

GENERAL EMPLOYEES PENSION BOARD

Minutes of August 20, 2015

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

Item 1. Roll Call

Members Present: Teresa Cantore, Francine Ramaglia (1:20 p.m.), James Smith, and Stephen Swank
Members Absent: Vincent Dole
Guests Present: Brad Rinsem (Salem Trust), Jonathan Stein and Joseph White (Saxena White), John McCann and Brendon Vavrica (Thistle Asset Consulting), Karen Schell, Noel Pfeffer and Milena Walinski

Item 2. Approval of the General Employees' Pension Board Agenda for August 20, 2015.

Mrs. Cantore requested to add discussion of board's share of invoices for City Attorney and City Auditor. Mr. Smith moved to approve the amended agenda for August 20, 2015, seconded by Mrs. Cantore. Said motion passed unanimously.

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

- A. May 21, 2015
- B. June 12, 2015

Mr. Smith moved to approve the minutes of May 21, 2015 and June 12, 2015, seconded by Mrs. Cantore. Said motion passed unanimously.

Item 4. Public Comments.

None.

Item 5. Consent Agenda:

A. Approval of the Following Invoices:

- a. Gabriel, Roeder, Smith & Company, dated May 12, 2015, in the amount of \$1,400.00 for benefit calculations for Glass and charges to date for compliance with Chapter 2013-100 (Senate Bill 534).
- b. Denver Investments Advisors LLC, dated May 12, 2015, in the amount of \$12,020.72 for quarterly investment fee for the period of January 1, 2015 through March 31, 2015.
- c. Gabriel, Roeder, Smith & Company, dated June 12, 2015, in the amount of \$124.00 for benefit calculation for Krejcarek and credit for October 6, 2014 impact letter.
- d. Gabriel, Roeder, Smith & Company, dated July 6, 2015, in the amount of \$3,000.00 for preparation of Chapter 112.664 actuarial compliance report including upload of required information to the state database.
- e. RhumbLine Advisers, dated July 9, 2015, in the amount of \$8,254.00 for quarterly management fee for the period of April 1, 2015 through June 30, 2015.
- f. Thistle Asset Consulting, Inc., dated July 20, 2015, in the amount of \$7,812.00 for performance monitoring for the quarter ending June 30, 2015.
- g. State Street Global Advisors, dated July 10, 2015, in the amount of \$2,500.00 for investment management fee for the period of April 1, 2015 through June 30, 2015.
- h. The Boston Company Asset Management, LLC, dated July 21, 2015, in the amount of \$16,547.45 for quarterly investment management fee for the period of July 1, 2015 through September 30, 2015.
- i. Denver Investments Advisors LLC, dated July 31, 2015, in the amount of \$11,916.12 for quarterly investment fee for the period of April 1, 2015 through June 30, 2015.

- j. Florida Public Pension Trustees Association dated August 7, 2015, in the amount of \$450.00 for registration fee for James Smith's attendance to the Fall Trustees School October 4 – October 7, 2015.
- k. Naples Grande Beach Resort, dated August 7, 2015, in the amount of \$537.00 for hotel accommodations for James Smith's attendance to the FPPTA Fall Trustees School October 4 – October 7, 2015.
- l. James Smith dated August 7, 2015 in the amount of \$195.26 for travel advance for Jim Smith's attendance to the FPPTA Fall Trustees School October 4 – October 7, 2015.
- m. Dana Investment Advisors, Inc., dated July 10, 2015, in the amount of \$14,561.01 for quarterly investment management fee for the period of July 1, 2015 through September 30, 2015.

