

**MINUTES OF A JOINT EMPLOYEES' RETIREMENT BOARD  
AND POLICE RETIREMENT BOARD MEETING  
HELD IN THE COMMISSION ROOM AT  
CITY HALL ON TUESDAY,  
MARCH 23, 2004,  
AT 1:30 P.M.**

**I. ROLL CALL: ..... 1:30 PM**

**A. Employees' Retirement Board:**

The Vice Chair called the meeting to order at 1:35 p.m.

Trustees present from the Employees' Retirement Board were Valerie Hurley (Vice Chair), Finance Director Anne Sims, Robert Lepa, and Theresa White (arrived at 1:38 p.m.). Also present were David Robinson, Esquire, sitting in for Board Attorney Robert Sugarman and Recording Secretary Evanna Stephenson, City Clerk's Office. Absent was Mayor Rodney Romano (Chairman).

**B. Police Retirement Board:**

The Vice Chair called the meeting to order at 1:35 p.m.

Trustees present from the Police Retirement Board were Lt. Kenneth White (Vice Chair), Finance Director Anne Sims, and Officer Mark Bouchard. Also present were David Robinson, Esquire, sitting in for Board Attorney Robert Sugarman, and Recording Secretary Evanna Stephenson. Absent were Mayor Rodney Romano (Chairman) and David Vespo.

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

**A. Employees' Retirement Board:**

None.

**B. Police Retirement Board:**

None.

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

Consensus was to reorder New Business C-1, C-2, and C-3 to follow this item.

**(IV. NEW BUSINESS:)**

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

**(1.) Larry Cole, Merrill Lynch Consulting Services, to review fund valuation for quarter ending December 31, 2003 and for calendar year January 1, 2003 – December 31, 2003**

As of December 31, 2003, the Employees' fund had a total market value of \$65,123,240 including accrued income. For the quarter ended December 31, 2003, the total fund earned \$4,068,285 and paid out \$4,015 in net distributions for a total increase in value of \$4,064,270 from the previous quarter end.

As of December 31, 2003, 60.7% of the fund was invested in equities including the international and small cap equity portfolios, 37.6% in bonds and 1.7% in cash and equivalents. The allocation to stocks was more aggressive than the median fund in the balanced fund sample, which had 57.1% of its assets invested in stocks.

For the quarter, the fund earned a 6.7% return, which was ranked in the bottom 16% of other public balanced funds. The target index was comprised of 50% S&P 500, 10% MSCI-EAFE and 40% Merrill Lynch Government/Corporate Index returned 7.8%.

As of December 31, 2003, the Police fund had a total market value of \$20,291,960 including accrued income. For the quarter ended December 31, 2003, the total fund earned \$1,305,238 and received \$242 in net contributions for a total increase in value of \$1,305,480 from the previous quarter end.

As of December 31, 2003, 61.1% of the total fund was invested in equities including the international and small cap equity portfolios, 37.3% in bonds and 1.5% in cash and equivalents. The current allocation to stocks was more aggressive than the median fund in the balanced fund sample, which had 57.1% of its assets invested in stocks.

For the quarter, the total fund earned a 6.9% return, which ranked in the bottom 26% of the public balanced fund sample. The target index was comprised of 50% S&P 500, 10% MSCI-EASE and 40% Merrill Lynch Government/Corporate Index returned 7.8%.

