

**MINUTES OF A JOINT EMPLOYEES' RETIREMENT BOARD
AND POLICE RETIREMENT BOARD MEETING
HELD IN THE CONFERENCE ROOM AT
CITY HALL ON TUESDAY,
SEPTEMBER 27, 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 (Chair), Finance Director Anne Costello (Vice Chair), Robert Lepa, Robert Kahant, and Mayor Marc J. Drautz (arrived at 2:50 p.m.). Also present were Kenneth Harrison, Esquire, sitting in for Board Attorney Robert Sugarman, Sugarman & Susskind and Recording Secretary Evanna Stephenson, City Clerk's Office.

B. Police Retirement Board:

The Vice Chair called the meeting to order at 1:38 p.m.

Trustees present from the Police Retirement Board were Lt. Kenneth White (Chairman), Finance Director Anne Costello, Officer Mark Bouchard (Vice Chair) (arrived at 1:40 p.m.), and Mayor Marc J. Drautz (arrived at 2:50 p.m.). Also present were Kenneth Harrison, Esquire, sitting in for Board Attorney Robert Sugarman, Sugarman & Susskind and Recording Secretary Evanna Stephenson, City Clerk's Office.

II. ADDITIONS/DELETIONS/REORDERING:

A. Employees' Retirement Board:

- 1. REORDER NB-C-1, Stephen Palmquist; Gabriel, Roeder, Smith & Company, to review Actuarial Valuation Report for year ended September 30, 2004**
- 2. ADD CON-A-4, Authorize payment of invoice from Lazard Asset Management, dated August 16, 2005, in amount of \$14,455.68, for period April 1 – June 30, 2005**

Action: Motion made by Ms. Costello and seconded by Mr. Lepa to approve the agenda, as amended.

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

B. Police Retirement Board:

1. **ADD NB-B-1, Charles Kane, Police Department, requests entrance into the Deferred Option Retirement Plan (DROP), to be effective October 23, 2005**
2. **ADD NB-B-2, Letter dated September 22, 2005, from Stephen Palmquist, Gabriel, Roeder, Smith & Company, regarding the impact of changing the vesting schedule to 100% after 10 years of service**
3. **ADD CON-B-5, Authorize payment of invoice from Lazard Asset Management, dated August 16, 2005, in amount of \$4,837.55, for period April 1 – June 30, 2005**

Items not added at this time due to lack of a quorum. Items were added later in the meeting.

(IV. NEW BUSINESS:)

(C. Employees' and Police Retirement Boards:)

- (1.) Stephen Palmquist; Gabriel, Roeder, Smith & Company, to review Actuarial Valuation Report for year ended September 30, 2004**

Mr. Palmquist explained the City's contribution for fiscal year 2005-2006 would be \$4,168,689 (for all three Systems), which was 20.29% of covered payroll; for fiscal year 2004-2005, the required City's contribution was \$3,869,887, which was 20.54% of covered payroll, indicating a \$298,802 increase in the required City's contribution for fiscal year 2005-2006 (increase of 0.25% of covered payroll).

Since the last valuation, the following change has been made: for the police officers, a ten year certain & life normal form of benefit was adopted. Net actuarial gains (losses) by each system over the past year have been as follows: General Employees – loss of \$6,218,766; Police Officers – loss of \$2,766,101; and Firefighters – gain of \$82,537 for a total loss of \$8,902,330.

Officer Bouchard arrived at 1:40 p.m.

The assumed rate of investment return was 8.5%. Based on the actuarial value of assets, the net investment return for each fund ranged from 2.6% to 4.5%. The market value rate of return was between 7.3% and 8.2% for each fund.

Salary increases averaged 9.8%, 24.4%, and 8.9% for General Employees, Police Officers, and Firefighters.

The General and Police plans provide that a COLA is payable on June 1st if there is an actuarial gain for the previous year. Because the plans experienced a loss during the last year, there is no COLA payable June 1, 2005.

The Firefighters System provides for a 13th check if there is a net actuarial gain for the previous year. Because the plan experienced a loss during the last year, no 13th check is payable.

Questions arose regarding minimum City contributions.

