

**MINUTES OF A JOINT EMPLOYEES' RETIREMENT BOARD
AND POLICE RETIREMENT BOARD MEETING
HELD IN THE CONFERENCE ROOM AT CITY HALL ON TUESDAY,
July 22, 2008 at 2:00 PM**

I. ROLL CALL: 2:05 PM

A. Employees' Retirement Board:

The meeting was called to order at 2:05 PM.

Those persons present included:

Trustees: Valerie Hurley, Chair
Robert Lepa, Vice-Chair

Mayor Jeff Clemens

Robert Kahant

Others: Ken Harrison, Sugarman & Susskind
J Scott Baur and Margie Adcock, Pension
Resource Center
Mike Welker and Tim Nash, Bogdahn
Consulting
John Panoch, HR Director
Members of Public

B. Police Retirement Board:

The meeting was called to order at 2:05 PM.

Those persons present included:

Trustees: Lt. Kenneth White, Chair
Sgt. Randy Collier, Vice-Chair

Mayor Jeff Clemens

Karri Casper

Others: Ken Harrison, Sugarman & Susskind
J Scott Baur and Margie Adcock, Pension
Resource Center
Mike Welker and Tim Nash, Bogdahn
Consulting
John Panoch, HR Director
Members of Public

II. ADDITIONS/DELETIONS/REORDERING:

A. Employees' Retirement Board:

No additions or deletions to the Agenda were made for the Employees' Retirement Board.

B. Police Retirement Board:

No additions or deletions to the Agenda were made for the Police Retirement Board.

C. Employees' and Police Retirement Boards:

The Investment Consultant Report by Bogdahn Consulting was moved to the beginning of the Agenda by consensus of both Boards.

IV. NEW BUSINESS:

A. Employees' Retirement Board:

B. Police Retirement Board and

C. Employees' and Police Retirement Boards:

2. Bogdahn Consulting: Investment Consultant Recommendations

Mike Welker and Tim Nash appeared before the Board. He stated that they did not yet have performance data for the quarter ended June 30, 2008. He will have that information for the August meeting. He stated that he wanted to discuss some operational and logistical matters. He stated that the Funds have mutual funds that are held at Merrill Lynch. He stated that there are two mutual funds in the international space and he recommends moving them to Salem and having Salem sell the A class shares and buying them back with the R5 class shares. This would lower the cost to the Funds and would make asset allocation easier as everything would be held at Salem. There was a lengthy discussion.

Action: A motion was made and seconded to open up a new account at Salem to house the international mandate.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

Action: A motion was made and seconded to have Salem sell the A class shares once they have received them and buy the R5 class shares.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

Mr. Welker then reviewed the style and capitalization boxes and managers. He stated that there were a lot of managers covering the mid and large cap growth space which made for a lot of overlap. He noted that the large cap value managers Aletheia and MD Sass are spending more time in the mid cap area. He stated he liked being able to give managers the flexibility to move along the capitalization space. He is looking for the Funds to be able to increase the return potential and decrease risk. Mr. Welker reviewed the performance of the current value managers, MD Sass and Aletheia, and noted that these two managers have done very well. He reviewed the attribution analysis of both managers. He stated that Aletheia is more of an all cap value manger versus a large cap value manager. MD Sass is similar to Aletheia in that they have a little more of a large cap emphasis that Aletheia but is not true large cap value manager. He stated that managers that have done well in the past have overweight energy, materials and industrials, but that is not necessarily what is expected going forward. Mr. Welker stated that he would recommend having MD Sass as the main driver of the large cap value portfolio and having Aletheia as a complement to that in a smaller percentage as an all cap value manager. He stated that this is an area for allocation adjustments and not for major manager changes. He stated that he does want to keep an eye on Aletheia and if they start to struggle, Anchor Capital All Cap or Moody Aldrich Focused Value would be a great complement to MD Sass.

Mr. Welker discussed the international value area and stated that a change was needed here. He recommended some managers to replace Oakmark: Manning & Napier; Voyageur Asset; and Hansberger Global International Equity Value. He stated that they are all good complements to Euro Pacific. He stated that this would add good diversification to the portfolio and all the candidates have done well in all market cycles.

He suggested the Boards interview at least two of the candidates. He thinks the Boards can split it up between growth and value because of the size of the Funds.

