GENERAL EMPLOYEES PENSION BOARD

Minutes of
November 15, 2012

Meeting was called to order by Chairperson, Stephen Swank at 1:05 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), Steve Palmquist (Gabriel Roeder Smith & Company), Kenneth Harris and Darren Hewitson (Denver Investments), Brian Shutt and Karen Schell

Item 2. Approval of the General Employees Pension Board Agenda for November 15, 2012.

Mr. Smith requested to pull Item 4(A)c from the consent agenda for discussion. In addition, he would like to add an agenda item of discussion of presentation before City Commissioners. Mr. Dole requested item 4(A)h and 4(A)j be pulled from the consent agenda for discussion. Mr. Swank requested item 4(B)c and 4(C)a be pulled from the consent agenda for discussion.

Mr. Dole moved to approve the agenda as amended for November 15, 2012, seconded by Mr. Smith. Said motion passed unanimously.

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

A. Regular Meeting of August 16, 2012.
Mr. Boyd moved to approve the minutes of August 16, 2012, seconded by Mr. Dole. Said motion passed unanimously.

B. Special Meeting of October 18, 2012
Mr. Dole moved to approve the minutes of October 18, 2012, seconded by Mr. Smith. Said motion passed unanimously.

Item 4. Consent Agenda:

A. Approval of the Following Invoices:

a. Gabriel, Roeder, Smith & Company, dated August 10, 2012, in the amount of $900.00 for benefit calculations for Colon, Maldonado and Justin.
b. State Street Global Advisors, dated August 14, 2012, in the amount of $4,337.71 for investment management fees for the period of April 1, 2012 through June 30, 2012.
d. Florida Public Pension Trustees Association, dated August 28, 2012, in the amount of $450.00 for registration fee for James Smith's attendance to the FPPTA Trustees School October 7, 2012 – October 10, 2012.
e. James Smith dated August 28, 2012, in the amount of $801.10 for travel advance for attendance to the FPPTA Trustees School October 7, 2012 – October 10, 2012.
f. City of Delray Beach, dated October 1, 2012, in the amount of $263.00 for automated monthly reimbursement for software maintenance/hosting fee. (Cancelled the automatic 100 % reimbursement of $526.00.)
g. City of Delray Beach, dated October 1, 2012, in the amount of $2,863.00 for automated monthly reimbursement for Pension Administrator's salary. (Revising amount to 50%.)
i. RhumbLine Advisers, dated October 9, 2012, in the amount of $6.068.00 for quarterly management fee for the period of July 1, 2012 through September 30, 2012.
k. The Boston Company Asset Management, LLC, dated October 12, 2012, in the amount of $14,407.96 for quarterly management fee for the period of October 1, 2012 through December 31, 2012.
l. Thistle Asset Consulting, Inc., dated November 5, 2012, in the amount of $7,750.00 for performance monitoring for the quarter ending September 30, 2012.
m. Denver Investment Advisors, LLC, dated October 30, 2012, in the amount of $3,561.46 for quarterly management fee for the period of July 1, 2012 through September 30, 2012.

n. State Street Global Advisors, dated November 1, 2012, in the amount of $4,257.17 for quarterly management fee for the period of July1, 2012 through September 30, 2012.

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

a. Name: Antonio Colon
Age: 60
Monthly Pension Amount: $688.17
Benefit Commenced: September 1, 2012
Benefit Requested: 100% Joint and Survivor Annuity

b. Name: Jean Luc Pierre
Age: 60
Monthly Pension Amount: $705.57
Benefit Commenced: September 1, 2012
Benefit Requested: 100% Joint and Survivor Annuity

d. Name: Patti Goodson
Age: 60
Monthly Pension Amount: $2,410.83
Benefit Commenced: October 1, 2012
Benefit Requested: Ten Year Certain

e. Name: Gabino Rangel, Jr.
Age: 60
Monthly Pension Amount: $816.07
Benefit Commenced: November 1, 2012
Benefit Requested: 100% Joint and Survivor Annuity

f. Name: Robin Cox
Age: 60
Monthly Pension Amount: $2,428.87
Benefit Commenced: November 1, 2012
Benefit Requested: Normal Form

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

a. Name: David McKinlay
Age: 60
Monthly Pension Amount: $459.51
Benefit Commenced: August 1, 2012
Benefit Requested: 100% Joint and Survivor Annuity

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

a. Videlaine Estiverne (Utilities Customer Service) in the amount of $2,958.16.
b. Clarence Riley (General Maintenance Worker) in the amount of $22,531.94.

