

City of Delray Beach
Police and Firefighters' Retirement System

Minutes of
September 21, 2011

Members: Firefighter Justin Caruso, Chief Gregory Giaccone, Allan Kirschenbaum, Lt. Joe Liguori, Chairman, Sgt. Brady Myers, Lt. John Palermo, Doug Smith, and Commissioner Adam Frankel (arrived at 1:50 p.m.)

Alison Bieler, Board Counsel
Anne Woods, Plan Administrator

Karen Schell, Pension Administrator

Guests: Brad Heinrichs, Foster & Foster, Lt. James TabEEK, Fire Department and Mike Welker (conference call)

Chairman, Lt. Liguori called the meeting to order at 1:15 p.m. Roll call was taken of members and guests.

1. Approve Meeting Minutes:

a. August 17, 2011

Mr. Smith indicated on page two, the last full paragraph should read "contract whether it was agreed to or imposed" not opposed.

Lt. Palermo moved to approve the minutes as corrected, seconded by Mr. Caruso. Said motion passed unanimously.

2. New Business:

None

3. Old Business:

a. Brad Heinrichs, Foster & Foster -- Requested Fee Increase

Mr. Heinrichs stated they have been providing service to the City of Delray Beach since October 2007 with a contract signed for three years and a one year renewal.

The firm made a decision to request an increase in the four mentioned items listed in our letter of July 18, 2011 to the Board. These changes are mostly as a result of Senate Bill 1128 whereas this will require extra work on the actuary's part. The 2011 valuation report will need to include results using the Florida Retirement System's interest rate of 7.75%. The idea is the Division of Retirement would publish the FRS statistics and all local municipalities on what they would consider to be the same basis. (The only similarity would be the interest rate.) The firm would complete the regular valuation report in addition to the 7.75% report. Compensation for the extra work would be approximately \$1,500.00.

The other components are the benefit and buyback calculation rate in which we're proposing \$200 versus \$150 and \$100. Currently the buyback calculation rate is \$100 which has created a large loss for his firm. Senate Bill 1128 impacts both of those. It impacts them less for this Board than for others, but his firm would like to charge all their current clients the same rate. The valuation fee and hourly rate will remain as is. New client's hourly rate is \$50 higher.

Mr. Heinrichs stated the current contract expires the end of this month. It is usually renewed at the mutual consent of both parties.

Ms. Bieler indicated the contract took effect on October 1, 2007. The term was through September 30, 2010; unless terminated, it could be extended in writing for an additional year (through September 30, 2011). The fees for the annual report valuation October 1, 2007 was \$13,500 and

effective October 1, 2008 and each October 1st thereafter the fee shall increase by 5% for the term of this agreement. All the different rates are set forth for the different calculation requests along with hourly rates.

Mr. Heinrichs indicated this was not done in writing. Mr. Heinrichs stated if another contract is drawn, the fees would be higher as it would be treated like a new client. The addition of the Senate House Bill 1128 would be included as a separate line item. Most attorneys add an addendum page to the regular agreement.

The Board reassured Mr. Heinrichs they were completely satisfied with the work product produced by Foster and Foster. As a Board they have an obligation to the plan to make sure they are making reasonable decisions. (Receiving competitive rates being one.)

Commissioner Frankel arrived at 1:50 p.m.

After a lengthy discussion including a request of an RFP, extending the contract, the possibility of including the annual report, research of competitive fees from other municipalities, Chief Giaccone moved to accept the fee schedule for the remainder of this contract as written, seconded by Mr. Kirschenbaum.

Further discussion led to the question by Board Members as to why there is a need to add it into an existing agreement and not just extend the renewal of the contract.

Chief Giaccone withdrew his motion.

Mr. Heinrichs repeated his proposal to have the same provisions as in the current contract for the next year except for these four items listed in the firms' letter. Should the Board wish, he would lock these four fees items in for the next three years.

Mr. Kirschenbaum commented if the Board signed a three year contract and inserted automatic escalators; the Board would know what to anticipate and not have to go through this every year. In addition the annual report cost should be reviewed with the possibility of adding this into the contract with Foster and Foster. Perhaps it would be advantageous of having one company taking care of it all.

Chief Giaccone agreed he would like to know what the outlook for the next three years is.

Mr. Smith moved to extend the contract for one year with Foster & Foster with the exception of the new fees proposed in the July 18, 2011 letter to the Board, seconded by Chief Giaccone.

