

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

**Minutes of
March 17, 2010**

Members: Ofc. Chuck Jeroloman, Chief Ralph Phillips, Chief Greg Giaccone, Lt. Joe Liguori, Lt. Jim TabEEK, Commissioner Adam Frankel, Asst. City Manager Doug Smith, Mel Sacharow

Steve Cypen, Board Counsel
Karen Schell, Pension Coordinator

Anne Woods, Plan Administrator

Absent: Sgt. Brady Myers

Guests: Mike Welker, Bogdahn Consulting, Justin Caruso, F.D., Terrill Pyburn, Asst. City Attorney

Ofc. Jeroloman, Chairman, called the meeting to order at 1:13pm. Roll call was taken of members and guests.

1. Mike Welker, Bogdahn Consulting:

a. Further Discussion/Educational Information – Mr. Welker stated that Guidance Capital (Managed Futures) and Lazard (Emerging Debit) would be providing educational information on two (2) asset classes that could further diversify the portfolio (approximately 2.5 to 5% of the portfolio).

Mr. Welker suggested that the Board consider a manager search that would identify firms that are dedicated to providing a fully managed future product, and others that would provide a more specialized product. The Board instructed Mr. Welker to prepare such a search and schedule presentations for the April 21st meeting.

Total Fund Portfolio (Net) as of February 28, 2010 - \$104,891,638 (Mo. Return 1.7%, FYTD 3.39%)

Asset Allocation:	<u>Market Value (\$)</u>	<u>Allocation (%)</u>
Domestic Equity	49,593,809	47.3
International Equity	14,309,732	13.6
Domestic Fixed Income	23,909,937	22.8
Real Estate	6,968,727	6.6
Timber	6,280,897	6.0
Cash Equivalent	3,828,535	3.6

2. Approve Minutes of February 17, 2010:

Mr. Sacharow made the motion to approve the minutes as submitted. Chief Giaccone seconded the motion. None opposed.

3. New Business:

a. Ofc. Jeroloman – Letter to the City Commission Dated March 1, 2010, Unfunded Liability Costs: Ofc. Jeroloman stated that he had sent a letter to the City Commission (dated March 1, 2010 see attached). The items discussed in the letter are as follows: (1) Miscalculations of Annual Salary Increases, (2) Failure to Update the States Data Base, (3) Unfunded 2 Year Early Retirement Incentive Benefit, (4) Finance Department Misinforms Employees on Benefits and (5) Incorrect Data Being Distributed Regarding Pension Fund Investment Returns.

Commissioner Frankel stated that at the City Commission meeting held on March 16, 2010, he received a memorandum from the City Manager (dated 3/16/10 see attached) wherein he responded to Ofc. Jeroloman's letter.

With regard to Item #4-Finance Department Misinforms Employees on Benefits – Mr. Cypen stated that if GRS (City and Plan actuary at the time) certified benefit numbers that were provided by the City without determining whether they were correct and in accordance with the ordinance there could possibly be the potential of liability. He stated that actuary's have a responsibility to know the respective ordinance. Mr. Cypen stated that he would be glad to assign that right to the City to pursue GRS.

Lt. Tabeek stated that the trustees have always relied on the expertise of the actuary to determine and certify the pension benefits before authorizing the commencement of that benefit. The Plan incurs a fee for each actuarial calculation and the expectation being that the amount is correct and in accordance with the ordinance.

Ofc. Jeroloman stated that he believes that the investment returns stated in the City Manager's letter were smoothing return numbers and not the actual returns. Ofc. Jeroloman informed Commissioner Frankel that he had attempted to have the actuary and investment consultant at a meeting that was being held in the Finance Department, and at that time he was told that the Finance Director did not want to meet with them. Commissioner Frankel suggested that Ofc. Jeroloman attempt to schedule a meeting and if he should encounter resistance he should notify him.