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

- a. Name: Catherine Inglese
Age: 50
Monthly Pension Amount: \$3,094.56
Benefit Commenced: August 1, 2015
Benefit Requested: 100% Joint and Survivor Annuity
- b. Name: Stanley Simzer
Age: 61
Monthly Pension Amount: \$2,633.24
Benefit Commenced: August 1, 2015
Benefit Requested: 100% Joint and Survivor Annuity
- c. Name: Maureen Owens
Age: 61
Monthly Pension Amount: \$2,146.96
Benefit Commenced: August 1, 2015
Benefit Requested: 50% Joint and Survivor Annuity

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

- a. Name: Angel Santiago
Age: 67
Monthly Pension Amount: \$569.40
Benefit Commenced: August 1, 2015
Benefit Requested: 100% Joint and Survivor Annuity

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

- a. Walter Schmanski, (Parks & Recreation) in the amount of \$6,021.63.
- b. Vittorio Mazzella Dibosco, (Ocean Rescue) in the amount of \$200.10.

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

- a. Vantagepoint Transfer Agents, LLC fbo Randal Krejcarek in the amount of \$98,080.00 and \$132,598.00 deposited June 24, 2015 for purchase of government service and air time.

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

G. The General Employees' Pension Board is Being Advised of the Corrected Invoice (Dates) From Ascension Benefits & Insurance Solutions of FL.

Mr. Smith moved to approve the consent agenda, seconded by Mrs. Cantore. Said motion passed unanimously.

Item 6. Review of GRS Justification Invoice for Impact Statement of No Impact.

Board members were in agreement with the credit due on the next invoice.

Item 7. Salem Trust Report Update.

Mr. Brad Rinsem distributed an updated version of the events of the conversion and SSAE 16 audit report. The SSAE16 is not an audit of financials; however, an audit of procedures. The report is for the period ending June 30, 2015. On July 7, 2015 preparation work was tested and the audit was completed within three days. The auditors are in the process of finalizing their report. As a result of Salem Trust's weekly meetings, Mr. Rinsem is aware of one technical issue which is being resolved. We should have a clean report with the report being completed approximately the middle of August. The report should be out to Salem Trust's clients by the first week in October, 2015.

Item 8. Review of Portfolio Monitor Saxena White.

Mr. Stein distributed an updated version of the report of NRG Yield, Inc. Mr. White indicated his firm provides monitoring of the plan's assets; making sure the assets are invested in companies that have no wrongdoings.

He continued stating this is a situation where the City of Delray Beach General Employees' pension plan has a controlling interest in a company in a subsidiary. The plan is invested in a subsidiary and the controlling partner has basically forced purchases on the subsidiary in amounts very difficult for Saxena White to evaluate as they're not sharing information to understand whether they're paying fair value or not paying fair value. We have historical instances where companies have pushed assets onto a subsidiary cleaning up their balance sheet to look better for their shareholders at the expense of the minority shareholders. In this instance the City of Delray Beach is invested in the minority.

The documentation distributed today is the update because the share amounts changed recently due to additional purchases. The plan has roughly 4000 shares of common stock in NRG Yield, Inc. NRG Yield is a subsidiary that is majority owned by NRG Energy, Inc. We noted when reviewing the portfolio they owned this company and we were looking at Yield because they purchased \$1.8 billion worth of assets from their parent company. We question why they sold it to their subsidiary. Shouldn't they try to maximize the value; maybe they did but forced it upon the subsidiary. There are definitely conflicts all over; same officers run both companies and parent company owns 55%. We look at these items and have quite a few questions. Under the Delaware statutes as a shareholder the board of trustees are entitled to request documents. On behalf of the fund, Saxena White would like to request certain records to determine whether there were or are any wrongdoings.

With regard to the so called independent directors who approved this transaction, we already know one of the directors is a former director of the parent company. The parent company runs the show and will call all of the shots. We want to make sure they evaluated these assets properly, thought about it from an independent standpoint and are not being taken advantage of. Saxena White wants to make sure your investment in this company and the Yield are protected.

