

## GENERAL EMPLOYEES PENSION BOARD

### Minutes of August 21, 2014

Meeting was called to order by Chairperson, Stephen Swank at 1:12 p.m.

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

Members Present: Vincent Dole, Francine Ramaglia (arrived at 1:30 p.m.), James Smith, and Stephen Swank  
Members Absent: None  
Guests Present: Jeffrey and Trisha Amrose (Gabriel Roeder Smith & Company), John McCann, Brendon Vavrica (Thistle Asset Consulting), Barbara Carlson, Milena Walinski, Noel Pfeffer, Janice Rustin and Karen Schell

#### **Item 2. Approval of the General Employees' Pension Board Agenda for August 21, 2014.**

Mr. Dole moved to approve the agenda for August 21, 2014, seconded by Mr. Smith. Said motion passed unanimously.

#### **Item 3. Approval of the General Employees' Pension Board Minutes for May 15, 2014.**

Mr. Smith moved to approve the minutes of May 15, 2014, seconded by Mr. Dole. Said motion passed unanimously.

#### **Item 4. Public Comments.**

There were no comments from the public.

#### **Item 5. Consent Agenda:**

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

- a. Thistle Asset Consulting, Inc., dated May 2, 2014, in the amount of \$7,750.00 for performance monitor for the quarter ending March 31, 2014.
- b. State Street Global Advisors, dated May 13, 2014, in the amount of \$2,500.00 for investment management fee for the period of January 1, 2014 through March 31, 2014.
- c. Gabriel, Roeder, Smith & Company, dated May 9, 2014, in the amount of \$1,085.00 for calculations for Butler, no impact statement and charges for 10/01/2013 actuarial valuation report.
- d. Gabriel, Roeder, Smith & Company, dated June 10, 2014, in the amount of \$1,720.00 for calculations for Solomon (Scott), Solomon (Amanda), O'Connor and Allen, and charges for 10/01/2013 actuarial valuation report.
- e. RhumbLine Advisers, dated July 10, 2014, in the amount of \$8,091.00 for investment management fee for the period of April 1, 2014 through June 30, 2014.
- f. Gabriel, Roeder, Smith & Company, dated July 8, 2014, in the amount of \$8,209.00 for calculations for Jones and Parker, charges for 10/01/2013 actuarial valuation report and GASB No. 67 exhibits.
- g. Karen Schell, dated April 24, 2014, in the amount of \$172.34 for retirement recognition award for Milena Walinski.
- h. The Boston Company Asset Management, LLC, dated July 22, 2014, in the amount of \$16,989.32 for quarterly investment management fee for the period of July 1, 2014 through September 30, 2014.
- i. Dana Investment Advisors, Inc, dated July 31, 2014, in the amount of \$13,906.35 for quarterly investment management fee for the period of July 1, 2014 through September 30, 2014.
- j. Florida Public Pension Trustees Association, dated August 8, 2014, in the amount of \$450.00 for registration fee for James Smith's attendance to the fall trustees school October 5-October 8, 2014.
- k. Hyatt Regency Coconut Point Resort & Spa, dated August 8, 2014, in the amount of \$531.00 for hotel accommodations for James Smith's attendance to the FPPTA fall trustees school October 5-October 8, 2014.
- l. James Smith dated August 8, 2014, in the amount of \$333.06 for travel advance for attendance to the FPPTA fall trustee's school October 5-October 8, 2014.

- m. Thistle Asset Consulting, Inc., dated August 11, 2014, in the amount of \$7,750.00 for performance monitor for the quarter ending June 30, 2014.

