

# GENERAL EMPLOYEES PENSION BOARD

## Minutes of February 21, 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 (Thistle Asset Consulting), John Hamlin (Dana Investment Advisors, Inc.), Brian Shutt and Karen Schell

### **Item 2. Approval of the General Employees' Pension Board Agenda for February 21, 2013.**

Mr. Shutt requested to add the Salem Trust Service Enhancement Letter for review as item 8; moving Other Business as item 9.

Mr. Smith moved to approve the agenda as amended for February 21, 2013, seconded by Mr. Dole. Said motion passed unanimously.

### **Item 3. Approval of the General Employees' Pension Board Minutes.**

- A. Regular Meeting of November 15, 2012.**
- B. Special Meeting of December 10, 2012.**

Mr. Dole moved to approve the minutes of November 15, 2012 and special meeting of December 10, 2012, seconded by Mr. Smith. Said motion passed unanimously.

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

Mr. Smith requested item 4(A)(g) be pulled for discussion to be as item 9; moving Other Business as item 10. Mr. Smith moved to approve the consent agenda as amended, seconded by Mr. Dole.

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

- a. Dana Investment Advisors, Inc., dated October 12, 2012, in the amount of \$9,834.25 for quarterly investment management fees for the period of October 1, 2012 through December 31, 2012.
- b. Florida Public Pension Trustees Association, dated November 8, 2012, in the amount of \$600.00 for 2013 annual active membership.
- c. Gabriel Roeder Smith & Company dated November 8, 2012, in the amount of \$1,912.00 for benefit calculations for Akins, Rangel Jr and Cox, service purchase calculations for Koeser and charges to date for preparation of the 10/01/12 actuarial valuation report.
- d. Florida Public Pension Trustees Association, dated November 19, 2012, in the amount of \$450.00 for registration fee for James Smith's attendance to the FPPTA Trustees School January 27, 2013 – January 30, 2013.
- e. Sawgrass Marriott Resort & Spa, dated November 20, 2012 in the amount of \$477.00 for hotel accommodations for James Smith's attendance to the FPPTA Trustees School January 27, 2013 – January 30, 2013.
- f. Gabriel Roeder Smith & Company dated December 11, 2012, in the amount of \$2,147.00 for charges to date for preparation of the 10/01/12 actuarial valuation report and attendance to Board meeting to discuss GASB changes.
- g. Gabriel Roeder Smith & Company dated January 4, 2013, in the amount of \$2,986.00 for charges to date for preparation of the 10/01/12 actuarial valuation report, benefit calculations for Nadal and actuarial report measuring the financial impact of ceasing member contributions attaining 30 years of service.
- h. RhumbLine Advisers, dated January 10, 2013, for a total of \$6,432.00 for quarterly investment management fees for the period of October 1, 2012 through December 31, 2012.
- i. Denver Investment Advisors, LLC, dated January 28, 2013, in the amount of \$4,358.29 for quarterly investment management fees for the period of October 1, 2012 through December 31, 2012.

- j. The Boston Company Asset Management, LLC, dated January 16, 2013, in the amount of \$10,761.35 for quarterly investment management fees for the period of January 1, 2013 through March 31, 2013.
- k. Dana Investment Advisors, Inc., dated January 12, 2013, in the amount of \$9,631.24 for quarterly investment management fees for the period of January 1, 2013 through March 31, 2013.
- l. Thistle Asset Consulting, Inc., dated February 8, 2013, in the amount of \$7,750.00 for performance monitoring for the quarter ending December 31, 2012.
- m. The Plastridge Agency, Inc., dated January 23, 2013, in the amount of \$6,636.16 for fiduciary liability for General Employee's Pension Board for policy period of March 1, 2013 to March 1, 2014.

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

- a. Name: Patsy Nadal  
Age: 61  
Monthly Pension Amount: \$1,314.86  
Benefit Commenced: January 1, 2013  
Benefit Requested: Normal Form

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

- a. Name: Richard Hasko  
Age: 62  
Monthly Pension Amount: \$3,170.69  
Benefit Commenced: March 1, 2013  
Benefit Requested: 75% Joint and Survivor Annuity

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

- a. Lindsay Kenney (Parks & Recreation) in the amount of \$1,160.76.
- b. Augustus Wesley (Water & Sewer) in the amount of \$5,171.92.

