

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

**Minutes of
August 17, 2011**

Members: Lt. Joseph Liguori, Sgt. Brady Myers, Lt. John Palermo, FF Justin Caruso, Chief Anthony Strianese, Asst. City Manager Douglas Smith, Commissioner Adam Frankel (arrived 1:25pm), Allen Kirschenbaum

Stephen Cypen, Board Counsel (arrived 2pm) Anne Woods, Plan Administrator
Karen Schell, Pension Administrator

Absent: Chief Giaccone

Guests: Mike Welker, Bogdahn Consulting; Milena Walinski, Asst. Finance Director; Richelle Hayes, American Realty Advisors; Lt. James Tabeek, Fire Department

Lt. Liguori, Chairman, called the meeting to order at 1:05 pm. Roll call was taken of members and guests.

Lt. Liguori suggested that the agenda should be amended to add the following: Item #3, Old Business – Mr. Smith, Annual Report Discussion and Item #6, Expenditures, Warrant #1616(Sgt. Myers, Travel Refund of \$192.26). Mr Smith made the motion to amend the agenda as suggested. Lt. Palermo seconded the motion. Motion passes unanimously.

1. Approve Meeting Minutes:

a. June 15, 2011 – Sgt. Myers made the motion to accept the minutes as submitted. Lt. Palermo seconded the motion. Motion passes unanimously.

2. New Business:

a. Lt. Liguori – Nomination and Election for the Position of Board Secretary - Lt. Palermo nominated Chief Giaccone. FF Caruso made the motion to close nominations. Mr. Smith seconded the motion. By unanimous decision, Chief Giaccone was elected to the position of Board Secretary.

b. Richelle Hayes, American Realty Advisors –

Investment Summary as of June 30, 2011	Inception-to-Date (2007)
Original Commitment	\$5,953,983
Net Income	776,119
Realized Gain/Loss	(147,634)
Unrealized Gain/Loss	(1,823,709)
No Withdrawals/or Distributions	
Ending Net Asset Value	\$4,758,759

Net of Fees (110 bspt)	2Q11	Year to Date	One Year	Three Year	Since Inception
Income	1.03%	2.27%	4.36%	4.38%	4.18%
Appreciation	2.51%	5.60%	11.74%	-12.91%	-8.59%
Total Return	3.54%	7.93%	16.47%	-8.95%	-4.68%
NFI-ODCE	4.36%	8.33%	19.33%	-9.16%	-6.51%

c. Foster & Foster (attached letter dated 7/18/2011) – Request for Fee Increase (Re: Senate Bill 1128 Requirements – Sgt. Myers made the motion to table the item to the September 21st meeting and request Mr. Heinrichs attendance at the meeting.

Foster & Foster letter (attached dated 7/14/2011 Beginning of Year Payments) regarding the funding impact of changing the timing of City contributions. The letter states ‘by making a lump sum deposit on October 1, 2011, rather than making uniform payments throughout the year, the City would save roughly \$300,000 in annual funding requirements’. In the actuarial valuation report of October 1, 2010, the City’s required contribution for budget purposes is 43.2% of pensionable payroll. This percentage of payroll assumes that the contribution is made uniformly throughout the year. If the contribution required as of October 1, 2011 was made on that date the percentage of payroll would decrease to 41.5%. Commissioner Frankel suggested that the information be sent to the Mayor, City Commission, City Manager and the Finance Director.

3. Old Business:

a. Karen Schell: Status of Police Overtime Recalculations (target date October 1, 2011) – The backup information has been forwarded to Foster & Foster. The calculation for contributions has been completed and more than half of the contributions have been received. The target date of October 1st is to disperse the benefit to the employees.

Mr. Cypen stated that he had spoken to Jim Linn (City legal counsel) suggesting preparation of an ordinance. Mr. Linn informed him that when the City prepares to do any other ordinance they would use that opportunity to make these amendments. He stated that it would be a simple ordinance and there’s no reason not to prepare one. Lt. Liguori stated that the Board’s concern is that the court’s decision is being implemented.