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

Francis P. DeRespinis, beneficiary of Denis Valek, in the amount of $564.01 effective September 1, 2012. In addition, a lump sum payment of $10,000 as Ms. Valek had over five years of credited service.

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

a. SunTrust in the amount of $35.57, deposited September 25, 2012 for settlement with LA Muni Police Emp Retire class action proceeds.
b. Bruce Koeser in the amount of $450.00, deposited September 28, 2012 for fees associated with the actuarial calculation to purchase previous City service.
c. VantagePoint Transfer Agents, LLC, deposited September 30, 2012 for overpayment of DROP moneys into Barbara Brennen's account.

d. SunTrust in the amount of $43.93, deposited October 26, 2012 for settlement with AOL/Mcolburn Fair Fund and $432.21, deposited October 26, 2012 for settlement with Veritas Software Litig. class action proceeds.

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

I. Distribution of the Quarterly Meeting Schedule for the General Employees' Pension Board for Calendar Year 2013.

Mr. Dole moved to approve the consent agenda as amended, seconded by Mr. Boyd. Said motion passed unanimously.

Item 5. Presentation by Denver.

Mr. Kenneth Harris started with a general overview of Denver Investments. Denver Investments is 100% employee-owned with sole focus on asset management; like to do their own research; team orientated approach; managing portfolios for over 50 years.

Mr. Darren Hewitson continued with a review of the performance for the General Employees' Plan. Third quarter was 2.03%, year to date 4.46% with a yield of 1.39%.

Mr. Swank commented the reason the board chose to invest with Denver was for shorter maturities in the fixed income portfolio thinking rates would start to rise.

Mr. Harris stated it's a struggle every day; currently Denver's portfolios (City of Delray's included) are very close to benchmarks. Denver sees interest rate staying where they are for a while. If guessing, possibly two years from now the economy will be stronger and rates higher.

Mr. Vavrica stated originally Denver's contract was to have additional funds; a year ago the board had talked about bolstering the intermediate portion of the portfolio. One option would be to take some of the long duration fixed income from State Street and actively manage it. We don't change the duration of the portfolio, the money that is now long, stays long but becomes actively managed versus passively managed.

Mr. Swank suggested instead of giving Denver more money to intermediate, could we give it to them and add to the long term?

Mr. Vavrica commented he likes that idea; it becomes actively managed; takes some of the risk off the table. The original number agreed was $15 million by the end of this year, if the assets aren't there, Denver has the right to come back to the board and discuss the fees. In the original discussion, the board's expectations was to get to 50 intermediate 50 long duration. Mr. Vavrica commented the board could go 50/50 with active/passive. In terms of dollar amount it would be approximately $17 million. Mr. Vavrica indicated 22 bsp is a very good fee for a $50 million fixed income portfolio. For a $6 million account you have an extraordinarily good fee.

After further discussion, Mr. Dole moved to approve the move of $12 million from State Street to Denver Investments to be invested in long term duration portfolio, seconded by Mr. Smith. Said motion passed unanimously.

Mr. Vavrica indicated this would require one additional piece of action from the Board; changing the investment policy, which officially changes their benchmark, 35% intermediate and 65% long term duration. It does not change the overall fund allocation.

Mr. Dole moved to change the Investment Policy to 35% benchmarked intermediate and 65% long duration, seconded by Mr. Boyd. Said motion passed unanimously.

