GENERAL EMPLOYEES PENSION BOARD

Minutes of
May 21, 2015

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

Item 1. Roll Call

Members Present:	Teresa Cantore, Vincent Dole, Francine Ramaglia (left at 2:05 p.m.), James Smith, and Stephen Swank
Members Absent:	None
Guests Present:	John McCann, Brendon Vavrica (Thistle Asset Consulting), Karen Schell, Jack Warner, Barbara Carlson, Cheryl McCrief and Ron McCrief.

Item 2 . Approval of the General Employees' Pension Board Agenda for May 21, 2015.

Mr. Smith requested to distribute a document with review of the custodial Salem Trust audit deficiency. The other has to do with bond ratings.

Mr. Swank suggested adding the City's audit report as 7a and the second distribution under other business. In addition there is another item for discussion of city ordinance regarding termination of city employment for dishonesty. This would be added under other business.

Mr. Smith moved to approve the agenda for May 21, 2015, seconded by Mr. Dole. Said motion passed unanimously.

Item 3. Approval of the General Employees' Pension Board Minutes for February 19, 2015.

Mr. Dole moved to approve the minutes of February 19, 2015, seconded by Mr. Smith. Said motion passed unanimously.

Ms. Schell indicated there are a few minor corrections; under item 2, the date should be 2015 vs 2105, under item 5c, the very last word should be changed to board, and under item 7, third paragraph, second line Salem Trust's rebuttal was in their vs there.

Mr. Dole restated his move to approve the minutes of February 19, 2015 as amended, seconded by Mr. Smith. Said motion passed unanimously.

Item 4. Public Comments.

None.

Item 5. Consent Agenda:

A. Approval of the Following Invoices:

a. Denver Investment Advisors LLC, dated February 3, 2015, in the amount of $10,816.13 for the quarterly investment management fee for the period of October 1, 2014 through December 31, 2014.
b. Ascension Benefits & Insurance Solutions of FL, dated February 27, 2015, in the amount of $5,982.00 for fiduciary liability for General Employee's Pension Board for policy period March 1, 2015 to March 1, 2016.
c. Gabriel, Roeder, Smith & Company, dated March 13, 2015, in the amount of $16,274.00 for benefit calculation charge for Warren, Campbell, Breto, Eubanks and Quinlan, GASB #67 exhibits and letter and 10/01/2014 actuarial valuation report charges.
d. RhumbLine Advisers, dated April 8, 2015, in the amount of $8,301.00 for the quarterly investment management fee for the period of January 1, 2015 through March 31, 2015.
e. Gabriel, Roeder, Smith & Company, dated April 7, 2015, in the amount of $600.00 for benefit calculation charge for McCrief and Rivera.

f. State Street Global Advisors, dated April 13, 2015, in the amount of $2,500.00 for the quarterly investment management fee for the period of January 1, 2015 through March 31, 2015.
g. The Boston Company Asset Management, LLC, dated April 17, 2015, in the amount of $17,076.29 for the quarterly investment management fee for the period of April 1, 2015 through June 30, 2015.
h. Dana Investment Advisors, Inc., dated May 1, 2015, in the amount of $15,663.80 for the quarterly investment management fee for the period of April 1, 2015 through June 30, 2015.
i. Thistle Asset Consulting, Inc., dated May 11, 2015, in the amount of $7,812.00 for quarter ending March 31, 2015.

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

a.

Name:	James Warren
Age:	63
Monthly Pension Amount:	$983.88
Benefit Commenced:	March 1, 2015
Benefit Requested:	100% Joint and Survivor Annuity

b.

Name:	Orville Campbell
Age:	60
Monthly Pension Amount:	$1,251.05
Benefit Commenced:	March 1, 2015
Benefit Requested:	Ten Year Certain

c.

Name:	Glenda Rivera
Age:	60
Monthly Pension Amount:	$3,528.88
Benefit Commenced:	April 1, 2015
Benefit Requested:	50% Joint and Survivor Annuity

d.

Name:	Cheryl McCrief
Age:	60
Monthly Pension Amount:	$1,307.10
Benefit Commenced:	April 1, 2015
Benefit Requested:	Life Annuity

e.

Name:	Frederick Glass
Age:	64
Monthly Pension Amount:	$1,513.44
Benefit Commenced:	June 1, 2015
Benefit Requested:	100% Joint and Survivor

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

a.

