

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

**Minutes of
September 16, 2009**

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

Steve Cypen, Board Counsel Anne Woods, Plan Administrator

Guests: Milena Walinski, Finance Department; Terrill Pyburn, Asst. City Attorney; Mike Welker, Bogdahn Consulting; Fire Department – Charles Stravino, Danielle Connor, Mike Rodriquez, Ed Crelin

Off. Jeroloman, Chairman, called the meeting to order at 2:03pm. A roll call was taken of members and guests.

1. Approve Minutes of August 19, 2009 (Regular Meeting) and August 27, 2009 (Investment Strategy Meeting)

The April 19th minutes were reviewed and approved with grammatical corrections made to the original. Mr. Sacharow made the motion to accept the minutes. Commissioner Frankel seconded the motion. None opposed.

Mr. Sacharow made the motion to accept the April 27th minutes. Chief Giaccone seconded the motion. None opposed.

2. Unfinished Business

a. Asst. City Manager Smith – Request from City Manager for Actuarial Study (Memorandums dated August 19th and August 27, 2009). Mr. Smith made the motion to request Foster & Foster prepare an actuarial impact study on behalf of the City. The study should include the following changes to the Police and Fire Pension Plan:

- Change from a 60% survivor pension benefit to a single life annuity with 10 years certain.
- Reduce the multiplier from 31/2% to 3% for all service going forward.
- Reduce the multiplier from 31/2% to 3% for all new employees.
- Change the normal retirement from 20 years of service to 25 years of service.
- Terminate the Local Law Plan and start a Chapter Plan the next day.

Commissioner Frankel seconded the motion. (Further discussion)

Mr. Cypen stated that under a Chapter Plan, the trustees are not changed, and it seems unnecessarily heavy handed to change the entire makeup of the board just to change the benefits. Since the 1993 contract primes all other considerations, the purpose of changing the plan would be to do away with the pre-existing terms prior to the stop date. The premium tax monies would reduce the City's contribution instead of increasing benefits. Technically, the existing contract precludes the City from being able to change the plan. Mr. Cypen stated that Ms. Shoemaker (DOR) had finally agreed to approve a two-tier system and plans that have adopted a two-tier system will not realize cost savings for many years.

Lt. Liguori amended the motion stating that since the City's request is to determine future cost savings measures he would request that the study include the actuarial costs of having new employees enter the FRS (Florida Retirement System). Mr. Cypen stated that if the amended motion were to pass, the plan would lose the premium tax monies. Lt. Liguori withdrew the motion.

Lt. Tabeek stated that he would like to amend the original motion and request that the study also include a calculation where the early window incentive would have a DROP option. Roll call: Myers-Yes, Smith-Yes, Liguori-Yes, Sacharow-Yes, Giaccone-Yes, Tabeek-Yes, Frankel-Yes, Phillips-Yes, Jeroloman-Yes. Motion to amend passes.

Sgt. Myers also requested to amend the motion to have the study include the cost impact of the five (5) terminated/vested participants (R. Vurchio, A. Batista, G. Nye, A. Heithaus and I. Williams). Due to a City error, these members would be receiving pension benefits years before they would have been eligible. No second.

Mr. Sacharow stated that he is against allowing the City to use Foster & Foster, and felt it would be a conflict of interest.

A roll call vote was taken on the original motion, as amended, allowing the City to utilize the Plan's actuary Foster & Foster: Myers-Yes, Smith-Yes, Liguori-No, Sacharow-No, Giaccone-Yes, Tabeek-Yes, Frankel-Yes, Phillips-Yes, Jeroloman-Yes. Motion passes 7-2.

3. New Business

a. Off. Jeroloman - Letters of Concern Received from Plan Participants (Re: Finance Pension Administrator): Off. Jeroloman stated that five (5) letters were received from members of the plan that raised concerns regarding the comments made by Karen Schell, Pension Coordinator, at the City Commission meeting on September 10, 2009.

