

**MINUTES OF A JOINT EMPLOYEES' RETIREMENT BOARD
AND POLICE RETIREMENT BOARD MEETING
HELD IN THE CONFERENCE ROOM AT
CITY HALL ON TUESDAY,
DECEMBER 7, 2004,
AT 2:00 P.M.**

I. ROLL CALL: 1:30 PM

A. Employees' Retirement Board:

The Chair called the meeting to order at 2:05 p.m.

Trustees present from the Employees' Retirement Board were Mayor Rodney Romano (Chair), Finance Director Anne Costello, Robert Lepa, and Robert Kahant. Absent was Valerie Hurley (Vice Chair). Also present were Robert Sugarman, Esquire and Recording Secretary Evanna Stephenson, City Clerk's Office.

B. Police Retirement Board:

The Chair called the meeting to order at 2:05 p.m.

Trustees present from the Police Retirement Board were Mayor Rodney Romano (Chair), Finance Director Anne Costello, Lt. Ken White (Vice Chair), Officer Mark Bouchard, and Mr. David Vespo (arrived at 2:10 p.m.). Also present were Robert Sugarman, Esquire and Recording Secretary Evanna Stephenson, City Clerk's Office.

II. ADDITIONS/DELETIONS/REORDERING:

A. Employees' Retirement Board:

B. Police Retirement Board:

C. Employees' and Police Retirement Boards:

III. UNFINISHED BUSINESS:

A. Employees' Retirement Board:

1. Received reimbursement check in amount of \$147.15, from Salem Trust, for lodging fees for Jeff Joel, Firefighters' Pension Fund, Division II

No action taken.

B. Police Retirement Board:

- 1. Letter dated August 3, 2004, from Stephen Palmquist; Gabriel, Roeder, Smith & Company, regarding increase of multiplier to 3.25%, 3.50%, 3.75%, or 4.00% for service after October 1, 2004**

Officer Bouchard said he did not receive enough feedback from participants and did not want to pursue it any further at this time.

Action: Motion made by Officer Bouchard and seconded by Lt. White, to receive and file a letter dated August 3, 2004, from Stephen Palmquist; Gabriel, Roeder, Smith & Company, regarding increase of multiplier to 3.25%, 3.50%, 3.75%, or 4.00% for service after October 1, 2004.

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

2. Discuss progress of state required database

Lt. White said the State had requested a contact person be designated by the City to coordinate data issues and confirm information in the database.

The Board Attorney explained the State was responsible for establishing the database and would make it available on the website. He said the City will be responsible for verifying the information in the database.

CONSENSUS was to request the Board Secretary to draft a memo to the City Manager requesting a contact person be designated.

Mr. Vespo arrived at 2:10 p.m.

C. Employees' and Police Retirement Boards:

- 1. Letter dated November 5, 2004, from Stephen Palmquist; Gabriel, Roeder, Smith & Company, regarding transfer of dispatcher/secretaries from the Police Retirement System into the Employees' Retirement System**

The Board Attorney said, according to the Actuary, no money had to be transferred at this time.

No action taken.

2. Review amendment to DROP Rules and Application

The Board Attorney said the DROP Rules were amended to allow participants to carry over up to 80 hours of vacation.

Mr. Kahant asked if DROP participants could continue making contributions into the fund.

The Board Attorney said participants have a choice to continue making contributions, which would mean less pay or stop making contributions which would give them more money in their pay.

Mr. Kahant asked if the DROP application could be amended to allow participants to choose if they want to continue or discontinue contributions.

Action: Motion made by Ms. Costello and seconded by Mr. Lepa, to approve the DROP Rules as presented and DROP Application with the option to allow participants to choose to continue or discontinue contributions.

Vote: Voice vote showed: AYES: Mayor Romano, Ms. Costello, Mr. Lepa, and Mr. Kahant. NAYS: None.

Action: Motion made by Lt. White and seconded by Officer Bouchard, to approve the DROP Rules as presented and DROP Application with the option to allow participants to choose to continue or discontinue contributions.

Vote: Voice vote showed: AYES: Mayor Romano, Ms. Costello, Lt. White, Officer Bouchard, and Mr. Vespo.

3. Letter dated October 2, 2003, from Stephen Palmquist; Gabriel, Roeder, Smith & Company, regarding a general review of actuarial assumptions and experience study

Ms. Costello said the Trustees discussed two of the issues at an earlier meeting, but did not discuss actuarial assumptions or experience study.

Lt. White explained that Mr. Palmquist said based on the assumption rate, we were within the normal range and there was no concern at this time.

No action taken.

IV. NEW BUSINESS:

A. Employees' Retirement Board:

- 1. William E. Openshaw Jr., Power Plant, requests entrance into the Deferred Retirement Option Plan (DROP), to be effective December 31, 2004**

Action: Motion made by Mr. Kahant and seconded by Ms. Costello, to approve with regret, the request of William E. Openshaw Jr., for entrance into the Deferred Retirement Option Plan (DROP), to be effective December 31, 2004.

