

**MINUTES OF A REGULAR MEETING OF THE BOARD OF TRUSTEES OF THE EMPLOYEES' RETIREMENT SYSTEM HELD IN THE CONFERENCE ROOM AT CITY HALL ON WEDNESDAY, MARCH 29, 2000 AT 1:30 PM.**

**I. ROLL CALL:**

**A. Employees' Retirement Board:**

The Chairman called the meeting to order at 1:32 PM.

Trustees present were Mayor Thomas Ramiccio (Chairman), Vice Chairman John Charest, Finance Director Chuck Powers and Messrs. Robert Lepa and Pat Testa. Also present were Board Attorney Robert A. Sugarman and Recording Secretary Valerie Hurley, City Clerk's Office.

**1. Elect Vice Chairman of Board of Trustees.**

Mr. Powers nominated Mr. Charest; there were no other nominations.

Action: It was moved by Mr. Lepa, seconded by Mr. Powers, to appoint Mr. John Charest as Vice Chairman.

Vote: All Aye.

**II. ADDITIONS/DELETIONS/REORDERING:**

**A. Employees' Retirement Board:**

None.

**B. Pertained to Police Retirement Board.**

**C. Employees' and Police Retirement Boards:**

Action: It was moved by Mr. Testa, seconded by Mr. Charest, to waive the rules to reorder New Business item C.1. to be heard upon Mr. Callaway's arrival and to reorder New Business item C.2. to follow Unfinished Business item A.1.; and to approve the agenda as set at this time.

Vote: All Aye.

### III. UNFINISHED BUSINESS:

#### A. Employees' Retirement Board:

1. **Receive and file letter dated February 22, 2000, from Kenneth R. Harrison, Esq., Sugarman & Susskind; letter dated February 29, 2000, from Robert A. Sugarman, Esq., Sugarman & Susskind; and letter dated February 29, 2000, from Robert A. Sugarman, Esq., Sugarman & Susskind, to Patricia E. Thorne, Esq., re Charles B. Shelnett's claim for duty disability benefits.**

Risk Manager Dave Murphy distributed a letter from McCreary Corporation, the City's worker's comp carrier, regarding Mr. Shelnett's claim and explained that McCreary Corporation was controverting Mr. Shelnett's total disability claim. The Board Attorney said that to date Mr. Shelnett had not applied for disability benefits.

Action: It was moved by Mr. Powers, seconded by Mr. Testa, to receive and file the letter dated February 22, 2000, from Kenneth R. Harrison, Esq., Sugarman & Susskind; the letter dated February 29, 2000, from Robert A. Sugarman, Esq., Sugarman & Susskind; and the letter dated February 29, 2000, from Robert A. Sugarman, Esq., Sugarman & Susskind, to Patricia E. Thorne, Esq., re Charles B. Shelnett's claim for duty disability benefits.

Vote: All Aye.

2. **Receive and file letter dated February 24, 2000, from Robert A. Sugarman, Esq., Sugarman & Susskind, to Nolan Keith Nicholson, advising that the Retirement System is a "defined benefit retirement plan" within the meaning of Section 414(j) of the Internal Revenue Code.**

Action: It was moved by Mr. Powers, seconded by Mr. Testa, to receive and file the letter dated February 24, 2000, from Robert A. Sugarman, Esq., Sugarman & Susskind, to Nolan Keith Nicholson, advising that the Retirement System is a "defined benefit retirement plan" within the meaning of Section 414(j) of the Internal Revenue Code.

Vote: All Aye.

**(V. NEW BUSINESS:)**

**(C. Employees' and Police Retirement Boards:)**

**(2.) Annual review of disability retirees.**

Risk Manager Dave Murphy had provided copies of a spreadsheet listing those individuals who currently were eligible for and receiving the City's Duty and Non-Duty Disability Retirement benefits; it was noted that W. Patrick Owens and Bobby Lindsay had provided the necessary information.

Action: It was moved by Mr. Powers, seconded by Mr. Testa, to receive and file the Duty Disability Review information provided by W. Patrick Owens and Bobby Lindsay; and to continue their disability retirement status without interruption.

Vote: All Aye.