Action: A motion was made and seconded to replace Oakmark and direct the Monitor to invite all three of the international managers to make a presentation to the Boards at the August meeting.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

Mr. Welker discussed the growth area and stated that there was an overlap of managers. He stated that Davis Hamilton is an overlap to Rigel. He noted that growth is doing better than value now and he thinks the Boards should terminate Davis Hamilton. Rigel is a traditional growth manager. He stated that Rigel is a good manager and thinks that they should be the main growth manager. Fayez is not a traditional growth manager. They were negative when the market was in growth because they are more of a core manager. Calamos has been in mid cap growth with a little in small and large cap. They are a great complement to Rigel. Mr. Welker stated that he wanted to show some opportunistic growth managers that blend well with Rigel and stated that DSM Capital and Sawgrass Asset are possibilities. He reviewed that attribution analysis of the large cap growth managers. He recommended replacing Davis Hamilton and Fayez. He stated that the stocks Davis Hamilton has picked relative to the Russell 1000 Growth have gone down. They have poor stock selection. He reviewed the managers that would complement Rigel: Calamos, DSM, and Sawgrass. He thinks the Boards can keep Calamos and get another manager those complements Calamos and Rigel. He thinks the Boards need one search in the growth space and one in the international space. He recommended doing the international first, as they are currently mutual funds that have higher fees and have the worst performance.

Mr. Welker then discussed the bond portfolio. He stated that Richmond is average. He wants to lower their fees and will talk to them about that. He stated that he would also like to look at some alternatives to bonds. He stated that he would bring in the international managers to make a presentation in August. He will also review performance for the quarter ended June 30, 2008 and prepare a draft revised Investment Policy Statement.

III. UNFINISHED BUSINESS:

A. Employees' Retirement Board:

B. Police Retirement Board and

C. Employees' and Police Retirement Boards:

Mayor Clemens stated that he wanted to make a comment on the Ordinance regarding the composition of the Board. He stated that he will be supporting the change but will also ask the Commission to have the position he currently holds to be changes to have it be held by a member of the Commission appointed by the Commission. He stated that he will remain on the Board but does not want have a similar situation happen if a future Mayor cannot make afternoon meetings.

Mayor Clemens departed the meeting.

1. Transition in Plan Administration

Mr. Baur reported that he has received everything he needed historically in terms of information and data for benefits. He believes the process is pretty much completed.

2. Recalculation of Pension Benefits

Mr. Baur stated that he has all of the calculations and documentation. He has not begun any mass review as of yet. He has tried to take care of new retirees or people entering the DROP. He will now begin the recalculation process. He advised that he would do them in batches. He noted that Anne Costello has requested to be at the meeting where her calculation is addressed. He stated that she has advised that she is not available for the August meeting. He stated that he has the hurricane pay will also be included in the recalculations. The Board inquired about the Actuarial Valuation. Mr. Baur stated that the asset information was missing and he believes that his office might just have recently received it. He thought the auditor was going to be at the meeting today to present the Audit as he invited them through the City.

Mike Bogdahn and Tim Nash departed the meeting.

IV. NEW BUSINESS:

A. Employees' Retirement Board:

B. Police Retirement Board and

C. Employees' and Police Retirement Boards:

1. Benefit Approvals

The Board was presented with benefit approvals for the Employees' Retirement Board. Ms. Hurley stated that she would like to have the names of the DROP Participants and Retirees on the Agenda in the future. Mr. Baur noted that the names were listed on the revised Agenda but did not have the information when he was doing the original Agenda as he was still doing the calculations.

Action: A motion was made and seconded to approve the benefit approvals listed by the Employees' Retirement Board.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

Action: A motion was made and seconded to approve the benefit approvals listed by the Police Retirement Board.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

2. Trustee Election Results

It was noted that the elections for the Employees' Retirement Board and Police Retirement Board were complete. Lt. Kenneth White was reelected for a two-year term

for the Police Retirement Board. Ms. Valerie Hurley was reelected for a three-year term for the Employees' Retirement Board.

3. Benefit Calculation Procedure

Mr. Baur stated that he was looking for direction on a provision in the Ordinance regarding rounding of service. He stated that 10 days in a month counts as a full month of service and 9 months of service counts as a year of service. He wanted to clarify that that was counted from the date of hire. He stated that the past policy was to count service in years, months and days. The Ordinance is clear that only years and completed months are counted. In the recalculation documentation the City seems to have changed to years and months but he did not see that the City had taken the 10 days and counted it as a month or taken 9 months and counted it as a year. Mr. Harrison stated that the Ordinance provides that in order to get credit for a month, they need 10 days of service in a month. Mr. Baur inquired if that was measured from the date of hire or in terms of months. Mr. Harrison stated that in order to be true to the Ordinance it would be from date of hire.

