Review of the Plan's October 1, 2012 Actuarial Valuation Report.**

Mr. Amrose reviewed the report indicating the plan is looking very good and healthy. The annual required contribution last year was 11.95%; this year 12.30% for a dollar amount of \$2,084,010. The unfunded actuarial accrued liability this year totals \$3,668,352 with a funded ratio of 96.3% compared to 96.8% last year.

Mr. Dole moved to accept the actuarial report as submitted, seconded by Mr. Boyd. Said motion passed unanimously.

Mr. Dole moved to retain an expected rate of return of 7.25%, seconded by Mr. Boyd. Said motion passed unanimously.

**Item 7. Review of contracts:**

**A. Gabriel, Roeder, Smith & Company**

Mr. Amrose indicated his office could not locate any current contract with the City of Delray Beach. Ms. Schell indicated the same. As Mr. Amrose did not have sufficient time to draft any documents; he indicated he would do so within the next few weeks. Usually the contracts are for a three year time frame.

Mr. Swank indicated this should be in effect from fiscal year ending September 30, 2013.

Mr. Smith moved to table this item for the next meeting, seconded by Mr. Dole. Said motion passed unanimously.

**B. Salem Trust**

Mr. Swank indicated the agreement with Salem Trust Company was effective October 1, 2001. There is a clause for a thirty day notice for termination. An annual administrative fee is listed as 4.5 basis points applied to the market value of the assets in the account; recurring periodic payments which covers regular monthly and DROP payments are listed at \$2.00 each. It is indicated this fee structure is guaranteed for a three year period.

Board members requested staff to research the current fee structure.

**C. Thistle Asset Consulting**

Mr. Vavrica indicated this is a revised agreement per the request of the board members from the last meeting. Overall terms are the same; Exhibit A illustrates a breakdown of the manager's fees. There is more work involved with active managers; therefore, those fees are a little higher. The cost of living adjustment is new and would be the lesser of CPI or 5%.

Ms. Walinski commented usually with other agreements, increases are based on a certain index.

Mr. Swank indicated he would like to see further language in item eight regarding the annual fee of \$31,000.00 being adjusted should the board add or delete managers.

Mr. Shutt suggested adding upon deletion of managers, the fee shall be adjusted by agreement of both parties. Both sides agreed.

Mr. Smith moved to approve the contract with amendments, seconded by Mr. Dole. Said motion passed unanimously.

**Item 8. Review of Plan's Performance Evaluation for the Period Ending March 31, 2013.**

**A. Performance**

Mr. Vavrica started by reviewing the index comparison. The compliance report indicates the total return over the trailing 3-year period did not exceed the policy; 9.75 vs. 9.95. Boston's equity return over the trailing 3-year period did not exceed the R1000V index; 11.74 vs. 12.74. Dana trail only goes back for 1 year. RhumbLine trails by a fraction of a percent.

Mr. Vavrica continued with the review of the Executive Report. The asset allocation illustrates a total of \$97,456,000; MidCap \$14,921,000 (15.3%), Large Value \$22,601,000 (23.2%), Large Growth \$20,267,000 (20.8%), International \$4,565,000 (4.7%), Fixed Income \$34,199,000 (35.1%) and \$903,000 in Cash (.9%).

The total fund for the quarter was 6.53% vs. 6.37% ranking 30<sup>th</sup>; for one year the return was 10.41% vs. the policy of 10.31% ranking 42<sup>nd</sup>, three years 9.75% vs. the policy of 9.95% ranking 35<sup>th</sup> and five years 5.79% vs. the policy of 6.42% ranking 49<sup>th</sup>. Equity return for the quarter was 10.670% vs. the policy of 10.77% ranking 17<sup>th</sup>; one year 14.63% vs. the policy of 14.54% ranking 15<sup>th</sup>; three years 12.09% vs. the policy of 12.62% ranking 20<sup>th</sup> and five years 4.95% vs. the policy of 6.03% ranking 64<sup>th</sup>. Fixed Income return was 0.08% vs. the policy of -0.06% for the quarter ranking 72<sup>nd</sup>; one year 4.03% vs. 3.75% ranking 74<sup>th</sup>; three years 5.65% vs. the policy of 5.54% and five years 5.55% vs. the policy of 5.48%.

Boston Company's quarterly return was 12.18% vs. the policy of 12.31% ranking 12<sup>th</sup>; one year 18.14% vs. the policy of 18.76% ranking 8<sup>th</sup>. Dana's quarterly return was 9.27% vs. the policy of 9.54% ranking 41<sup>st</sup>. Harding Loevner's quarterly return was 0.72% vs. the policy of 1.80% ranking 95<sup>th</sup>. RhumbLine's Midcap quarterly return was 13.42% vs. the policy of 13.45% ranking 26<sup>th</sup>; one year 17.72% vs. the policy of 17.83% ranking 29<sup>th</sup>. RhumbLine's Large Cap Value quarterly return was 12.24% vs. the policy of 12.31% ranking 11<sup>th</sup>; one year 18.66% vs. the policy of 18.76% ranking 5<sup>th</sup>. RhumbLine's Large Cap Growth quarterly return was 9.52% vs. the policy of 9.54% ranking 34<sup>th</sup>; one year 10.07% vs. the policy of 10.09% ranking 46<sup>th</sup>. Denver's quarterly return was 0.21% vs. the policy of 0.01% ranking 59<sup>th</sup>; one year 4.18% vs. the policy of 3.28% ranking 83<sup>rd</sup> and State Street's quarterly return was -0.11% vs. the policy of -0.12% ranking 84<sup>th</sup>.