CONSENSUS - schedule the letter regarding minimum City contributions to be discussed at the March meeting.

Action: Motion made by Mr. Lepa and seconded by Mr. Kahant to accept the Actuarial Valuation Report for year ended September 30, 2004, as presented.

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

Action: Motion made by Officer Bouchard and seconded by Ms. Costello to accept the Actuarial Valuation Report for year ended September 30, 2004, as presented.

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

At this time, the Police Retirement Board had a quorum and proceeded to add the following item.

(II. ADDITIONS/DELETIONS/REORDERING:)

(B. Police Retirement Board:)

- (1.) Charles Kane, Police Department, requests entrance into the Deferred Option Retirement Plan (DROP), to be effective October 23, 2005**

(2.) **Letter dated September 22, 2005, from Stephen Palmquist, Gabriel, Roeder, Smith & Company, regarding the impact of changing the vesting schedule to 100% after 10 years of service**

(3.) **Authorize payment of invoice from Lazard Asset Management, dated August 16, 2005, in amount of \$4,837.55, for period April 1 – June 30, 2005**

Action: Motion made by Ms. Costello and seconded by Officer Bouchard to approve the agenda, as amended.

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

C. Employees' and Police Retirement Boards:

None.

III. UNFINISHED BUSINESS:

A. Employees' Retirement Board:

1. Letter dated September 12, 2005, to Mr. Robert Marquis, regarding DROP Distribution Procedures

The Board Attorney gave a brief update regarding the letter sent to Mr. Robert Marquis.

Action: Motion made by Mr. Kahant and seconded by Mr. Lepa to receive and file a letter dated September 12, 2005, to Mr. Robert Marquis, regarding DROP Distribution Procedures.

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

B. Police Retirement Board:

None.

C. Employees' and Police Retirement Boards:

1. Discuss changing the meeting time

Ms. Hurley asked if the Board wanted to change the meeting time to 3:00 or 3:30 p.m.

Action: Motion made by Ms. Costello and seconded by Mr. Lepa to change the time of the Employees' & Police Retirement Meetings to 3:00 p.m.

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

Action: Motion made by Officer Bouchard and seconded by Ms. Costello to change the time of the Employees' & Police Retirement Meetings to 3:00 p.m.

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

2. Review amendments to DROP applications

The Board Attorney gave a brief update regarding DROP applications.

Action: Motion made by Mr. Kahant and seconded by Mr. Lepa to accept amendments to DROP applications, as presented.

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

Action: Motion made by Officer Bouchard and seconded by Ms. Costello to accept amendments to DROP applications, as presented.

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

3. Review Election Procedures

The Board Attorney explained the procedures were created because of the tie on the Police election.

Questions arose regarding whether DROP participants and retirees were allowed to vote and serve on the Board.

Action: Motion made by Mr. Lepa and seconded by Ms. Costello to direct the Board Attorney to amend the definition of participant in the Employees' plan, as discussed.

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

Action: Motion made by Ms. Costello and seconded by Officer Bouchard amend the definition of participant in the Police plan to reflect the 185 requirement, as discussed.

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

Action: Motion made by Mr. Lepa and seconded by Ms. Costello to accept the Election Procedures, as presented.

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

Action: Motion made by Officer Bouchard and seconded by Ms. Costello to accept the Election Procedures, as presented.

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

IV. NEW BUSINESS:

A. Employees' Retirement Board:

None.

B. Police Retirement Board:

Mayor Drautz arrived at 2:50 p.m.

- 1. Charles Kane, Police Department, requests entrance into the Deferred Option Retirement Plan (DROP), to be effective October 23, 2005**

Action: Motion made by Officer Bouchard and seconded by Ms. Costello to accept Charles Kane's request for entrance into the Deferred Option Retirement Plan (DROP), to be effective October 23, 2005.

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

2. **Letter dated September 22, 2005, from Stephen Palmquist; Gabriel, Roeder, Smith & Company, regarding the impact of changing the vesting schedule to 100% after 10 years of service**

The Board Attorney explained this was the last of the unfunded 185 benefits that needs to be adopted.

Action: Motion made by Officer Bouchard and seconded by Ms. Costello to direct the Board Attorney to draft an amendment to the ordinance.