**(1.) Mr. Michael Callaway, Vice President, Merrill Lynch Consulting Services, to review:**

**a) fund evaluation for quarter ending December 31, 1999 and for calendar year January 1, 1999 – December 31, 1999.**

Mr. Callaway advised that, as of December 31, 1999, the fund had a total market value of \$75,051,710, including accrued income. This represented an increase in value from the previous quarter of \$4,051,390; the fund earned \$4,051,390 and there was no cash flow.

As of December 31, 1999, 61.8% of the total fund was invested in equities, 37.3% was invested in bonds, and 0.9% in cash and equivalents. The current allocation to stocks was more aggressive than the average fund in Merrill Lynch's (ML's) balanced fund sample which had 57.0% of its assets invested in stocks.

The total fund earned a 5.7% return for the quarter, which ranked in the bottom 44% of other funds in ML's sample. For the December 1999 quarter, major stock indexes showed strong returns due to a surge in the price of a limited set of favored growth stocks (mostly technology). The S&P 500, which was very heavily weighted to the largest capitalization stocks, returned 14.9%, while the broader Wilshire 5000 returned 18.3%. Price improvements were very uneven, and numerous good quality stocks whose earnings prospects were subdued (generally value-type stocks), not only failed to participate in the rally but experienced price declines. The surge by technology stocks had caused the divergence between growth indexes and value indexes to widen even further. Investor

appetite for technology stocks was evident across all market capitalization sectors. The Russell 2000 index of small caps returned 18.4% for the quarter vs. the Russell 2000 Growth index of 33.4%.

In foreign equity markets, the MSCI EAFE index returned 17.1% for the December 1999 quarter, in US dollars. Rebounding from the previous slow quarters, the major economies of Europe produced very strong market returns for the quarter (e.g. Germany + 27.0% and UK + 10.1%). The Pacific markets also performed well, and the strengthening yen helped Japan's return of 15.5%.

Bond prices declined in the December quarter, for the fifth consecutive quarter. The economy showed no signs of slowing, and the Federal Reserve again raised rates in November by ¼%. The ML Domestic Master index produced a -0.2% return for the quarter. Positive returns were only available at the extremely short-term segment of the maturity range.

The total fund was up less than the target index of 7.4% this quarter, despite the greater than 50% allocation to the equity portfolio in a strong equity market. The equity portfolio return of 9.7% underperformed the S&P 500 of 14.9%, while the bond portfolio trailed the ML Intermediate Bond index of 0.1% with a -0.2% return.

The Davis Hamilton equity portfolio had another successful quarter, returning 18.1%, up substantially more than the S&P 500 of 14.9%, thanks to their heavy allocation to the technology sector, representing 37% of the equity portfolio at the end of the quarter. Davis Hamilton was also very successful in their capital goods stocks, many of which earned technology-like returns. The S&P/BARRA Growth index earned 19.7% for the quarter.

STI's total portfolio return of -0.8% ranked in the bottom 1%. The High Grade Equity Income Fund had yet another miserable quarter. The fund's return of -2.3% vastly underperformed the S&P/BARRA Value of 9.0%. In several sectors in which the market was up, STI suffered heavy declines. Consumer cyclicals were particularly hard hit as JC Penney continued its tumble. Financial stocks were down sharply in the portfolio due to STI holdings of interest rate sensitive bank stocks. STI's small allocation to technology in this fund provided no upside as both Raytheon and Xerox owned in the portfolio lost 45% of their value and were sold. The US Small Cap Fund return of 1.9% did not come close the Russell 2000 of 18.5%, while STI's International Equity Fund posted just 6.0% vs. 17.1% for the EAFE.

For the year ended December 31, 1999, the total return of 8.3% ranked in the top 47% of ML's balanced fund sample. The target index returned 10.7%. Davis Hamilton's strong return of 16.2% in the last year offset STI's performance deficit to some extent, (total return of -1.1%) and allowed the total fund to rank above average.

For the three-year period ended December 31, the annualized return of 15.5% ranked in the top 37%, but lagged the target of 16.6%. The composite equity portfolio trailed the S&P 500 by a 4.5% margin. In the five-year period, the investment performance was above average, in the top 42%.

In response to Mr. Lepa, Mr. Callaway stated that he had never recommended firing the value managers and still would not make such a recommendation, even though the market had favored growth managers the last several years. Mr. Callaway explained that the allocation between equities, which had a maximum of 60%, and bonds was a board decision.

Mr. Callaway recommended investing in an international portfolio, emphasizing the advantages of diversification. He noted that the Police were limited to investing 10% of the fund internationally.