We would like to request our clients to give us authority to go ahead and request documents from the company to investigate further. Three things could happen; one is they send us information; we investigate and find no wrongdoing. Two, we send a demand letter and they refuse to give us these documents. Then Saxena White would file a suit in the Court of Chancery requesting these documents. Three, if we receive the necessary documents we evaluate them and determine whether or not a derivative lawsuit should be filed. In a derivative action we would be suing on behalf of the company itself to make sure their company and its shareholders are being treated fairly.

We feel this situation would be perfect for the plan to step up and be the support not only for the plan itself, but for other shareholders.

The necessary paperwork involved would be a retainer letter, an affidavit illustrating you do own stock in the company and power of attorney which allows Saxena White to request the documents on your behalf.

Mr. Swank questioned if the plan has taken a large hit as a result of this.

Mr. Stein responded not yet because there is not enough information made publicly available to determine that at this time. This is why we are investigating.

Mr. Swank questioned if this was not the type of unusual event that would cause a class action suit?

In response Mr. Stein stated it could; the typical cases where you think of class action suits are the security fraud cases. Usually some type of public statement made and stocks trade at a high level and when the truth is revealed the stocks fall.

Mr. White commented until the company actually makes a disclosure or admits to the change you won't see it. It may be that we never get there. The important thing is Saxena White will do a little leg work to make sure the investments are safe and the companies are doing what they are supposed to be doing. A lot of firms in that industry are doing the same thing to ensure there is some level of transparency to be held accountable.

Mr. Vavrica questioned should the board authorize Saxena White to proceed, is there a minimum number of shares the fund would need to retain?

Mr. Stein stated if they were to end up in litigation, yes they would have to maintain ownership of at least one share.

Mr. White recommended holding approximately 100 shares.

Mr. Pfeffer requested he look over the documents before any approval or authorization is given.

Mr. Vavrica commented almost a year ago, September 30, 2014, the board's position represented .1% of the fund; still relatively small for the overall picture. Mr. Vavrica also questioned if in the initial stage, would there be any public relation information issued for the board.

Mr. White stated it would all be private, the company certainly won't disclose it. We won't disclose anything until we come back and say this is what we determined from our investigation.

After further discussion, Mr. Smith moved to request City Attorney, Noel Pfeffer review the documents (retainer letter, an affidavit that illustrates stock owned in the company and power of attorney) for his approval along with Thistle Asset Consulting contacting Boston as to the suitability of the holdings, seconded by Ms. Ramaglia. Said motion passed unanimously.

Item 9. Review of Plan's Performance Evaluation for the Period Ending June 30, 2015.

A. Review of Asset Allocation Rebalancing and Cash Disbursements.

Mr. Vavrica reviewed the Compliance report indicating the total return over the trailing 1 year period did not equal or exceed 8.0% nor the CPI+5% (5.41%). Dana Large Growth did not exceed the R1000G Index over the trailing 5 year period (4 years: 14.44 vs. 14.81). RhumbLine's Midcap equity return over the trailing 3-year (18.50 vs 18.60) or 5-year (17.81 vs 17.83) period did not exceed the S & P 400 Index. RhumbLine's Large Cap Value equity return over the trailing 3-year (17.18 vs 17.34) or 5-year (16.38 vs 16.50) 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 (46th). RhumbLine's Large Cap Growth equity return over the trailing 3-year (17.92 vs 17.99) or 5-year (18.53 vs 18.59) 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 (65th).

Mr. Vavrica continued with the review of the Executive Report. The asset allocation illustrates a total of \$115,555,000; Midcap \$20,072,000 (17.4%), Large Value \$24,194,000 (20.9%), Large Growth \$24,230,000 (21.0%), International \$5,035,000 (4.4%), Fixed Income \$40,220,000 (34.8%) and \$1,804,000 in Cash (1.6%).

