

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

**Minutes of  
September 17, 2008**

Members: Off. Jeroloman, Capt. Phillips, Sgt. Myers, Chief Giaccone, Lt. Liguori, Chief Giaccone, Lt. Tabeek, Mel Sacharow, Adam Frankel, Doug Smith

Steve Cypen, Board Counsel  
Pete Prior & Livia Nixon - Benefits USA (Third Party Administrator)  
Anne Woods, Plan Administrator

Guests: Mike Welker, Bogdahn Consulting; John Kirk, Global Transitions Solutions (GTS); Terrill Barton, Asst. City Attorney; Karen Schell and Milena Walinski, Finance Department; David Brassard and Mark Dagnan, Fire Department

Off. Jeroloman, Chairman, called the meeting to order at 2:10pm. Roll call was taken of members and guests.

1. Approve August 21, 2008 Minutes:

Lt. Tabeek made a motion to approve the minutes as submitted. Mr. Sacharow seconded the motion. None opposed.

2. John Kirk, Global Transition Solutions (GTS) – Results of Recent Transition (ICC to DG Capital & Rigel:

GTS completed the post-trade analysis for the domestic equity and fixed income transition which involved the following:

- The liquidation of approximately \$23 million in domestic equities and approximately \$4.5 million in fixed income securities to purchase approximately \$17.5 million in domestic equities and approximately \$3.5 million transferred in kind.

- GTS coordinated all pre-transition process with the underlying custodian, fund managers and other interested parties associated with the transition.

- One security, SUPG, accounting for less than 1% of transition value, traded a high percentage of the ADTV on the trade date. There were no liquidity issues in the remainder of the portfolio. The transition was implemented over the course of one trading day.

- Transition Costs: See Attached for Domestic Equity and Fixed Income

3. Off. Jeroloman – Update on Status of Benefits USA Software & Online Calculator:

Off. Jeroloman stated that since the August 21<sup>st</sup> meeting he had not heard from Mr. Prior. Mr. Prior stated that Sungard is a firm that could supply the necessary software, but the only online calculator they currently have in place is for a 401K Plan (the calculator could be revised to meet the needs of a pension plan).

Sgt. Myers stated that the primary responsibility of the pension plan is to provide the members with efficient and timely customer services. One of the major requests made by the members is the availability of an online calculator. At present, Benefits USA does not have this capability, but the Finance Department has a GRS system in place with payroll and historical data available upon request. The entering and transfer of the payroll data being done by hand is ridiculous. The Finance Department has the software and payroll data needed to provide preliminary calculations in a timely and accurate manner. Year to date, over \$20,000 has been spent on an inadequate system. Over the last year, the trustees have provided further efficiency by retaining an independent auditor, actuary and investment consultant that answer solely to the Board.

Sgt. Myers stated that a solution to resolve the current issues would be to split the duties between the Finance Department and Anne Woods, Plan Administrator. The Finance Department's responsibilities would be to handle the customer service for related pension retirement issues as follows – provide preliminary pension calculations, give police and fire employees access to the online calculator, provide necessary pension forms/applications, provide benefit selection information and interface with the Plan Administrator and custodian bank whenever needed.

Mr. Cypen stated that to meet the requirements of the Sunshine Law, the action to terminate Benefits USA should be added to the agenda. Mr. Sacharow made the motion to add to the agenda the status and performance of Benefits USA. Sgt. Myers seconded the motion. None opposed.

Sgt. Myers made the motion to terminate, under the terms of the contract, the services of Benefit USA as of October 1, 2008. The responsibilities of the third party administrator would be transferred to the Finance Department as of October 1, 2008. Mr. Sacharow seconded the motion.

Ms. Walinski stated that the Finance Department would be willing to take on the responsibility of the third party administrator, but suggested that a workshop meeting be scheduled so further discussion and clarification of responsibilities could be discussed.

Mr. Cypen stated that he preferred to have the Board adjourn the meeting and reschedule to a specified date.