Vote: Voice vote showed: AYES: Mayor Romano, Ms. Costello, Mr. Lepa, and Mr. Kahant. NAYS: None.

- 2. Janet Petrone, Dispatcher, requests regular retirement based on the Rule of 20 & Out, to be effective January 15, 2005**

Action: Motion made by Mr. Kahant and seconded by Mr. Lepa, to approve with regret, the request of Janet Petrone for regular retirement based on the Rule of 20 & Out, to be effective January 15, 2005.

Vote: Voice vote showed: AYES: Mayor Romano, Ms. Costello, Mr. Lepa, and Mr. Kahant. NAYS: None.

B. Police Retirement Board:

- 1. Letter dated October 28, 2004, from Stephen Palmquist; Gabriel, Roeder, Smith & Company, regarding a Supplemental Actuarial Valuation Report showing the actuarial impact of changing the vesting schedule to 100% after ten years of service**

Action: Motion made by Lt. White and seconded by Mr. Vespo, to receive and file a letter dated October 28, 2004, from Stephen Palmquist; Gabriel, Roeder, Smith & Company, regarding a Supplemental Actuarial Valuation Report showing the actuarial impact of changing the vesting schedule to 100% after ten years of service.

Vote: Voice vote showed: AYES: Mayor Romano, Ms. Costello, Lt. White, Officer Bouchard, and Mr. Vespo. NAYS: None.

- 2. Tom Brown, Police Department, requests regular retirement based on the Rule of 20 & Out, to be effective January 15, 2005**

Action: Motion made by Lt. White and seconded by Officer Bouchard, to approve with regret, the request of Officer Tom Brown for regular retirement based on the Rule of 20 & Out, to be effective January 15, 2005.

Vote: Voice vote showed: AYES: Mayor Romano, Ms. Costello, Lt. White, Officer Bouchard, and Mr. Vespo. NAYS: None.

C. Employees' and Police Retirement Boards:

1. Larry Cole, Merrill Lynch, to review summary reports as of September 30, 2004

Discussed later in the meeting.

2. Thomas Franzese, Lazard, to review performance reports as of October 31, 2004

Richard Tutino said Lazard had a strict discipline to avoid mistakes. He said their philosophy was to focus on companies that were financially productive and inexpensively valued and to add value through stock selection and portfolio management. Their objectives were to outperform relevant benchmark over a full market cycle, preserve capital in falling markets, outperform investment competitors, and generate consistent results.

As of September 30, 2004, the Employees' Retirement System's beginning value was \$12,678,106; net additions/withdrawals was (\$4,975); income earned was \$163,941; and capital appreciation was \$88,617 for an ending balance of \$12,925,68.

As of September 30, 2004, the Police Retirement System's beginning value was \$3,995,399; net additions/withdrawals was \$94,800; income earned was \$52,360; and capital appreciation was \$25,373 for an ending balance of \$4,167,932.

The Chair called for a short break at 2:55 p.m.

The meeting resumed at 3:00 p.m.

(1.) Larry Cole, Merrill Lynch, to review summary reports as of September 30, 2004

Larry Cole gave a brief update and encouraged the Trustees to be patient. He said issues with Lazard would take care of themselves and the cycle has lasted longer than what was expected.

As of September 30, 2004, the Employees' Fund had a total market value of \$66,377,860 including accrued income. For the quarter ended September 30th, the fund earned -\$50,250 and paid out \$4,920 in net distributions for a total decrease of \$55,170 from the previous quarter end.

As of September 30th, 60.5% of the fund was invested in equities including the national and mid cap equity portfolios, 38.2% in bonds and 1.3% in cash equivalents. The allocation to stocks was more aggressive than the median fund in the sample, which had 55.5% of its assets invested in stocks.

For the quarter, the fund earned -0.1% return, which was ranked in the Top 28% of other public balanced fund sample. The target index was comprised of 50% S&P 500, 10% MSCI-EAFE and 40% Merrill Lynch Government/Corporate Index which returned 0.4%.

For the year ended September 30th, the total return of 8.7% ranked in the Bottom 39% of the public balanced fund sample. The target index returned 10.6% for the year. The composite domestic equity portfolio returned 11.3% for the year and underperformed the S&P 500 return of 13.9%. Both Davis Hamilton and Lazard had disappointing performance in the last year. Although both managers had poor performance, we would have expected the Lazard portfolio to have turned in a stronger return, as the market favored their value style. Lazard earned 12.6% including cash for the year as compared to 20.5% for the S&P/BARRA Value index.

The mid cap portfolio boosted the return of the domestic equity portfolio with a 19.2% return for the year. The Franklin value oriented fund was much more successful than the Seligman Fund in the last year. The international equity portfolio was also up much more than the domestic equity portfolio with its return of 20.1% vs. 22.5% for the MSCI-EAFE index. The bond portfolio return of 3.2% was close to the benchmark bond index and ranked above average.

As of September 30, 2004, the Police Fund had a total market value of \$20,849,790 including accrued income. For the quarter ended

September 30th, the fund earned -\$17,025 and paid out \$1,545 in net distributions for a total decrease in value of \$18,570 from the previous quarter end.