After a period of questions and answers, the Trustees agreed to accept and file the Performance Monitor's report.

Mr. Larry Cole, STI Capital Management, explained that the run in technology stocks had distorted the value market and there currently were two value styles: deep value and broad value, noting that STI was deep value. He further explained that the three SunTrust Investment owned subsidiaries (Camco, Richmond, Virginia; Trusco, Atlanta, Georgia; and STI Capital Management, Orlando, Florida) had merged, but there would be no changes in the value team. As a result of the merger, he would have access to the broad value style, which he planned to research and possibly invest a portion in broad value.

(At this time, the Mayor left the meeting, relinquishing the Chair to Vice Chairman Charest.)

Mr. Jack Hamilton, Davis Hamilton Jackson & Associates, pointed out that, since being hired in 1992, their portion of the portfolio had increased from \$10 million to \$43 million. He explained that Davis Hamilton was more diversified and not deep growth, adding that they would not invest 60% in technology. Mr. Hamilton corrected Mr. Callaway's observation that Davis Hamilton's equity portfolio of 63.9% exceeded 60% of the plan's assets at market value, noting that the Investment Policy specified cost rather than market value, which put the equity portfolio under 60%.

Mr. Powers believed the Board should seriously consider STI's performance if Mr. Callaway continued to point out that part of the reason for their poor performance was stock selection.

Discussion ensued regarding rebalancing the fund and it was decided to delay rebalancing the fund if no transfers had been made.

Action: It was moved by Mr. Powers, seconded by Mr. Testa, to delay rebalancing the fund and to direct Mr. Callaway to submit recommendations for international managers.

Vote: 4 – Aye; Mayor Ramiccio not present.

**b) time period required to calculate return at the end of a quarter.**

In regards to lump sum payments of DROP contributions within 30 days of the end of a quarter, Mr. Callaway explained that the returns were calculated from data received from the custodian, adding that the returns could be calculated within several days of the receipt of the data and the data for January had been extremely delayed.

**B. Pertained to Police Retirement Board.**

**C. Employees' and Police Retirement Boards:**

- 1. Consider amendment to Pension Code to allow first benefit payment to be pro-rated under Payment of benefits (Employees-Section 16-34(b); and Police-Section 16-145(b)).**

Action: It was moved by Mr. Powers, seconded by Mr. Testa, to submit to the City Commission for consideration the proposed amendment to the Pension Code, allowing the first benefit payment to be pro-rated under Payment of benefits (Employees-Section 16-34(b); and Police-Section 16-145(b)).

Vote: 4 – Aye; Mayor Ramiccio not present.

**IV. NEW BUSINESS:**

**A. Employees' Retirement Board:**

- 1. Consider request for transfer of pension contributions from General Employees' Retirement System to the Police Retirement System for John Pope and Diane Montante.**

Action: It was moved by Mr. Powers, seconded by Mr. Testa, to authorize the transfer of pension contributions from the General Employees' Retirement System to the Police Retirement System for John Pope and Diane Montante.

Vote: 4 – Aye; Mayor Ramiccio not present.

- 2. From Anatole Bezugly, Utilities Department, requesting entrance into Deferred Retirement Option Plan (DROP), effective February 29, 2000.**

Action: It was moved by Mr. Powers, seconded by Mr. Testa, to grant the request of Anatole Bezugly, Utilities Department, for regular retirement, based on the Rule of 75, and entrance into the Deferred Retirement Option Plan (DROP) effective February 29, 2000.

Vote: 4 – Aye; Mayor Ramiccio not present.

- 3. From Holly B. Johnson, Utilities Department, requesting entrance into Deferred Retirement Option Plan (DROP), effective March 22, 2000.**

Action: It was moved by Mr. Powers, seconded by Mr. Testa, to grant the request of Holly B. Johnson, Utilities Department, for regular retirement, based on the Rule of 20-years and Out, and entrance into the Deferred Retirement Option Plan (DROP) effective March 22, 2000.

Vote: 4 – Aye; Mayor Ramiccio not present.

**B. Pertained to Police Retirement Board:**

**C. Employees' and Police Retirement Boards:**

- 1. Mr. Michael Callaway, Vice President, Merrill Lynch Consulting Services, to review:**
  - a) fund evaluation for quarter ending December 31, 1999 and for calendar year January 1, 1999 – December 31, 1999.**

Considered earlier in the meeting.