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

C. Employees' and Police Retirement Boards:

1. **Stephen Palmquist; Gabriel, Roeder, Smith & Company, to review Actuarial Valuation Report for year ended September 30, 2004**

Discussed earlier in the meeting.

2. **Larry Cole, Merrill Lynch, to review summary report for quarter ending June 30, 2005 and letter dated August 15, 2005, regarding fee adjustment**

Mr. Cole, Merrill Lynch, said he would speak after the three (3) managers make their presentations.

Action: Motion made by Mr. Lepa and seconded by Ms. Costello to reorder NB-C-3, NB-C-4, and NB-C-5 at this time and discuss NB-C-2 following these items.

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

Action: Motion made by Officer Bouchard and seconded by Ms. Costello to reorder NB-C-3, NB-C-4, and NB-C-5 at this time and discuss NB-C-2 following these items.

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

The Board Attorney announced that he would have to leave by 3:30 p.m.

(IV. NEW BUSINESS:)

(C. Employees' and Police Retirement Boards:)

(3.) Tom Erdmier, Calamos Investments, to give a brief presentation

Mr. Erdmier, Calamos Investments, said the company was a family controlled business since 1977, was dedicated to their clients, invested in the portfolios along with the clients, and manage institutional accounts across a variety of asset classes.

He explained the investment policy seeks to maximize return while controlling risk, seeks to protect principal during volatile financial markets, avoids short-term market timing and have a positive long-term outlook, and seeks to create wealth by managing risk/reward through market cycles.

(5.) David Caplin, Baron Capital Management, to give a brief presentation

Mr. Caplin, Baron Capital Management, explained the company was 100% employee owned, has 14 billion in assets under management, 35 years of investment research in small cap growth companies, and 30 years of successful portfolio management.

He said the Baron Principals of Investing which were long term investors in great businesses, independent and exhaustive bottom up research, investors in businesses with open-ended opportunities and defensible niches, and purchase great companies at attractive price.

(4.) Tom Capobianco, John Hancock/Independence Advisors, to give a brief presentation

Tom Capobianco, John Hancock/Independence Investments, explained the company has equity assets of \$8.1 Billion, was founded in 1982, and was ranked by Pension & Investments 53rd largest manager of active U.S. equity institutional tax-exempt assets.

He said the Small Cap Investment Philosophy was to uncover a few growth companies that show improving fundamentals, were statistically undervalued, have identifiable catalysts for change, and were not appreciated by investors.

Mr. Kahant left the meeting at 3:44 p.m.

(2.) Larry Cole, Merrill Lynch, to review summary report for quarter ending June 30, 2005 and letter dated August 15, 2005, regarding fee adjustment

Mr. Cole, Merrill Lynch, explained that the Seligman fund should be replaced because of inadequate performance and a fee adjustment.

Action: Motion made by Ms. Costello and seconded by Mr. Lepa to authorize the Board Attorney to negotiate a contract with Independence Investments to replace Seligman.

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

Action: Motion made by Officer Bouchard and seconded by Ms. Costello to authorize the Board Attorney to negotiate a contract with Independence Investments to replace Seligman.

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

Mr. Cole, Merrill Lynch, said as of June 30, 2005, the Employees' Fund had a total market value of \$63,720,920 including accrued income. For the quarter ended June 30th, the fund earned \$1,183,528 and paid \$3,503,838 in net distributions for a total decrease in value of \$2,320,310 from the previous quarter end.

He said the Police Fund had a total market value of \$20,540,360 including accrued income. For the quarter ended June 30th, the fund earned \$367,653 and paid \$1,008,373 in net distributions for a total decrease in value of \$640,720 from the previous quarter end.

Ms. Hurley suggested tabling discussion regarding a letter dated August 15, 2005, from Merrill Lynch for fee adjustment.

Action: Motion made by Mayor Drautz and seconded by Ms. Costello to accept the summary report for quarter ending June 30, 2005 and table a letter dated August 15, 2005, from Merrill Lynch for fee adjustment until the next meeting.