Ofc. Jeroloman stated that the main issue is the City's cost to fund the pension. The increase in the unfunded liability is not attributed to the cost of the benefits or the investment returns (that have averaged 8% over the last 25 years). He stated that three (3) years ago, the Board made the decision to lower the assumed rate of return from 8.5% to 8% (10 points per year over a 5 year period). He suggested that the Board should consider lowering the assumption again to possibly 7 to 7.5%.

Lt. Tabeek stated that he too had difficulty bringing a request to the Financial Review Board. He had received approval from the Chairperson of the Financial Review Board to make his presentation, but was told he would have to appear before the Board and then the request could be put on the agenda.

Commissioner Frankel stated that the Pension Board and the Financial Review Board (aka Budget Task Force) should schedule a meeting and resolve these issues because the perception exists that the Plan is not being managed properly.

4. Unfinished Business:

a. Approve Revised Financial Statements as of September 30, 2009 and 2008 Audit – Lt. Tabeek made the motion to approve the revised financial audit. Mr. Sacharow seconded the motion. None opposed.

b. Update on Alive and Well Notification (Retirees) – As of the meeting date, two (2) retirees had still not responded to the letter (Wayne Inman and Frank Ryncarz). Salem Trust (custodian) had been notified and the monthly pension benefit for April has been suspended.

After discussion, Lt. Liguori made the motion to revise the original date of notification to an annual commencement date of March 1st. After further discussion, Mr. Sacharow amended the motion that the annual Alive and Well letter would be mailed to retirees on or around January 15th allowing approximately a 45 day response period prior to the cutoff date of March 1st. Chief Phillips seconded the amended motion. None opposed.

5. Reports:

a. Steve Cypen, Board Counsel

Status of Pending and Potential Litigation Matters:

-Department of Management Services: Trish Shoemaker, Letters dated December 16, 2009 and February 18, 2010 – Mr. Cypen stated that he had spoken to Ms. Shoemaker and informed her that the Board would not be responding to the letters until the cases mentioned in the letter were finalized.

-Benchmark Financial Services Litigation: Mr. Cypen stated that after the Shade Meeting a counter claim was filed because after further research it became clear that there was no liability on behalf of the Board, but there was liability on behalf of Benchmark. Lt. Tabeek made the motion to ratify, confirm and approve the counter claim. Mr. Sacharow seconded the motion. None opposed.

-99-1 Overtime Litigation: Mr. Cypen stated that as a result of the meeting with Boni Jensen, Esq., and the fact that no oral arguments were requested, the case is still sitting and the court could rule at any time.

-Certification Pay Litigation: Mr. Cypen stated that a final judgment had been made and recorded. Mr. Linn filed an amended notice to appeal, where he will try to inform the court that the issue will resolve itself over time and briefs would not be necessary. Mr. Cypen stated that he would support this type of delay.

Mr. Cypen stated that Brad Heinrichs, Foster & Foster, had been authorized to prepare the certification calculations on behalf of the Board. He stated that Jim Linn had emailed Mr. Heinrichs and requested that along with the certification calculations he wanted the study to include the overall calculation of the unfunded liability. Mr. Cypen stated that he contacted Mr. Heinrichs and told him that was not the assignment he received from Board and directed him not to go forward with Mr. Linn's request until he received authorization from the Chairperson and then the Board would ratify.

Mr. Sacharow made the motion that the Board would not object if Mr. Heinrich's agrees to prepare the calculations requested by the City, pursuant to a separate contract with the City, as part of the assignment he has undertaken for the Board. It is requested that the City provide the Board with a copy of the report. Mr. Smith seconded the motion. None opposed.

-Estate of Anthony R. McAloney – Petition to Extend Time for Filing Inventory (Chapin, Ballerano & Cheslack, Letter Dated March 5, 2010): Mr. Cypen stated that he consented to the extension and will keep the Board updated.

Mr. Sacharow and Mr. Cypen left the meeting at 4pm.