Mr. Cypen stated that there are other issues dealing with State law (Senate Bill 538 (2010) and 1128 (2011)) that are being held-up due to a disagreement between the Board and Foster & Foster regarding the actuarial equivalent. Before the ordinance can be amended to address the criteria set forth in the senate bills, it would be necessary to receive Mr. Heinrichs approval.

Mr. Smith stated that he had contacted the City Attorney, who then contacted Mr. Linn, to see if it was necessary to wait until a contract was imposed before changing the ordinance. Mr. Linn’s statement was that there was no need to wait on the ordinance but he didn’t see a pressing reason to do one immediately due to the Pension Board taking action consistent with the court decision.

The Administrator made the Board aware that currently there is no approved document that in total outlines the governance of the Plan. With the delay in amending the ordinance and the Summary Plan Description (SPD) not being updated since 2004 the employee has no way to knowing his/her rights. Mr. Cypen suggested that new employees are given a copy of the 2004 SPD, Code of Ordinance and the courts opinion on the 99-1 litigation.

Mr. Smith stated that he had one other clarification for the record – through the email chain when the City Attorney originally had spoken to Mr. Linn about the amending the ordinance it was discussed that they would do the ordinance change once the City got a contract whether it was agreed to or imposed and he would then confirm it with Mr. Cypen.

b. Lt. Liguori: Further Discussion on Data Base Reconciliation – Mr. Smith stated that in most cases what the City reports to the State is based on a street range vs. individual addresses. There are cases

where an address is submitted separately. The City is in the process of updating the address database for the new police/fire software. Lt. Liguori stated that the major concern is not lumping together multi-unit buildings under one address.

c. 2010 Annual Report Discussion: Still awaiting State approval. The auditor/actuary are in the process of addressing the State's request for additional clarification/information. There should be no problem in receiving the 175-185 monies in the second distribution and prior to September 30, 2011.

4. Reports:

a. Steve Cypen, Board Counsel

i. Status of Pending and Potential Litigation Matters:

Palm Beach County Commission on Ethics – Mr. Cypen stated that the PB County Commission on Ethics requires that trustees either attend or by video take an ethics class and sign an acknowledgement form. Mr. Smith stated that the City provides training and there is also a web-based training. Lt. Liguori stated that the Board should consider making it a policy to comply with PB County Commission on Ethics and requested that all trustees receive the training by the required date of October 1, 2011. Trustees are to turn in a copy of the completed acknowledgement form.

Smith Barney – The arbitration is proceeding.

Benchmark Financial Services – The motions submitted by the attorney's that were named, as defendants have not been heard.

3. Old Business: cont'd.

Lt. Liguori – Further Discussion on Annual Performance Evaluation for Plan Administrator – Mr. Cypen stated that a tentative independent contractor agreement had been prepared. Lt. Liguori stated the parameters of the contract are as follows: salary increase of \$7,200/year, 401K contribution of \$500/mo., health insurance subsidy of \$300/mo., cell phone subsidy of \$50/mo. and 21 personal days a year. The total package equals \$47,200. Mr. Cypen clarified that the mentioned amounts had been bundled into a total monthly compensation of \$3,934. Lt. Liguori stated that at a prior meeting he had referred to a salary survey for administrators, and the lowest compensated full time administrator for a similar sized plan was \$129,884. After further discussion, the Board decided to pay a fixed monthly compensation and not specify how the monies would be directed.

Sgt. Myers made a motion for discussion. FF Caruso seconded the motion. Mr. Cypen stated that as an independent contract Ms. Woods would have to obtain Error and Omission insurance on her behalf. Lt. Liguori stated that a \$1 million policy with a \$5,000 deductible ranges from \$1,800 to \$3,500 a year. The cost of obtaining the policy was not a part of the agreement. The Board agreed to pay the premium for the Error and Omission policy.

