

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

**Minutes of  
April 15, 2009**

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

Steve Cypen, Board Counsel  
Karen Schell, Pension Coordinator (Finance)  
Anne Woods, Plan Administrator

Absent: Doug Smith, Asst. City Manager

Guests: Mike Welker, Bogdahn Consulting; Scott Baur, Tegrit; Brad Heinrichs,  
Foster & Foster; Terrill Pyburn, Asst. City Attorney

Off. Jeroloman, Chairman, called the meeting to order at 2:14. Roll call was taken of members and guests. Off. Jeroloman suggested that Item 3-New Business should be heard before Item 2-Unfinished Business. None opposed.

1. Approve Meeting Minutes of March 18, 2009:

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

2. New Business:

a. Brad Heinrichs, Foster & Foster – 5 Year Projection Study: The projection study will be based on numbers from the 2008 valuation, and show a range of variable numbers and assumptions (investment returns, salary increase, employee turnover, retirement age). Mr. Welker (Bogdahn) will provide the asset values/returns for the recent quarter ending March 31, 2009, and additional historical data. The Florida Retirement System (FRS) is on a July 1 fiscal year and the Plan is on an October 1 fiscal year. The FRS 2008 valuation sets the contribution requirements for the fiscal year that starts July 1, 2009/2010. The downturn in the market did not occur until after the July 1, 2008 valuation.

Note: The City will provide Mr. Heinrichs with a copy of their projection study. The June meeting will be rescheduled to June 9, so Mr. Heinrichs will be able to present the assumptions to the Board, and present the 2008 Valuation Report and the 5 Year Projection Study to the City Commission on the same day.

b. Off. Sal Arena, Police Department – Request to Address the Board Regarding Holiday Option Pay: (Off. Arena did not attend the meeting.) Off. Jeroloman stated that the intent of his request was to discuss the 88 hours of holiday option monies that could be included in the pension calculation. The current contract was modified to allow only 44 hours of holiday option time that could be cashed out and used towards the employees pension. The remaining 44 hours (valued at approximately \$2000) would then be forfeited. There is a possibility that the 44 hours that are now included might also be taken away.

Mr. Cypen stated this is not an issue that the Pension Board needs to consider.

3. Unfinished Business:

a. Off. Jeroloman – Update on Pop Up Provision and Seven Year DROP Option:

Pop Up Ordinance - Off. Jeroloman stated that the City Commission approved the Pop Up Ordinance at the April 14, 2009.

DROP – Lt. Tabeek stated that the City Commission had received a letter of concern from Chief Strianese, and requested more information for review. Mr. Smith stated that the City wanted to investigate the criteria other cities have adopted when extending their DROP Plans. Commissioner Frankel requested that Mr. Harden take responsibility for obtaining the additional information and submit it to the Commission for review.

Chief Phillips stated that Chief Strianese's proposal was that the DROP be extended to seven (7) years, but the last four (4) years of the DROP, the employee would work is an "At-Will" status. Mr. Cypen stated that the agreement would have to state that in lieu of extending the DROP option the employee would be willing to give up the civil service status and become an At-Will employee.

2. New Business: (cont'd.)

c. Karen Schell, Pension Coordinator – Terminated/Vested Retirees: In October 2008, a letter was sent to four (4) terminated/vested retirees regarding a correction in their retirement eligibility date. As a result of that notification, the Finance Department received a letter from Mr. Vurchio's attorney.

Mr. Cypen requested that Ms. Schell provide him with copies of the following: the November 2008 minutes, the letter dated November 13, 2008 that was sent to Mr. Vurchio, and the letter dated March 19, 2009 that was received from the attorney representing Mr. Vurchio. After review, he will give the Board his opinion.

d. Off. Jeroloman – Security Monitoring Review; Abraham Fruchter & Twersky, Grant & Eisenhofer and Coughlin Stoia Geller Rudman & Robbins: Sgt. Myers made the motion to notify each firm and request they make a formal presentation to the Board at the July 15, 2009 meeting. Lt. Tabeek seconded the motion. None opposed.

e. Approve Payment of Warrants 1273 through 1287: Mr. Sacharow made the motion to waive the reading and approve the payment of the warrants. Chief Phillips seconded the motion. None opposed.

- i. Ratify Warrant 1273: Per Diem for NCPERS 2009 Annual Conference 5/03-07/2009 (\$354.84/each for Chuck Jeroloman, Brady Myers and Joe Liguori)
- ii. Warrant 1274: Normal Retirement Benefit Enhancements Effective June 2009 – David Bonelli (\$3346.10), Thomas Buce (\$2652.55), Peter Carafano (\$3220.81), Richard D’Atrio (\$3638.05), Donald Farrow, Jr. (\$4603.72), Glasco Martin (\$3321.87), Thomas Mook (\$2914.71), Robert Moreland (\$5391.07), David Priest (\$4050.66), Pete Schofield (\$2202.66), Douglas Trawick (\$3310.18) and Donald West (\$4977.17)
- iii. Warrant 1275: Commence Normal Retirement Pension Benefit Effective May 1, 2009 to Robert Bradley (\$4900.36)
- iv. Warrant 1276: Annual DROP Installment Payment to Kurtis Firehock, Beneficiary of Peter Firehock (\$5840.45, June 2009 reflects the eighth installment)
- v. Warrant 1277: Refund of Contribution to Aaron Maltzman (\$16,683.89)
- vi. Warrant 1278: Barry S. Balmuth, P.A. (\$450 – Invoice #13366, Professional Services Rendered)
- vii. Warrant 1279: Plastridge Insurance (\$10,558.68 – Fiduciary Liability Insurance Renewal Premium – 4/30/2009 to 4/30/2010)
- viii. Warrant 1280: Melvin Sacharow (\$167 Travel Reimbursement for FPPTA Wall Street 2009 – New York Hilton on April 1-4, 2009)
- ix. Warrant 1281: Regel Capital, LLC (\$11,488.38 – Investment Management fee for 01/01/09 through 3/31/09), Tegrity Plan Administrators, LLC (\$167.22 – Quarterly DROP Plan Services for 03/31/09, Invoice #D090062)
- x. Warrant 1282: Platinum Plus for Business (\$6009.04 Account #1505, NCPERS Conference 5/03-5/07/2009. Chuck Jeroloman, Brady Myers and Joe Liguori – Hilton Hotel Reservations (\$3148.92), Conference Registration (\$1950), Airfare for Myers/Jeroloman (\$816.80)
- xi. Warrant 1283: FedEx (\$256.74 – Account #2107-3951-3, Invoice 9-132-66394)
- xii. Warrant 1284: American Express (\$441.20, Account #3-41004, Airfare for Mel Sacharow, FPPTA Wall Street 2009, New York)

