

**City of Delray Beach  
Police and Firefighters' Retirement System**

**Minutes of  
January 23, 2008**

Members: Off. Jeroloman, Sgt. Myers, Capt. Phillips, Chief Giaccone, Lt. Liguori,  
Lt. Tabeek, Mel Sacharow, Sandy Simon

Steve Cypen, Board Counsel  
Scott Baur & Margie Adcock, Pension Resource Center (PRC)

Absent: Mayor Ellis

Guests: Mike Welker, Bogdahn Consulting; Karen Schell, Finance Dept.; Melina  
Walinski, Asst. Finance Director; Terrill Barton, Asst. City Attorney; Off  
Jim Finley, P.D.

Off. Jeroloman, Chairman, called the meeting to order at 2:15pm. Roll call was taken of  
members and guests.

1. Approve December 19, 2007 Minutes:

The minutes were reviewed with grammatical changes made to the original. Lt. Tabeek  
made the motion to approve the minutes. Mr. Sacharow seconded the motion. None  
opposed.

2. ICC Capital Management Portfolio Review – Kevin Quinn & Jennifer Cute:

Mr. Welker stated that ICC's performance was 7.14% while the index was down .77%.  
ICC ranked 99 in the universe of other growth managers (approx. 500 managers in the  
database).

ICC Portfolio Review: Kevin Quinn and Jennifer Cute presented the portfolio review for  
quarter ending December 31, 2007.

Starting Value (1/2005):	\$25,549,165
Current Quarter Value:	\$30,150,599
Total Return for Quarter:	-7.05%
1 Year Return:	0.74%
3 Year Return:	15.16%
(Inception)	
Annualized Return:	4.82%

Mr. Simon arrives at 2:35pm.

Mr. Quinn stated that in February 2007, Ms. Cute articulated the defensive strategy she was taking and how the portfolio would be repositioned in anticipation of the changes in the equity market place.

Ms. Cute stated that at the time she met with the Board she had already begun preparing the portfolio for an impending bear market lead by the collapse of financials and the consumer. The first six months of 2007 was spent getting ready for a conservative positioning. In 2007, the market cycle was transitioning from a 5½ year bull to a bear market. Presently, the market is down 13% and the magnitude of the decline in the market, relative to the market benchmark, is huge. During the last two quarters she shifted the portfolio holdings by owning less big name stocks and bought into gold and technology. In January 2008, the portfolio is over 300 basis points ahead of the broad market, and almost 400 basis points ahead of the growth index. Presently, the portfolio is positioned for an environment of re-flation (aggressive Fed cutting of rates). Ms. Cute stated that when she underperforms by this magnitude it is always in those transition years when the market cycle is changing and she steps away early. She is very comfortable with the positioning of the portfolio, and over the course of the next 24 months should out perform the market environment.

Mr. Welker suggested that for the long term, and to build a better growth portfolio, it would help to complement the ICC strategy with another manager who would help buffer some of the underperformance. Ms. Cute stated that to smooth out her volatility and maintain her alpha (alpha: take relatively low risk then outperform the market by a tremendous amount) it might be helpful to consider another growth manager.

### 3. Mike Welker, Bogdahn Consulting:

Mr. Welker stated that he agreed with Ms. Cute's projections for 2008; but in the long term there is a tremendous amount of volatility within the portfolio that needs to be minimized. He suggested that ICC Capital be given until the end of the second quarter before considering a manager change. In the mean time, he suggested that the Board consider a search for managers that would either be able to complement or replace ICC.

Note: The Board requested that Mr. Welker start the process of searching for a growth manager and bring that information back for consideration.

### 4. Brad Heinrichs, Foster & Foster (Actuary):

Mr. Heinrichs asked the Board to prioritize the requested projects:

- Calculate the amount of the misdirected interest from the COLA account (escrow). The accounting needs to be revised to complete the 2006 Valuation Report. (February meeting)

- Prepare an Experience Study and Provide different views on long term funding (March meeting)
- Prepare the current 2007 Valuation Report (April meeting)
- COLA Feasibility Study (Increase to benefit enhancement) (May meeting)
- Summary Plan Description

Mr. Heinrichs stated that information had been requested from Pension Resource Center and the Plan Administrator. He stated that he is prepared to calculate DROP, pension benefits and buy backs.

5. Lt. Liguori – Approve Third Party Administrator Agreement with Benefits USA:

Mr. Cypen stated that Lt. Liguori and Pete Prior had agreed to a tentative proposal for the Boards consideration. At the December meeting the Board had given Lt. Liguori limited authority to negotiate a \$2000 per month fee maximum.

Lt. Liguori stated that the tentative agreement would be \$2300 per month with Benefits USA preparing the Annual Report instead of the auditor; as well as calculating the 175-185 base costs. (There is a possibility that the 175-185 line item in the Annual Report could increase 60-70%.) The agreement for consideration would be a 3 year contract with the first 2 years at \$2300 per month and the third year subject to renegotiation.

Lt. Liguori made the motion to retain Benefit USA as the Third Party Administrator, at \$2300 per month for the first 2 years and the third year subject to renegotiation in good faith. Mr. Sacharow seconded the motion. None opposed.

6. Other Business:

-Steve Cypen, Status of Pending and Potential Litigation Matters:

Smith Barney – A meeting was scheduled for January 24, 2008 to settle the case. Mr. Cypen stated that he is not overly optimistic that a settlement would be reached because not all the requested records had been received. The suit will probably be filed in a short period of time.

City Litigation – To his knowledge, the City has not done anything with the Division of Retirement.

