

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

**Minutes of Investment/Strategy Meeting
January 27, 2010**

Members: Off. Chuck Jeroloman, Chief Ralph Phillips, Sgt. Brady Myers, Lt. Joe Liguori, Lt. Jim Tabek, Commissioner Adam Frankel, Mel Sacharow

Anne Woods, Plan Administrator

Absent: Chief Greg Giaccone, Asst. City Manager Doug Smith

Guests: Mike Welker, Bogdahn Consulting

Portfolio Overview and Investment Strategy

Off. Jeroloman, Chairman, called the meeting to order at 1:35pm. A roll call was taken of members and guests.

1. Reports: Mike Welker, Bogdahn Consulting

Flash Report for Quarter Ending 12/31/2009: Total Fund (Net) \$106,606,000

<u>Allocation</u>	<u>Market Value(\$)</u>	<u>Allocation(%)</u>
Domestic Equity	49,643,628	46.6
International Equity	14,936,830	14.0
Domestic Fixed Income	25,670,080	24.1
Real Estate	6,868,320	6.4
Timber	6,373,749	6.0
Cash Equivalent	3,113,311	2.9

Performance: For the month of December, net of fees, the portfolio earned a 1.35% return (benchmark 1.09%). The fund was up 3.7% for the first quarter (benchmark 3.4%).

Investment Manager(s): The transition from Pioneer to Larzard was completed and the account has been funded as of the first week in January.

Asset Allocation and Performance:

	<u>Market Value(\$000)</u>	<u>Alloc.(%)</u>	<u>Perform(%)</u>	<u>Index (%)</u>
<i>Domestic Equity</i>	51,392	48.21	6.51	5.90
Pioneer	5,051	4.74	3.75	5.21
Delaware	14,901	13.98	7.29	4.22
ICC – Multi Cap	11,830	11.10	5.90	3.67
DG Capital	9,506	8.92	2.85	7.94
Rigel	10,104	9.48	6.89	7.94

	<u>Market Value(\$000)</u>	<u>Alloc.(%)</u>	<u>Perform(%)</u>	<u>Index(%)</u>
<u>International Equity</u>	14,967	14.04	3.90	2.22
WH&V	3,763	3.53	9.60	2.22
Voyageur	7,534	7.07	1.53	2.22
<u>Total Fixed Income</u>	26,315	24.68	0.49	0.77
ICC – Fixed	21,526	20.19	0.05	0.53
Mutual of America	4,789	4.49	2.51	2.14
<u>Real Estate</u>				
Quadrant	2,864	2.69	7.79	2.06
American Realty	4,004	3.76	-4.22	-3.40
<u>Timber</u>				
AmSouth	3,325	3.12	1.37	N/A
Molpus Woodlands	3,048	2.86	0.00	N/A

Comments/Investment Strategy:

Rigel:

- Due to market depreciation and a reduction in their client base, Rigel has experienced a downturn in assets from \$2.5 billion to \$700 million.
- At this point in time, there would be no recommendation to terminate Rigel. Monitoring and updates would be provided on a monthly basis.
- Management team turnovers.
- ICC Capital would be asked to attend the February 17th meeting and Rigel for the March 17th meeting.

DG Capital:

- Due to higher quality investments the portfolio under-performed for the quarter. Commodity bent portfolio with a large cash position.
- DG has maintained their asset base, and the management team/process has not changed.

Mr. Welker stated that due to the positions and diversifications held within the portfolio, two (2) growth managers under-performed (collectively 3% relative to the index) but the domestic equity portfolio out-performed the index by 61bps. The present international allocation is 5% with a target of 25%. ICC and DG (as well as other domestic managers) have an international component to their portfolio.

Index:

After discussion, Lt. Liguori made the suggestion to transfer half of the DG (\$9,506,000) and Rigel (\$10,104,000) portfolios to an index. Mr. Welker stated that the monies could be transferred to an I-Share Russell 1000 Value Index.

Lt. Liguori made the motion to transfer half of DG Capital and Rigel portfolios to an I-Share Russell 1000 Value Index. Sgt. Myers seconded the motion. None opposed.

ICC Fixed Income:

Over the last year, the ICC earned 4.73% when the index was up 6%. Most fixed income managers realized double-digit returns in 2009. The under-performing asset class in 2010 would probably be fixed income. Mr. Welker's suggestion was to transfer 5% of the ICC portfolio (\$21,526,000) to a Merging Market Debit. ICC would be asked to attend the February 17th meeting to discuss their future investment strategy, and at that same time educational materials would be provided on Merging Market Debit. Further discussion of this topic would be placed on the February 17th agenda.

Commission Frankel requested that Mr. Welker provide a 2009 summary showing the performance and growth of the plan, which he would then present to the City Commission.

International:

Half of the international component of the plan is the Voyager portfolio (7.5%). The Wentworth, Hauser & Violich (WHV) portfolio (3.75%) and the international index (3.75%) total the 15% international allocation. The City's contribution and the other half of the WHV (3.75%) portfolio were used to fund the international index. Mr. Welker suggested that no changes or additions to the international allocation be made at this time.

Sgt. Myers made the motion to leave the monies in the index fund, and not proceed with the international manager search. Mr. Sacharow seconded the motion. None opposed.

Mr. Welker stated that at a recent conference, a number of the trustees had heard a presentation made by PNC Bank. PNC owns an alternative investment manager that offers a commodities long-short product called 'Managed Futures'. He suggested that the Board consider scheduling PNC for educational purposes only and he would provide the educational material for review. Mr. Myers made the motion authorizing Mr. Welker to schedule an educational presentation with PNC. Chief Phillips seconded the motion. None opposed.

DROP Plan: Investment Performance Review (Period Ending 12/31/2009)

The transition was completed the first week of January, and the market value was \$10,282,117. Bogdahn will be monitoring the international allocation.

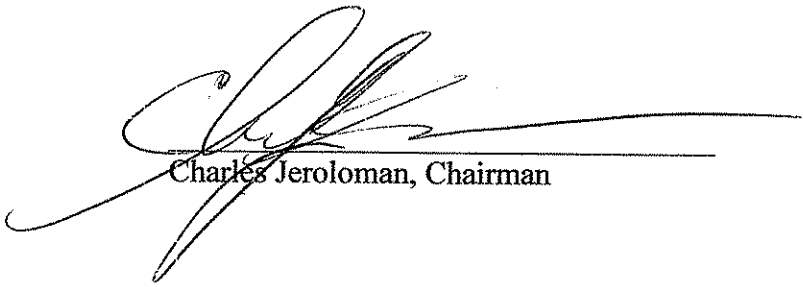
Bogdahn Consulting – Liability Insurance:

Off. Jeroloman stated that the liability insurance (\$5m coverage w/\$150,000 deductible) is standard, and the Board should agree to accept the stated terms. The Board agreed to take a straw poll: Myers-Yes, Phillips-Yes, Frankel-Yes, Sacharow-Yes, Liguori-Yes, Jeroloman-Yes, Tabeek-Yes.

Meeting adjourned at 2:55pm.

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 Investment/Strategy Meeting of said body for January 27, 2010 which minutes are formally approved and adopted by the Police and Firefighters' Retirement System, Board of Trustees on February 17, 2010.



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
 Police & Fire Departments Asst. City Attorney, T. Pyburn