

**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, DECEMBER 4, 2002, AT 1:30 P.M.**

I. ROLL CALL:

A. Employees' Retirement Board:

The Chairman called the meeting to order at 1:42 PM.

Trustees present were Mayor Rodney Romano (Chairman), Finance Director Chuck Powers, Theresa White, and Robert Lepa; Vice Chairman John Charest was absent. Also present were Kenneth Harrison, Esquire, sitting in for Board Attorney Robert 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:

1. Reorder New Business item C.1. from Michael Callaway, Vice President, Merrill Lynch Consulting Services, to review fund valuation for quarter ending September 30, 2002, to follow Additions/Deletions/Reordering.

Action: Motion made by Mr. Lepa and seconded by Mr. Powers to adopt the agenda as modified.

Vote: Voice vote showed: AYES: Mayor Romano, Messrs. Powers and Lepa, and Ms. White. NAYS: None.

D. Pertained to Police Retirement Board:

(IV. NEW BUSINESS:)

(C. Employees' and Police Retirement Boards:)

- (1.) Michael Callaway, Vice President, Merrill Lynch Consulting Services, to review fund valuation for quarter ending September 30, 2002

As of September 30, 2002, the fund had a total market value of \$58,255,970 including accrued income. This represented a decrease in value from the previous quarter of \$5,932,341. The total fund earned -\$4,129,280 and paid out \$1,803,061 in net distributions.

As of September 30, 2002, 45.6% of the total fund was invested in equities including international and small cap equity portfolios, 53.2% in bonds, and 1.2% in cash and equivalents. The allocation to stocks was more conservative than the median fund, which had 48.4% of its assets invested in stocks.

For the quarter, the total fund earned a -6.4% return, which ranked in the top 11% of other balanced funds in the sample.

The total fund outperformed the target index by a 1.9% margin this quarter. The domestic equity portfolio return included the small cap equity mutual funds. The bond portfolio, managed by PIMCO, earned an above average return for the quarter, posting 4.8%. The international equity portfolio was down more than the EAFE of -19.7% with a -20.0% return.

The Davis Hamilton equity portfolio returned -14.8% (including cash) to outperform the -17.3% return for the S&P 500 index, but was slightly down more than the -14.1% return for the S&P/BARRA Growth Index.

The portfolio was somewhat heavily weighted, relative to the S&P 500, in the consumer discretionary and consumer staples sectors, both of which were down less than the overall market.

Lazard Asset Management's value oriented equity portfolio returned -15.2% (including cash). This return finished ahead of the S&P 500 return of -17.3%, and the S&P/BARRA Value index return of -20.5%. Lazard's portfolio consisted of 45 stocks on September 30, 2002, with a weighted average market capitalization of \$72.9 billion vs. \$70.7 billion for the S&P.

The total international equity portfolio's return of -20.0% trailed the -19.7% return of the EAFE index for the quarter. The AIM International Growth Fund returned -19.2% while the Putnam International Fund returned -20.7%. The small/mid cap portfolio fared somewhat better with a -16.6% return as compared to -21.4% for the Russell 2000. The Seligman Capital Fund with a mid cap growth orientation returned -20.2% vs. -17.2% for the Russell MidCap Growth index. The Franklin Balance Sheet Fund (small cap value) was down much less with a -13.4% return.

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

Consensus was to direct Merrill Lynch to rebalance the fund.

Mr. Lepa suggested rebalancing quarterly.

III. UNFINISHED BUSINESS:

A. Employees' Retirement Board:

- 1. Discuss overpayment of pension benefits from Estate of Mary Lou Scott**

Mr. Harrison said his office was in negotiations with the First Union National Bank of Florida's Attorney regarding the recovery of the overpayment. Ms. Scott's granddaughter said she notified the bank of Ms. Scott's death, and they did not inform her of the direct deposit account at that time.

B. Police Retirement Board:

- 1. Reconsider letter regarding notice to DROP participants of fixed rate account availability**

and

Consider amending DROP rules

Mr. Harrison said based on his research, once an employee retires, the employee locks-in to whatever benefits have occurred at that time. If the Board changed the DROP fixed rate, it would not affect those people who were currently in the DROP.