Mr. Vavrica handed out information on the MLP infrastructure index funds stating at the last meeting the board questioned if there was an index fund for MLP.

After further discussion, Mr. Swank commented to not commence a search at this time, but come back with further examples of index funds in this category.

**Item 9. Other Business.**

**A. Review of Audit of the General Employees' Pension Plan**

Mr. Smith commented he has not seen an audit report of the plan. He would like to see a one-time audit that includes a management report. Mr. Smith does not recall the auditors coming before the board to discuss what they found.

Mr. Swank indicated the City's audit includes the audit of the General Employees' pension plan. There is not a separate audit of the plan.

Ms. Walinski stated the auditors wouldn't come before the board as the pension is included in the City's Financials. The audit report is on the website under the Finance Department.

Mr. Smith requested to have the auditor come before the board and discuss the internal control of the General Employees' pension plan.

**B. Review of pulled items from the consent agenda 4(A)(c-h):**

(c.) Florida State University, CAPD, dated March 26, 2013, in the amount of \$250.00 for James Smith 34<sup>th</sup> Annual Police and Firefighters Pension Trustees School Registration for May 20, 2013 through May 22, 2013.

- (d.) Doubletree Hotel, dated March 26, 2013, in the amount of \$297.00 for hotel accommodations for James Smith's attendance to the 34<sup>th</sup> Annual Police and Firefighters Pension Trustees School for May 20, 2013 through May 22, 2013.
- (e.) James Smith, April 15, 2013, in the amount of \$523.20 for travel advance for attendance to the 34<sup>th</sup> Annual Police and Firefighters Pension Trustees School May 20, 2013 through May 22, 2013.
- (f.) Florida Public Pension Trustees Association, dated March 26, 2013, in the amount of \$500.00 for James Smith 29<sup>th</sup> Annual FPPTA Conference Registration for June 23, 2013 through June 26, 2013.
- (g.) Omni Orlando Resort at ChampionsGate, dated March 26, 2013, in the amount of \$540.00 for hotel accommodations for James Smith attendance to the 29<sup>th</sup> Annual FPPTA Conference for June 23, 2013 through June 26, 2013.
- (h.) James Smith, dated May 28, 2013, in the amount of \$340.10 for travel advance for attendance to the 29<sup>th</sup> Annual FPPTA Conference for June 23, 2013 through June 26, 2013.

Mr. Smith indicated he received his certification and in order to maintain it, he must attend continuing education every year in addition, a renewal fee of \$30.00. Credit is achieved by attending pension school classes totaling 10 credits. The FPPTA classes (10 credits) which is offered twice a year, the FPPTA annual conference (5 credits) and the Police and Firefighters' Pension Trustees School (5 credits). As Mr. Smith would not be able to attend the remaining FPPTA trustee's class this year he had no choice but to attend the other two events. He would make sure from hereon to attend one of the FPPTA schools to alleviate the added expenses to the plan.

Mr. Dole moved to approve these invoices, seconded by Mr. Boyd. Said motion passed unanimously.

**C. Review of pulled items from the consent agenda 4(A)(j):**

- (j.) RhumbLine Advisers, dated April 8, 2013 for a total of \$7,028.00 for quarterly management fee for the period of January 1, 2013 through March 31, 2013.

Mr. Swank questioned the basis points for the RhumbLine accounts over \$10,000,000 was reduced for one account but not the others.

Mr. Vavrica indicated it looks like the accounts were not aggregated. He will check into this further.

Mr. Dole moved to approve these invoices with the understanding further research/action may be taken, seconded by Mr. Boyd. Said motion passed unanimously.

**D. Review of pulled items from the consent agenda 4(B)(d):**

Mr. Swank questioned if Mr. Roy Khanna was a DROP participant or normal retirement.

Ms. Schell indicated he should be classified under normal retirement (deferred) and would correct this.

Mr. Dole moved to approve this invoice, seconded by Mr. Boyd. Said motion passed unanimously.

**E. Review/follow up of investment policy guideline being approved by City Commissioners.**

Mr. Dole questioned Mr. Shutt if he had taken further action on whether the investment policy being approved by the board members would still need to go before the City Commissioner for approval.

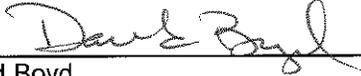
Mr. Shutt indicated he had conversed with the City Manager, Mr. Chapman and Mr. Chapman does not have an issue with it not going before the City Commissioners.

Based on this, the board recommended a change in the ordinance to remove any changes/approval in the investment policy going before the City Commissioners. Approval would be finalized by board members. Mr. Shutt will move forward with this recommendation and draft an ordinance change.

**Motion to Adjourn:**

There being no further business, Mr. Boyd moved to make a motion for adjournment, seconded by Mr. Smith. Said motion passed unanimously. The meeting adjourned at approximately 3:05 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 May 16, 2013, which minutes were formally approved and adopted by the General Employees' Pension Board on August 15, 2013.



\_\_\_\_\_  
David Boyd  
Secretary, General Employees' Pension Board

cc: Louie Chapman, Jr., City Manager  
Brian Shutt, City Attorney  
Department Heads