

GENERAL EMPLOYEES PENSION BOARD

Minutes of May 17, 2012

Meeting was called to order by Chairperson, Stephen Swank at 1:04 p.m.

Item 1. Roll Call.

Members Present: David Boyd, Vincent Dole, James Smith, Stephen Swank and Milena Walinski
Members Absent: None
Guests Present: Scott Darling (American Realty), Peter Haggood and Paul Nasser (Intercontinental Real Estate), Steve Palmquist and Jeff Amrose (GRS), John McCann and Brendon Vavrica (Thistle Asset Consulting), Terril Pyburn, Janice Rustin and Karen Schell

Item 2. Approval of the General Employees Pension Board Agenda for May 17, 2012.

Mr. Dole requested moving the Real Estate presentations as Item 5 and the remainder items after as listed. Mr. Smith moved to approve the agenda for May 17, 2012 as amended, seconded by Mr. Boyd. Said motion passed unanimously.

Item 3. Approval of the General Employees' Pension Board Minutes for February 16, 2012.

Mr. Dole moved to approve the minutes of February 16, 2012, seconded by Mr. Boyd. Said motion passed unanimously.

Item 4. Consent Agenda:

A. Approval of the Following Invoices:

- a. Gabriel, Roeder, Smith & Company, dated February 10, 2012 in the amount of \$1,078.00 for benefit calculations for Weaver and Hilgenfeldt and further preparation of the October 1, 2011 Actuarial Valuation Report.
- b. State Street Global Advisors, dated February 21, 2012 in the amount of \$4,985.63 for quarterly investment management fee for the period of October 1, 2011 through December 31, 2011.
- c. James Smith, dated March 9, 2012 in the amount of \$50.37 for travel reconciliation for attendance to the FPPTA Trustees School February 5-February 8, 2012.
- d. RhumbLine Advisers, dated April 10, 2012 in the amount of \$5,890.00 for quarterly management fees for the period of January 1, 2012 through March 31, 2012.
- e. Virtual Graffiti, Inc., dated March 16, 2012 in the amount of \$1,035.00 for e-mail encryption services for three year renewal for three individuals.
- f. Gabriel, Roeder, Smith & Company, dated April 5, 2012 in the amount of \$1,396.00 for benefit calculations for Etchison, Vanhove and Fischer and further preparation of the October 1, 2011 Actuarial Valuation Report.
- g. Florida Public Pension Trustees Association, dated April 5, 2012 in the amount of \$500.00 for registration fee for Karen Schell's attendance to the 28th annual conference June 24th- June 27th, 2012.
- h. Hilton Orlando Lake Buena Vista, dated April 16, 2012 in the amount of \$357.00 for hotel accommodations for Karen Schell's attendance to the 28th annual conference June 24th - June 27th, 2012.
- i. The Boston Company, dated April 17, 2012 in the amount of \$14,081.36 for quarterly investment management fee for the period of April 1, 2012 through June 30, 2012.
- j. Thistle Asset Consulting, Inc., dated May 7th, 2012 in the amount of \$7,750.00 for performance monitoring for the quarter ending March 31, 2012.

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

- a. Name: Barbara Brennen
Age: 60
Monthly Pension Amount: \$708.25
Benefit Commenced: March 1, 2012
Benefit Requested: 100% Joint and Survivor

b. Name: Phillip Etchison
 Age: 65
 Monthly Pension Amount: \$2,345.19
 Benefit Commenced: April 1, 2012
 Benefit Requested: 100% Joint and Survivor

c. Name: Gail Vanhove
 Age: 60
 Monthly Pension Amount: \$2,597.00
 Benefit Commenced: April 1, 2012
 Benefit Requested: Normal Form

d. Name: Donald White
 Age: 54
 Monthly Pension Amount: \$2,672.99
 Benefit Commenced: May 1, 2012
 Benefit Requested: 50% Joint and Survivor

e. Name: Richard Haynes
 Age: 60
 Monthly Pension Amount: \$1,621.87
 Benefit Commenced: May 1, 2012
 Benefit Requested: Ten Year Certain and Life

