

**City of Delray Beach
Police and Firefighters' Retirement System
Minutes of
March 18, 2009**

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

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

Absent: Sgt. Myers

Guests: Mike Welker, Bogdahn Consulting; Steve Malinowski, GTS; Milena Walinski, Asst. Finance Director; Scott Baur, Tegrit; Terrill Pyburn, Asst. City Attorney; David Farrand, Cypen & Cypen; Lt. Scott Privitera, Police Department

Off. Jeroloman, Chairman, called the meeting to order at 2:05. Roll call was taken of members and guests.

1. Approve Meeting Minutes of February 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. Unfinished Business:

a. Off. Jeroloman – Update on Ordinance Changes: Pop Up Provision and Seven (7) Year DROP Plan: Off. Jeroloman stated that letters were sent to the City Attorney on March 20, 2009. The City Commission is being asked to consider amending Chapter 33, Section 33.63 Optional Forms of Benefits to allow for a Pop-Up feature as an optional form of retirement benefit. The second amendment would be to Chapter 33, Section 33.685 Deferred Retirement Option Plan, to extend the DROP period to 84 months not to exceed 32 years of continuous service and to permit employees who are currently enrolled in the DROP to participate. The request was for the items to be placed on the City Commission Workshop Meeting agenda for April 7, 2009 for review and discussion.

b. Foster & Foster – Cost Projection Options: Off. Jeroloman stated that on January 21, 2009, the City requested that the Board consider having Foster & Foster prepare a 5 Year Cost Projection. Foster & Foster was contacted and submitted 3 options for consideration. After review, Option #3 selected – A full deterministic projections of future replacement of new hires, retirements and salary increases that may be less than assumed. This type

of projection is not based solely upon investment performance. This study is the best attempt at determining the future costs over the next 5 years. Cost \$5000 - \$7000

Mr. Sacharow made a motion to authorize the actuary to prepare a 5 year cost projection study based on Option #3, with the cost not to exceed \$7000. Lt. Tabeek seconded the motion. After further discussion, Mr. Sacharow amended the motion to restate the cost not to exceed \$5000. Major Phillips seconded the motion. None opposed.

3. New Business:

a. Approve Payment of Warrants 1262 through 1272: Mr. Sacharow made a motion to waive the reading and approve the payment of Warrants 1262 through 1272. Major Phillips seconded the motion. None opposed.

Warrant 1262: DROP Retirement Benefit Enhancements Effective May 2009 – Robert Bradley (\$4900.36), Paul Hensley (\$4763.73) and William Smith (\$6443.68)

Warrant 1263: Commence DROP Retirement Pension Benefit to Commence Retroactive to March 1, 2009 for Glen Rashkind (\$4301.28)

Warrant 1264: Approve DROP Pay Out for Veronica Covington (\$55,000)

Warrant 1265: Normal Retirement Benefit Enhancements Effective May 2009 – Michael Hendricks (\$3951.48), Steven Hull (\$2537.88), Ross Licata (\$5904.73), William Rego (\$3951.48), Barry Searles (\$2441.46) and Geoffrey Williams (\$3801.84)

Warrant 1266: Barry S. Balmuth, P.A. (\$225 - Invoice #13356, Professional Services Rendered)

Warrant 1267: Bogdahn Group (\$11,125 – Invoice #3840, Performance Evaluation and Consulting Services for Quarter 1/01/2009 through 3/31/2009), Steven I. Gordon (\$900 – Invoice #5596, Progress billing in connection with certified audit as of September 30, 2008), Foster & Foster (\$2976 – Invoice #694, Professional Services Rendered)

Warrant 1268: Melvin Sacharow (\$387.97 – for Per Diem to Attend FPPTA Wall Street 2009 at New York Hilton on April 1-4, 2009)

Warrant 1269: Platinum Plus for Business (\$5035.62 – Account #1505, FPPTA Trustee School – 2/104/2009, 4 Hotel Reservations Marriott Hotel, St. Augustine; IFEBP – 2 Registration fees for Jeroloman/Myers, and Hyatt Regency Jacksonville Hotel Reservation for Brady Myers)

Warrant 1270: American Express (\$620 – FPPTA Trustee School 2/1-4/2009, St Augustine – Jeroloman (\$28.25), Phillips (\$29.34) and Myers (\$562.41 includes hotel/travel)

Warrant 1271: Holland & Knight LLP (\$3044.40 – Invoice #2356638, Professional Services rendered to IRS Pension Plan Compliance Review)

Warrant 1272: AT&T (\$114.61, Account #56124347075110450)

4. Reports:

a. Mike Malinowski, GTS – Fixed Income Trade Analysis as of March 11, 2009:

The GTS analysis of the aggregate portfolio that consists of 2 managers (ICC Capital and Mutual of America) and 95 individual securities holdings with an estimated indicative value of \$28,116,667. The custodial mark to market value of the portfolio is approximately \$28,158,608. The net valuation differential is approximately \$41,941 or 0.15%. The top 25 individual securities with the largest valuation differential (positive or negative) accounted to \$49,509 or 67% of the net negative valuation differential. Valuation differentials were present in all credit categories. The largest negative valuation differentials occurred in BBB+ to BBB- (-4.83%) and AA+ to AA- (-1.14%) . The portfolio is comprised almost exclusively (98.25%) of highly rated US. Treasury, agency and investment grade corporate securities. The overwhelming majority of the portfolio had no major liquidity issues.