**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. Bruce Koeser in the amount of \$0.74, Vantage Transfer Agents in the amount of \$101,999.26 and \$35,541.00 for the participation and purchase of prior city service.
- b. SunTrust in the amount of \$101.42 for WorldCom class action proceeds.

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

**Item 5. Presentation by Dana.**

Mr. Hamlin introduced himself, continuing with a review of Dana Investment's portfolio summary and performance.

**Item 6. Review of RhumbLine Investment's Litigation Letter.**

No action taken.

**Item 7. Review of Plan's Performance Evaluation for the Period Ending December 31, 2012.**

**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; 8.86 vs. 10.86. Boston's equity return over the trailing 3-year period did not exceed the R1000V index; 9.98 vs. 10.86. Dana trail only goes back for 1 year. RhumbLine trails by a fraction of a percent as the same with State Street.

Mr. Vavrica continued with the review of the Executive Report. The asset allocation illustrates a total of \$92,536,000; MidCap \$13,155,000 (14.2%), Large Value \$20,131,000 (21.8%), Large Growth \$18,507,000 (20%), International \$4,532,000 (4.9%), Fixed Income \$35,335,000 (38.2%) and \$876,000 in Cash (.9%).

The total fund for the quarter was 1.00% vs. 0.67% ranking 41<sup>st</sup>; for one year the return was 12.57% vs. the policy of 11.13% ranking 35<sup>th</sup>; three years 8.86% vs. the policy of 9.20% ranking 32<sup>nd</sup> and five years 3.13% vs. the policy of 4.19% ranking 52<sup>nd</sup>. Equity return for the quarter was 1.50% vs. the policy of 1.02% ranking 28<sup>th</sup>; one year 17.39% vs. the policy of 16.80% ranking 22<sup>nd</sup>; three years 10.57% vs. the policy of 11.01% ranking 6<sup>th</sup> and five years 0.09% vs. the policy of 1.84% ranking 84<sup>th</sup>. Fixed Income return was 0.16% vs. the policy of 0.21% for the quarter ranking 75<sup>th</sup>; one year 4.15% vs. 4.22% ranking 74<sup>th</sup>; three years 6.15% vs. the policy of 6.20% and five years 5.95% vs. the policy of 5.96%.

Boston Company's quarterly return was 2.55% vs. the policy of 1.52% ranking 8<sup>th</sup>; one year 18.47% vs. the policy of 17.51% ranking 9<sup>th</sup>. Dana's quarterly return was -1.98% vs. the policy of -1.32% ranking 86<sup>th</sup>. Harding Loevner's quarterly return was 6.49% vs. the policy of 6.11% ranking 46<sup>th</sup>. RhumbLine's Midcap quarterly return was 3.57% vs. the policy of 3.61% ranking 41<sup>st</sup>; one year 17.85% vs. the policy of 17.88% ranking 32<sup>nd</sup>. RhumbLine's Large Cap Value quarterly return was 1.51% vs. the policy of 1.52% ranking 24<sup>th</sup>; one year 17.44% vs. the policy of 17.51% ranking 14<sup>th</sup>. RhumbLine's Large Cap Growth quarterly return was -1.30% vs. the policy of -1.32% ranking 72<sup>nd</sup>; one year 15.24% vs. the policy of 15.26% ranking 70<sup>th</sup>. Denver's quarterly return was 0.58% vs. the policy of 0.35% ranking 54<sup>th</sup>.

#### **B. New Investments – further diversification**

At the last meeting it was requested to discuss the possibility of reducing the fixed income exposure of the fund beyond the 60/40 split that is our current policy. Mr. Vavrica reviewed and explained the different scenarios on the Investment Alternatives illustration. The first illustration (page 6) shows that you would get the most efficiency from a risk and return prospective by taking from fixed income and going to an income producing but still more like equity asset class. The next illustration (page 7) looks at the diversification benefit by changing the percentages. Mr. Vavrica continued with the next illustration (page 8). This illustration reduces the risk by taking from equity.

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

#### **C. Contract Review**

Mr. Smith commented the board members need to review every contract that comes here. Mr. Vavrica has done a fantastic job in managing the board in a great direction. Last year's performance was outstanding. As this contract has lapsed, it is time to renew and perhaps update Thistle's contract along with the actuary.

Mr. Vavrica's understanding of contracts is the guarantee. The terms that are listed are guaranteed for that time. If a contract expires or term lapses, if action is not taken to change it, the term continues. In reviewing the contract, Mr. Vavrica presented two different drafts of an updated contract. On exhibit A, the only difference from the prior contract, because new managers have been added, the base fee has increased because of the number of managers. The per manager fee has not changed. On the second draft, we are proposing a COLA adjustment to the base fee beginning effective two years from now. This is not a demand, but a request on their part.