Name:	Estelio Breto
Age:	69
Monthly Pension Amount	$1,438.86
Benefit Commenced:	March 1, 2015
Benefit Requested:	100% Joint and Survivor Annuity

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

a. Patricia Lewandowski (Human Resources) in the amount of $8,105.32.
b. James Scala (Ocean Rescue) in the amount of $15,490.27.

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

a. Randal Krejcarek in the amount of $450.00 for calculations to purchase three years previous government service and 3% enhanced multiplier.

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

Mr. Smith indicated he had two items to pull; under item 5 A b insurance expiration and the second item is item 5 C a Mr. Estelio Breto.

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

Mr. Smith requested a corrected invoice as to the date of expiration 2015 vs 2016. The second item with reference to Mr. Breto, the last sentence in the letter states all benefit payment will be taxable. Mr. Smith believes his deduction for life insurance would also be taxable. Consensus of the board was to reword this as all pension benefit payments will be taxable.

Ms. Ramaglia moved to approve these two items as discussed, seconded by Mr. Dole. Said motion passed unanimously.

Item 6. Review of GRS Invoice Allowing CFO to be a Board Member of the Pension Plan.

Ms. Schell indicated this invoice was questioned by Ms. Walinski at the last meeting. The description on the agenda item was worded incorrectly. The invoice is okay, but it states allowing the CFO to be a member of the plan, the CFO is already in the code as being a member of the plan. However, this particular ordinance was if the CFO could not participate as a board member, then the City Treasurer would be able to sit on the board as a member. The impact statement from GRS was completed illustrating no impact to the plan. An impact statement must be completed for each and every change in ordinance per state requirements.

The board questioned the invoice as to why the board is paying for an actuarial impact when it is clear there is no impact to the plan. After further discussion, it was requested GRS justify the cost for this invoice. Ms. Schell will request this detail.

Item 7. Review of Custodian Salem Trust Audit Deficiency.

Ms. Schell indicated the day before, the Police and Firefighters were to have a meeting where Salem Trust personnel were to discuss the audit deficiency; however, that meeting was cancelled at the last minute. Ms. Schell indicated there were individuals from this board that were going to attend that meeting to bring feedback for this meeting.

Mr. Warner indicated the City will suggest each board, General Employees and the Police and Firefighter's, do an RFP for custodial services where it would cover the boards and city's custodial services. Rates may be better if all is with one custodian. It would then be the board's decision whether Salem Trust would be included as a qualified candidate.

Mr. Smith questioned if the contract was with the City and not the Board?

Mr. Warner was not familiar with the contract.

Ms. Ramaglia indicated at this time it isn't a matter of who the contract is with. She feels with what is happening in the industry and just generally in Palm Beach County, there is a desire for transparency regarding purchasing. Ms. Ramaglia suggests this may be good timing to consider a solicitation.

Mr. Smith commented he would normally agree that this would be the right thing to do; however, the board has found in other service contracts it is not a necessary step. The previous City Attorney's advice was we didn't really need to do that. Mr. Smith has mixed feelings.

Ms. Ramaglia clarified on Mr. Smith's comment, she is in support of the solicitation, and she is indifference to the way the contract is whether be the plan or the City; that is where she would look to the City Attorney. She suggests the board would probably benefit from it.

Mrs. Cantore thought the board should definitely look at the contract to see who it is with. She does like Mr. Warner's idea to at least look to improve pricing by doing the solicitation.

Mr. Vavrica commented Salem Trust has a good 360 clients where a number of them are going out to bid. From what Mr. Vavrica has seen, there are so many RFP's a lot of the custodians are throwing up their hands saying we can't respond to all of these. Several clients are waiting for the next SAE 16 report before taking further action. The most common custodians outside of Salem Trust would be Fiduciary Trust based in Miami and Regions Bank. Others would be Fifth Third Bank, Wells Fargo and Bank of New York. Mr. Vavrica indicated they have no accounts that utilize these. Mr. Vavrica also indicated Salem Trust is trying to obtain the next audit report as quickly as possible so they can have a clean slate. All issues in question were related to the transition that took place.

Mr. Smith questioned how Salem Trust's service was.

Ms. Schell indicated there have been no problems with them. We have a good repore with them and likewise.

Mr. Vavrica indicated they have had no financial issues or problems. The only changes they've noticed is the statement delay from the transition were significant.