As of September 30th, 60.9% of the fund was invested in equities including international and mid cap equity portfolios, 37.6% in bonds and 1.5% in cash and equivalents. The current allocation to stocks was more aggressive than the median fund in the sample, which had 55.5% of its assets invested in stocks.

For the quarter, the fund earned a -0.1% return, which was ranked in the Top 28% of the public balanced fund sample. The target index was comprised of 50% S&P 500, 10% MSCI-EAFE and 40% Merrill Lynch Government/Corporate Index which returned 0.4%.

For the year ended September 30th, the total return of 8.8% ranked in the Bottom 41% of the public balanced fund sample. The target index returned 10.6% for the year. The composite domestic equity portfolio returned 11.2% for the year and underperformed the S&P 500 return of 13.9%. Both Davis Hamilton and Lazard had disappointing performance in the last year. Although both managers had poor performance, we would have expected the Lazard portfolio to have turned in a stronger return, as the market favored their value style. Lazard earned 12.7% including cash for the year as compared to 20.5% for the S&P/BARRA Value index.

The mid cap portfolio boosted the return of the domestic equity portfolio with a 19.1% return for the year. The Franklin value oriented fund was much more successful than the Seligman Fund in the last year. The international equity portfolio was also up much more than the domestic equity portfolio with its return of 20.7% vs. 22.5% for the MSCI-EAFE index. The bond portfolio return of 3.3% met the benchmark bond index and ranked above average.

Mr. Lepa exited the meeting at 3:20 p.m.

3. **Letter dated November 16, 2004, from Janna Woods; Davis Hamilton Jackson & Associates, regarding performance reports as of September 30, 2004**

No action taken.

V. CONSENT AGENDA:

A. Employees' Retirement Board:

- 1. Authorize payment of invoice from Sugarman & Susskind, dated November 8, 2004, in amount of \$992.25**
- 2. Authorize payment of invoice from Lazard Asset Management, for quarter ending September 30, 2004, in amount of \$16,157.11**
- 3. Authorize payment of invoice from Davis Hamilton Jackson & Associates, for quarter ending September 30, 2004, in amount of \$14,825.07**
- 4. Authorize payment of 2005 yearly active membership dues to FPPTA, in amount of \$400**

Action: Motion made by Ms. Costello and seconded by Mr. Kahant, to approve Consent (A), in its entirety, as presented.

Vote: Voice vote showed: AYES: Mayor Romano, Ms. Costello, and Mr. Kahant.
NAYS: None.

B. Police Retirement Board:

- 1. Authorize payment of invoice from Sugarman & Susskind, dated November 8, 2004, in amount of \$1,488.38**
- 2. Authorize payment of invoice from Lazard Asset Management, for quarter ending September 30, 2004, in amount of \$5,209.91**
- 3. Authorize payment of invoice from Davis Hamilton Jackson & Associates, for quarter ending September 30, 2004, in amount of \$4,761.05**
- 4. Authorize payment of 2005 yearly active membership dues to FPPTA, in amount of \$400**
- 5. Authorize payment of invoice from Merrill Lynch, for period January 1, 2004 – September 30, 2004, in amount of \$495.83**

Action: Motion made by Lt. White and seconded by Officer Bouchard, to approve Consent (B), in its entirety, as presented.

Vote: Voice vote showed: AYES: Mayor Romano, Ms. Costello, Lt. White, Officer Bouchard, and Mr. Vespo. NAYS: None.

C. Employees' and Police Retirement Boards:

1. Approve minutes of October 26, 2004, joint meeting, as presented

2. Approve amended disability forms, as presented

Action: Motion made by Ms. Costello and seconded by Mr. Kahant, to approve Consent (C), in its entirety, as presented.

Vote: Voice vote showed: AYES: Mayor Romano, Ms. Costello, and Mr. Kahant. NAYS: None.

Action: Motion made by Lt. White and seconded by Officer Bouchard, to approve Consent (C), in its entirety, as presented.

Vote: Voice vote showed: AYES: Mayor Romano, Ms. Costello, Lt. White, Officer Bouchard, and Mr. Vespo. NAYS: None.

D. Board Attorney's Report:

The Board Attorney explained that when employees are called back to active duty by the military, they are considered as if they never left. He said Police Officers do not have to continue making contributions into the fund, but general employees do, in accordance with State Law. He said the Board Secretary should provide the Actuary with names and dates of people who are called back.

Lt. White said Kathleen Bogart was called back to active duty in October 2004. She will have to serve approximately one year.


Mayor Romano said the City Commission supports employees who are called back to active duty and wants the Board to make it policy that no employee suffers as a result of being called back to active duty.

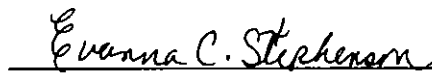
CONSENSUS was to make it Board policy, to ensure that no employee suffers as a result of being called back to active duty.

VI. ADJOURNMENT:

Meeting adjourned at 3:35 p.m.

MINUTES APPROVED: 2-22-05



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.