

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

**Minutes of
February 20, 2008**

Members: Off. Jeroloman, Sgt. Myers, Capt. Phillips, Chief Giaccone, Lt. Liguori,
Lt. Tabeek, Mel Sacharow, Sandy Simon

Steve Cypen, Board Counsel
Scott Baur & Margie Adcock, PRC

Benefits USA, Pete Prior,
Livia Nixon, Mai Fang

Absent: Mayor Ellis

Guests: Mike Welker, Bogdahn Consulting; Karen Schell, Finance Dept.; Brad
Heinrich, Foster & Foster; Terrill Barton, Asst. City Attorney

Off. Jeroloman, Chairman, called the meeting to order at 2:15pm. Roll call was taken of members and guests.

1. Approve January 23, 2008 Minutes:

The minutes were reviewed and accepted as presented. Mr. Simon made the motion to approve the minutes. Lt. Tabeek seconded the motion. None opposed.

2. Brad Heinrichs, Foster & Foster: (See Attached - Letter dated February 18, 2008)

Mr. Heinrichs stated that Foster & Foster had prepared/certified the DROP pension benefit for James Finley (P.D.); and gave a copy to the Plan Administrator. He stated that the firm has a problem with providing certification on calculations that they did not compute. Procedurally, if they are providing a certification for a pension no matter who prepares the calculation they will recompute the pension using their data.

After discussion and explanation, the Board decided to continue with the current procedure whereby the member contacts the Third Party Administrator now Benefits USA and requests a pension retirement calculation. Foster & Foster would then provide the certification.

Mr. Heinrichs stated that at the last meeting, the Board of Trustees requested that he calculate the amount of the misdirected interest from the COLA account (escrow). Historically, interest had been credited to all Chapter 175/185 monies; except for 185 monies in excess of the \$446,407 that represent the Chapter 99-1 minimum requirement for overtime. Starting in 2001, the excess reserve monies were taken out of the COLA and subtracted from the assets. The GRS process credited only the 175 reserve monies with interest and excluded the 185 reserve monies. Effectively, the City's contribution was lower then it would have been had the 185 monies received interest.

Mr. Heinrichs stated that the actual values of the assets were being artificially inflated when the interest monies were included. He suggested that instead of redoing the 2006 Actuarial Report the adjustment could be made to the October 1, 2007 Actuarial Report; and the 185 excess reserve monies would be increased by \$249,941 (to offset the State requirement for overtime).

Mr. Sacharow made a motion authorizing Foster & Foster to make the 185 adjustment to the October 1, 2007 Actuarial Report. Mr. Simon seconded the motion. None opposed.

Experience Study: Mr. Cypen stated that he had concerns regarding the calculations Mr. Heinrich is preparing for the litigation against the City; another concern is the calculation being done for Jim Linn (City) and the Board regarding the litigation against the State.

Mr. Heinrich stated that he had not started working on the calculations pertaining to the litigation against the City.

Mr. Heinrich stated that he had a discussion with Jim Linn on the litigation against the State. In that conversation, Mr. Linn requested that he prepare an affidavit verifying the prior actuarial (GRS) practices. He does not feel that his testimony would be relevant. Mr. Cypen stated that since Mr. Heinrich does not have personal knowledge, the affidavit would probably be requested from the prior actuary.

(Note: If the Experience Study is ready by the March 19th meeting, Mr. Heinrich will contact the Administrator.)

Off. Jeroloman welcomed the Benefits USA staff (Pete Prior, Livia Nixon and Mai Fang).

Mr. Cypen stated that the two year contract, with the third year being negotiated, would be effective as of February 20, 2008 and the first month fee prorated. The contractual fee of \$2300 per month would commence on March 1st.

Off. Jeroloman stated for the record, that Steven Gordon (auditor) would be responsible for the preparing the 2007 Annual Report.

Lt. Liguori thanked both Scott Baur and Margie Adcock (PRC) for their service to the Board and the members of the Plan over the last two years.

Mr. Welker stated that for the March 19th meeting he would be prepared to discuss the search for a potential growth manager that would compliment ICC.

3. Mike Welker, Bogdahn Consulting:

Performance Review – Working on getting the pricing on the transition that occurred with NWQ and Delaware. The numbers in the report are close but he is still checking with the different transition managers. If there should be a modification to the numbers he would provide an update in March.