Discussion ensued regarding DROP account balances after an employee terminated. It was agreed that employees must transfer or cash out their DROP accounts after termination.

Mr. Harrison suggested, as per the Florida Retirement System, employees be offered the following options: lump sum payment, partial payment/partial rollover, or rollover.

Consensus was to offer three options (lump sum payment, partial payment/partial rollover, or rollover) for DROP accounts after termination of employment with the City; DROP accounts must be emptied within 90 days after termination.

Action: Motion made by Mr. Powers and seconded by Ms. White to direct the Board Attorney to amend the DROP Rules and fixed rate letter as discussed.

Vote: Voice vote showed: AYES: Mayor Romano, Messrs. Powers and Lepa, and Ms. White. NAYS: None.

At 3:03 PM, the Board recessed for a short break at which time Mayor Romano departed.

At 3:12 PM, Vice Chair Hampshire resumed the meeting.

C. Employees' and Police Retirement Boards:

1. Reconsider Application for Benefits Payable form

Action: Motion made by Mr. Powers and seconded by Mr. Lepa to approve the Application for Benefits Payable form.

Vote: Voice vote showed: AYES: Messrs. Lepa and Powers and Ms. White. NAYS: None.

2. Review form providing amount of final benefits for retirees

Action: Motion made by Mr. Powers and seconded by Mr. Lepa to receive and file the form providing the amount of final benefits for retirees.

Vote: Voice vote showed: AYES: Messrs. Lepa and Powers and Ms. White. NAYS: None.

3. Consider amending DROP rules

This item was discussed during Unfinished Business item B-1.

4. Letter dated October 29, 2002, from Mary Contois, Gabriel, Roeder, Smith & Company regarding Summary Plan Description

Action: Motion made by Mr. Powers and seconded by Ms. White to direct Gabriel, Roeder, Smith & Company to update the Summary Plan Description.

Vote: Voice vote showed: AYES: Messrs. Lepa and Powers and Ms. White. NAYS: None.

IV. NEW BUSINESS:

A. Employees' Retirement Board:

None.

B. Police Retirement Board:

C. Employees' and Police Retirement Boards:

1. **Michael Callaway, Vice President, Merrill Lynch Consulting Services, to review fund valuation for quarter ending September 30, 2002**

Considered earlier in the meeting.

V. CONSENT AGENDA:

A. Employees' Retirement Board:

Action: Motion made by Mr. Powers and seconded by Ms. White to approve Consent Agenda (A), in its entirety, as follows:

1. **Approve minutes of October 30, 2002, regular meeting, as submitted**
2. **Authorize payment of invoice from Sugarman & Susskind, dated November 5, 2002, in amount of \$900.00 for retainer fee for month of November 2002**
3. **Authorize payment of invoice from Sugarman & Susskind, dated November 25, 2002, in the amount of \$900.00 for retainer fee for month of December 2002**
4. **Authorize payment of invoice from Davis Hamilton Jackson & Associates Company, dated November 7, 2002, in the amount of \$10,960.56 for management fees for quarter ending September 30, 2002**

Vote: Voice vote showed: AYES: Messrs. Lepa and Powers and Ms. White.
NAYS: None.

B. Pertained to Police Retirement Board:

C. Employees' and Police Retirement Boards:

None.

Mr. Powers said the Early Retirement Program ordinance passed on December 3, 2002, on first reading and second reading was scheduled on December 17, 2002. An Executive Session was scheduled on December 9, 2002, to discuss reorganization.

VI. ADJOURNMENT:

A. Employees' Retirement Board:

Meeting adjourned at 3:35 PM.

MINUTES APPROVED: 04-23-03



Mayor Rodney G. Romano, Chair
Employees' Retirement Board



Valerie Hurley, Recording Secretary
Employees' Retirement Board

Minutes transcribed by:
Evanna Stephenson, 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.