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

- a. Name: Jasmin Allen  
Age: 58  
Monthly Pension Amount: \$4,374.97  
Benefit Commenced: June 1, 2014  
Benefit Requested: 100% Joint and Survivor Annuity
- b. Name: Amanda Solomon  
Age: 60  
Monthly Pension Amount: \$3,953.40  
Benefit Commenced: June 1, 2014  
Benefit Requested: 50% Joint and Survivor Annuity
- c. Name: Scott Solomon  
Age: 61  
Monthly Pension Amount: \$2,809.47  
Benefit Commenced: June 1, 2014  
Benefit Requested: 50% Joint and Survivor Annuity
- d. Name: Robert Jones, Jr  
Age: 60  
Monthly Pension Amount: \$2,103.04  
Benefit Commenced: August 1, 2014  
Benefit Requested: 66 2/3% Joint and Survivor Annuity
- e. Name: Deborah Koch  
Age: 60  
Monthly Pension Amount: \$1,978.43  
Benefit Commenced: August 1, 2014  
Benefit Requested: Ten Year Certain & Life
- f. Name: Leony Constant  
Age: 60  
Monthly Pension Amount: \$1,067.80  
Benefit Commenced: September 1, 2014  
Benefit Requested: 100% Joint and Survivor Annuity
- g. Name: Timothy Simmons  
Age: 50  
Monthly Pension Amount: \$4,801.08  
Benefit Commenced: September 1, 2014  
Benefit Requested: 100% Joint and Survivor Annuity
- h. Name: Paul Stanganelli  
Age: 62  
Monthly Pension Amount: \$731.94  
Benefit Commenced: September 1, 2014  
Benefit Requested: 100% Joint and Survivor Annuity

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

- a. Name: Rebecca O'Connor  
Age: 55  
Monthly Pension Amount: \$6,021.25  
Benefit Commenced: June 1, 2014  
Benefit Requested: 100% Joint and Survivor Annuity

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

- a. Mrs. Susan Eubank beneficiary of Edward Eubank in the amount of \$1,217.92 (66 2/3%) effective with a retroactive date of July 1, 2014 until her death.

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

- a. Bernard Quince (Water & Sewer) in the amount of \$4,058.96.
- b. James Williams Jr (Parks & Recreation) in the amount of \$9,795.49.
- c. Victor Alves (Parks & Recreation) in the amount of \$3,955.74.
- d. Louie Chapman, Jr (City Manager) in the amount of \$3,200.32.
- e. Milton Smith (Police Department) in the amount of \$3,763.77.

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

- a. Susan Eubanks in the amount of \$1,826.88 dated August 4, 2014 for the return benefit of Edward Eubank's July 1<sup>st</sup> 2014 as he was not entitled to this benefit.

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

Mr. Smith moved to approve the consent agenda, items 5A through 5G, seconded by Mr. Dole. Said motion passed unanimously.

**Item 6. Review of Actuarial Report.**

Mr. Amrose commented this plan is in very good shape continuing with a review of the report stating the city's required contribution for December 31, 2014 is \$2,168,192.00. An increase of \$74,423 from last year's contributions of \$2,093,769 to this year of \$2,168,192. There were two revisions in benefits; the early retirement incentive program allowing 5 members to retire early without any penalty and members who reach 30 years of credited service would no longer contribute into the plan. The funded ratio is 96.1% this year compared to 96.3% last year. The funded ratio before the Plan change was 96.7%.

Ms. Ramaglia entered the meeting at this time. (1:30 p.m.)

Mr. Amrose continued reviewing the actuarial report in detail.

Mr. Smith moved to accept the actuarial valuation report, seconded by Mr. Dole. Said motion passed unanimously.

Mr. Smith moved to indicate the expected rate of return of 7.25% will continue for next year and years beyond, seconded by Mr. Dole. Said motion passed unanimously.

**Item 7. Review of Actuarial Contract.**

Mr. Smith reiterated the past meetings review of the actuarial contract. His concern that expenses exceed \$25,000 based on the additional research submitted to the board members would have a different impact on the board's ability to contract without the Commissioners approval.

Mr. Dole commented in his opinion as long as it is a professional service (which is), it could exceed the \$25,000. It was not "and"; it was professional service "or" \$25,000.

Mr. Pfeffer entered the meeting at this time. (2:02 p.m.)

Mr. Pfeffer indicated the primary purpose of this board was to administer the General Employees' pension plan. The critical section the board has raised is the committee shall retain such professional consultants, advisors and investment managers as it deems advisable to carry out its responsibilities under this Section.

