

**MINUTES OF A JOINT EMPLOYEES' RETIREMENT BOARD
AND POLICE RETIREMENT BOARD MEETING
HELD IN THE CONFERENCE ROOM AT
CITY HALL ON TUESDAY,
MARCH 22, 2005,
AT 1:30 P.M.**

I. ROLL CALL: 1:30 PM

A. Employees' Retirement Board:

The 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 Costello, and Robert Lepa. Absent were Mayor Rodney Romano and Robert Kahant. Also present were Board Attorney Robert Sugarman, Esquire and Recording Secretary Evanna Stephenson, City Clerk's Office.

B. Police Retirement Board:

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

Trustees present from the Police Retirement Board were Lt. Ken White (Vice Chair), Finance Director Anne Costello, Officer Mark Bouchard (arrived at 1:44 p.m.), and David Vespo. Absent was Mayor Rodney Romano. Also present were Board Attorney Robert Sugarman, Esquire and Recording Secretary Evanna Stephenson, City Clerk's Office.

II. ADDITIONS/DELETIONS/REORDERING:

A. Employees' Retirement Board:

ADD: New Business, Item A-2, Richard A. Smith, Evidence, requests to purchase 4 years of military time

B. Police Retirement Board:

None.

C. Employees' and Police Retirement Boards:

REORDER: New Business, Item C-1, Larry Cole, Merrill Lynch, to review summary reports as of December 31, 2004 to be discussed following Additions/Deletions/Reorderings

REORDER: Unfinished Business, Item C-1, Lake Worth Forum article regarding pension funds allegedly mismanaged and letter dated March 16, 2005, from Richard Robbins, Attorney for Merrill Lynch to be discussed following Larry Cole's presentation

CONSENSUS – to approve the agenda, as amended.

(IV. NEW BUSINESS:)

(C. Employees' and Police Retirement Boards:)

(1.) Larry Cole, Merrill Lynch, to review summary reports as of December 31, 2004

As of December 31, 2004, the Employees' fund had a total market value of \$66,678,520 including accrued income. For the quarter ended December 31st, the fund earned \$4,305,610 and paid out \$4,004,950 in net distributions for a total increase in value of \$300,660 from the previous quarter end.

61.8% of the fund was invested in equities including the international and mid cap equity portfolios, 36.8% in bonds and 1.3% in cash and equivalents. The allocation to stocks was more aggressive than the median fund in the balanced fund sample, which had 55.1% of its assets invested in stocks.

For the quarter, the fund earned a 6.9% return, which was ranked in the 52nd percentile of other public balanced fund in the sample. The target index was comprised of 50% S&P 500, 10% MSCI-EAFE and 40% Merrill Lynch Government/Corporate Index returned 6.5%.

Davis Hamilton's growth equity portfolio return of 10.5% (including cash) exceeded the S&P 500 return of 9.2% and the S&P/BARRA Growth index return of 8.5%. They were successful in several sectors of the portfolio, but particularly in health care.

Lazard Asset Management equity portfolio returned 8.6% (including cash) for the quarter. The S&P/BARRA Value index posted a 9.9% return for the quarter. Lazard's most heavily weighted sector was the financial sector with 30.2% of the portfolio allocated. This sector returned 7.9% based on opening positions vs. 7.8% for the S&P Financial sector.

As of December 31, 2004, the Police Officers' fund had a total market of \$21,348,250 including accrued income. For the quarter ended December 31st, the fund earned \$1,381,643 and paid out \$883,183 in net distributions for a total increase in value of \$498,460 from the previous quarter end.

As of December 31st, 62.5% of the fund was invested in equities including the international and mid cap equity portfolios, 35.9% in bonds and 1.6% in cash and equivalents. The current allocation to stocks was more aggressive than the median fund in the balanced fund sample, which had 55.1% of its assets invested in stocks.

For the quarter, the fund earned a 6.9% return, which was ranked in the Top 48% 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 returned 6.5%.

Davis Hamilton's growth equity portfolio return of 10.3% (including cash) exceeded the S&P 500 return of 9.2% and the S&P/BARRA Growth index return of 8.5%. They were successful in several sectors of the portfolio, but particularly in health care.

Lazard Asset Management equity portfolio returned 8.5% (including cash) for the quarter. The S&P/BARRA Value index posted a 9.9% return for the quarter. Lazard's most heavily weighted sector was the financial sector with 30.1% of the portfolio allocated.

Mr. Lepa asked Mr. Cole to provide 5-year and 10-year figures with his next presentation.

