

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

**Minutes of
July 16, 2008**

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

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

Absent: Lt. Tabeek

Guests: Mike Welker, Bogdahn Consulting (via telephone); Melina Walinski & Karen Schell, Finance Department; Scott Baur, PRC

Off. Jeroloman, Chairman, called the meeting to order at 2:05pm. Roll call was taken of members and guests. Off. Jeroloman suggested that the agenda be amended to add the following items: Other Business – Update Payroll Status to Benefits USA and Execute Investment Agreements with DG Capital and ICC Capital Multi Cap.

1. Approve Minutes of June 18, 2008 Meeting:

Sgt. Myers made a motion to defer approval of the minutes. Mr. Frankel seconded the motion. None opposed.

2. Lt. Liguori – Pension Contribution, Sworn/Non-Sworn Employees (Tabled 6/18/08 Meeting):

Lt. Liguori stated that after consultation with Mr. Cypen and the Division of Retirement ruling the issue had been resolved. The ruling states that once hired by the City the recruit is immediately a member of the Pension Plan. If the recruit does not complete the training/probationary period they are entitled to a refund of their pension contribution.

3. Mike Welker, Bogdahn – Portfolio Transition Update and FISCO-Further Discussion (Presentation at 6/18/08 meeting):

Portfolio Transition Update – The ICC Multi Cap and DG agreements have been signed, and the accounts have been opened and ready to receive assets. Once the transition is completed the portfolio will be allocated as follows: As of July 15, 2008

	<u>Portfolio Value (\$m)</u>	<u>Percentage of Portfolio</u>
Delaware	16.4	15%
Pioneer	5.4	5%

	<u>Portfolio Value (\$m)</u>	<u>Percentage of Portfolio</u>
ICC Multi Cap	10.9	10.0%
DG Capital	13.6	12.5%
Regel Capital	9.8	9.0%
WHV	3.8	3.5%
Voyager		5.0%
ICC (Bond)	30.0	28.0%
Mutual of America	4.9	4.5%
Quadrant	5.0	
Molpus/Regions	500,00 each manager	
(First quarter timber product up 2%. Up 7% for the year)		
American Realty	5.5	5.0%

Mr. Welker stated that going forward the funding for the timber managers would be taken from the ICC Capital Bond portfolio. Each manager will receive \$2.7 million. Ultimately, the strategy is to get the ICC bond portfolio down to \$22 million. The portfolio allocation: 60% Domestic Equity, 10% Alternatives (Molpus and Regions (timber) and Quadrant), 5% Core Real Estate and 25% Fixed Income/Cash. For the quarter ending 6/30/08 the portfolio was conservative in nature due to the equity rebalancing (mid year 2007) to fund TIPS and the initial investments in American Realty and the international accounts.

Capt. Phillips asked Mr. Welker how the soft dollar issue with DG Capital was resolved.

Mr. Welker stated that at the Boards request DG Capital agreed to deliver, on a quarterly basis, a report that would show how the soft dollars were utilized. He stated that there would be no need to change the Investment Policy Statement, but a letter will be sent to managers making them aware that the Board would like them to trade a specific commission rate; however the manager would have the discretion that best execution prevails.

FISCO – Mr. Welker will present a full report at the August 20th meeting. Mr. Cypen stated that he was concerned with a \$1million insurance deductible on a \$10 million policy. He suggested that Mr. Welker inform them that a more acceptable deductible would be \$250,000.

4. Off. Jeroloman – Update City Staff Presentation, Overtime, Certification Pay and Benefit Enhancement (Discussed 6/18/2008 Meeting): Off. Jeroloman stated that on the morning of July 16th he presented his proposal to the City and received a favorable response. The next step would involve the legal counsels and have the actuary prepare the actuarial report that would determine the cost.

Mr. Cypen stated that a hearing to discuss the motion to move the case to Leon County had been scheduled. He does not feel that the court would grant the motion; nor rule that legislation in 1999 would over ride the 1993 contract.

Mr. Cypen suggested that Off. Jeroloman contact Ms. Shoemaker and make sure that she is aware that the suggested proposal assures that the COLA will be fully funded before the overtime hours are funded.

Mr. Smith stated the City Attorney, Susan Ruby, mentioned that if the proposal were implemented and the 2½% COLA plus the 300 overtime hours were funded there could be an amendment made to the 1993 agreement; if there were monies remaining it could be used to fund a 4% COLA.

Chief Giaccone stated that combining the COLA to the overtime would not work for some Fire members because the probability of them working over time in their last three (3) years of employment is not likely. He asked if there would be a draw back to base the Fire monies on the sick time buyback over the last three (3) years of employment. Off. Jeroloman stated that the draw back would be if the two parties could not agree to use the pooled monies (175/185) to pay for both benefits.

5. Other Business:

Doug Smith – Update on Payroll Status Transfer Benefits USA: Mr. Smith stated that the City's IT staff had a consultant working on 10 years of data that would need to be converted to the format used by Benefits USA. The conversion work was completed on July 8th.

Ms. Nixon stated that the City files were received and being downloaded and formatted to their system.

Ms. Walinski stated that an additional step to finalize the transfer deals with the processing of bi-weekly payroll information. The City is waiting for the consultant to return on a non-payroll week to complete transferring the data.

