

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

I. ROLL CALL:

B. Police Retirement Board:

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

Trustees present were Mayor Thomas Ramiccio (Chairman), Deputy Chief Patrick Hampshire (Vice Chairman), Finance Director Chuck Powers, and Lt. Kenneth White (arriving at 1:38 PM). Also present were Board Attorney Robert Sugarman and Recording Secretary Valerie Hurley, City Clerk's Office.

II. ADDITIONS/DELETIONS/REORDERING:

A. Pertained to Employees' Retirement Board.

B. Police Retirement Board:

None.

C. Employees' and Police Retirement Boards:

Action: It was moved by Deputy Chief Hampshire, seconded by Mr. Powers, 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: 4 - Aye.

III. UNFINISHED BUSINESS:

A. Pertained to Employees' Retirement Board:

(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 Perry Shaver, Bradley Cummings, Donald Smith, Keith Mendenhall, Bruce Stoller, George Irvin and Daniel Lynch had provided the necessary information.

Action: It was moved by Mr. Powers, seconded by Deputy Chief Hampshire, to receive and file the Duty Disability Review information provided by Perry Shaver, Bradley Cummings, Donald Smith, Keith Mendenhall, Bruce Stoller, George Irvin and Daniel Lynch; and to continue their disability retirement status without interruption.

Vote: 4 - 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 \$21,962,420, including accrued income. This represented an increase in value from the previous quarter of \$1,440,140; the fund earned \$1,439,886 and received a \$254 contribution.

As of December 31, 1999, 62.2% of the total fund was invested in equities, 36.9% 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 7.0% return for the quarter, which ranked in the top 48% 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 $\frac{1}{4}\%$. 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 slightly 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 12.0% 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 18.5%, 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 2.2% ranked in the bottom 14%. 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 Limited Cap Fund return of 35.8% beat the Russell 2000 of 18.5% giving the equity portfolio a much needed boost.

For the year ended December 31, 1999, the total return of 10.1% ranked in the top 36% 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 2.9%) and allowed the total fund to rank above average.

For the three-year period ended December 31, the annualized return of 16.4% ranked in the top 32% and exceeded the target of 16.6%. The composite equity portfolio trailed the S&P 500 by a 2.8% margin. In the five-year period, the investment performance was above average, in the top 36%.

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 Hampshire.)

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 Lt. White, to delay rebalancing the fund and to direct Mr. Callaway to submit recommendations for international managers.

Vote: 3 – 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. Police Retirement Board:

- 1. Receive and file letter dated February 22, 2000, from Kenneth R. Harrison, Esq., Sugarman & Susskind, re computing pension benefit offset from worker's compensation settlement for Officer Bruce Stoller.**

Action: It was moved by Mr. Powers, seconded by Lt. White, to receive and file the letter dated February 22, 2000, from Kenneth R. Harrison, Esq., Sugarman & Susskind, re computing the pension benefit offset from the worker's compensation settlement for Officer Bruce Stoller.

Vote: 3 – Aye; Mayor Ramiccio not present.

- 2. Receive and file letters dated February 25, 2000 and February 29, 2000, from Kenneth R. Harrison, Esq., Sugarman & Susskind, to Milton A. Galbraith, City Attorney, City of Lake Worth, re proposed amendments to Pension Code to comply with Chapter 185 amendments.**

Action: It was moved by Mr. Powers, seconded by Lt. White, to receive and file the letters dated February 25, 2000 and February 29, 2000, from Kenneth R. Harrison, Esq., Sugarman & Susskind, to Milton A. Galbraith, City Attorney, City of Lake Worth, re the proposed amendments to the Pension Code to comply with Chapter 185 amendments.

Vote: 3 – Aye; Mayor Ramiccio not present.

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 Lt. White, 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: 3 – Aye; Mayor Ramiccio not present.

V. NEW BUSINESS:

A. Pertained to Employees' Retirement Board.

B. Police Retirement Board:

- 1. Consider accepting John Pope and Diane Montante's pension contributions from the General Employees' Retirement Fund to the Police Retirement System.**

Action: It was moved by Mr. Powers, seconded by Lt. White, to accept John Pope and Diane Montante's pension contributions from the General Employees' Retirement Fund to the Police Retirement System.

Vote: 3 – Aye; Mayor Ramiccio not present.

- 2. Receive and file letter dated March 6, 2000, from Kenneth R. Harrison, Esq., Sugarman & Susskind, re rule change from the Department of Insurance.**

Action: It was moved by Mr. Powers, seconded by Lt. White, to receive and file the letter dated March 6, 2000, from Kenneth R. Harrison, Esq., Sugarman & Susskind, re a rule change from the Department of Insurance.

Vote: 3 – Aye; Mayor Ramiccio not present.

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 Lt. White, seconded by Mr. Powers, to receive and file the letter dated February 29, 2000, from Robert A. Sugarman, Esq., Sugarman & Susskind, forwarding the amended DROP Rules.

Vote: 3 – 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 Lt. White, 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: 3 – Aye; Mayor Ramiccio not present.

VI. CONSENT AGENDA:

A. Pertained to Employees' Retirement Board.

B. Police Retirement Board:

Action: It was moved by Mr. Powers, seconded by Lt. White, to approve Consent Agenda (B), 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 \$1,100.00 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 \$837.00 for second of three payments for October 1, 1999 Actuarial Valuation Report calculated as 25% of fee for last Report (\$3,348).**

Vote: 3 – Aye; Mayor Ramiccio not present.

C. Employees' and Police Retirement Boards:

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

Action: It was moved by Mr. Powers, seconded by Lt. White, 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 3/9/00:

Robert Peitz, Police Department, 1Y/5M/4D, \$2,895.02, separated from service 2/25/00.

Tristram R. Moore, Police Department, 1Y/5M/9D, \$2,895.52, separated from service 3/1/00.

Vote: 3 – Aye; Mayor Ramiccio not present.


VII. ADJOURNMENT:

B. Police Retirement Board:

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

MINUTES APPROVED:

4/26/00



Mayor Thomas M. Ramiccio, Chair
Police Retirement Board



Valerie Hurley, Recording Secretary
Police 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.