D. Board Attorney's Report

Ken Harrison provided a proposed Ordinance regarding the action from the last meeting to make a recommendation to the City Commission to change the Ordinance to read that the Board would include a Commission appointed member of Senior Management Staff. He stated that he has sent the proposed Ordinance to the Actuary for an impact statement. He noted that it should be of no impact to the Board. He stated that if the Boards approve the proposed Ordinance he would forward it to the City.

Action: A motion was made and seconded by the Employees' Retirement Board to forward the proposed Ordinance to the City Commission to change the Ordinance to read that the Board would include a Commission appointed member of Senior Management Staff for a three-year term.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

Action: A motion was made and seconded by the Police Retirement Board to forward the proposed Ordinance to the City Commission to change the Ordinance to read that the Board would include a Commission appointed member of Senior Management Staff for a two-year term.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

V. CONSENT AGENDA:

- A. Employees' Retirement Board: and**
- B. Police Retirement Board: and**
- C. Employees' and Police Retirement Boards:**

Action: A motion was made and seconded to approve Item A (warrant for accounts payable for the Employees' Retirement Board), Item B (warrant for accounts payable for the Police Retirement Board) and Item C (Minutes for June 24, 2008) of the consent agenda.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

Sgt. Randy Collier departed the meeting.

IV. C. 3. Benefit Calculation Procedure Continued

There was discussion on possibly rewriting the Ordinance to be more specific that service is counted from date of hire. Mr. Harrison noted that the General Employees' Ordinance does state that it is counted from date of hire. There was a lengthy discussion. Mr. Baur noted several other unusual provisions he wanted to point out and receive clarification on. One was that under the Police Plan it provides that for a non-duty disability a person has to file for workers' compensation benefits before they can get a non-duty disability. He noted that normally a person would not file a workers' compensation claim if it were non-duty. Mr. Harrison stated that they have to file for workers' compensation but do not have to receive workers' compensation in order to get a non-duty disability. Mr. Baur noted that another unusual provision is in the Police Plan if a person has 15 years of service their pension will not be less than \$50,000. Mr. Harrison stated that he would research this although he thought this applied to the 415 limits. Mr. Baur stated that there was a member that retired, came back and then retired again. He stated that the Ordinance provides that the pension is suspended during period of reemployment. He inquired about the calculation and payment of the original benefit and the additional benefit to be paid upon the person's final retirement. Mr. Harrison stated that there is no recalculation on the original benefit. Once the person is reemployed they start to accumulate benefits in the plan from that date of hire. The new increment is based solely on when the person comes back. They start accumulating a new benefit based on the new benefits at the time reemployed. There was discussion on whether this was discussed when this particular person was reemployed. Mr. Harrison stated that he would like to defer this to the next meeting and review more information.

D. Board Attorney's Report Continued

Mr. Harrison stated that the IRS is still looking at governmental plans for determination issues.

Mr. Harrison stated that Richmond contacted him to change their insurance requirement. He stated that he had no problem with it. They reduced their coverage from \$10 million to \$5 million. The original proposal was for them to have at least \$5 million. They had \$10 million so there was no issue. Recently, Richmond has reviewed their coverage and decided to reduce it. Mr. Harrison stated that he had an addendum to the contract for the Board to sign. There was a lengthy discussion. The Boards wanted to make sure that Richmond had no illiquid investment in the portfolio. The Boards indicated that they were not comfortable signing it today. Mr. Harrison stated that if the Boards put this off one month, Richmond is in breach of their contract. It was noted that there was no quorum for the Police Board so the matter was tabled until the next meeting.

VI. ADJOURNMENT:

There being no other business and the next meeting having been previously scheduled for Tuesday, August 26 at 2:00 PM, the Trustees adjourned the meeting at 4:42 p.m.

MINUTES APPROVED: August 26, 2008

Valerie Hurley, Chair
Employees' Retirement Board

Kenneth White, Chairman
Police Retirement Board

J. Scott Baur, Administrator
Employees' & Police Retirement Boards