**(2.) Janna Woods, Davis Hamilton Jackson & Associates, to review fund valuation for quarter ending December 31, 2003 and for calendar year January 1, 2003 – December 31, 2003**

As of December 31, 2003, the portfolio underperformed in the quarter when compared against the S&P 500 index. S&P 500 outperformance was driven largely by the continued strength in low quality stocks as well as the outperformance of value stocks relative to growth. Performance was negatively impacted by an overweighted position in Health Care stocks relative to the S&P 500. Though a strong performer over the course of the full year, specific exposure within the biotechnology industry also had a negative impact in the 4<sup>th</sup> quarter. The portfolio was underweighted Industrials, one of the leading sectors in the S&P 500 and suffered from greater exposure to service-related stocks and less to the manufacturing segment which experienced very strong returns over the later stages of the 4<sup>th</sup> quarter. Weaker performance by Technology stocks during the month of December was a factor as additions were made to sector exposure over the course of the quarter and the sector represented the portfolio's largest relative weighting as the month began. The portfolio did experience very strong performance in the 4<sup>th</sup> quarter from specific portfolio holdings including Getty Images (up 43%), Microchip Technology (up 39%), and U.S. Bancorp (up 25%).

The portfolio underperformed in the quarter when compared against the Russell 1000 Growth Index. Quality was once again a factor this quarter, as lower quality stocks continued their marked leadership relative to the higher quality composition of the portfolio. As noted above, the portfolio's technology exposure was increased over the course of the 4<sup>th</sup> quarter and after strong performance in October and November, technology was a laggard group during the month of December. The portfolio was underweighted in large cap pharmaceutical companies within the Health Care sector and after weak performance over the course of the year, most large pharmaceuticals rebounded during the 4<sup>th</sup> quarter. Advertising/media holdings such as Univision (up 24%) and Viacom (up 17%) experienced very strong gains as the economic outlook and prospects for advertising spending improved throughout the 4<sup>th</sup> quarter.

**(3.) Howard Bos and Jo Ann Stoddard, Richmond Capital Management, to review fund valuation for quarter ending December 31, 2003 and for calendar year January 1, 2003 – December 31, 2003**

Looking back at 2003, it was noted that surprises were positive for investors. Overall, almost all equity and fixed income indices exhibited positive returns, and lacked the volatility of recent years.

BBB-rated securities had an outstanding year. BBB's returned 11.8% in 2003 vs. 6.4% for A-rated securities. Underweighting in the BBB sector hurt performance over the last year. BBB's work well when there are no negative surprises; however, when news is downbeat or a BBB is downgraded to below investment grade, the price loss can easily more than offset the higher "expected" return.

During the 4<sup>th</sup> quarter of 2003, a position was added in commercial mortgage backed securities (CMBS). AAA-rated CMBS offered very attractive yields compared to similarly rated corporate and agency bond and provided portfolios with additional diversification benefits without compromising credit quality.

At the beginning of 2003, the Treasury 4.00% due 11/15/2012 was the "on the run" 10-year treasury with a yield of 3.82%. During the course of the year, several new 10 year treasuries were auctioned, and at year end 2003, the current "on the run" 10-year treasury's yield was 4.25%, an increase of 43 b.p. What happened to the "old" 10-year treasury, our initial Treasury 4.00% due 11/15/2012? It returned 1.7% for 2003, despite a substantial increase of 43 b.p. on the "current" 10-year treasury. The reason the "old" 10-year did so well was the combination of "roll" and initial yield. Instead of increasing 43 b.p. like the "on the run" 10 year treasury, our "old" 10 year rolled down the curve and rose in yield only 30 b.p. With its higher initial yield of 3.82%, and reduced yield increase vs "on the run" treasuries, our "old" 10 year performed better than a more defensive money market vehicle. The curve is even steeper today than a year ago and presents us with an even greater opportunity to position for "roll down".

Mr. Lepa asked the performance difference between A-rated and investment grade and if we really need to be as conservative. He said he would like to see how Lazard did at 10 years and 20 years.

Mr. Cole, Merrill Lynch, said it doesn't pay to take risk in the long run. He said he was comfortable with the data to go with A-rated or better and suggest looking at targets instead of guidelines.

Lt. White asked if 40% was normal for common holdings for Lazard and Davis Hamilton.

Mr. Cole, Merrill Lynch, explained the Lazard portfolio and performance definitely have a value tilt, but they're between core and value. He suggested the Board invites Lazard to speak at the next meeting.