Mr. Cypen stated that one problem is a perception issue since Ms. Schell works on behalf of the Pension Board and her comments could be taken as contrary to the best interest of the members of the plan. Since she is an employee of the City and has been assigned the position by the City, the Board has no authority other than to request her reassignment.

The Board took no action.

b. Delaware Investment – Approve Assignment Letter: Mr. Cypen stated that he had reviewed the letter and had no objections. Lt. Tabeek made the motion to authorize the Chairperson to execute the letter on behalf of the Pension Board. Commissioner Frankel seconded the motion. None opposed.

c. Approve Payment of Warrants 1322 to 1336: Lt. Tabeek made the motion to approve payment of warrants. Mr. Sacharow seconded the motion. None opposed.

Warrant 1322: Approve DROP Retirement Benefit Enhancement Effective November 1, 2009 – Wayne Dorcas (\$5,138.75) and David Kobrin (\$6,036.16)

Warrant 1323: Approve Normal Retirement Benefit Enhancement Effective November 1, 2009 – William Adams (\$7,612.66), William Bombacie (\$3,214.75), John Donovan (\$3,597.04), Kurt Eberly (\$3,215.44), Craig Hartmann (\$8,180.31), Tamijo Kayworth (\$1,249.24), Sherry Settelen (\$2,827.31) and Charles Stravino (\$7,492.44)

Warrant 1324: Approve Refund of Pension Contribution to Sergio Lopez-Alers (\$11,050.23 with a mandatory 20% withholding for federal taxes)

Warrant 1325: Approve Normal Retirement Pension Benefit to Commence Effective November 1, 2009 for Charles Stravino (\$7,492.44)

Warrant 1326: Approve Monthly DROP Disbursement to Commence Effective November 1, 2009 for Charles Stravino (\$2,000)

Warrant 1327: Approve Beneficiary Pension Benefit to Commence Retroactive to September 1, 2009 for Mildred Evans (\$1,328.15 – beneficiary of Robert Evans)

Warrant 1328: Foster & Foster (\$6,175 – Invoice #927)

Warrant 1329: Travel Per Diem for Ralph Phillips to attend the Annual Police & Fire Pension Trustee Conference (Sponsored by DOR) on October 21-23, 2009 in Orlando (\$196.62)

Warrant 1330: Travel Per Diem for Chuck Jeroloman, Adam Frankel, Doug Smith, Brady Myers and Mel Sacharow to attend the FPPTA Trustee School on October 4-7, 2009 in Bonita Springs (\$94.86 each)

Warrant 1331: Approve Refund of Pension Contribution for Dien C. Chiang (\$1,856.19)

Warrant 1332: Approve DROP Lump Sum Disbursement for Veronica Covington (\$50,000)

Warrant 1333: FedEx (\$86.98), Platinum Plus for Business (\$601.46), AT&T (\$100)

Warrant 1334: Approve DROP Retirement Pension Benefit Effective Retroactive to September 1, 2009 for Anthony W. Strianese (\$8,226.07)

Warrant 1335: Approve DROP Retirement Pension Benefit Effective Retroactive to September 1, 2009 for Jan Holmsted (\$4,260.93)

Warrant 1336: Approve Travel Per Diem for Adam Frankel (\$262.16), Ralph Phillips (\$131.08), Chuck Jeroloman (\$262.16), James Tabeek (\$327.70), Brady Myers (\$262.16) to attend IFEBP Annual Conference on November 7-11, 2009 in Orlando

4. Reports

a. Steve Cypen, Board Counsel

i. Status of Pending and Potential Litigation Matters –
Overtime 99-1 – The State had asked, and received, an extension for the filing of a brief.

Certification – The Summary Judgment is scheduled for November 5, 2009 in West Palm Beach.

Pension Protection Act (letter dated June 2, 2009) – Mr. Cypen stated that Mr. Friedman of Holland & Knight had agreed to attend the October meeting.