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

Action: Motion made by Officer Bouchard and seconded by Ms. Costello to accept the summary report for quarter ending June 30, 2005 and table a letter dated August 15, 2005, from Merrill Lynch for fee adjustment until the next meeting.

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

6. Discuss amending the Annual Disability Form

Action: Motion made by Mayor Drautz and seconded by Ms. Costello to table until the next meeting.

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

Action: Motion made by Mayor Drautz and seconded by Ms. Costello to table until the next meeting.

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

Mr. Lepa the meeting at 4:35 p.m.

V. CONSENT AGENDA:

A. Employees' Retirement Board:

- 1. Authorize payment of invoice from Sugarman & Susskind, dated September 6, 2005, in amount of \$1,041.87**
- 2. Authorize payment of invoice from Gabriel, Roeder, Smith & Company, dated August 31, 2005, in amount of \$2,097, final charge for preparation of 10-1-04 Actuarial Valuation Report and Employee Benefit Statements**
- 3. Receive fee advice from Merrill Lynch, in amount of -\$10,940.94, for consulting services for quarter ending June 30, 2005**
- 4. Authorize payment of invoice from Lazard Asset Management, dated August 16, 2005, in amount of \$14,455.68, for period April 1 – June 30, 2005**

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

Vote: Voice vote showed: AYES: Ms. Hurley, Ms. Costello, and Mayor Drautz. NAYS: None.

B. Police Retirement Board:

1. **Authorize payment of invoice from Sugarman & Susskind, dated August 31, 2005, in amount of \$1,562.80**
2. **Authorize payment of invoice from Gabriel, Roeder, Smith & Company, dated August 31, 2005, in amount of \$1,258, final charge for preparation of 10-1-04 Actuarial Valuation Report and Employee Benefit Statements**
3. **Receive fee advice from Merrill Lynch, in amount of -\$585.05, for consulting services for quarter ending June 30, 2005**
4. **Approve minutes of September 14, 2005, special meeting, as presented**
5. **Authorize payment of invoice from Lazard Asset Management, dated August 16, 2005, in amount of \$4,837.55, for period April 1 – June 30, 2005**

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

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

C. Employees' and Police Retirement Boards:

1. **Approve minutes of August 23, 2005, joint meeting, as presented**
2. **Ratify refunds of pension contributions as reported by Finance Department**

Employees Pension Fund:

Checks Disbursed 08-31-05

Thomas Banon, Utilities T & D, 2 Years/11Months/13 Days, \$13,028.57, separated August 16, 2005

Thomas Ferguson, PW – Cemetery, 10 Years/6 Months/6 Days, \$18,013.48, separated July 30, 2005

Katia Louigene, Police Department, 5 Months/2 Days, \$964.18, separated July 2, 2005

Sham Ramnath, PW – Parks, 4 Months/14 Days, \$477.53, separated July 11, 2005

Checks Disbursed 09-08-05

Corenzo Crenshaw, PW – Parks, 2 Months/30 Days, \$190.14, separated August 29, 2005

Henry Palmer, Utilities T & D, 3 Years/11 Months/10 Days, \$15,282.22, separated August 12, 2005

Police Pension Fund:

Check Disbursed 08-31-05

William Schley, Police, 4 Months/17 Days, \$1,046.98, separated August 4, 2005

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

Vote: Voice vote showed: AYES: Ms. Hurley, Ms. Costello, and Mayor Drautz. NAYS: None.

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

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

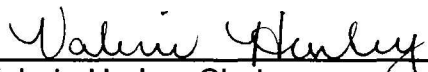
D. Board Attorney's Report:

None.

VI. ADJOURNMENT:

The meeting adjourned at 4:48 p.m.

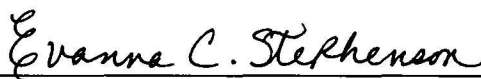
MINUTES APPROVED: 11-22-05



Valerie Hurley, Chair
Employees' Retirement Board



Kenneth White, Chairman
Police Retirement Board



Evanna Stephenson, Recording Secretary
Employees' & Police Retirement Boards

Minutes transcribed by: Evanna C. Stephenson, City Clerk's Office.

A compact disc of this meeting will be available in the Office of the City Clerk for two years after approval of these minutes