Executive Summary – First report where the new Policy Statement was in effect with the enhanced asset classes (Russell 3000 50%, Lehman US Aggregate Intermediate 30%, MSCI EAFE (International) 10% and Other 10% (TIPS and NCREIF (real estate))).

Total Plan Quarterly Return: -3.94, Benchmark -0.57%. Ending Value \$120.1 million. The main driver of the underperformance was the growth manager (ICC, 25% of the portfolio). ICC was down 7.5%, the Index was flat for the quarter. The large cap value manager (NWQ) struggled, and the transition to Delaware experienced some underperformance too. The report showed a -8% that is compared to the Russell 1000 Value which was down 5%. The two large cap managers, which makeup approximately 45% of the portfolio, significantly under weighted the portfolio and lost 2.25% for the quarter.

Mr. Welker stated that the City's contribution was allocated to the fixed income and TIPS portfolios. These areas have been positive since 12/31/07 while the equity markets have been down 9%.

Asset Allocation as of December 31, 2007 (at cost): Equity 45%, Fixed Income 28%, International 9%, Real Estate 10%, Timber 1% and Cash & Equiv 7%.

Total Fixed Income Quarterly Return: 3.13%, Benchmark 3.19%. Ending Value \$36.8 million.

The return includes both ICC Aggregate portfolio (2.81%, Benchmark 2.89%, \$32 million) and TIPS (5.05%, Benchmark 4.87%, \$5.4 million). The \$5.7 million funding of American Realty came from the fixed income portfolio.

The ICC TIPS account will be transferred in kind to fund the Mutual of America TIPS/CIPS account; the transfer is scheduled for April 1, 2008.

Total Plan Equity Quarterly Return: -6.7%, Benchmark -3.09%. Ending Value \$66.5 million.

ICC Quarterly Return: -7.14%, Benchmark -0.77%. Ending Value \$28 million.

NWQ & Delaware Quarterly Return: -8.15%, Benchmark -5.80%. Ending Value \$20.6 million.

Pioneer Quarterly Return: -5.57%, Benchmark -5.97%. Ending Value \$5.5 million.

Total International Quarterly Return (WHV & Voyager): 1.26%, Benchmark -1.71%. Ending Value \$12.3 million. WHV return 3.21%, Benchmark -1.71% with ending value of \$6.7 million. WHV monies were used to fund Voyager. Voyager return -3.69%, Benchmark -2.24% with ending value of \$5.6 million.

Real Estate Quarterly Return: American Stable Value Fund (Core), 2.52%, Benchmark 3.21%, Ending Value \$6.1 million. Quadrant, -21.10%, Benchmark 2.06%. Ending Value \$4.5 million.

Timber Quarterly Return: AmSouth, 0.0%, Benchmark 2.06%, Ending Value \$597,000

4. Off. Jeroloman: Stephen Cypen, Board Counsel -- Increase of Monthly Retainer Fee:

Off. Jeroloman stated that 2 years had passed since Mr. Cypen received an increase in the monthly retainer fee. Presently, the retainer is \$3000 per month; and suggested that the Board consider increasing the retainer by \$500 (Total \$3500). After discussion, the Board agreed to the increase effective March 1, 2008.

Mr. Sacharow made the motion to increase the monthly retainer by \$500, for a total of \$3500 per month to commence effective March 1, 2008. Mr. Simon seconded the motion. None opposed.

5. Other Business:

-VEBA: Off. Jeroloman stated that at the last meeting the trustees discussed their fiduciary responsibilities. Since the City is the sponsor of the health trust as well as the Pension Board, they wanted to see if it would be possible to include them on memberships to organizations (FPPTA and IFEPB) already held by the Pension Board.

Mr. Cypen stated that he did not think it would be a good idea to include the VEBA trustees in memberships held by the Pension Board. The membership fees are not that significant.

Note: Pete Prior will contact FPPTA to see if arrangements could be made for VEBA trustees.

-Annual Audit: Off. Jeroloman stated that the Finance Department requested that the March 19th meeting be rescheduled to an earlier date due to the time constraints they have in getting the GFOA completed prior to March 31st. Mr. Cypen suggested that possibly the auditor could provide a draft copy of the audit for the City's review.

Note: The auditor will be contacted and request that a draft copy of the audit be provided to the City.

-Steve Cypen: Status of Pending and Potential Litigation Matters:

-Smith Barney: For the record, Off. Jeroloman stated that on the morning of February 20, 2008, the SEC interviewed him by telephone regarding Smith Barney. The interview was held at Mr. Cypen's office (Miami Beach).