Mr. Dole indicated the services are not being provided for the City but the General Employee's pension board.

Mr. Pfeffer indicated he would respond with a written response; however, he would need further information for review. In his opinion, when it says the committee may retain professional consultants etc, there is a level of expertise one needs that goes beyond what the board members can do. Unless there is some more specific delegation stating you have the ability to request and retain professional services, Mr. Pfeffer states it should be consistent with the City's performance and the City's agreement.

Mr. Dole strongly disagrees. He suggests in Mr. Pfeffer's review to look at the state statute the Board operates under.

Mr. Swank commented Ms. Schell just handed a copy of the latest ordinance no. 11-13 approved and finalized by the City Commission indicating it starts out saying the committee can currently contract with professional consultants, then goes on to be more specific to say the actuary shall now be selected by the Committee.

Mr. Pfeffer indicated he will research into this further.

This item was tabled to the next meeting. The Board requests a written response before their next meeting of November 20, 2014.

#### **Item 8. Review of Summary Plan Description**

Ms. Schell indicated the few changes that took place.

After a brief discussion, the board requested to have legal department review the Summary Plan Description to make sure it complies with the code of ordinances.

Mr. Dole moved to approve the Summary Plan Description as submitted subject to legal review, seconded by Mr. Smith. Said motion passed unanimously.

#### **Item 9. Review of Plan's Performance Evaluation for the Period Ending June 30, 2014.**

##### **A. Review of ConvergEx.**

Mr. Vavrica reviewed the article referencing the former ConvergEx executive charged with fraud. This is in reference to the global trading division; people were fired and there were losses. The short version is none of these activities had direct impact in the board's relationship with ConvergEx. It is a completely separate division in terms of commission recapture.

The second article is from Robbins Geller Rudman & Dowd, LLP, one of your portfolio monitoring firms. It is information from the Police and Firefighter's Pension Board. Ms. Schell indicated the Police and Firefighter's pension board has the same portfolio monitor and felt the board should be aware of the same. This is in reference to the Boeing action; as this letter was not sent to us, I'm not sure we had any investments with them.

Mr. Vavrica indicated the Seventh Circuit remanded the matter to the Judge to consider "whether to impose Rule 11 sanctions". There is an outstanding pending issue that could happen in the future.

At this time Mr. Vavrica reviewed the Compliance report stating Dana's equity return over the trailing 5-year period did not exceed the R1000G Index (3 yr-15.26 vs 16.26) and the 2-year period did not rank in the top 40% of the Mobius Broad Large Cap Growth Universe (46<sup>th</sup>). RhumbLine's Midcap equity return over the trailing 3-year (15.23 vs 15.26) or 5-year (21.65 vs 21.67) period did not exceed the S & P 400 Index. RhumbLine's Large Cap Value equity return over the trailing 3-year (16.83 vs 16.92) or 5-year (18.96 vs 19.23) period did not exceed the R1000V Index. RhumbLine's Large Cap Growth equity return over the trailing 3-year (16.20 vs 16.26) or 5-year (19.18 vs 19.24) 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 (2-year 61<sup>st</sup>).

Mr. Vavrica continued with the review of the Executive Report. The asset allocation illustrates a total of \$112,429,000; Midcap \$18,868,000 (16.8%), Large Value \$26,798,000 (23.8%), Large Growth

\$25,364,000 (22.6%), International \$5,220,000 (4.6%), Fixed Income \$35,232,000 (31.3%) and \$947,000 in Cash (0.8%).