The date scheduled for the workshop would be Friday, September 17, 2008 at 9am.

Mr. Smith stated that after the workshop meeting he would request that the Finance Department provide a letter to the Board outlining the parameters of the services they would be providing the pension plan.

Sgt. Myers amended his prior motion to terminate, under the terms of the contract, the services of Benefit USA as of October 1, 2008 contingent upon the satisfactory arrangement with the Finance Department by that date. Mr. Sacharow seconded the motion. Roll call vote: Myers-Yes, Smith-Yes, Giaccone-Yes, Liguori-No, Sacharow-Yes, Tabeek-Yes, Frankel-Yes, Phillips-Yes, Jeroloman-Yes. Motion passes 8-1

Mr. Frankel leaves the meeting at 3:30pm.

#### 4. Other Business:

-Steve Cypen: Status of Pending and Potential Litigation Matters and Don West (Retiree) Service/Hire Date (letter dated 5/21/2008:

Don West (Retiree) - Mr. Cypen stated that Mr. West and the City should be notified and ready to discuss this issue on October 15<sup>th</sup> meeting.

Pending and Potential Litigation – Overtime/COLA: Mr. Cypen stated that since Jim Linn is back from his sabbatical he would assume that the case would be picked up again. The case has been transferred to Tallahassee.

Smith Barney - Mr. Cypen stated that the week prior to this board meeting, Smith Barney received an updated demand that resulted in the termination of the previous attorney and the hiring of a new attorney. Smith Barney requested and was granted an extension. He does not anticipate settling the case, but there is the possibility that the new lawyer might be more amenable to settlement otherwise the suit would be filed the week of October 1, 2008.

Safe Harbor Calculations – Mr. Cypen stated that he is in agreement with Mr. Gordon's (auditor) proposal to prepare the calculations going forward. He stated that up until 1986 there was a Three Year Recovery Rule that allowed the employee to recover the contribution in the first three years and the entire amount would be non-taxable.

3. Mike Welker: Review Potential International Growth Managers and Further Discussion – FISCO:

Mr. Welker presented an overview of the top five international growth managers to replace WHV. The international firms for consideration were: American Funds Euro Pacific 'A', Baring Focused International Plus Equity, Hansberger Global Investor International, Harding Loevner and MFS International Growth.

After lengthy discussion, and polling of each trustee, Sgt. Myers made the motion to request both American Funds Euro Pacific 'A' and Baring Focused International Plus Equity to make a presentations for consideration at the October 15<sup>th</sup> meeting. Lt. Tabeek seconded the motion. None opposed.

FISCO – Mr. Welker stated that he had contacted FISCO and requested that they provide their quarterly returns for review. The trustees will have the opportunity to review the information at the next meeting.

-Approve Payment of Warrants 1186 through 1192, and Ratify the commencement of retro active normal retirement pension benefit to Michael Miller (\$4007.49). Mr. Sacharow made the motion to approve and waive the reading of the warrants. Sgt. Myers seconded the motion. None opposed.

Warrant 1186: DROP Retirement Benefit Enhancement for November 2008-David Kobrin (\$5888.94), Charles Stravino (\$7309.70), Wayne Dorcas (\$5013.41)

Warrant 1187: Normal Retirement Benefit Enhancement for November 2008-William Bombacie (\$3136.34), John Donovan (\$3509.31), William Adams (\$7426.99), Sherry Settelen (\$2758.35), Tamijo Kayworth (\$1218.77) and Kurt Eberly (\$3137.01)

Warrant 1188: JCA Software (\$552.50 Invoice #774 Pension Program Modifications for Benefits USA), FedEx (\$117.14 Invoice #288371394), NCPERS (\$150 Membership Renewal 2009)

Warrant 1189: Cypen & Cypen (\$500.19 Invoice #4802 Professional Services Rendered from July 1 through July 31, 2008)

Warrant 1190: Per Diem to attend FPPTA Trustee School (Orlando), October 5-8, 2008 for Joe Liguori (\$293.45), Chuck Jeroloman and Ralph Phillips (\$234.76)

Warrant 1191: Holland 7 Knight, LLP (\$800 Invoice #2285912 Professional Services Rendered through August 15, 2008 for IRS Pension Plan Compliance Review)

Warrant 1192: FedEx (\$15.96 Invoice #289651804, City Account #108256206)

Sgt. Myers made the motion to adjourn the meeting and reconvene on Friday, September 19, 2008. Mr. Sacharow seconded the motion. None opposed.