Mr. Cypen stated that the SEC interviewed Off. Jeroloman in conjunction with their investigative work, not the pending litigation. He stated that, right after the January 23rd. meeting, he met with Smith Barney on the settlement of the potential civil litigation; and is cautiously optimistic that the case could be resolved. The parties agreed to a 60 day extension on the Tolling Agreement.

-City Litigations: Mr. Cypen stated that two cases involving the City are progressing slowly.

-Pension Resource Center: Margie Adcock stated that the Delray files were ready to be picked up; and Mr. Baur had provided Benefits USA with electronic data pertaining to the Plan.

Off. Jeroloman stated that Mr. Baur has been in the process of investigating the possibility of utilizing Met Life as the guaranteed return option for DROP accounts. Due to the limited options offered to the DROP members, he is concerned of the potential liability of not having an alternative for a guaranteed return. He requested that Ms. Adcock inform Mr. Baur that the Board would appreciate him following through with obtaining the information and present it to the Board as soon as possible.

-Voyager Asset Management Client Authorization: Mr. Cypen stated that request made by Voyager is standard and it would allow them to print the Plan's name on their client list. Mr. Sacharow made the motion authorizing the Chairman to sign the consent form. Chief Giaccone seconded the motion. None opposed.

-Approve Payment of Warrants 1116 through 1128: Mr. Sacharow made a motion to waive reading of the warrants and approve payment. Mr. Simon seconded the motion. None opposed.

Warrant 1116: Normal Retirement Benefit Enhancement for April 2008 -- Robert Sylvester (\$2166.79), Robert Musco (\$7501.87), Michael Swigert (\$6286.94)

Warrant 1117: DROP Retirement Benefit Enhancement for April 2008 -- John Tomaszewski (\$7862.97)

Warrant 1118: Investment Management Fees – Pioneer Investments (\$6940.47 Quarter Ended 12/31/07), Delaware Investments (\$9835 Quarter Ended 12/31/07), Voyager Asset Management (\$4679.37 Period 11/30/07 to 12/31/07)

Warrant 1119: Barry S. Balmuth, PA (\$2975 Professional Services Rendered Litigation, Invoice #13174), Steven Gordon (\$2390 Certified Auditing Service, Invoice #4856)

Warrant 1120: Printing Plus (\$283 Invoice #11973, Actuarial Reports), Hands Office Supplies (59.14 Invoice #329746), Quill (\$18.08 Invoice #4276675)

Warrant 1121: John Donovan (Single Lump Sum DROP Payout, Note to Exceed \$195,000)

Warrant 1122: FedEx (\$114.06 Invoice #2-494-69837), AT&T (\$99.78 Account #511-0450)

Warrant 1123: Platinum Plus for Business (\$6451.77 Account #1505 – FPPTA, Ponte Vedra hotel reservation, airfare for NCPERS and FPPTA Wall Street Conferences)

Warrant 1124: City of Delray Beach, Finance Department (\$165 Enterprise Auto Rental, Agreement #D070575 for Chuck Jeroloman, FPPTA Trustee School, Ponte Vedra)

Warrant 1125: Chuck Jeroloman (\$263.82 Per Diem for Florida Public Funds Summit 2008, Jacksonville March 7-9, 2008) and Brady Myers (\$263.82 Per Diem for Florida Public Funds Summit 2008, Jacksonville March 7-9, 2008)

Warrant 1126: FPPTA Trustee School, Ponte Vedra Travel Reimbursements to Brady Myers (\$63.56 Gas), Chuck Jeroloman (\$62 Gas) and Ralph Phillips (\$49.16 Gas)

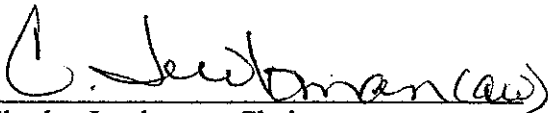
Warrant 1127: Commence DROP Retirement Pension Benefit to Commence Retroactive February 1, 2008 for James Finley (\$4116.29)

Warrant 1128: Travel Reimbursement to Joseph Liguori (\$260.50) FPPTA Trustee School, January 2008, Ponte Vedra (\$232.50) and IFEBP Conference, November 2007, Anaheim, CA (\$28)

The meeting adjourned at 4:05pm.