(In error, Lt. Liguori informed the Board that the current monthly compensation was \$3,000. The correct amount is \$2,500)

Commissioner Frankel moved to adopt the agreement with the condition subsequent that on or before December 31, 2011, Ms. Woods will obtain an Error and Omission insurance as stated and the premium would be paid by the Plan.

After further discussion, the Board determined that the administrative expenses (office supplies, AT&T, FedEx) would be the responsibility of Ms. Woods. Ms. Woods estimated that those expenses could range from \$4000 to \$5000 per year.

Lt. Palermo made an amendment to add \$335 to the \$3934 stated in Item #3 of the Agreement for a total of \$4269 monthly fee. Sgt. Myers seconded the motion. Motion passes.

Rescheduled Meeting Dates: The October 19th and November 16th meeting dates have been cancelled. The Board agreed to have a meeting on Friday, November 4th at 1pm.

Lt. Tabeek/Lt. Liguori – Buy Back Calculation for FF Devery Connor: FF Connor was hired at an older age and will not reach 20 years of service prior to age 55. The actuarial calculation had to be based on an average cost-out of 17 years. The remaining 6 years of contributions had to be made up by the employee. Mr. Cypen stated that it's an actuarial calculation and there's no discretion. Other than an amendment to the ordinance, which is not a Board issue, there is nothing that can be done.

4. Reports: cont'd.

b. Mike Welker, Bogdahn Consulting

i. Performance Update as of June 30, 2011

Asset Allocation			
	Market Value (\$)	Allocation (%)	Target (%)
Domestic Equity	47,931,930	40.4	35.0
International Equity	17,550,696	14.8	15.0
Fixed Income (Core + Non Core)	27,111,217	22.9	25.0
Managed Futures	5,228,056	4.4	5.0
TIPS	5,290,160	4.5	5.0
Core Real Estate	4,758,759	4.0	5.0
Real Estate Income Alt.	3,602,421	3.0	5.0
Timber	6,090,644	5.1	5.0
R&D	1,000,446	0.8	0.0
Mutual Fund Cash	32,250	0.0	0.0
Total Fund	118,596,579	100.0	100.0

Comparative Performance		
	First Quarter (%)	Oct 2010 to Jun 2011 (%)
Total Fund (Net)	0.34	10.84
Total Fund Policy	1.17	9.84
Difference	-0.83	1.00

As of the close of business on 8/16/2011 the Total Fund Value: \$112,400,000, down 5% since the end of the quarter. For the fiscal year positive 6%. No recommendations or changes at this time.

DROP Plan as of June 30, 2011 – Total Value \$11,739,094

5. Input From Active and Retired Members of the Plan: N/A

Commissioner Frankel leaves the meeting at 3:30pm

6. Expenditures:

Mr. Kirschenbaum made the motion to waive the reading of the warrants and approve payments for Warrants 1594 through 1616. FF Caruso seconded the motion. Motion passes.

a. Ratify Payment of Warrants 1594 through 1605 for July 2011

Warrant 1594: Approve Beneficiary Pension Benefit for – Gloria Galyon (\$2,472.54, Beneficiary of Jeffery Galyon)

Warrant 1595: Approve Normal Retirement Pension Benefit to Commence Retroactive as of June 1, 2011 for – Edward Deptel (\$4,244.20)

Warrant 1596: Approve DROP Retirement Pension Benefit to Commence Retroactive as of July 1, 2011 for – William Briard (\$6,404.56)

Warrant 1597: Approve DROP Retirement Pension Benefit to Commence Retroactive as of July 1, 2011 for – Dale N. Fagan (\$5,266.30)

Warrant 1598: Approve DROP Retirement Pension Benefit to Commence Retroactive as of July 1, 2011 for – Edward C. Crelin (\$7,368.88)

Warrant 1599: Approve DROP Retirement Pension Benefit to Commence Retroactive as of July 1, 2011 for – Frederick L. McAlley (\$6,678.12)