Item 6. 4(A)c. Thistle Asset Consulting, Inc., dated August 24, 2012, in the amount of $3,000 for Real Estate Manager Search August 16, 2012.

In response to Mr. Smith's question as to what the costs were associated with; Mr. Vavrica indicated it is the extra time putting books together and the presentations. A full search can reach up to $5,000.00.

Ms. Walinski moved to approve this payment, seconded by Mr. Smith. Said motion passed unanimously.

Item 7. 4(A)h. Gabriel, Roeder, smith & Company, dated September 12, 2012 in the amount of $1,768.00 for benefit calculations for Barcinski, Goodson, Pierre, service purchase calculation for Hasko, study regarding adding department heads to the pension plan and study regarding start date for vested terminated employees.

Mr. Dole requested a better understanding of what these costs were.

Ms. Schell commented the calculations for employees if they retire are $300.00 in which the city pays for at time of retirement. If the calculation was requested and the individual decided not to go through with retirement at that time, then the employee/individual would have to pay for it. If an individual purchases military, governmental or prior city service, they pay for the calculation request.

Mr. Dole moved to approve this payment, seconded by Mr. Smith. Said motion passed unanimously.

Item 8. 4(A)j. Gabriel, Roeder, smith & Company, dated October 4, 2012 in the amount of $4,777.00 for benefit calculations for Valek and McKinlay, charges to date for actuarial valuation report, impact statement regarding the addition of department heads and study for vested terminated employees.

Mr. Dole questioned why this invoice was quite higher.

Ms. Walinski stated due to further research for the actuarial impact statement, the actuarial valuation report and the study for vested terminated employees.

Mr. Smith moved to approve this payment, seconded by Mr. Boyd. Said motion passed unanimously.

Item 9. 4(B)c. DROP Retirement for Mr. Robert Barcinski.

Mr. Swank questioned why Mr. Barcinski did not enter the DROP at age 60.

Ms. Schell responded he wanted further years of service included in his pension as he was looking for a set benefit amount.

Mr. Dole moved to approve this payment, seconded by Mr. Smith. Said motion passed unanimously.

Item 10. 4(C)a. Early Retirement for Mr. Thomas Akins.

Mr. Swank thought the Board had approved this at the special meeting.

Ms. Schell indicated yes Mr. Akins was approved for an early retirement; however, there was no indication of a dollar amount at that time for approval.

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

Item 11. Salem Trust Class Action processing enhancements.

No action taken on this item.

Item 12. Review of the new GASB rules and what the effect to the General Employee's Pension Plan and the City's Financial Reporting will be.

Mr. Palmquist indicate Jeff Amrose will be the lead consultant the Board will be dealing with after next month as Mr. Pamquist is retiring. Mr. Palmquist then distributed a copy of the GRS October 2012 newsletter relating to the GASB rules.

The GASB has two statements in operation for accounting of public pension plans; Statement 25 and 27. Statement 25 applies to pension plans that do their own financial statements. Statement 27 applies to employers that sponsor the pension plan. The General Employees plan does not have a separate audit; Police and Fire does. Therefore, for police and fire, their auditor would be following statement 25; the General Employees' plan (the City) goes by statement 27. The GASB felt the information provided by Statements 25 and 27 were not comparable from one jurisdiction to another. (Too many differences applied.) One could use five or six different actuarial cost methods to develop the accrued liabilities and pension expense. Under the new standards there will be only one cost method.

Mr. Palmquist continued stating GRS has made a huge commitment; they attended all meetings where changes were considered, provided education to the GASB and staff and provided opinions on each step of the process. Their firm has made a huge commitment on this project. The two individuals who wrote the newsletter, Paul Zorn and James Rizzo are considered to be national experts in this area.