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 February 20, 2008 which minutes are formally approved and adopted by the Police and Firefighters' Retirement System, Board of Trustees on March 19, 2008.



Charles Jeroloman, Chairman

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 to:	Members of the Board	Asst. Finance Director, M. Walinski
	City Commissioners	Finance Director, J. Safford
	City Manager, D. Harden	Human Resource Director, H. Hamilton
	City Attorney, S. Ruby	Police & Fire Bulletin Board

February 18, 2008

VIA HAND DELIVERY

Ms. Anne Woods
Plan Administrator
City of Delray Beach Police & Firefighters'
Retirement System
609 Homewood Blvd.
Delray Beach, FL 33445

Re: Misallocated Interest on Police Excess State Monies Reserve

Dear Anne:

At the last meeting, the Board of Trustees asked me to calculate the amount of the misdirected interest from the COLA account (escrow) and present my findings at the February Board meeting. As you are aware, interest has historically been credited on Excess State Contributions in the COLA Account for all Chapter 175 monies and all Chapter 185 monies up to the Chapter 99-1 Base Amount (\$446,407). However, Chapter 185 monies that have been received in excess of this amount have not been granted interest for purposes of meeting the minimum benefits, but rather have been included in the Actuarial Assets for purposes of reducing the City's Required Contribution.

In order to complete this task, I replicated the GRS calculations dating back to 1994 and independently calculated these figures (using the same methodology) out to September 30, 2007. Attached you will find a worksheet that I created showing my work. You will notice that interest is credited to all funds that are relevant to the COLA Account (letters A and O on the attachment). The Police additions to the Excess State Monies Reserve (letter K on the attachment) are not part of the COLA account and the total Police Excess State Monies Reserve (letter P on the attachment) are directly deducted from the Actuarial Value of Assets on each GRS valuation report. It is our opinion that interest on the Excess State Monies for Police and Fire should be handled in the same manner.

Item Q shows the Police Excess State Monies Reserve that would exist had the additions been credited with interest. Item R shows the cumulative amount of lost interest each year that would have been credited to the Police Excess State Monies Reserve but was rather credited to the trust assets for purposes of reducing the City's requirement. This amount is estimated to be nearly \$250,000 as of October 1, 2007.

Ms. Woods
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Finally, it is our recommendation that if the Board chooses to recapture the interest credited on the Excess State Monies that this be done in conjunction with the October 1, 2007 Actuarial Valuation. We could conceivably recreate and correct the prior GRS reports but we feel that this would generate an unnecessary Board expenditure. If the Board feels differently, however, we would be happy to comply.

If you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bradley R. Heinrichs".