Warrant 1600: Bogdahn Group (\$13,875 Plan Performance Evaluation and Consulting Services for Period 4/01 to 6/30/2011, Invoice #6357; \$2,000 DROP Performance Evaluation and Consulting Services for Period 4/01 to 6/30/2011, Invoice #6358)

Warrant 1601: Foster & Foster Inc. (\$950 Professional Services Rendered, Invoice #2083)

Warrant 1602: Printing Plus (\$260, Invoice #13564, Office Supplies); FedEx (\$189.61, Total transportation charges: \$25.46 Invoice #754402430, \$131.16 Invoice #752845653, \$33.20 Invoice #755141073); AT&T (\$109.81 Account #5110450)

Warrant 1603: Platinum Plus for Business (\$2,416.05 Account #1505)

Office Depot (Supplies)	\$ 38.13
Bankers Warranty Group (Copier)	100.69
IFEBP (Registration/Hotel Deposit for Frankel)	2245.00
IFEBP (Registration/Hotel Deposit for Myers)	2245.00
2-Renaissance Hotel Reservations (FPPTA Conf. for Myers/Giaccone)	1110.00

Warrant 1604: Investment Management Fee for Period 4/01 to 6/30/2011: ICC Capital (Multicap, \$10,817.88, Salem Account #80105949)

Warrant 1605: Barry S. Balmuth, PA (\$8,692.60 Professional Services Rendered - Benchmark Litigation, Invoice #13787)

b. Approve Payment of Warrants 1606 through 1616

Warrant 1606: Approve Normal Retirement Benefit Enhancement Effective October 2011 (F.D. 2.5% Enhancement) – Geoffrey Cooper (\$6,220.20), James Dalton (\$5,589.62), Raymond Fitzer (\$4,484.64), Arthur Neddo (\$4,100.78), Randy Straghn (\$3,083.48)

Warrant 1607: Approve DROP Retirement Benefit Enhancement Effective October 2010 (F.D. 2.5% Enhancement) – David Brassard (\$7,160.12)

Warrant 1608: Approve Normal Retirement Benefit Enhancement Effective October 2011 (P.D. 1.0% Enhancement) – Russell Anzalone (\$4893.80), Charles Jeroloman (\$4,415.97), Robert Stevens (\$4,018.46), Thomas Tustin (\$6,483.88)

Warrant 1609: Approve DROP Retirement Benefit Enhancement Effective October 2011 (P.D. 1.0% Enhancement) – David Eberhart (\$6,155.03)

Warrant 1610: Approve DROP Retirement Pension Benefit to Commence Retroactively as of August 1, 2011 – John S. McKessy (\$4,735.42)

Warrant 1611: FedEx (\$185.04 Account #2944-99431 for Invoices #752845653 and #758176018); Printing Plus \$73.50, Invoice #13612); AT&T (\$98.44 Monthly Service, Account #0450)

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Warrant 1612: Foster & Foster Inc. (\$1,763 Professional Services Rendered, Invoice #2167)

Warrant 1613: Approve Reimbursement for NCPERS Conf. Credit Card Charge to Adam Frankel (\$965.76)

Warrant 1614: Platinum Plus for Business (\$302.96, Account #1505)

Postage & Stamps \$ 46.96

Airfare-Sgt. Myers, IFEBP 10/2011 \$256.00

Warrant 1615: Approve Investment Management Fees for Quarter Ending 6/30/2011:

		<u>Salem Trust Account No.</u>
Lazard Asset Mgmt	\$10,832.68	80106366
Mutual of America (TIPS/CIPS)	1,920.24	80105855
Delaware Investments	22,482.00	80105776
RBC Global (Voyageur)	22,891.04	

Warrant 1616: Approve Travel Reimbursement for Sgt. Brady Myers (\$192.26 Auto rental and airport parking to attend Division of Retirement Conf., Tallahassee in May 2011)

8. Adjournment:

FF. Caruso made the motion to adjourn the meeting at 3:30pm. Chief Strianese seconded the motion. Motion passes.