Holdings:

ICC Capital: Manages 70 individual holdings with an indicative market value of \$23,992,417 or 85% of the total aggregate portfolio. Overall, the net positive valuation differential for this manager is \$84,949.

Mutual of America: Manages 25 individual holdings with an indicative market value of \$4,124,250 or 15% of the total aggregate portfolio. Overall, the net negative valuation differential for this manager is \$126,890.

Mr. Malinowski stated that the analysis showed great visibility, transparency and a significant agreement that the portfolio, in terms of brokerage cost, liquidity and valuation, is as clean as GTS has seen.

b. Mike Welker, Bogdahn Consulting:

i. Performance Review Quarter Ending as of 12/31/2008 and Asset Allocation –

Market Value: \$91,167,939

Asset Allocation by Style:

<u>Manager</u>	<u>Value (\$)</u>	<u>Allocation (%)</u>
Domestic Equity	37,424,793	41.1
International Equity	4,388,974	4.8
Domestic Fixed Income	26,490,481	29.1
Real Estate	7,863,084	8.6
Timber	3,504,830	3.8
Cash Equivalent	11,495,776	12.6

Mr. Welker stated that of the cash holdings of approximately \$5.5 million represents the City's contribution for 2008; and the remainder is the sum held by the equity managers. If the \$5.5 million were not invested into a new product, it would be allocated to the equity portfolio. For the current quarter, the portfolio is doing well; and there were no recommendations for changes in investment managers.

ii. Update-Ackerman Bill (HR710-Public Retiree Investment Act 2009) and BNP Paribas Product –

BNP Paribas – FDIC insured CD issued by Sun Trust Bank, with a structure made up of 3 moving parts: current level of interest rates, term of the investment, and participation rate in the spectrum index. The investment represents a bank deposit that would always be carried at par regardless of any underlying movement. The investment is a zero coupon bond and 5 call options on the future value of the Spectrum Index. The client receives 100% principal guarantee on the investment and a minimum coupon; as well as, the participation rate upside potential of the Spectrum index less the minimum coupon. The index is a market neutral trading strategy that ranks 4 categories of investment in the U.S. and Europe (Value, Growth, Dividend and Market). The strategy ranks the momentum of each strategy from top to bottom in both the U.S. and Europe. The strategy goes long the best ranking strategy and short to worst ranked strategy in both markets. The target volatility of the strategy is 8% (4% U.S. and 4% Europe). The exposure to each strategy depends on the historical volatility of each position in order to maintain the 4% target level of volatility.

After further discussion, Lt. Liguori made a motion to table this item to the April 15, 2009 meeting. Mr. Sacharow seconded the motion. None opposed.

Ackerman Bill (HR710-Public Retiree Investment Act 2009) – Still in committee review.

c. Steve Cypen, Board Attorney

i. Status of Pending and Potential Litigation Matters:

Smith Barney Litigation – Smith Barney does not want either a judge or jury to hear the case in Palm Beach County. The briefs on the motion for arbitration have been filed. The counsel for the Pension Plan will oppose arbitration.

Division of Retirement Litigation (Benefit Enhancement) – The hearing is set for April 29, 2009, and will be held in Tallahassee. The Board agreed to allow Mr. Cypen to converse by conference call instead of in person. (Off. Jeroloman will be present for the conference call.)

Certification Litigation – The City agreed to remove the GRS cost estimates from the stipulation. Since the City wants the right to present their case to the court, Barry Balmuth (Board Counsel) informed Jim Linn (City Counsel) that the cost to include certification pay is not relevant to the case. Mr. Linn is sending additional information to Foster & Foster for additional calculations. The problem lies with the City insisting that the cost is a criterion for what the Board decided to implement. Board decisions are not based on cost.

Mr. Cypen leaves the meeting at 3:55pm.

d. Scott Baur, Tegrity Administrators – DROP Performance: Alternative asset class options were provided for consideration. Lt. Liguori stated that he agreed that additional asset allocations should be made available, but was hesitant due to the volatility in the stock market. Mr. Baur stated that adding more options would not add to the risk because retirees have the ability to transfer to the money market or the stable value fund. After discussion, the Board decided to ask Mike Welker to review the selections and provide comments.

Mr. Baur stated that the move from MG Trust (DROP Custodian) to Schwab is scheduled for the beginning of April (w/o a blackout period). Presently, there are 29 participants in the DROP, and approximately \$6 million in assets.

Mr. Smith stated that due to the Pension Plan's audit not being completed on time, the City had to get a GFOA extension for 30 days (until April 30th). The Board agreed to contact the auditor and establish a timeframe for completion.

The meeting adjourned at 4:55pm.