### **III. UNFINISHED BUSINESS:**

#### **A. Employees' Retirement Board:**

- 1. Letter dated February 24, 2004, regarding pension contributions in the amount of \$16,864.34 for Andrew Baldassi**

Ms. Sims asked how the memo was delivered to Andrew Baldassi and said she had spoke with him personally regarding the pension fund.

The Board Secretary said she forwarded the memo through distribution.

Action: Motion made by Ms. Sims and seconded by Mr. Lepa, to direct Board Secretary to verbally contact Mr. Baldassi to confirm that he had received the memo and ask whether or not he had any intentions of depositing contributions into the pension fund.

Vote: Voice vote showed: AYES: Ms. Hurley, Ms. Sims, Mr. Lepa, and Ms. White.  
NAYS: None.

#### **B. Police Retirement Board:**

- 1. Letter dated February 24, 2004, regarding pension contributions in the amount of \$5,803.97 for Lori Nedzweckas**

Ms. Sims explained Ms. Nedzweckas had replaced pension contributions by deducting the amount of \$5,803.97 from a check received from payroll.

Action: Motion made by Officer Bouchard and seconded by Ms. Sims, to receive and file letter dated February 24, 2004, regarding pension contributions in the amount of \$5,803.97 for Lori Nedzweckas.

Vote: Voice vote showed: AYES: Lt. White, Ms. Sims, and Officer Bouchard.  
NAYS: None.

**2. Letter dated February 22, 2004, from Michael Shields, requesting a blanket medical rating**

Lt. White said the Board Secretary could draft a letter to Michael Shields requesting another letter from his doctor and suggest the Board review his status every five (5) years.

The Board Attorney explained the Board wasn't obligated to review disability requests yearly and suggested requesting another doctor's letter. He said the Board could review his status every four (4) to five (5) years.

Action: Motion made by Officer Bouchard and seconded by Ms. Sims, to notify Mr. Shields that he will be required to submit a doctor's letter confirming his status every five (5) years; unless he shows improvement, at which time he needs to notify the Board immediately.

Vote: Voice vote showed: AYES: Lt. White, Ms. Sims, and Officer Bouchard.  
NAYS: None.

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

**1. Letter dated March 12, 2004, from Stephen Palmquist, Gabriel, Roeder, Smith & Company regarding increase of multiplier to 3 ¼% and 3 ½%**

Ms. Sims said she had questions regarding the impact statement and questioned why it indicated the employer contributions would increase.

Ms. Hurley said she had talked with Stephen Palmquist, Actuary, and confirmed the increase would be at the employees expense with no additional cost to the employer.

Officer Bouchard said his intention was to forward it to the members and ask for a vote.

Mr. Lepa asked if a corrected copy could be requested from Stephen Palmquist.

Action: Motion made by Officer Bouchard and seconded by Ms. Sims, to table to allow him time to forward a copy to the Fraternal Order of Police (FOP) for an opinion.

Vote: Voice vote showed: AYES: Lt. White, Ms. Sims, and Officer Bouchard.  
NAYS: None.

Ms. Hurley asked if the employees' board of trustees wanted to make the same motion to table and forward to the union.

Ms. Sims explained it wasn't only the union members it affects, but also the non-bargaining units.

The Board Attorney suggested requesting a corrected copy of the impact statement stating the increase was at employee expense instead of employer expense.

Action: Motion made by Ms. Sims and seconded by Mr. Lepa, to table and direct Board Secretary to request an amended copy of the impact statement stating it will be at employee expense instead of employer expense prior to submitting to membership.

Vote: Voice vote showed: AYES: Ms. Hurley, Ms. Sims, Mr. Lepa, and Ms. White.  
NAYS: None.

Action: Motion made by Officer Bouchard and seconded by Ms. Sims, to table and direct Board Secretary to request an amended copy of the impact statement stating it will be at employee expense instead of employer expense prior to submitting to membership.