Ms. Ramaglia commented by going out to bid, doesn't mean we are doing away with Salem Trust. It means we do the transparency. Since we've had the contract for a length of time, it probably makes sense to see what is out there. None of my comments were generated based on any audit report finding or anything. Those things do occur and they do resolve; if the latest report was fine, that still wouldn't change my mind. For the record, one is I did not throw them under the bus; two, the decision to go out to do the solicitation does not suggest anything about the performance and I clearly stated my comments had nothing to do with the audit report.

Mr. Dole strongly commented he would be against going out for a bid at this time without it being on the agenda for discussion or review. Should we put it on the agenda for an official meeting I'm for that. I don't think the timing is right.

After further discussion, Ms. Ramaglia moved to be provided with a copy of the contract, direct Ms. Schell to work with the City's purchasing department to develop a scope of services for an RFP which may or may not be included with the RFP the City is developing for itself and the Police and Fire Pension plan; and the last part of my motion is to please schedule a meeting with Salem Trust as soon as practicable to discuss their audit report of old and new. At that time we can professionally relay we are thinking about going forward with the solicitation, seconded by Mr. Smith. Said motion passed 4-1 with Mr. Dole dissenting.

A. Review of City's Audit Deficiency.

Mr. Smith indicated on the distribution sheet it says annual financial report under investment policy, there was a finding as to whether a bond rating of BB and BBB complied with our policy. We've talked about these ratings because sometimes they slip and get rerated. As Mr. Smith recalls, we covered it in a change to our investment policy. The last investment policy Mr. Smith could locate is dated February of 2014. Were we going to take action on that and change the policy?

Mr. Vavrica responded he recalls it being related to the convertible bond portfolio; there could be a component within that portfolio that could be lower graded than was allowed. A section was added that acknowledged there could be a portion of the portfolio that does not meet the other specified restriction. This addresses a separate issue in terms of the plan; if you had a security downgraded after the original purchase. The Board could have a hard fast rule that says you can't own it; the moment it gets downgraded, it would have to be sold or, there could be a provision that gives the discretion to the manager. As it was purchased within the guidelines, they would be able to hold the position that has been downgraded either by one or multiple agencies if they felt that was in the best interest of the plan from an investment perspective. Mr. Vavrica recommended giving the manager the discretion as long as it was purchased under the original guidelines.

Mrs. Cantore commented she feels the auditor's concern was how the portfolio is monitored and the communication to the board. If a particular security falls below the ratings; how is it communicated to the board on a timely basis?

Mr. Vavrica indicated we could make it a point to bring to the board's attention when that happens. He suggested he draft and make the proposed changes for review at the next meeting.

Ms. Ramaglia moved to review the investment policy to see if there is anything else the board might want to cover. Motion was denied due to a lack of a second.

Mr. Dole indicated we can still have it as an agenda on the next meeting; there is no need for a motion.

Item 8. Copy of Final Revised GRS Contract.

Mr. Swank commented the final revised GRS contract has been distributed to all, there were no further comments from Board Members.

Item 9. Review of City Attorney and City Audit Allocation Overhead.

Mr. Warner indicated he has no updated numbers at this time.

Mr. Smith stated as far as the allocation, he is all for allocating actual expenses and time spent working on pension items. However, he would not be in favor of paying City Attorney for attending the board meetings. He would prefer the plan pay for any actions requested along with his time. As far as the city audit allocation is concerned, the city's audit is done for the city. The audit for the pension plan is limited; completed within the scope of a city audit, Mr. Smith didn't feel there should be any charge for that allocation. Mr. Smith also recommended the board put out a bid for its own auditor. He would like to see an external audit for fiscal year ending September 30, 2015.

Mr. Swank commented he feels the board is getting off base here as the Chief Financial Officer has not provided us with their overhead allocation.

Item 10. Review of Plan's Performance Evaluation for the Period Ending March 31, 2015.

A. Review of Asset Allocation Rebalancing and Cash Disbursements.

Mr. Vavrica reviewed the Compliance report stating RhumbLine's Midcap equity return over the trailing 3-year (16.95 vs 17.03) or 5-year (15.72 vs 15.72) period did not exceed the S & P 400 Index. RhumbLine's Large Cap Value equity return over the trailing 3-year (16.28 vs 16.43) or 5-year (13.65 vs 13.75) 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 (44th). RhumbLine's Large Cap Growth equity return over the trailing 3-year (16.28 vs 16.34) or 5-year (15.58 vs 15.63) 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 (44th).