Certification Litigation – Presently working on a stipulation, and going forward with filing a Summary Judgment from the judge.

-Scott Baur, Update on Pending Matters:

DROP Plan – For the quarter, the equities exceeded the S&P500 by 1.3%. Calendar year return on average of 9.86% which is well ahead of the S&P500. The section of hybrid funds (balanced fund & convertible fund) and the fixed income funds for the year did very well and exceeded their benchmark by over 1%. The only problem noted was with the American Century Income Growth Fund where the management of the fund is a numerically driven process. There was no change in management; and the performance in the large value universe has been relatively average for the last 5 years. However, recent performance, particularly in a growth driven market, the process they are using will not perform as well.

Mr. Baur stated that the DROP is currently offering the SSGA Index Fund as the S&P500 Market Index choice. Normally index funds track closely to the market, but in this case over the last 12 month (12/31/07) the SSGA Index deviated from the S&P500 Index by some 50 basis points which are wider than normal.

Mr. Baur stated that the process is ongoing to modify agreements with Met Life on a possible fixed income fund that has a fixed guarantee (no restrictions and trades daily) instead of just the Stable Value Fund.

DROP Distribution Request for Ordinance Change: Capt Phillips stated that due to the working of the DROP ordinance the Board determined that monthly DROP distributions were not allowed.

Ms. Walinski, Asst. Finance Director, stated that originally the decision not to offer monthly payouts was based on the fact that the DROP monies were held within the Plan assets. Therefore, quarterly returns would not have been known for at least 2 months after the close of the quarter. With the institution of the self directed DROP the return would be instantaneous.

Mr. Baur stated that there is no extra charge for monthly distributions as well as non-periodic distribution. For the members who remained invested with the Plan assets there is no difference from a recordkeeping standpoint whether the distribution is periodic or reoccurring. The ordinance has to be changed to permit a monthly distribution.

Sgt. Myers made the motion to address a letter to the City Commission requesting an ordinance change that would allow DROP Plan installments paid out monthly, quarterly, annually or a lump sum. Lt. Tabeek seconded the motion. None opposed.

-Approve Payment of Warrants 1102 through 1115: Mr. Sacharow made the motion to waive reading of the warrants and approve payment. Mr. Simon seconded the motion. None opposed.

Warrant 1102: Normal Retirement Benefit Enhancement for March 2008 – John Fletcher, Jr. (\$4145.50) and Edward Morley (\$3718.99)

Warrant 1103: DROP Retirement Benefit Enhancement for March 2008 – Howard Lunsford (\$7174.90) and Joseph Schroeder, III (\$8733.44)

Warrant 1104: FedEx (\$162.51 Delivery Service), AT&T (\$171.21 Monthly Service), Quill (\$279.50 Office Supplies)

Warrant 1105: Bogdahn Consulting (\$11,125 Consulting Services Invoice #2688, 10/01/07-12/31/07), Omega Recordkeeping (\$446.22 Quarterly Invoice #R080003, 12/31/07), Steven I. Gordon (\$1865 Audit Services Invoice #4815)

Warrant 1106: Barry S. Balmuth, PA (\$825 Professional Services-Certification Litigation)

Warrant 1107: GRS (\$2872 Actuary Services Invoice #103651 through 12/31/07)

Warrant 1108: Mel Sacharow (\$162.80 Travel Reimbursement Airfare for FPPTA Conference, Ponte Vedra 1/27/08)

Warrant 1109: Normal Retirement Benefit Enhancement for February 2008 – Alberto Melis (\$3928.04)

Warrant 1110: Platinum Plus (\$739.64 NCPERS Membership Fee \$150 and FPPTA Registrations (4) for Ponte Vedra Conference 1/27-30/08)

Warrant 1111: Partial DROP Payout to Veronica Covington (\$26,000)

Warrant 1112: Lump Sum DROP Payout to Jim Horrell (Not to exceed \$11,000)

Warrant 1113: Commence Normal Retirement Pension Benefit Retroactive January 1, 2008 to Jim Horrell (\$2708.87 (Void Warrant 1101 Approved 12/19/07 Meeting)

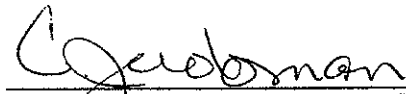
Warrant 1114: Commence December 1, 2007 Spousal Monthly Payment to Katherine M. Horrell (\$1329.04 to be paid to State of Florida Disbursement Unit)

Warrant 1115: Single DROP Payout to Katherine M. Horrell (\$2658.08 for November and December 2007)

The meeting adjourned at 4:20pm.

City of Delray Beach Police & Firefighters' Retirement System

The undersigned are the Chairman and Secretary of the Police and Firefighters' Retirement System, Board of Trustees, and the information provided herein are the Minutes of the Meeting of said body for January 23, 2008 which minutes are formally approved and adopted by the Police and Firefighters' Retirement System, Board of Trustees on February 20, 2008.

  
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Charles Jeroloman, Chairman (atw)

NOTE TO THE READER: If the minutes that you have received are not complete as indicated above, then this means that these are not the official minutes of the Police and Firefighters' Retirement System, Board of Trustees. They will become official minutes only after they have been reviewed and approved, which may involve some amendments, additions or deletions to the minutes as set forth above.

Copies to:	Members of the Board	Asst. Finance Director, M. Walinski
	City Commissioners	Finance Director, J. Safford
	City Manager, D. Harden	Human Resource Director, H. Hamilton
	City Attorney, S. Ruby	Police & Fire Bulletin Board