Bradley R. Heinrichs, F.S.A, E.A., M.A.A.A.
BRH/KT

Enclosures

Delray Beach Police & Firefighters' Pension Fund

Analysis of Excess State Contributions

February 20, 2008

Foster's task
JHP/JS

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
A. COLA Acct BOY														
Fire	\$0	\$37,523	\$160,034	\$380,945	\$769,980	\$1,062,969	\$1,294,696	\$1,523,282	\$1,527,097	\$1,652,608	\$2,237,977	\$2,798,878	\$3,435,550	\$3,986,112
Police	\$0	\$32,393	\$91,427	\$222,049	\$444,682	\$574,664	\$691,962	\$810,820	\$817,827	\$947,407	\$1,364,520	\$1,825,582	\$2,551,786	\$3,337,915
Investment Return	\$0	\$5,130	\$68,607	\$158,896	\$325,298	\$488,305	\$632,734	\$712,462	\$709,270	\$705,201	\$873,457	\$973,296	\$1,203,292	\$1,433,019
	N/A	18.90%	12.80%	23.30%	10.50%	7.73%	10.00%	-6.90%	-9.80%	16.30%	10.40%	9.30%	7.50%	12.95%
C. Investment Earnings														
Fire	\$0	\$7,092	\$20,484	\$88,760	\$60,848	\$82,167	\$129,470	-\$105,106	-\$149,655	\$269,375	\$232,750	\$260,296	\$257,666	\$516,201
Police	\$0	\$6,122	\$11,703	\$51,737	\$46,692	\$44,421	\$66,196	-\$55,947	-\$60,147	\$154,427	\$141,910	\$169,779	\$191,384	\$432,260
Total Ch Rev for Yr	\$0	\$970	\$8,782	\$37,023	\$34,156	\$37,746	\$63,273	-\$49,160	-\$69,508	\$114,948	\$90,840	\$90,517	\$90,247	\$185,576
D. Total Ch Rev for Yr	\$542,445	\$620,341	\$705,349	\$805,365	\$830,154	\$830,164	\$905,430	\$907,397	\$1,054,392	\$1,183,132	\$1,316,511	\$1,424,909	\$1,463,229	\$1,784,631
E. Ch 175 Rev in Excess of 504,922 but below 98-1 Baseline	\$37,523	\$115,419	\$200,427	\$300,443	\$325,232	\$319,393	\$302,660	\$325,232	\$325,232	\$325,232	\$325,232	\$325,232	\$325,232	\$325,232
F. Ch 175 Supp	\$0	\$0	\$0	\$0	\$0	\$0	\$40,746	\$4,595	\$56,613	\$66,278	\$104,432	\$148,415	\$176,559	\$432,524
G. Total Ch 175 Rev	\$230,388	\$250,907	\$316,914	\$368,989	\$383,747	\$389,596	\$481,595	\$452,915	\$543,271	\$607,161	\$678,256	\$754,420	\$792,740	\$1,114,142
H. Ch 175 in Excess of \$383,747	\$0	\$0	\$0	\$0	\$0	\$5,849	\$97,848	\$69,168	\$159,524	\$223,414	\$294,509	\$370,673	\$408,993	\$730,395
I. Ch 175 Rev Between 197,995 and 383,747	\$32,393	\$52,912	\$118,919	\$170,994	\$185,752	\$185,752	\$185,752	\$185,752	\$185,752	\$185,752	\$185,752	\$185,752	\$185,752	\$185,752
J. Ch 185 Rev for Yr	\$312,057	\$369,434	\$368,435	\$436,376	\$446,407	\$440,568	\$423,835	\$454,482	\$511,121	\$575,971	\$638,255	\$670,489	\$670,489	\$670,489
K. Ch 185 Rev in Excess of \$446,407	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,075	\$64,714	\$129,564	\$191,848	\$224,082	\$224,082	\$224,082
L. Ch 185 Rev between \$306,927 and \$446,407	\$5,130	\$62,507	\$61,508	\$129,449	\$139,480	\$133,641	\$116,908	\$139,480	\$139,480	\$139,480	\$139,480	\$139,480	\$139,480	\$139,480
M. Benefit Enhancement Percentage														
Total PV of Bft Enhancement														
Fire	\$0	\$0	\$0	\$0	\$113,091	\$175,662	\$301,392	\$285,479	\$209,589	\$232,652	\$291,590	\$319,529	\$441,329	\$516,201
Police	\$0	\$0	\$0	\$0	\$102,462	\$148,724	\$200,938	\$191,967	\$135,549	\$146,480	\$161,109	\$161,109	\$161,109	\$161,109
Police Excess State Monies Reserve	\$0	\$0	\$0	\$0	\$10,629	\$26,958	\$100,454	\$93,512	\$74,040	\$86,172	\$130,481	\$130,481	\$130,481	\$130,481
N. Account at EOY (A + C + D + H - N)	\$37,523	\$160,034	\$380,945	\$770,148	\$1,062,969	\$1,294,696	\$1,523,282	\$1,527,097	\$1,652,608	\$2,237,977	\$2,798,878	\$3,435,550	\$3,986,112	\$4,621,127
Fire (A + C + H + I - N)	\$32,393	\$91,427	\$222,049	\$444,780	\$574,664	\$661,962	\$810,820	\$817,827	\$947,407	\$1,364,520	\$1,825,582	\$2,551,786	\$3,337,915	\$4,170,121
Police (A + C + L - N)	\$5,130	\$68,607	\$158,896	\$325,368	\$468,305	\$632,734	\$712,462	\$709,270	\$705,201	\$873,457	\$973,296	\$1,203,292	\$1,433,019	\$1,784,631
O. Police Excess State Monies Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,075	\$72,769	\$202,353	\$394,201	\$618,283	\$842,365	\$1,066,447
P. Police Excess State Monies Reserve if Interest was Credited	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,075	\$71,998	\$213,297	\$427,328	\$691,152	\$967,070	\$1,316,387
Q. Cumulative Lost Interest on Excess Reserve for Police	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-\$791	\$10,944	\$33,127	\$72,869	\$124,705	\$249,941

wed 9/3/2007