Mr. Vavrica continued with the review of the Executive Report. The asset allocation illustrates a total of $117,174,000; Midcap $20,286,000 (17.3%), Large Value $26,384,000 (22.5%), Large Growth $26,854,000 (22.9%), International $5,026,000 (4.3%), Fixed Income $36,887,000 (31.5%) and $1,737,000 in Cash (1.5%).

The total fund for the quarter was 2.68% vs. 2.27% ranking 10th; for one year the return was 9.77% vs. the policy of 8.84% ranking 6th; three years 11.61% vs. the policy of 10.44% ranking 15th; and five years 10.73% vs. the policy of 10.17% ranking 16th. Equity return for the quarter was 3.18% vs. the policy of 2.66% ranking 20th; one year 12.47% vs. the policy of 11.53% ranking 10th; three years 16.49% vs. the policy of 15.59% ranking 7th and five years 14.20% vs. the policy of 14.01% ranking 7th. Fixed Income return was 1.87% vs. the policy of 1.53% for the quarter ranking 16th; one year 4.93% vs. 4.65% ranking 45th; three years 3.18% vs. the policy of 2.75% and five years 4.49% vs. the policy of 4.21%.

Boston Company's quarterly return was 1.83% vs. the policy of -0.72% ranking 8th; one year 10.94% vs. the policy of 9.33% ranking 29th. Dana's quarterly return was 4.50% vs. the policy of 3.84% ranking 25th. Harding Loevner's quarterly return was 3.34% vs. the policy of 3.64% ranking 84th.

RhumbLine's Midcap quarterly return was 5.31% vs. the policy of 5.31% ranking 18th; one year 12.14% vs. the policy of 12.20% ranking 26th. RhumbLine's Large Cap Value quarterly return was -0.74% vs. the policy of -0.72% ranking 86th; one year 9.04% vs. the policy of 9.33% ranking 59th. RhumbLine's Large Cap Growth quarterly return was 3.79% vs. the policy of 3.84% ranking 35th; one year 16.00% vs. the policy of 16.09% ranking 27th. Denver's quarterly return was 1.49% vs. the policy of 1.48% ranking 11th; one year 3.89% vs. the policy of 4.00% ranking 68th and State Street's quarterly return was 1.63% vs. the policy of 1.61% ranking 28th. AllianzGI Convertible Bonds quarterly return was 3.61% vs. the policy of 2.97%; one year 6.19% vs. the policy of 7.84%.

In review of the asset allocation and rebalancing, Mr. Vavrica stated last month the board set the stage for Dana to fund one month of cash flow for June 1st. The plan is a little overweight in equities. It was suggested in lieu of doing a one time commitment of Dana, because they continue to be one of the larger overweight's, the board go ahead and take money from them for the next couple of months. In the past the board had not wanted to do any lump sums; you wanted to rebalance by doing the monthly cash flows of $450,000/month. However, due to the plan doing very well, this is not rebalancing as favorably as desired. MidCap, Large Value and Large Growth are overweight whereas International and Fixed Income are slightly underweight.

After a brief discussion, Mr. Dole moved to take a lump sum of $1.75 million from each RhumbLine Value and RhumbLine Growth to AllianzGI Convertible for a total of $3.5 million; in addition to having a three month draw of $450,000 per month from Dana for the months of July, August and September, seconded by Mr. Smith. Said motion approved unanimously.

Item 11. Other Business.

Dishonesty of employees - Ms. Schell indicated she has received notices from Human Resources of individuals who have been dismissed or terminated for dishonesty. The General Employees' Code of Ordinance states if a participant's city employment is terminated because of dishonest conduct injurious to the City, or if dishonest conduct injurious to the City committed by a participant is determined by the City during the lifetime of the participant but within one year after service with the City is terminated or within one year after retirement under the plan, the Retirement Committee may terminate a participant's interest and benefits under the plan and Trust Fund.

At this point, perhaps the City Attorney would want to provide further details. This is just information to the board members at this time.

Mr. Smith notified the board members he will pursue his continuing education with the FPPTA coming up this fall.

Motion to Adjourn:

There being no further business, Mr. Dole moved to make a motion for adjournment, seconded by Mrs. Cantore. Said motion passed unanimously. The meeting adjourned at approximately 2:38 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 21, 2015 which minutes were formally approved and adopted by the General Employees' Pension Board on August 20, 2015.

Karen Schell

Karen Schell
Secretary General Employees' Pension Board