**Reconvened Meeting of the Board of Trustees – September 19, 2008: Workshop to Discuss the Third Party Administrator Responsibilities Transferred to the Finance Department as of October 1, 2008**

Members: Off. Jeroloman, Capt. Phillips, Sgt. Myers, Lt. Liguori, Mel Sacharow, Doug Smith

Anne Woods, Plan Administrator

Absent: Lt. Tabeek, Chief Giaccone, Adam Frankel

Guests: Karen Schell and Milena Walinski, Finance Department; Mark Dagnan and David Brassard, Fire Department

Off. Jeroloman, Chairperson, called the meeting to order at 9:04am. A roll call was taken of members and guests. Off. Jeroloman stated that the purpose of the meeting was to establish the responsibilities being transferred to the Finance Department effective October 1, 2008.

Ms. Walinski stated that the Finance Department welcomed the opportunity to provide administrative services to the Police and Fire Pension Plan. She stated that their primary goal would be to provide accurate and timely service to the members of the Pension Plan. There are a few procedural differences that she wanted to make the Board aware of:

- Since the Pension Plan utilized the services provided by the Finance Department changes have occurred that would differ from the current procedures. The software program was structured mainly to meet the needs of the general employee pension plan, but the police and fire data was included. There is difference in the method used to calculate the average monthly earnings, which is the inclusion of one extra pay period. The software program is structured to follow the mandate set forth in the ordinance (36 continuous 'months' of service). When the pension numbers are run, the average monthly salary would be higher due to the extra pay period.

Lt. Liguori arrives at 9:30am

- The member data for the actuarial report is as of October 1<sup>st</sup>. and based on the last pay period in September. PRC used the exact number instead of an average number. The actuary would receive the most recent earnings prior to preparing certified pension calculation. The member would have the advantage by using this method of calculation. This information would be used by the auditor and the actuary for – state report, balancing contributions, life to date contributions, tracking hire/termination/retirement statistics.

- The online calculator provides the employee a tool to 'estimate' a pension benefit using different scenarios (months/years of service, benefit option choices and beneficiary information).

- Calculation Charges: The Finance Department would provide preliminary calculations. The Plan offers its member's one free certified calculation that would be prepared by the actuary. Should the member request an additional calculation a fee of \$175 would be charged at his/her expense.

Ms. Schell stated that there are two ways of calculating the pension benefit – a projection going forward (as long as there are no changes to the monthly salary), or continue the procedure PRC used where the member waits until the last pay period before the date of retirement.

- Mr. Smith stated that the City Manager preferred not to charge a monthly administrative fee for the services provided by the Finance Department.

- A spirit of cooperation and communication between the members of the pension plan, board of trustees, Finance Department and plan administrator is paramount for all concerned.

- The Finance Department would not be responsible for preparing either the annual report or the actuarial report, but would be responsible to supply the financial data necessary to the independent auditor and actuary. (Steven Gordon (auditor) would prepare the annual report, and Foster & Foster (actuary) would prepare the actuarial report.)

Lt. Liguori asked Ms. Walinski to look into their fiduciary status and the liability insurance policy.

Mr. Sacharow leaves the meeting.

Lt. Liguori made the motion to retain the Finance Department of the City of Delray Beach as the financial administrator; to utilize the pension payroll software, authorize the Finance Department to assist the Plan members on pension related issues, and supply financial data when necessary. Capt. Phillips seconded the motion. None opposed.

The meeting adjourned at 10:47am.