A few items of the new standard are as follows:

> The plans unfunded liability will be on the City's city-wide and enterprise fund balance sheets as a liability.
>
> There will no longer be a linking between the annual required contribution and the city's financial statement expense. With the current GASB standards, the annual required contribution (ARC) is also the city's expense. Under the new standards, other costs will also be included in the city's financial statement expense.
>
> We have been and will continue to disclose the assumed rate of investment return; under the new standard not only do we disclose what it is, but we will need to provide backup as to how one arrived at that. (Illustrate capital market assumptions, your asset allocations, etc.)
>
> Mr. Palmquist anticipated their firm will have two separate reports; one for funding that will be similar to what is currently completed; and a second for financial disclosure purposes.

Item 13. Review of Plan's Performance Evaluation for the Period Ending September 30, 2012.

Mr. Vavrica started by reviewing the Aggregate Equity Analysis. This report looks very consistent with the plan's policy. The big concern is if any one security represents more than 5% of your total fund. You're nowhere close to that.

Mr. Vavrica continued with the review of the Executive Report. The asset allocation illustrates a total of $90,436,000; MidCap $7,902,000 (8.7%), Large Value $21,335,000 (23.6%), Large Growth $22,004,000 (24.3%), International $4,256,000 (4.7%), Fixed Income $34,365,000 (38%) and 574,000 in Cash (.6%).

The total fund for the quarter was 4.45% vs.4.17% ranking 52nd; for one year the return was 19.18% vs. the policy of 17.81% ranking 34th; three years 9.58% vs. the policy of 10.19% ranking 41st and five years 3.22% vs. the policy of 3.98% ranking 41st. Equity return for the quarter was 6.39% vs. the policy of 6.32% ranking 34th; one year 29.56% vs. the policy of 28.64% ranking 5th; three years 12.29% vs. the policy of 12.81% ranking 7th and five years -0.14% vs. the policy of 1.01% ranking 70th. Fixed Income return was 1.58% vs. the policy of 1.58% for the quarter ranking 75th; one year 5.16% vs. 5.16% ranking 75th; three years 6.18% vs. the policy of 6.20% and five years 6.54% vs. the policy of 6.54%.

Boston Company's quarterly return was 7.93% vs. the policy of 6.50% ranking 7th; one year 32.66% vs. the policy of 30.91% ranking 3rd. Dana's quarterly return was 5.21% vs. the policy of 6.11% ranking 83rd. Harding Loevner's quarterly return was 6.99% vs. the policy of 7.46% ranking 43rd. RhumbLine's Midcap quarterly return was 5.38% vs. the policy of 5.44% ranking 49th; one year 28.53% vs. the policy of 28.54% ranking 30th. RhumbLine's Large Cap Value quarterly return was 6.50% vs. the policy of 6.50% ranking 26th; one year 30.80% vs. the policy of 30.91% ranking 13th. RhumbLine's Large Cap Growth quarterly return was 6.08% vs.

the policy of 6.11% ranking 62nd; one year 29.11% vs. the policy of 29.18% ranking 41st. Denver's quarterly return was1.97% vs. the policy of 1.40% ranking 73rd.

Mr. Vavrica distributed information for the possibility of further investments stressing this information is for informational purposes and he is not recommending these companies. PIMCO is an all cap strategy that includes currency, inflation protection securities, commodities, REITS and gold. Master Limited Partnership (MLP) is similar to REITS, they trade like stocks; however, they have a higher level of income. Logan Capital Management, Inc. illustrates a yield comparison.

Item 14. Other Business.

Mr. Smith felt it may be a good idea to do a presentation before City Commissioners to educate them on the new laws and changes taking place in Tallahassee along with how well the General Employees' pension plan is doing. After discussion, the Board took no further action at this time.

Mr. Smith requested registration to the January 2013 Trustees School to fulfill his CPPT certification for the FPPTA.

Motion to Adjourn:

There being no further business, Mr. Boyd moved to make a motion for adjournment, seconded by Mr. Dole. 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 November 15, 2012, which minutes were formally approved and adopted by the General Employees' Pension Board on February 21, 2013.

David Boyd
Secretary, General Employees' Pension Board

cc: David Harden, City Manager
Brian Shutt, City Attorney
Department Heads