C. Approval of the Following Retirement(s):

a. Name: Angela Bailus
 Age: 60
 Monthly Pension Amount: \$2,190.91
 Benefit Commenced: May 1, 2012
 Benefit Requested: 66 2/3% Joint and Survivor Annuity

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

- a. Virginia Feldmann (Community Improvement) in the amount of \$9,250.76.
- b. Joseph McCarthy (General Maintenance Worker) in the amount of \$1,185.42.
- c. David James (Fire Department) in the amount of \$21,416.28.
- d. Kimberly Lowery (Parks & Recreation) in the amount of \$5,686.84

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

- a. Margo Tucker-Pierre, beneficiary of Nathaniel Tucker, in the amount of \$2,222.34 through the April 1, 2013 benefit payment (Ten Year Certain).
- b. Joel Bellemare, beneficiary of Steven Fischer, in the amount of \$716.03 continuing for his life in addition to a lump sum payout of \$10,000.

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. SunTrust in the amount of \$119.57, deposited April 27, 2012 for settlement with AOL Time Warner class action proceeds.

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, seconded by Mr. Boyd. Said motion passed unanimously.

Item 5. Presentation by Real Estate Managers:

A. American Realty

Scott Darling, President and Senior Portfolio Manager for American Core Realty Fund reviewed the background and the fund itself.

B. Intercontinental

Peter Haggood, Director of Institutional Services and Paul Nasser, Chief Financial Officer with Intercontinental reviewed the background and services provided.

In response to Mr. Boyd's questioned of the two presentations, does Intercontinental have a better yield, Mr. Vavrica indicated yes. Comparison on a gross basis, it goes back four years, -4 for American and a -4.8 for Intercontinental. In terms of fee, American is a straight 1.1% on assets. Intercontinental 1.1% on the original investment or until the money is pulled. But if that same investment grows, you will still pay the 1.1% on the original investment. However, you are paying 20% of the excess in each calendar year. They are getting that performance fee as it grows.

Mr. Vavrica indicated the intent on moving into real estate is diversification; another asset class to help reduce the overall volatility of the fund. Secondly, you have a very significant fixed income exposure with very low interest rates. For the next 5-10 years, we will be lucky to get 3-4% out of fixed income. Ten years from now, you may only get 1.7% over those ten years. As an alternative to these low interest rates and the low coupon yields, real estate could yield 6-6.5%. Mr. Vavrica suggested not doing more than 5-10% of the total fund; leaning more towards 5%. The board may decide to go with both managers and split them. They will both accept minimum amounts of \$1 million.

Item 6. Review of General Employees' Plan's Cost Shared by Police and Fire.

Ms. Walinski stated the purchase of the software cost of \$60,000 was paid out of the General Employees' pension plan. This software is utilized by both the General Employees' and Police and Fire.

Several years back the Police and Firefighter's Retirement plan had an outside third party administrator. Due to several problems, they considered coming back to the City, offering to pay 50% of the Pension Administrator's salary. At that time, City Administration stated they did not want them to share in the cost. The General Employees' plan pays for the Administrator's salary (100% including all benefits) and the GRS software hosting fee; a total of approximately \$6,000 per month.

After a brief discussion, the Board requested to ask the City Manager if the Police and Firefighters' pension board could split these costs 50/50. Mr. Boyd stated he would discuss this further with the City Manager. If approved, request this at the next Police and Firefighters' pension meeting.

Mr. Smith moved to approve the request of 50% payment from the Police and Firefighter pension plan for all ongoing monthly costs, seconded by Mr. Dole. Said motion passed unanimously.

Item 7. Review of the Plan's October 1, 2012 Actuarial Valuation Report.

Mr. Palmquist introduced Jeff Amrose who has been helping out with the City of Delray Beach's actuarial for the past several years. Mr. Palmquist reviewed the report indicating overall fewer members and more retirees. The annual required contribution last year was 12.46%; this year 11.95% for a dollar amount of \$2,128,666. The unfunded actuarial accrued liability this year totals \$3,032,918 with a funded ratio of 96.8%.

Mr. Smith moved to retain an expected rate of return of 7.25%, seconded by Mr. Dole. Said motion passed unanimously.