BNP Paribas – Mr. Cypen stated that he wanted to be assured that there was no association between the Plan and Wells Fargo. At the August meeting, the Board had requested that if possible Paribas agrees to an absolute high-water mark and no guarantee. Paribas is unable to agree to those terms. Mr. Cypen made the Board aware of a number of risk factors that would be involved with the investment, including that the CD was not redeemable prior to maturity (at a prior meeting, the BNP representative indicated to the contrary).

After discussion, Lt. Liguori made the motion to retain BNP Paribas with an investment of \$3.5 million contingent upon the guarantee that the funds would not be co-mingled. Lt. Tabeek seconded the motion. Roll call: Myers-No, Smith-No, Liguori-Yes, Sacharow-No, Giaccone-No, Tabeek-Yes, Frankel-No, Phillips-No, Jeroloman-No. Motion denied 7-2.

Legal Opinion – Lt. Tabeek stated that Paramedic Odell Lewis, who was hired on December 2, 1991, had been on military deployment for the past 6½ years and is asking for clarification on the requirement for the purchase of prior military service. Mr. Cypen stated that by Federal law the maximum time is five (5) years, and under State law there is no cost to the member. Under the Federal law, the member has a period of time to apply for reinstatement. The period of time to apply for reinstatement is coterminous but depends upon the length of actual military service. (Paramedic Lewis would be eligible to purchase 3 years.)

Lt. Liguori and Mr. Cypen leave the meeting at 3:45pm.

b. Mike Welker, Bogdahn Consulting

i. DG Capital and Rigel Capital – Performance Review: Representatives from both firms provided the trustees with an overview the performance and investment strategies for each portfolio.

ii. SMID Cap Value Search – The trustees agreed to request presentations from Lazard, Moody, Pioneer and TS&W. The presentations will be scheduled for the October meeting. (The trustees agreed to change the meeting date to October 14th at 1pm.)

iii. Flash Report – Total Fund Portfolio (Net) as of September 14th was \$97,500m. Domestic Equity \$44,059m (44.5%), International Equity \$7,259m (7.6%), Fixed Income \$31,680m (28.8%), Alternative \$6,740m (11.6%), Cash \$6,831m (7.2%).

v. Portfolio Rebalance – Increased the Voyager, DG and Rigel portfolios. The Molpus capital call of \$2.5 million finalizes the timber commitment (ICC Fixed \$1.2m, ICC Multi \$500,000, Delaware \$250,000, DG Capital \$330,000 and Rigel \$270,000).

iv. DROP Investment Consultant Agreement – Bogdahn agreed to act as the DROP investment consultant, and modifications would be made to the current agreement. The original contractual fee was \$44,500 annually/3 years and the agreement would be expiring as of November 2009. Their current proposal, which would be effective on April 1, 2010, proposes an increase of \$12,000/year or \$64,500. The proposed annual DROP consultant fee was \$8,000.

Mr. Sacharow made the motion to approve the \$12,000 annual consultant fee increase effective as of April 1, 2010 and the \$8,000 DROP consultant fee. Lt. Tabeek seconded the motion. Further discussion – Sgt. Myers stated that the \$12,000 fee is a 30% increase; and he suggested that possibly the fee could be a prorated percentage increase.

Mr. Welker stated that the present annual fee was determined based on the structure of the portfolio at that time of hire. The proposed fee was determined by the services being provided and the increased size of the portfolio. He stated that he would be willing to extend the effective date to June 30th.

Off. Jeroloman proposed a \$4,000 annual increase over the next three (3) years.

After further discussion, Mr. Welker was asked to attend the October meeting and provide the trustees with other options.

Mr. Sacharow withdrew his original motion, and made the motion to approve the \$8,000 DROP consultant fee. Mr. Frankel seconded the motion. None opposed.

The meeting adjourned at 5:25pm.