A certain part of the cost is fixed and a part is variable. When adding a manager where every transaction is tracked on a monthly basis requires more work. When adding an index fund, it is easier for us and the charge is significantly less. Mr. Vavrica will illustrate the costs individually for each manager. This contract is based on a 5 year term.

It was the consensus of the board to put this back on the May agenda for further discussion.

#### **Item 8. Review of Salem Trust Service Enhancement Letter.**

Salem Trust is enhancing their services which entail having monthly benefits direct deposited or receive a debit card. There are a few retirees currently receiving a physical check. This subject was brought up before the Police and Firefighters. Based on their discussion Ms. Schell felt this should be discussed with this Board also. Police and Firefighter's legal attorneys felt this would be a breach of Salem Trust's contract. Most of these retirees are elderly and don't have a checking account; some of

these retirees are not familiar with the debit card. Legal counsel forwarded a letter to Salem Trust indicating they prefer not to change this. However, the board did approve any retiree's from here on forward would need to have their monthly benefit direct deposited.

Mr. Shutt indicated he was not sure how the contract with Salem Trust was worded. It seems like Salem Trust would probably have enough language in their agreement to say this is what we're doing; if we issue checks there would be a surcharge. In the future there would be no option; it would need to be direct deposit and that's that.

Mr. Vavrica commented he is seeing a lot of push back on this item. It is not being accepted by everyone.

Mr. Shutt requested a copy of Salem Trust's agreement.

It was the consensus of the board to bring this back at the May meeting.

**Item 9. Review of invoice: Gabriel Roeder Smith & Company dated January 4, 2013, in the amount of \$2,986.00 for charges to date for preparation of the 10/01/12 actuarial valuation report, benefit calculations for Nadal and actuarial report measuring the financial impact of ceasing member contributions attaining 30 years of service.**

Mr. Smith commented in many cities there are actuaries employed by the City and appointed to report to the board. In our case we have one actuary who does both; expenses paid comes out of the employee's retirement account. As fiduciary responsibility to the employee's, retiree's and to the city, there is an item for \$2,024.00 that the board had not requested.

Mr. Shutt indicated this was a City request. There were two employees where contributions had stopped after 30 years. The actuary brought this to our attention stating under the ordinance, contributions are to continue as long as employed or entered the DROP. Mr. Shutt had a conversation with the City Manager at that time indicating that the Police and Firefighters contributions stopped after 25 years. He questioned if this was something we wanted to look at and possibly change the code whereas after 30 years contributions would cease? Presently we can still receive contributions per the ordinance. Back when employees were still receiving raises, theoretically one's average earnings would increase; however, your multiplier would not increase beyond the 30 years.

Ms. Walinski indicated if this was a City request it should not get paid from the General Employee's retirement account and it shouldn't have. Previously contributions were dropped upon 30 years credited service. Normally GRS invoices these items on separate invoices. This will be corrected and reversed.

Mr. Dole moved to approve payment of the other charges on this invoice, seconded by Mr. Boyd. Said motion passed unanimously.

**Item 10. Other Business.**

Mr. Dole requested if Mr. Shutt had talked to the City Manager if approval was needed from the Commissioners for changes to the investment policy.

Mr. Shutt indicated he was going to; however it was around the time the City Manager was leaving. He felt he should wait until the new City Manager comes on board to see if we could get his input supporting this. This would require an ordinance change that we would need to take in front of the City Commissioners.

Mr. Smith touched basis on the following items:

- Actuary reviewing their report at next quarterly meeting.
- Propose reviewing Gabriel, Roeder and Smith's contract.
- Prefers reports electronically.
- Requested records retention guidelines.

- Suggested board members meet with the Financial Review Board.
- Proposed House Bill providing the State is not liable for shortfalls in local government retirement systems or plans
- Passed final FPPTA test. Needs to accrue 10 credits of continuing education every year to retain his certification at a cost of \$30.00 per year.

**Motion to Adjourn:**

There being no further business, Mrs. Walinski moved to make a motion for adjournment, seconded by Mr. Boyd. Said motion passed unanimously. The meeting adjourned at approximately 3:50 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 \_\_\_\_\_, 2013.



David Boyd

Secretary, General Employees' Pension Board

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