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

Certification Litigation – Mr. Cypen stated that Brad Heinrichs, Foster & Foster, is in the process of receiving the preparing the calculations. If the numbers prove to be less, the City is then in the enviable position of paying all attorney fees and expenses. It might make no sense for the City to fight the certification lawsuit.

Don West (Retiree) – Mr. Cypen stated that he agreed with the City in that Mr. West did not buy back all of his service time. He recommended that a letter be sent to Mr. West informing him that the Board is taking no action based on the prior decision of which he is in receipt of the letter.

Mr. Cypen stated that he would take the position that if someone was present at an open meeting and a motion/vote was made in his or her presence that would be considered an official action. (Defer further discussion to the August 20th meeting.)

Smith Barney – Mr. Cypen stated that the request made last month for information on 25 additional trades was received and are under review. He suggested that if anyone wanted additional information, and not violate the Sunshine Law, could contact either Maya Saxena or Joe White to schedule a meeting.

Scott Baur – DROP Account Quarterly Performance Review & DROP Custodian Transition to Charles Schwab:

DROP Custodian Transition to Charles Schwab – Mr. Baur stated that the Board had previously executed an agreement with Schwab; but requested that the Board execute new agreements.

Mr. Baur updated the Board on his firms association with Tegrit Solutions who was the programming team from GRS. He stated that MERS (Michigan State Retirement System who handles their municipality) is a long standing client of GRS and his firm. MERS acquired the technology, systems and programming team from GRS. MERS had originally commissioned the system that Delray is intending to utilize. He stated that recently MERS had invested in his firm, which now gives him a direct affiliation with Tegrit. Tegrit Solutions is the investment arm of MERS, who in June 2008 invested in his firm.

DROP Quarterly Performance as of June 30, 2008 – Mr. Baur stated that the DROP funds are doing well. The equity funds had a gain of 1% compared to the S&P500 being down 2 3/4%. For the year, the equity funds gained 9 1/2% compared to 4 1/2% for the S&P (equity funds outperformed the S&P500 as a composite by 5%). There are no funds that are seriously under performing and should be put on the watch list. As of June 30th some of the commitments are: 27.6% Stable Value Fund, 13.7% Fidelity Contra, 9.3% Harbor Bond Fund, 11.7% Equity Funds and 4.5% International.

Off. Jeroloman informed the Board that on possibly November 4 & 5 he would like to schedule an Educational Seminar, and have it opened to members/retirees of the Plan. He requested that both Mr. Baur and Benefits USA to attend the seminar as speakers.

Safe Harbor – Sgt. Myers asked Mr. Baur how he calculated the taxes. Mr. Baur stated that at the time of the conversion process to PRC the City provided him with the total of after-tax contributions for each member of the Plan. At this point, the totals are frozen and will not change; all contributions to the Plan are now pre-tax (as of 1989). The only time that would change is if a member has a buy back with after-tax monies. He stated that PRC figured the Safe Harbor when they figured the pension benefit. The 1099R form breaks down the taxed and non taxed portion of the benefit.

Ms. Schell stated that there are retirees members who retired after the conversion that are entitled to Safe Harbor and are not getting it applied to their pension benefit. How can these retirees get this issue resolved?

Mr. Baur stated that he was unaware that there were retirees that weren't getting Safe Harbor.

Ms. Nixon stated that if she were provided a list of names she could prepare the calculations for the Safe Harbor. Salem Trust will have to be notified on the distribution form at the time the commencement of a pension benefit is submitted.

-Approve Payment of Warrants 1165 through 1175: Mr. Sacharow made the motion to waive the reading and approve payment of the warrants. Chief Giaccone seconded the motion. None opposed.

Warrant 1165: Normal Retirement Benefit Enhancements for September 2008 – Dennis Morley (\$2550.22) and Robert Brand (\$4534.92)

Warrant 1166: JCA Software, Inc. (\$595 Invoice #770 for Pension Program Modifications for Benefits USA)

Warrant 1167: Omega Recordkeeping Group (\$446.22 Invoice #R080093, DROP Accounts for Quarter Ending 06/30/08)

Warrant 1168: Quill (\$654.85 Office Supplies – Account #C5667422, Invoices #8321753 & #8274633), AT&T (\$209.10 Account #5110450), FedEx (\$79.63 Account #210739513, Invoice #272539587)

Warrant 1169: Platinum Plus for Business (5,752.49 Account #1505, Travel Expenses for FPPTA Conference /29 through 7/02/08)

Warrant 1170: Bogdahn Group (\$11,125 Invoice #3206-Consulting Service for 04/01 through 06/30/08)

Warrant 1171: Cypen & Cypen (\$1364.92 Invoices #4729 & 4766 Pending Litigations), Barry Balmuth, PA (\$825 Client #270.02 Pending Litigation)

Warrant 1172: Refund of Pension Contribution to Sean Close (\$3480.77) and Mary Beth Whiting (\$11,525.12)

Warrant 1173: Travel Expense Reimbursements – Joseph Liguori (Total \$343.14 NCPERS Conf. \$110.24 and FPPTA Conf. \$232.90) & Mel Sacharow (\$367.62 FPPTA Conf.)

Warrant 1174: DROP Lump Sum Payout to Veronica Covington (\$50,000)

Warrant 1175: Kurtis Firehock (\$8,766.92 Annual DROP Disbursement – Beneficiary of Peter Firehock)

The meeting adjourned at 4:15pm.