Consent - A- 8
ERB
12/12/01

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, NOVEMBER 29, 2000 IMMEDIATELY FOLLOWING 10:00 A.M. SPECIAL MEETING.

I. ROLL CALL:

A. Employees' Retirement Board:

The Chairman called the meeting to order at 12:44 PM.

Trustees present were Mayor Thomas Ramiccio (Chairman), Vice Chairman John Charest, Finance Director Chuck Powers, and Pat Testa; Robert Lepa was absent. Also present were Kenneth Harrison, Esquire, sitting in for Board Attorney Robert A. Sugarman, and Recording Secretary Valerie Hurley, City Clerk's Office.

II. ADDITIONS/DELETIONS/REORDERING:

A. Employees' Retirement Board:

None.

B. Pertained to Police Retirement Board.

C. Employees' and Police Retirement Boards:

None.

III. UNFINISHED BUSINESS:

A. Employees' Retirement Board:

None.

B. Pertained to Police Retirement Board:

C. Employees' and Police Retirement Boards:

1. **From Michael Callaway, Vice President, Merrill Lynch Consulting Services, re Investment Policy addendum to comply with Senate Bill 372.**

The Board Attorney distributed a letter explaining changes that were required to comply with Chapter 112 of the Florida Statutes.

Action: It was moved by Mr. Powers, seconded Mr. Testa, to adopt the Investment Policy addendum, with the discussed changes, effective immediately.

Vote: 4 – Aye; Mr. Lepa absent.

2. Consider proposed amendment to Pension Code concerning severance benefits and alternate designated beneficiary options.

Action: It was moved by Mr. Powers, seconded by Mr. Charest, to submit to the City Commission for consideration severance benefits and alternate designated beneficiary options and to request an actuarial study of the proposed amendment to the Pension Code.

Vote: 4 – Aye; Mr. Lepa absent.

3. Consider letter dated November 22, 2000, from J. Stephen Palmquist, Actuary, Gabriel, Roeder, Smith & Company, re the cost impact for including Retained Sick Leave (maximum 480 hours) and Vacation Leave (maximum 288 hours) when calculating pension benefits for employees eligible to retire in the next five years.

Mr. Danny Derringer, Utilities Department, pointed out that the City's contributions for fiscal year 2001-2002 were 4.78%, 12.09%, and 14.56% of payroll for Employees, Police, and Fire, respectively. He requested, based on the increase in the City's contribution each year of 2.27% ($254,412) for Employees and 2.03% ($78,002) for Police (amortized over 30 years), that the Boards approve the change. It was noted that the cost per year for the proposed change to apply to all employees, rather than just those eligible to retire in the next five years, was 3.92% ($438,764) for Employees and 4.42% ($169,867) for Police (amortized over 30 years).

The Board Attorney explained that the amount of the City's contributions depended upon the performance of the funds.

Mr. Powers explained that the Pension Code was changed to eliminate the inclusion of Vacation Leave and Retained Sick Leave, along with overtime, when calculating pension benefits (in 1978 or 1979) in order to decrease the City's cost.

Action: It was moved by Mr. Charest, seconded by Mr. Testa, to table the request until the December 20, 2000 meeting and to determine a funding source.

Vote: 4 – Aye; Mr. Lepa absent.

(The meeting recessed at 1:21 p.m. and reconvened at 1:42 p.m., with everyone present as before.)

IV. NEW BUSINESS:

A. Employees' Retirement Board:

1. **From Doris A. Kimberly, Building, Planning & Zoning Department, requesting regular retirement based on the Rule of 75, effective January 2, 2001.**

Action: It was moved by Mr. Powers, seconded by Mr. Testa, to grant, with regret, the request of Doris A. Kimberly, Building, Planning & Zoning Department, for regular retirement, based on the Rule of 75, effective January 2, 2001.

Vote: 4– Aye; Mr. Lepa absent.

B. Pertained to Police Retirement Board:

C. Employees' and Police Retirement Boards:

None.

V. CONSENT AGENDA:

A. Employees' Retirement Board:

Action: It was moved by Mr. Powers, seconded by Mr. Testa, to approve the Consent Agenda (A), less item 3., as follows:

1. **Authorize payment of invoice from Sugarman & Susskind, dated November 1, 2000, in amount of $750.00 for retainer fee for month of November 2000.**

2. **Authorize payment of invoice from Davis Hamilton Jackson & Associates, dated October 20, 2000, in amount of $39,033.67 for Investment Manager services for period ending September 30, 2000.**

3. **(Pulled for discussion.)**

4. Authorize payment of invoice from Gabriel, Roeder, Smith & Company, dated October 31, 2000, in amount of $3,467.00 for first of three payments for October 1, 2000 Actuarial Valuation Report calculated as 25% of fee for last Report ($13,868).

Vote: 4 – Aye; Mr. Lepa absent.

ITEM REMOVED FROM CONSENT AGENDA FOR DISCUSSION:

3. Authorize payment of invoice from SunTrust Corporate Employee Benefits Division, dated November 3, 2000, in amount of $40,834.04 for Investment Manager services for period ending September 30, 2000.