- xiii. Warrant 1285: Per Diem – Division of Retirement Annual Police Officers & Firefighters’ Pension Trustees’ School, Tallahassee, 5/18-20/2009 (\$124.65, Chuck Jeroloman)
- xiv. Warrant 1286: ICC Capital (Total \$22,982.55 – Multi Cap Growth (\$7426.04 and Fixed Income \$15,556.51)
- xv. Warrant 1287: AT&T (\$100.87 – Account #5110450)

4. Reports:

a. Mike Welker, Bogdahn Consulting:

i. Asset Allocation – Total Fund Value \$88,817,374 (as of 4/13/2009)

	<u>Assets</u>	<u>Current (%)</u>	<u>Target (%)</u>
Equity	\$41,177,031	46.4	60.0
Alternative	\$ 8,052,656	9.1	10.0
Real Estate	\$ 5,400,000	6.1	5.0
Fixed Income	\$34,187,687	38.5	25.0

Mr. Welker stated that equity variations over the last 18 months have attributed to the over funding in the fixed income portfolio. The equity portfolio is under funded by \$12 million dollars. The ICC bond portfolio is over funded by 10% (or \$8,897,635) that eventually will be used for rebalancing and funding a new product. The R&D Account is holding \$3.2 million in cash, of which a portion could also be used for funding other managers or a new product. The strategy going forward will be to lower the fixed income area, add to the Molpus (timber) account, reallocation additional monies to the equity accounts and possibly add another asset class. Mr. Welker stated that after conversations with Pioneer (mid cap value), they agreed to create a small cap fund for the Board’s consideration. Since this fund would be a new product offered through Pioneer, he felt the Board should consider searching for firms that could provide historical performance data.

ii. BNP Paribas Update – The BNP product is a \$650 million market neutral long/short fund that is wrapped in a Sun Trust CD and FDIC insured. As the consultant, Mr. Welker stated that he had no issue with the Board considering a \$3.5 million investment. Both the Kissimmee Police and West Palm Beach Fire plans have agreed to add this product to their portfolios. The current return is 1.25%, 100% participation in the index, and a 5 year term.

Mr. Cypen requested that Mr. Welker put him in contact with the attorney for the plan that has retained BNP. His main concern is having Sun Trust address the questions since they are the vendor of the product, and accept responsibility as a fiduciary; and they also have to agree to a contract. Mr. Welker stated that Sun Trust would not agree to post collateral in the amount of the investment.

Off. Jeroloman called for a roll call vote to retain BNP Parbis - Myers-No, Liguori-Yes, Sacharow-No, Smith-Yes, Giaccone-Yes, Tabeek-Yes, Phillips-No, Jeroloman-Yes. Mr. Welker was asked to provide Mr. Cypen with the requested information, and pursue finalizing the documents/agreements with Sun Trust and BNP Paribas.

DROP Plan Comments: Mr. Welker stated that at the March meeting Mr. Baur asked him to review different investment options for the DROP. He stated that he has reservations about offering alternative investment options in a self-directed DROP. There are a few plans where he has placed a real estate product and a TIPS fund. Of the funds he reviewed, he suggested that the Board consider Dreyfus Infl-Adj Sec Inv and TIAA-CREF InflLkR (combination of TIPS/CIPS) and Cohen & Steers Real Sh (real estate fund).

b. Steve Cypen, Board Counsel:

i. Status of Pending and Potential Litigation Matters: Mr. Cypen stated that he would be attending the hearing in Tallahassee on April 29, 2009 regarding the City of Delray Beach/Board of Trustees vs. Division of Retirement (overtime litigation)

c. Scott Baur, Tegrity Plan Administrators:

i. DROP Plan Review: Mr. Baur stated that he agreed with Mr. Welker's concerns regarding alternative investment options being available in the DROP. He also had concerns about a 'brokerage window' because potentially it allows investments in anything traded on the market (alternatives, stocks, public funds etc.).

Chief Phillips leaves the meeting at 5pm.

After discussion, Mr. Sacharow made the motion to add both the TIAA-CREF (TIPS) and the Dreyfus Infl-Adj Sec Inv as investment options in the DROP. Lt. Tabeek seconded the motion. After further discussion, Mr. Sacharow amended his motion to add only the TIAA-CREF product as an additional option in the DROP. Chief Giaccone seconded the motion. None opposed.

Mr. Baur stated that there is still the possibility that the DROP custodian transfer from MG Trust to Schwab would take place at the end of April.

5. Board Member Items:

i. Mr. Smith stated that the City Commission had requested that the City Attorney research the possibility of amending the ordinance to allow for Commission Frankel to be appointed as either a trustee or an alternate position. The City Attorney decided that while they were conducting their research, Mr. Sacharow's appointment was put on hold.

The meeting adjourned at 5:20pm.