In further discussion, Sgt. Myers agreed with having a three year contract locking the rates for three years and other areas to be opened on an annual basis for discussion. So the Board wouldn't have to go through this same scenario annually.

Lt. Palermo questioned if the Board could extend the contract for another year or two.

Mr. Smith withdrew his motion versus trying to amend it.

Sgt. Myers moved to accept a three year contract with two one-year renewals (which will extend to 2017) with the four items mentioned in the July 19, 2011 letter being locked in for three years, and other costs for items may be negotiated on an annual basis, seconded by Mr. Kirschenbaum.

Mr. Heinrichs stated the key part is that these fees on this letter are guaranteed for three years, everything else is not. The valuation fee for this year 2011 will be at 5% more than last year.

Said motion passed unanimously.

b. Lt Liguori – RFP for Database Reconciliation Service

This item was discussed at the last meeting. Mr. Smith indicated he sent an e-mail to get an update from Bob Nichols with no response. From what he understood earlier, he was still working on the address data base that goes along with the SunGuard system. Mr. Smith confirmed the handling of the processing of multifamily with multiple units inside of them. The way those are set up, is each one has a separate address. Once this new data base is finished, he feels we could go back and recheck it versus what they've been using to make sure nothing is missed.

Lt. Liguori commented there are two different scenarios of further possible actions. One would be to match up data with what the City sent to the State's data base; whether they capture all the addresses or not. This is a fairly easy task, less time consuming and inexpensive. The second scenario is to actually have someone reconcile this to the vendor capturing every address in the city. That would be through an independent data base that can verify it at their choosing. (Voting records, utility bills, etc. whatever the choice is.) This is more time consuming and expensive.

Mr. Heinrichs commented the first approach is very doable. The two data bases are matched and you make them talk to each other; reviewing the State's data base is updated accordingly which will then help maximize the State money. The second approach entails more work making sure the City has everyone on their data base that should be there using different avenues. This could be more difficult and time consuming. Mr. Heinrichs suggested trying the first approach.

Mr. Smith stated the City currently has an outside vendor helping with the GIS data base because we had to get an updated system to run the new public safety software. This will be used for quite a few areas. There are two windows during the year in which the City has access to review the State's data. The new data will allow us to make sure we are submitting data to the State to help pinpoint areas where there might be a new subdivision coming in or if there is something missing. We have an extra internal source to check against. Our Planning Department is responsible for this internally. Mr. Smith continued stating there are different areas in the City handling this. Environmental Service is overseeing the GIS data; the Planning Department is overseeing the address data base; which part of the whole project is to get the whole address data base internally so it can feed into the financial system. Mr. Smith felt it would be helpful to the Board if they could get a detailed report from those Departments on what they're doing, how it's being done and how the new data base will help them. The Board would then have a clear picture of what is being done internally to help us in handling this going forward. Whatever is prepared we could have forwarded electronically for review at the next meeting.

Lt. Palermo moved to go ahead with an RFP for the police/fire data base reconciliation, seconded by Sgt. Myers with the modification where it is requested separately in the response so as not to receive a grouping. Said motion passed unanimously.

Mr. Heinrichs suggested in order to receive legitimate responses the Board should make known what media is available. (Boxes of papers, filing cabinets, electronically, etc.) Provide as much information as possible or your range of quotes will be drastic.

Lt. Liguori commented this is why we're going out to a vendor, to find out what their expertise is to having an alternative data base.

At this time, Board Members took a break and reconvened at 2:40 p.m.

4. Reports:

- b. Mike Welker, Bogdahn Consulting (Via Conference Call)
 - i. Performance Update

Mr. Welker reviewed the performance for the plan along with the DROP performance through the end of August. There is a slight overweight in the allocation to the total domestic equity. (38.9%

versus 35%) International is at 15%; in total the plan is slightly over 50% in stocks domestically and internationally. Real Estate illustrates American at 4.3%, Quadrant 3.2%. Good diversification and still within target.

City contributions did come in and will be allocated per e-mail.

At this time, Mr. Heinrichs explained how the new GASB rules would impact with the City's plan. There will become two actuary reports, the funding report and an accounting report. Right now they are one and the same. In his opinion, he feels this will drive more municipalities away from defined benefit pension plans.

Mr. Caruso questioned Mr. Heinrichs if he could change the numbers in the way the calculations are reported.