Vote: Voice vote showed: AYES: Lt. White, Ms. Sims, and Officer Bouchard.  
NAYS: None.

**2. Consider an ordinance amendment to provide for the crediting of total city employment for pension purposes, to comply with Division of Retirement direction and provide 10-year certain and life as an alternative form of benefit**

Lt. White explained the 10-year and certain option is a 185 requirement for the police plan.

Action: Motion made by Officer Bouchard and seconded by Ms. Sims, to table and bring back to next meeting.

Vote: Voice vote showed: AYES: Lt. White, Ms. Sims, and Officer Bouchard.  
NAYS: None.

Action: Motion made by Ms. Sims and seconded by Mr. Lepa, to table and bring back to next meeting.

Vote: Voice vote showed: AYES: Ms. Hurley, Ms. Sims, Mr. Lepa, and Ms. White.  
NAYS: None.

#### **IV. NEW BUSINESS:**

##### **A. Employees' Retirement Board:**

None.

##### **B. Police Retirement Board:**

None.

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

- 1. Larry Cole, Merrill Lynch Consulting Services, to review fund valuation for quarter ending December 31, 2003 and for calendar year January 1, 2003 – December 31, 2003**

Discussed earlier in meeting.

- 2. Janna Woods, Davis Hamilton Jackson & Associates, to review fund valuation for quarter ending December 31, 2003 and for calendar year January 1, 2003 – December 31, 2003**

Discussed earlier in meeting.

- 3. Howard Bos, Richmond Capital Management, to review fund valuation for quarter ending December 31, 2003 and for calendar year January 1, 2003 – December 31, 2003**

Discussed earlier in meeting.



**4. Annual review of disability retirees**

Risk Manager Dave Murphy provided copies of a spreadsheet listing individuals currently eligible and receiving the City's Duty and Non-Duty Disability Retirement benefits.

Action: Motion made by Ms. Sims and seconded by Mr. Lepa, to approve annual review of disability retirees and continue payments.

Vote: Voice vote showed: AYES: Ms. Hurley, Ms. Sims, Mr. Lepa, and Ms. White. NAYS: None.

Action: Motion made by Officer Bouchard and seconded by Ms. Sims, to approve annual review of disability retirees and continue payments.

Vote: Voice vote showed: AYES: Lt. White, Ms. Sims, and Officer Bouchard. NAYS: None.

**5. Letter dated February 26, 2004, from Pamela Lopez, City Clerk, regarding Board Secretary's responsibilities and discussion regarding travel arrangements**

Ms. Hurley asked if everyone received the letter and if anyone had an opinion.

Ms. Sims explained the City paid for the Board Secretary's services, which included minutes, travel arrangements, acting as liaison for Board members, and paperwork for retirees. For years, she said she has worked with the Board Secretary to ensure the Board was in compliance with City rules and said she thought it would create problems authorizing members to do their own arrangements. Members shouldn't be authorized to prepare check requests or possess a tax-exempt certificate.

Mr. Lepa said, if he makes arrangements for himself, he felt it would create more work for the Board Secretary and would be self defeating.

Ms. Hurley explained the subject was discussed with the former City Clerk and money was deposited in the City Clerk's budget for this reason.

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Ms. Sims explained revenues went into the General Fund. She said if the Board eliminates fees for services, a portion of the City Clerk's budget would be eliminated.

Ms. Hurley said she was instructed by the City Clerk not to conduct pension business on City time and asked for direction from the Board Attorney.

Lt. White suggested notifying the Mayor as a courtesy.

The Board Attorney suggested directing a representative of Sugarman & Susskind to notify the Mayor of the Boards' intentions to meet with the City Manager.

Action: Motion made by Mr. Lepa and seconded by Ms. Sims, to direct the Board Attorney to notify the Mayor of the Boards' intentions to meet with the City Manager, to update the Mayor on the meeting, and appoint Ms. Hurley and Lt. White as Board representatives to discuss issues with the City Manager.