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

Item 8. Review of Plan's Performance Evaluation for the Period Ending March 31, 2012.

- A. Small Cap**
- B. Policy Investment Change**
- C. Rebalancing**
- D. Soft Dollars**

Mr. McCann reviewed the asset allocation illustrating a total of \$90,153,000; total equities of \$54,493,000 (60.4%); Fixed Income \$35,157,000 (39.0%) and \$364,000 (.4%) in Cash.

The total fund for the quarter was 8.61% vs. 7.16% ranking 34th; for one year the return was 7.13% vs. the policy of 7.15% ranking 37th; three years 14.23% vs. the policy of 16.52% ranking 89th and five years 3.89% vs. the policy of 4.52% ranking 30th. Equity return for the quarter was 13.33% vs. the policy of 12.95% ranking 47th; one year 5.20% vs. the policy of 5.85% ranking 49th; three years 22.55% vs. the policy of 24.15% ranking 6th and five years 1.24% vs. the policy of 2.17% ranking 67th. Fixed Income return was .30% vs. the policy of .30% for the quarter ranking 88th; one year 7.66% vs. 7.73% ranking 45th; three years 6.85% vs. the policy of 6.85% and five years 6.26% vs. the policy of 6.26%.

Boston Company's quarterly return was 12.49% vs. the policy of 11.12% ranking 36th; one year 2.97% vs. the policy of 4.79% ranking 80th. Dana's quarterly return was 14.38% vs. the policy of 14.69% ranking 66th. Harding Loevner's quarterly return was 13.75% vs. the policy of 12.60% ranking 26th. RhumbLine's Midcap quarterly return was 13.55% vs. the policy of 13.50% ranking 31st; one year 2.07% vs. the policy of 1.98% ranking 30th. RhumbLine's Large Cap Value quarterly return was 11.08% vs. the policy of 11.12% ranking 64th; one year 4.72% vs. the policy of 4.79% ranking 65th. RhumbLine's Large Cap Growth quarterly return was 14.67% vs. the policy of 14.69% ranking 59th; one year 10.99% vs. the policy of 11.02% ranking 20th.

Mr. Vavrica reviewed the asset allocation as of March 31st; the plan is slightly overweight in equity and underweight in fixed income. Mr. Vavrica commented if the Board is looking to move forward with real estate, taking money from the equity may take care of the balancing portion.

Mr. Smith stated in addition to real estate, he would like to see the board consider small cap investment which has been talked about for several months. He would like to see decreasing the equity allocation to include both small cap and real estate.

Mr. Vavrica continued reviewing the investment alternatives for the different asset classes illustrating different scenarios.

Mr. Swank questioned if real estate was really worth investing at this time.

Mr. Boyd questioned how much lower can interest rates go? If the allocation were to stay at 55/45, given the fact that interest rate would have to rise; we'd be better off moving moneys from State Street to Denver. The problem shifting to Denver since its shorter term maturity duration, earnings will be less. On the other hand we need to protect ourselves with the money we have in State Street because even though we may earn more yield going forward, when interest rates do turn around, we will be hit hard. There's no guarantee when interest rates increase, stocks will rise also.

Mr. Vavrica confirmed Mr. Boyd is correct, over the next five years, if rates don't continue to fall, what has helped you will become an anchor. There are two components, diversification away from the current fixed income allocation and the second component is changing the allocation to fixed income.

As individuals had to leave for previous engagements, Mr. Boyd questioned if a special meeting could take place to further address the allocation.

Mr. Swank agreed, addressing all of item 8 to a special meeting.

Mr. Dole moved to set a date for a special meeting to address the asset allocation, seconded by Mr. Smith. Said motion passed unanimously.

Item 9. Other Business.

None.

Motion to Adjourn:

There being no further business, Mr. Smith moved to make a motion for adjournment, seconded by Mr. Boyd. Said motion passed unanimously. The meeting adjourned at approximately 2:48 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 17, 2012, which minutes were formally approved and adopted by the General Employees Pension Board on August 16, 2012.



David Boyd
Secretary, General Employees Pension Board

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