Mr. Heinrichs responded the unfunded liability, yes. He could change the method in order to lower the unfunded liability. GASB is addressing and making this more specific so this would not be allowed. They are trying to make it so everyone is on a uniform basis. They are trying to not allow the Cities to show a zero liability on their books associated with pension when there is a huge unfunded liability. The balance sheet will illustrate something akin to an unfunded liability of \$50-\$60 million dollars versus being zero before.

Ms. Bieler commented GASB is changing the way the City has to report the information. It will look a lot worse, but nothing has really changed. The perception of the financial solvency of your entity may change because of these new GASB rules.

Sgt. Myers commented the plan is showing pay raises every year when they haven't had raises. It's making that liability needing more money than what is actually needed. Can we lower that scale.

Mr. Heinrichs indicated he didn't feel it would be incorrect to lower the salary scale assumption. However, he also knows the Division of Retirement, the first time this is done, they will say we also anticipate continuation to lower the investment return assumption because you are assuming 8% and 8.1% and you're getting 1%-2% if not negative. You may have a bigger impact on the City's funding requirement then just lowering the salary. They may request you to drop your investment return assumption down from 8% to 7%. This is what they have done in the past.

- a. Steve Cypen, Board Counsel
 - i. Status of Pending and Potential Litigation Matters

Ms. Bieler indicated she had nothing to report for pending and potential litigation matters.

- ii. IRS Compliance Notification, letter dated September 1, 2011

The IRS letter is good news. Ms. Bieler indicated their office would prepare an ordinance for changes to this effect, the police overtime issue and Senate Bill 1128 and 538 would also be included to bring all up to date.

5. Input from Active and Retired Members of the Plan:

None

6. Expenditures:

- a. Ratify Payment of Warrants 1617 through 1629:

Mr. Kirschenbaum moved to waive the reading and approve Warrants 1617 through 1629, seconded by Lt. Palermo. Said motion passed unanimously.

- i. Warrant 1617: Approve request for beneficiary change to commence effective as of October 1, 2011 for David Cummings, Jr. (\$1,916.78)
- ii. Warrant 1618: Barry S. Balmuth, P.A. (\$980.83 Professional Services rendered, Invoice #13800 – Benchmark Financial Services Litigation)
- iii. Warrant 1619: AT & T (\$98.56 monthly service), FedEx (\$18.96 transportation charges, Invoice #760502451)
- iv. Warrant 1620: Platinum Plus for Business (\$25, Gulfstream Travel agent fee for Brady Myers to attend Division of Retirement Trustee School, July 2011)
- v. Warrant 1621: Approve travel per diem to attend IFEBP Conference-New Orleans, October 30 to November 2, 2011 for Brady Myers (\$266.61) and Adam Frankel (\$266.00)
- vi. Warrant 1622: Approve travel per diem to attend FPPTA Trustee School-Tampa, October 2-5, 2011 for Brady Myers, John Palermo, Doug Smith (\$171.66 each) and Adam Frankel (\$114.44)
- vii. Warrant 1623: Approve normal retirement benefit enhancements to commence effective November 2011 (FD 2.5%) for William Adams (\$7,998.05), Wayne Dorcas (\$5,494.71), David Kobrin (\$6,394.94), Charles Stravino (\$8,033.34)
- viii. Warrant 1624: Approve normal/disability retirement benefit enhancements to commence effective November 2011 (PD 1%) for John Donovan (\$3,723.84), Kurt Eberly (\$3,328.79), (Craig Hartmann (\$8,529.79), Tamijo Kayworth (\$1,293.27), Frederick Parker, Jr. (\$4,271.98), Sherry Settelen (\$2,926.97), William Bombacie (Disability \$3,328.07)
- ix. Warrant 1625: Approve normal retirement benefit enhancements to commence effective December 2011 (FD 2.5%) for Selwyn Lee (\$2,939.62), Bernard Tillson (\$3,264.15), Douglas Vaughn (\$5,169.81)
- x. Warrant 1626: Approve DROP Retirement benefit enhancement to commence effective December 2011 (FD 2.5%) for Richard Bush (\$7,769.99)
- xi. Warrant 1627: Approve normal/disability retirement benefit enhancements to commence effective December 2011 (PD 1%) for William Berry (\$3,000.43), Richard Lincoln (\$4,349.38), Julius Mitchell (\$3,263.82), Gregory Young (\$2,896.36), Allen Lewis (Disability \$4,660.74)
- xii. Warrant 1628: Approve police overtime lump sum payout as of November 1, 2011 for:

Russell Anzalone	\$1,125.93	Joseph Milenkovic	\$ 167.44
Salvatore Arena	\$1,274.65	Michael Miller	\$1,137.24
Brian Bollan	\$1,483.08	Jeffrey Miller	\$1,345.63
Charles Drummond	\$ 295.49	Thomas Myers	\$1,790.53
David Eberhart, Jr.	\$1,480.70	John Palermo	\$1,206.79
John Evans	\$1,964.67	Frederick Parker, Jr.	\$ 957.45
Dwayne Fernandes	\$1,287.26	Ralph Phillips, Jr.	\$1,412.99
James Finley	\$1,033.89	Glenn Rashkind	\$ 980.59
Edward Flynn	\$ 933.40	Toby Rubin	\$1,412.58
Craig Hartmann	\$ 786.76	Paul Shersty	\$1,048.06
Tina Heysler	\$1,042.08	Richard Wentz	\$1,312.61
James Horrell, Jr.	\$ 976.17	Thomas Whatley	\$ 755.17
Michael Kosick	\$1,037.62	Randall Wilson	\$1,741.09
Thomas Matava	\$ 950.04	John Young	\$1,210.95
Jeffrey Messer	\$1,524.12		
- xiii. Warrant 1629: Approve police overtime recalculation of monthly pension benefits retroactive as of November 1, 2011 for:

Russell Anzalone	\$4,931.96	Joseph Milenkovic	\$6,893.14
Salvatore Arena	\$6,047.45	Michael Miller	\$4,094.97
Brian Bollan	\$5,194.08	Jeffrey Miller	\$4,204.68
Charles Drummond	\$3,941.70	Thomas Myers	\$5,720.55
David Eberhart, Jr.	\$6,207.99	John Palermo	\$6,676.67
John Evans	\$6,033.44	Frederick Parker, Jr.	\$4,229.68
Dwayne Fernandes	\$4,152.96	Ralph Phillips, Jr.	\$8,817.87
James Finley	\$4,195.82	Glenn Rashkind	\$4,376.71
Edward Flynn	\$5,870.29	Toby Rubin	\$6,701.07
Craig Hartmann	\$8,445.34	Paul Shersty	\$4,814.87
Tina Heysler	\$7,772.61	Richard Wentz	\$5,172.05

James Horrell, Jr.	\$4,076.19	Thomas Whatley	\$3,857.46
Michael Kosick	\$5,624.08	Randall Wilson	\$5,310.90
Thomas Matava	\$5,247.78	John Young	\$4,381.28
Jeffrey Messer	\$5,138.10		

Mr. Smith questioned the travel per diem currently in place. From an experience with another employee, it was questioned whether the travel policies were consistent with State Statutes. He wanted to confirm the Board's policies set are okay with State Statute 112 which covers the public body in general and didn't affect the Board's ability to do so.

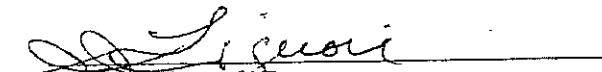
Ms. Bieler indicated there was a change to Chapter 166 which covers municipalities. Chapter 112 is the base line for municipalities unless the municipality tries to adopt something different; it is covered by another Statute. The City will not take the position of the State so they have the flexibility to adopt their own in accordance to Chapter 166.

7. Adjournment:

Trustee Kirschenbaum moved to adjourn the meeting at approximately 3:20 p.m., seconded by Commissioner Frankel. Said motion passed unanimously.

City of Delray Beach Police & Firefighters' Retirement System

The undersigned are the Chairman and Secretary of the Police and Firefighters' Retirement System, Board of Trustees, and the information provided herein are the Minutes of the Meeting of said body for September 21, 2011 which minutes are formally approved and adopted by the Police and Firefighters' Retirement System, Board of Trustees on January 18, 2012.



Joseph Liguori, Jr.
Chairman, Board of Trustees

NOTE TO THE READER: If the minutes that you have received are not complete as indicated above, then this means that these are not the official minutes of the Police and Firefighters' Retirement System, Board of Trustees. They will become official minutes only after they have been reviewed and approved, which may involve some amendments, additions or deletions to the minutes as set forth above.

Copies:	Members of the Board	Acting Finance Director, M. Walinski
	City Commission	Karen Schell, Pension Admin.-Finance
	City Manager, D. Harden	Human Resource Director
	City Attorney, B. Shutt	Police & Fire Departments
	Asst. City Attorney, T. Pyburn	