Vote: Voice vote showed: AYES: Ms. Hurley, Ms. Sims, Mr. Lepa, and Ms. White.  
NAYS: None.

Action: Motion made by Officer Bouchard and seconded by Ms. Sims, to direct the Board Attorney to notify the Mayor of the Boards' intentions to meet with the City Manager, to update the Mayor on the meeting, and appoint Ms. Hurley and Lt. White as Board representatives to discuss issues with the City Manager.

Vote: Voice vote showed: AYES: Lt. White, Ms. Sims, and Officer Bouchard.  
NAYS: None.

**6. Discuss amending the Trustee Education & Travel Expenses Policy Statement**

Ms. Hurley explained she had contacted the Board Attorney to ask if Trustees were required to attend schools and conferences.

Ms. Sims said she would like to see an amendment to the policy requiring Trustees to cancel reservations if they couldn't attend training to avoid any unnecessary charges to the fund.

Lt. White said he had a problem with the language "shall be required to attend at least one education conference, seminar or meeting annually" because he wouldn't be available to attend any training due to prior Police Department obligations.

The Board Attorney suggested adding text to clarify General Considerations, item A stating that Trustees shall be required, unless excused by the Board Trustees, to attend at least one education conference, seminar or meeting annually. He also suggested adding text to clarify General Considerations, item B stating Fees charged for failure to attend a scheduled and approved conference, seminar or meeting shall be the responsibility of the individual Trustee who shall reimburse the Board of Trustees for such charges unless such failure to attend was caused by exigent circumstances and excused by the Board of Trustees.

Action: Motion made by Ms. Sims and seconded by Mr. Lepa, to direct the Board Attorney to amend the Trustee Education & Travel Expenses Policy Statement as discussed and schedule the issue at the next meeting.

Vote: Voice vote showed: AYES: Ms. Hurley, Ms. Sims, Mr. Lepa, and Ms. White.  
NAYS: None.

Action: Motion made by Officer Bouchard and seconded by Ms. Sims, to the direct Board Attorney to amend the Trustee Education & Travel Expenses Police Statement as discussed and schedule the issue at the next meeting.

Vote: Voice vote showed: AYES: Lt. White, Ms. Sims, and Officer Bouchard.  
NAYS: None.

Mr. Lepa exited the meeting at 3:50 p.m.

## **7. Discuss questions regarding Deferred Retirement Option Plan (DROP)**

Ms. White said she had received a list of questions from Bob Marquis regarding the Deferred Retirement Option Plan (DROP).

Lt. White said he also had questions.

Action: Motion made by Ms. Sims and seconded by Ms. White, to direct Board Attorney to respond to questions submitted to the Board and schedule the issue at the next meeting.

Vote: Voice vote showed: AYES: Ms. Hurley, Ms. Sims, and Ms. White. NAYS: None.

Action: Motion made by Officer Bouchard and seconded by Ms. Sims, to direct Board Attorney to respond to questions submitted to the Board and schedule the issue at the next meeting.

Vote: Voice vote showed: AYES: Lt. White, Ms. Sims, and Officer Bouchard. NAYS: None.

**8. Letter dated March 5, 2004, from Jeffrey Sarff, Davis Hamilton Jackson & Associates, regarding mutual fund trading issues**

Action: Motion made by Ms. Sims and seconded by Ms. White, to direct Board Secretary to contact Merrill Lynch regarding responses to mutual fund trading issues to see if they have any concerns.

Vote: Voice vote showed: AYES: Ms. Hurley, Ms. Sims, and Ms. White. NAYS: None.

Action: Motion made by Officer Bouchard and seconded by Ms. Sims, to direct Board Secretary to contact Merrill Lynch regarding responses to mutual fund trading issues to see if they have any concerns.

Vote: Voice vote showed: AYES: Lt. White, Ms. Sims, and Officer Bouchard. NAYS: None.