Continuation of Item 1 – Rigel Capital Portfolio Review, Win Jessup, CEO and Todd Jessup

Portfolio Value as of December 31, 2009: \$10,104,467 (Initial Value at 7/31/08, \$10,032,217)

Performance (Gross of Fees):	<u>Portfolio</u>	<u>Russell 1000 Growth (Benchmark)</u>
4 th Qtr. 2009	6.9%	7.9%
1 Year	18.4%	37.2%
Since Inception 7/31/08	-18.2%	-3.8%

Mr. W. Jessup stated that the investment of the large cap growth strategy would not change. To strengthen the investment team and assist in turning around the performance the firm hired Rafael Villagran as Chief Investment Officer. (Performance: December, January and February = .5%. Fiscal YTD = 6.6%, Index 6.7%).

6. Expenditures:

a. Approve Payment of Warrants 1399 through 1407: Lt. TabEEK made the motion to waive the reading and approve payment of the warrants. Commissioner Frankel seconded the motion. None opposed.

Warrant 1399: Approve Normal Retirement Benefit Enhancements – May 2010 for Robert Bradley (\$5,022.87), Michael Hendricks (\$4,050.27), Paul Hensley (\$4,882.82), Steven Hull (\$2,601.33), Michael Kenopke (\$3,958.94), Ross Licata (\$6,052.35), William Rego (\$3,168.98), Barry Searles (\$2,502.50), William Smith (\$6,604.77), Geoffrey Williams (\$3,896.89)

Warrant 1400: Approve Normal Retirement Pension Benefit Effective May 1, 2010 for – William Smith (\$6,604.77)

Warrant 1401: Barry S. Balmuth, Esq. (\$7,636.50, Invoice #13533 – Benchmark Financial Services)

Warrant 1402: Barry S. Balmuth, Esq. (\$200, Invoice #13532 – Certification)

Warrant 1403: Printing Plus (\$247, Invoice #12918 – Office Supplies), FedEx (\$90.01, Account #210739513, Invoice #950906261)

Warrant 1404: Adam Frankel (\$990.53, Reimbursement for Travel Expense – Encore Hotel Reservation to Attend NCPERS Conference, May 2010)

Warrant 1405: FPPTA 2010 CPPT Re-Certification (\$100 for Brady Myers), FPPTA 2010 CPPT Re-Certification (\$100 for Joseph Liguori)

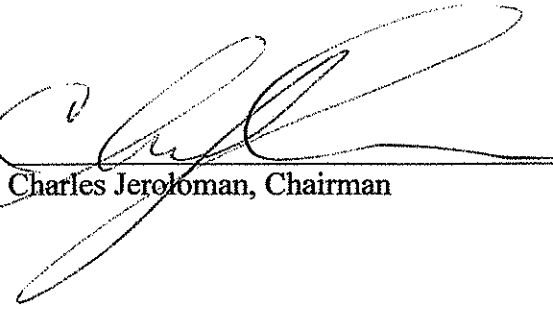
Warrant 1406: Platinum Plus for Business (\$7,928.15, NCPERS Conference, May 2010 – 4 Registrations (\$2,600), Airfares for Liguori (\$326.70, Myers (\$525.80) and Jeroloman (\$527.80), Hotel for Liguori (\$1,086.25) and Myers (\$267.68 Deposit); FPPTA Trustee School (February 2010) Hyatt Hotel for Jeroloman (\$45); US Post Office (\$44, Stamps); AT&T (\$100.70, Account #5110450)

Warrant 1407: Travelers Casualty and Surety Company of America (\$10,558.68, Fiduciary Liability Insurance – Policy #105264140, Effective 4/20/2010 – 2011)

Lt. TabEEK made the motion to adjourn the meeting at 4:38pm. Chief Phillips seconded the motion. None opposed.

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 March 17, 2010 which minutes are formally approved and adopted by the Police and Firefighters' Retirement System, Board of Trustees on April 21, 2010.



Charles Jeroloman, Chairman

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
	Police & Fire Departments	Asst. City Attorney, T. Pyburn