The total fund for the quarter was -0.42% vs. -0.52% ranking 56th; for one year the return was 5.41% vs. the policy of 4.48% ranking 7th; three years 12.11% vs. the policy of 10.66% ranking 14th; and five years 11.64% vs. the policy of 11.13% ranking 29th. Equity return for the quarter was -0.16% vs. the policy of -0.10% ranking 69th; one year 7.38% vs. the policy of 6.15% ranking 12th; three years 18.06% vs. the policy of 17.03% ranking 8th and five years 17.01% vs. the policy of 16.74% ranking 7th. Fixed Income return was -0.87% vs. the policy of -1.15% for the quarter ranking 26th; one year 1.85% vs. 1.77% ranking 32nd; three years 2.22% vs. the policy of 1.68% and five years 3.58% vs. the policy of 3.26%.

Boston Company's quarterly return was 0.29% vs. the policy of 0.11% ranking 36th; one year 7.94% vs. the policy of 4.13% ranking 8th. Dana's quarterly return was -0.59% vs. the policy of 0.12% ranking 93rd. Harding Loevner's quarterly return was 0.19% vs. the policy of 0.86% ranking 84th.

RhumbLine's Midcap quarterly return was -1.07% vs. the policy of -1.06% ranking 59th; one year 6.31% vs. the policy of 6.40% ranking 26th. RhumbLine's Large Cap Value quarterly return was 0.09% vs. the policy of 0.11% ranking 52nd; one year 3.88% vs. the policy of 4.13% ranking 67th. RhumbLine's Large Cap Growth quarterly return was 0.12% vs. the policy of 0.12% ranking 71st; one year 10.49% vs. the policy of 10.56% ranking 42nd. Denver's quarterly return was -0.86% vs. the policy of -0.84% ranking 12th; one year 1.40% vs. the policy of 1.72% ranking 40th and State Street's quarterly return was -1.68% vs. the policy of -1.68% ranking 86th. AllianzGI Convertible Bonds quarterly return was 0.68% vs. the policy of 0.73%; one year 3.09% vs. the policy of 3.37%.

After a brief review and discussion of the plans assets, Mrs. Cantore moved to a three month draw of \$450,000 per month from RhumbLine Mid Cap for the months of September, October and November due to that investment being slightly over target, seconded by Mr. Smith. Said motion approved unanimously.

Item 10. Other Business.

None.

Item 11. Review and Discussion of City Attorney and Auditor's Invoices.

Mrs. Cantore distributed a copy of the invoice from the City to the Board consisting of fees for the Pension Plan's audit of financial statements portion and the legal services of City Attorney's office attending the general employee's pension meeting of February 2015.

The Board Members questioned where the \$17,500 came from. This was an unexpected amount with no explanation.

After a brief review and discussion, Ms. Ramaglia moved to request Mr. Warner to present a full analysis of the current year's charges to the plan and any prospective charges to the plan as well as the policy for charging the plan, seconded by Mr. Smith. Said motion approved unanimously.

Ms. Ramaglia questioned previous discussion of a separate audit with Mr. Warner at an earlier meeting. Has the city pursued any RFP's? She believes this conversation needs to be finalized. If we were to put an RFP together, we wanted to be included but we wanted that separate.

Mr. Swank commented per the minutes of the May meeting discussion of an RFP was for custodial service. The board has not followed up on that. He did not think an RFP for the auditor was discussed.

Mrs. Cantore stated previous conversation/discussion was the board postponed the RFP and made a request for Salem Trust come in and speak with us. That is the reason the board didn't pursue with an RFP. Based upon Salem Trust's discussion at the special meeting, board members were comfortable in going forth with them and reviewing the next audit that would be performed shortly. At that time a final decision would be made whether an RFP was necessary.

Mr. Swank suggested adding the RFP for custodial services to the next agenda meeting for further discussion.

Motion to Adjourn:

There being no further business, Mr. Smith moved to make a motion for adjournment, seconded by Mrs. Cantore. Said motion passed unanimously. The meeting adjourned at approximately 2:45 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 August 20, 2015 which minutes were formally approved and adopted by the General Employees' Pension Board on November 19, 2015.



Karen Schell
Secretary General Employees' Pension Board