**9. Letter dated March 10, 2004, from Leon Mulgrew, Franklin Templeton Investments, regarding mutual fund trading issues**

Action: Motion made by Ms. Sims and seconded by Ms. White, to direct Board Secretary to contact Merrill Lynch regarding responses to mutual fund trading issues to see if they have any concerns.

Vote: Voice vote showed: AYES: Ms. Hurley, Ms. Sims, and Ms. White. NAYS: None.

Action: Motion made by Officer Bouchard and seconded by Ms. Sims, to direct Board Secretary to contact Merrill Lynch regarding responses to mutual fund trading issues to see if they have any concerns.

Vote: Voice vote showed: AYES: Lt. White, Ms. Sims, and Officer Bouchard. NAYS: None.

**10. Letter dated March 8, 2004, from Brian Simon, Lazard Asset Management, regarding mutual fund trading issues**

Action: Motion made by Ms. Sims and seconded by Ms. White, to direct Board Secretary to contact Merrill Lynch regarding responses to mutual fund trading issues to see if they have any concerns.

Vote: Voice vote showed: AYES: Ms. Hurley, Ms. Sims, and Ms. White. NAYS: None.

Action: Motion made by Officer Bouchard and seconded by Ms. Sims, to direct Board Secretary to contact Merrill Lynch regarding responses to mutual fund trading issues to see if they have any concerns.

Vote: Voice vote showed: AYES: Lt. White, Ms. Sims, and Officer Bouchard. NAYS: None.

**V. CONSENT AGENDA:**

**A. Employees' Retirement Board:**

**1. Authorize payment of invoice from Sugarman & Susskind, dated March 3, 2004, in amount of \$1,890**

Action: Motion made by Ms. Sims and seconded by Ms. White, to authorize payment as presented.

Vote: Voice vote showed: AYES: Ms. Hurley, Ms. Sims, and Ms. White. NAYS: None.

**B. Police Retirement Board:**

**1. Authorize payment of invoice from Sugarman & Susskind, dated March 3, 2004, in amount of \$2,835**

Action: Motion made by Officer Bouchard and seconded by Ms. Sims, to authorize payment as presented.

Vote: Voice vote showed: AYES: Lt. White, Ms. Sims, and Officer Bouchard. NAYS: None.

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

**1. Approve minutes of February 24, 2004, joint meeting, as presented**

Action: Motion made by Ms. White and seconded by Ms. Sims, to approve minutes as presented.

Vote: Voice vote showed: AYES: Ms. Hurley, Ms. Sims, and Ms. White. NAYS: None.

Action: Motion made by Officer Bouchard and seconded by Ms. Sims, to approve minutes as presented.

Vote: Voice vote showed: AYES: Lt. White, Ms. Sims, and Officer Bouchard. NAYS: None.

Lt. White exited the meeting at 3:59 due to prior commitments.

**D. Board Attorney's Report:**

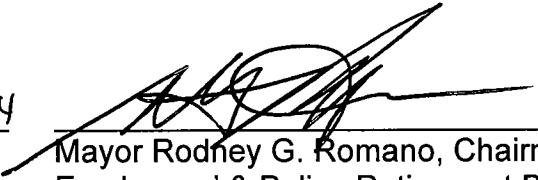
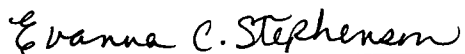
Ms. Sims asked if the City had a attendance policy regarding meetings and asked how many meetings a Trustee could miss?

CONSENSUS was to direct Board Attorney review the policy and draft a letter to the Chair regarding attendance.

**VI. ADJOURNMENT:**

Meeting adjourned at 4:00 p.m.

**MINUTES APPROVED:** 4-27-04

  
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Mayor Rodney G. Romano, Chairman  
Employees' & Police Retirement Boards  
\_\_\_\_\_  
Evanna Stephenson, Recording Secretary  
Employees' & Police Retirement Boards

Minutes transcribed by: Evanna C. 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.