Action: It was moved by Mr. Powers, seconded by Mr. Charest, to postpone payment of the invoice in the amount of $40,834.04 from SunTrust Corporate Employee Benefits Division until the Finova bond settlement was resolved.

Vote: 4 – Aye; Mr. Lepa absent.

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. Authorize renewal of Florida Public Pension Trustees Association (FPPTA) membership for an annual fee of $300.00.

Vote: 4 – Aye; Mr. Lepa absent.

Action: It was moved by Mr. Powers, seconded by Mr. Testa, to waive the rules to add an item to the agenda.

Vote: 4/0 – Aye; Mr. Lepa absent.

(Added) Mr. Michael Callaway, Vice President, Merrill Lynch Consulting Services, to review fund valuation for quarter ending September 30, 2000.

As of September 30, 2000, the fund had a total market value of $75,011,060, including accrued income. This represented an increase in value from the previous quarter of $542,030. The total fund earned $1,767,030 for the quarter and paid out $1,225,000.

As of September 30, 58.7% of the total fund was invested in equities, 40.4% in bonds and 0.9% in cash and equivalents. The allocation to stocks was more aggressive than the median fund in the balanced fund sample which had 55.3% of its assets invested in stocks.

For the quarter, the total fund earned a 2.4% return, which ranked in the top 37% of other balanced funds in the sample. The quarter produced mixed results for stocks, while bonds advanced. It was a turbulent time for stocks, where the continuing retreat of technology stocks was offset by gains in other sectors, chiefly financials and mid-capitalization stocks. The shift of investor focus from future potential earnings growth to current earnings caused a sweeping reassessment of technology companies. Steep price declines in many tech stocks including some of the largest, put a damper on the major indexes (which were currently heavily weighted in technology stocks). The S&P 500 index, whose components were relatively light in the better performing mid-cap stocks, recorded a negative –1.0% return for the quarter, which the broader based Russell 3000 eked out a +0.7% return. For portfolios with growth or value styles, the return differences between industry groups generally enabled value styles to outperform growth, while the mid-cap styles might be expected to handily outperform large cap and small cap styles.

In the foreign equity markets, the MSCI EAFE index was off –8.0% for the September 2000 quarter, in US dollars. Global technology weakness, combined with the strength of the dollar were the major influences for the negative returns. For US investors currency weakness of the European markets reduced returns by -2% to -8%. The Pacific region's –9.6% return was dominated by the Japanese market of –10.4% for the quarter.

The Federal Reserve decided to stand pat on interest rates during the quarter, as the impact of its previous six rate hikes seemed to be achieving the desired slowing of the economy towards a "soft landing". The Merrill Lynch Domestic Bond Master index was able to advance +3.0% for the quarter, which included about 1.6% of coupon income.

The total fund outperformed the target index by a substantial 1.5% margin, attributable to the strong performance in the equity portfolio of 2.1% vs. –1.0% for the S&P 500. The composite bond portfolio returned 2.8%, matching the return of the Merrill Lynch Intermediate Government/Corporate Bond index.

The Davis Hamilton equity portfolio bettered the S&P500 with a 0.1% return, but significantly outperformed the S&P/BARRA Growth index of –8.8%. Coupled with an aggressive equity allocation and a solid bond portfolio return, the Davis Hamilton total portfolio returned 1.2% to rank in the bottom 32% of the balanced sample.

STI's total portfolio return of 4.0% ranked in the top 2%. In the equity portfolio, the High Grade Equity Income Fund's return of 6.6% was considerably better than the S&P 500 of –1.0% and yet lagged the S&P/BARRA Value index of 8.8%. In this fund, the financial sector provided strong positive returns. The portfolio was weak in the basic materials sector, as Sonoco and Rohm & Haas were down sharply. The STI Small Cap Value Fund was successful again this quarter. The fund's return of 6.7% outperformed the Russell 2000 of 1.1%, but lagged the Russell 2000 Value of 7.3%. The STI International Equity Index Fund posted a –8.5% return as compared to –8.0% for the EAFE.

STI's bond portfolio returned 2.5% for the quarter, vs. 2.8% for the Merrill Lynch 1 to 10 year bond index. STI sold the downgraded Finova bonds at the end of the quarter, resulting in a significant loss in the portfolio.

For the year ended September 30, the total return of 10.3% ranked in the top 39% of the balanced fund sample. The target index returned 9.9% for the year. Davis Hamilton's strong return of 17.7% in the last year offset STI's performance deficit to some extent, (total return of 0.8%) and allowed the portfolio to rank above average.

For the three-year period ended September 30, the annualized return of 10.5% ranked in the top 40%, but underperformed the target of 11.4%. The composite equity portfolio lagged the S&P 500 by a 2.4% margin. In the two through six-year periods, the investment performance was above average, but underperformed the target index.

VI. ADJOURNMENT:

A. Employees' Retirement Board:

The meeting adjourned at 2:05 PM.

MINUTES APPROVED: 12/12/01

Mayor Rodney G. Romano, Chair
Employees' Retirement Board

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

Minutes transcribed by:
Valerie Hurley, City Clerk's Office

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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