(III. UNFINISHED BUSINESS:)

(C. Employees' and Police Retirement Boards:)

(1.) Discuss Lake Worth Forum article regarding pension funds allegedly mismanaged and letter dated March 16, 2005, from Richard Robbins, Attorney for Merrill Lynch

The Board Attorney encouraged trustees to make a decision today. He said he was satisfied with the Board's decision to invite Mr. Siedle to speak at the last meeting and hearing comments from Merrill Lynch. He said the Board could choose to take advantage of free research, accept Merrill Lynch's proposal to get an independent auditor and pay half of the expense, do nothing further, or some other alternative.

Lt. White said Mr. Siedle's credibility was doubtful because he could not provide specific information, the article was in the paper because of Mr. Siedle, and he recommended disassociating with him.

Ms. Hurley and Officer Bouchard agreed with Lt. White.

Mr. Lepa suggested getting an independent auditor's opinion, said this was the price of defending one's reputation, and said he did not want to dodge Mr. Siedle.

Mr. Robbins asked why Mr. Siedle did not come forward with any information, said he understood media politics, and suggested working with an impartial auditor such as Ernst & Young. He suggested using the City's auditor, said Merrill Lynch would be happy to share the cost of an independent auditor, and the cost would depend on how much information was reviewed.

The Board Attorney said he was not comfortable with Davis Hamilton giving all their business to Merrill Lynch and recommended reviewing commission recapture candidates. He said his firm could send out a Request for Proposal (RFP) to bring in regional firms or an alternative would be to use the City's auditor.

CONSENSUS – Ms. Costello would forward the file to Ernst & Young, the City's auditor, requesting methodology, cost, and project completion date and schedule the results to be discussed at next meeting.

III. UNFINISHED BUSINESS:

A. Employees' Retirement Board:

None.

B. Police Retirement Board:

1. Letter dated March 7, 2005, regarding IPT database contact personnel

No action taken.

C. Employees' and Police Retirement Boards:

- 1. Discuss Lake Worth Forum article regarding pension funds allegedly mismanaged and letter dated March 16, 2005, from Richard Robbins, Attorney for Merrill Lynch**

Discussed earlier in meeting.

IV. NEW BUSINESS:

A. Employees' Retirement Board:

- 1. Paul Lambing, Meter Reader, requests vested retirement based on the Rule of 10-year vesting, as set forth in Section 16-33(b) of the Employees' Pension Code, to be effective March 11, 2005**

Action: Motion made by Ms. Costello and seconded by Mr. Lepa, to grant with regret, Paul Lambing's request for vested retirement based on the Rule of 10-year vesting, as set forth in Section 16-33(b) of the Employees' Pension Code, to be effective March 11, 2005.

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

- 2. Richard A. Smith, Evidence, requests to purchase 4 years of military time**

Ms. Hurley asked if someone has worked for the City, left and returned within 4 years, could they purchase previous service. She asked if someone had previous service and military time, could they purchase their time if the 4 years had expired.

She explained the plan has always allowed the purchase of military time, but the purchase of prior service had been added recently.

The Board Attorney explained the police plan allows a police officer to leave and if they return within 5 years, they can purchase their time by giving back contributions plus interest at the actuarial assumed rate compounded annually.

Ms. Hurley asked if it had to be an all or nothing buyback or can you purchase a portion.

The Board Attorney explained the Police Plan states the individual will be credited with all vesting credits previously lost upon repayment of previously accumulated contributions, which would suggest you have to purchase all and if the buyback is within 5 years, you only replace what you drew out.

He explained the General Plan does not allow the buyback of other governmental service, but it does allow the purchase of military time.

Action: Motion made by Ms. Costello and seconded by Mr. Lepa, to grant Richard A. Smith's request to purchase 4 years of military time.

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

B. Police Retirement Board:

1. **Sergeant Enrique Ponce, requests entrance into the Deferred Retirement Option Plan (DROP), to be effective April 4, 2005**

Action: Motion made by Officer Bouchard and seconded by Mr. Vespo, to grant Sergeant Enrique Ponce's request for entrance into the Deferred Retirement Option Plan (DROP), to be effective April 4, 2005.

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

C. Employees' and Police Retirement Boards:

1. **Larry Cole, Merrill Lynch, to review summary reports as of December 31, 2004**

Discussed earlier in meeting.

2. **Davis Hamilton Jackson & Associates summary reports for quarter ending December 31, 2004**

CONSENSUS – to receive and file Davis Hamilton Jackson & Associates summary reports for quarter ending December 31, 2004.