- b) time period required to calculate return at the end of a quarter.**

Considered earlier in the meeting.

**2. Annual review of disability retirees.**

Considered earlier in the meeting.

- 3. Receive and file letter dated February 29, 2000, from Robert A. Sugarman, Esq., Sugarman & Susskind, forwarding amended DROP Rules.**

Action: It was moved by Mr. Powers, seconded by Mr. Testa, to receive and file the letter dated February 29, 2000, from Robert A. Sugarman, Esq., Sugarman & Susskind, forwarding the amended DROP Rules.

Vote: 4 – Aye; Mayor Ramiccio not present.

- 4. Receive and file letter dated February 29, 2000, from Robert A. Sugarman, Esq., Sugarman & Susskind, to Ray Velazquez, Labor Attorney, City of Lake Worth, re forfeiture of pension benefits.**

Action: It was moved by Mr. Powers, seconded by Mr. Testa, to receive and file the letter dated February 29, 2000, from Robert A. Sugarman, Esq., Sugarman & Susskind, to Ray Velazquez, Labor Attorney, City of Lake Worth, re the forfeiture of pension benefits.

Vote: 4 – Aye; Mayor Ramiccio not present.

**V. CONSENT AGENDA:**

**A. Employees' Retirement Board:**

Action: It was moved by Mr. Powers, seconded by Mr. Testa, to approve the Consent Agenda (A), in its entirety, as follows:

- 1. Approve minutes of February 23, 2000 Regular Meeting, as submitted.**



2. **Authorize payment of invoice from Sugarman & Susskind, dated March 3, 2000, in amount of \$750.00 for retainer fee for month of March 2000.**
3. **Authorize payment of invoice from Gabriel, Roeder, Smith & Company, dated February 29, 2000, in amount of \$3,354.00 for second of three payments for October 1, 1999 Actuarial Valuation Report calculated as 25% of fee for last Report (\$13,416).**

Vote: 4 – Aye; Mayor Ramiccio not present.

**B. Pertained to Police Retirement Board.**

**C. Employees' and Police Retirement Boards:**

Action: It was moved by Mr. Powers, seconded by Mr. Testa, to approve Consent Agenda (C), in its entirety, as follows:

1. **Ratify refunds of pension contributions as reported by Finance Department, as follows:**

Checks Disbursed 2/24/00:

William G. Wolfe, Utilities – Line Department, 9M/1D, \$2,472.71, separated from service 2/11/00.

Checks Disbursed 3/9/00:

Alton Robinson, Public Works – Parks Department, 12Y/5M/14D, \$17,376.38, separated from service 3/2/00.

Mariehelena Morrie, Police Department, 4Y/10M, \$7,003.50, separated from service 2/26/00.

Arelis Afanador, Utilities – Customer Service, 7M/21D, \$583.96, separated from service 2/11/00.

Vote: 4 – Aye; Mayor Ramiccio not present.

Board Attorney Robert Sugarman reported that he had received a letter from Mr. Lepa regarding his employer, A.G. Edwards & Sons, working for the Board. He explained that the Board could prohibit A.G. Edwards from providing brokerage or investment management services to the Board or the Board could limit any brokerage commission with A.G. Edwards to \$250 per year for each investment manager. A.G. Edwards was not precluded from providing services to the Police or Firefighters' Retirement Systems or the City itself.

CONSENSUS was to direct the Board Secretary to inform Davis Hamilton Jackson & Associates and STI Capital Management that any brokerage commission with A.G. Edwards & Sons was limited to \$250 per year.

**VI. ADJOURNMENT:**

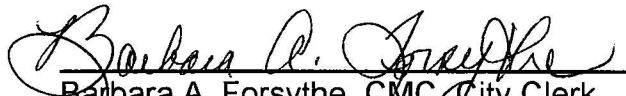
**A. Employees' Retirement Board:**

The meeting adjourned at 3:22 PM by unanimous vote of those members present, on a motion by Mr. Testa, seconded by Mr. Powers.

**MINUTES APPROVED:** 4/26/00



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Mayor Thomas M. Ramiccio, Chair  
Employees' Retirement Board



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Barbara A. Forsythe, CMC, City Clerk  
Secretary, Employees' Retirement Board

A tape recording of this meeting will be available in the Office of the City Clerk for two years after approval of these minutes.

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