The total fund for the quarter was 3.69% vs. 3.63% ranking 32<sup>nd</sup>, for one year the return was 18.22% vs. the policy of 16.17% ranking 13<sup>th</sup>; three years 11.72% vs. the policy of 10.79% ranking 22<sup>nd</sup> and five years 12.89% vs. the policy of 13.00% ranking 45<sup>th</sup>. Equity return for the quarter was 4.58% vs. the policy of 4.97% ranking 45<sup>th</sup>; one year 25.42% vs. the policy of 24.88% ranking 24<sup>th</sup>; three years 15.66% vs. the policy of 15.43% ranking 13<sup>th</sup> and five years 18.76% vs. the policy of 18.88% ranking 10<sup>th</sup>. Fixed Income return was 2.12% vs. the policy of 1.64% for the quarter ranking 48<sup>th</sup>; one year 5.09% vs. 3.86% ranking 45<sup>th</sup>; three years 4.06% vs. the policy of 3.53% and five years 5.10% vs. the policy of 4.78%.

Boston Company's quarterly return was 3.08% vs. the policy of 5.102% ranking 91<sup>st</sup>; one year 25.44% vs. the policy of 23.81% ranking 14<sup>th</sup>. Dana's quarterly return was 4.93% vs. the policy of 5.13% ranking 38<sup>th</sup>. Harding Loevner's quarterly return was 5.60% vs. the policy of 5.53% ranking 10<sup>th</sup>.

RhumbLine's Midcap quarterly return was 4.25% vs. the policy of 4.33% ranking 39<sup>th</sup>; one year 25.24% vs. the policy of 25.24% ranking 46<sup>th</sup>. RhumbLine's Large Cap Value quarterly return was 5.07% vs. the policy of 5.10% ranking 31<sup>st</sup>; one year 23.70% vs. the policy of 23.81% ranking 35<sup>th</sup>. RhumbLine's Large Cap Growth quarterly return was 5.11% vs. the policy of 5.13% ranking 29<sup>th</sup>; one year 26.81% vs. the policy of 26.92% ranking 40<sup>th</sup>. Denver's quarterly return was 1.58% vs. the policy of 1.40% ranking 91<sup>st</sup>; one year 3.49% vs. the policy of 2.87% ranking 76<sup>th</sup> and State Street's quarterly return was 2.04% vs. the policy of 2.04% ranking 58<sup>th</sup>.

#### **B. Review of monthly redemption to R & D account.**

Mr. Vavrica indicated at the last meeting the decision was in lieu of taking lump sums from a few managers to rebalance, the board was going to change the monthly withdrawal. Leave it in fixed income and start taking it periodically from the different equity managers. We're a few months behind in that being implemented.

Ms. Schell indicated in the month of July we had to request an additional \$50,000 to cover the monthly expenses. At that time, starting the month of September 2014, we would like to suspend the automatic monthly redemption of \$350,000 through State Street until further notice. Then effective September 2014, we were going to start withdrawing from RhumbLine Large Value for three months; then move onto the second manager RhumbLine Growth for three months and finally Boston Company for three months. The \$350,000 transfer is not going to cover all expenses from here on. Payout benefits for the months are approximately \$460,000 along with our professional services, investment manager's fees and so forth; contributions are approximately \$50,000 per month.

Ms. Ramaglia moved to approve an increase in the automatic monthly redemption to \$450,000 with a trending analysis, seconded by Mr. Smith. Said motion passed unanimously.

#### **C. Review of City's Contributions for December payment.**

Contributions from the City will come in after the November meeting. Mr. Vavrica suggests when the contributions from the City actually come in; review of the assets will be completed at that time.

Mr. Swank questioned if the contributions could be paid in October versus December as this would be quite a bit of savings. He would like to see it paid as early as possible.

Mr. Smith moved to recommend the City pay the contributions early. This motion failed due to lack of a second.

Mr. Dole moved that if the contributions are received prior to the next meeting they be allocated to Denver, seconded by Mr. Smith. Said motion passed unanimously.

#### **Item 10. Other Business.**

None.

**Motion to Adjourn:**

There being no further business, Mr. Swank moved to make a motion for adjournment, seconded by Mr. Smith. Said motion passed unanimously. The meeting adjourned at approximately 3:12 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 21, 2014, which minutes were formally approved and adopted by the General Employees' Pension Board on November 20, 2014.



Karen Schell

Secretary General Employees' Pension Board