3. Richmond Capital Management summary reports for quarter ending December 31, 2004

CONSENSUS – to receive and file Richmond Capital Management summary reports for quarter ending December 31, 2004.

4. Discuss upcoming training opportunities (Stars & Stripes and FPPTA)

Ms. Costello gave a brief explanation regarding past practices for training and conferences. She said that in the past, attendees were allowed to stay at the facility hosting the training, even when it was held locally because of safety issues and after hour commitments.

Ms. Hurley said she endorsed past practices that allowed attendees to stay locally.

The Board Attorney agreed the days were long for attendees and said other clients have shared a hospitality room.

Lt. White recommended leaving the decision to the attendees.

CONSENSUS – leave the decision to the attendees.

There was discussion regarding the upcoming Stars & Stripes Conference in Key West, Florida.

Ms. Hurley and Mr. Lepa said they would not support the training because of cost.

Lt. White said it sounded like a sales pitch.

The Board Attorney asked if anyone was interested in attending.

Officer Bouchard said he was interested at one time, but withdrew his request after talking with Lt. White.

CONSENSUS – not support the Stars & Stripes Conference.

5. Annual review of disability retirees

Action: Motion made by Mr. Lepa and seconded by Ms. Costello, to approve annual review of disability retirees, less Joseph Viera and request Board Secretary forward a letter to Mr. Viera.

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

Action: Motion made by Officer Bouchard and seconded by Mr. Vespo, to approve annual review of disability retirees, less Joseph Viera and request Board Secretary forward a letter to Mr. Viera.

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

6. Letter dated March 11, 2005, from Lazard Asset Management, regarding continuation of Advisory Agreement

Action: Motion made by Ms. Costello and seconded by Mr. Lepa, to receive and file letter dated March 11, 2005, from Lazard Asset Management, regarding continuation of Advisory Agreement.

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

Action: Motion made by Ms. Costello and seconded by Mr. Vespo, to receive and file letter dated March 11, 2005, from Lazard Asset Management, regarding continuation of Advisory Agreement.

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

V. CONSENT AGENDA:

A. Employees' Retirement Board:

1. Authorize payment of invoice from Sugarman & Susskind, dated March 8, 2005, in amount of \$1,041.87

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

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

Lt. White left the meeting at 3:30 p.m.

B. Police Retirement Board:

- 1. Authorize payment of invoice from Sugarman & Susskind, dated March 8, 2005, in amount of \$1,562.80**
- 2. Authorize payment of invoice from Gabriel, Roeder, Smith & Company, dated February 28, 2005, in amount of \$550, for preparation of page 6a for inclusion in 2004 Annual State Report**

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

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

C. Employees' and Police Retirement Boards:

- 1. Approve minutes of February 22, 2005, joint meeting, as presented**
- 2. Ratify refunds of pension contributions for as reported by Finance Department**

Employees' Pension Fund:

Checks Disbursed 02-04-05

Matthew Aldridge, Golf/Kitchen, 1 Year/1 Month/5 Days, \$1,568.32, separated November 30, 2004

Lisa Green, Finance/Payroll, 1 Year/11 Months/16 Days, \$4,707.43, separated January 26, 2005

Bobby McRoy, Building Maintenance, 1 Year/6 Months/9 Days, \$1,870.06, separated January 1, 2005

Checks Disbursed 02-17-05

Arthur Carter, PW – Streets, 1 Year/6 Months/15 Days, \$1,093.19, separated December 17, 2004

Ronald Gaff, Utility Administration, 5 Years/11 Months/11 Days, \$30,890.35, separated November 12, 2004

Danie Jackson, PW – Streets, 3 Years/7 Days, \$2,750.02, separated December 17, 2004

Audrey Miller, Customer Service, 25 Days, \$185.85, separated February 7, 2005

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

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

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

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

D. Board Attorney's Report:

The Board Attorney said he was loyal to the pension fund, but would not close his eyes to any wrongdoing.

Mr. Lepa said he was fined \$1,500 by the Commission on Ethics for failing to file a Form 1. He said he appealed his case due to an address change and the Commission reduced his fine to \$0.

Mr. Vespo asked if the Board Secretary had notified the Commission of his address change.

The Board Attorney said he was still researching the DROP and would be ready to discuss it at the next meeting and gave a brief legislative update.

Mr. Lepa left the meeting at 3:51 p.m.


VI. ADJOURNMENT:

Meeting adjourned at 3:52 p.m.

MINUTES APPROVED: 4-26-05



Marc J. Drautz, 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.