Adobe Document					
Document Name	MayMinutes171996	Subject	May 1996 Retirement Board Meeting Minutes	Date	Fri 05/17/96
Directory	Retirement	Type	Minutes	Category	Retirement

MINUTES OF RETIREMENT BOARD MEETING
FRIDAY, MAY 17, 1996, 9:00 A.M.

I. CALL TO ORDER

The meeting of the Retirement Board of Trustees was called to order by Chairman Harvey at 9:10 a.m., on Friday, May 17, 1996, in the Town Hall Council Chambers. Attending were: Trustees Mayor Paul Ilyinsky, Robert J. Doney, Town Council President Lesly Smith, John DeIorio, George Frick, Karen Lane, and Charles Boggs. Also in attendance were Personnel Director William C. Crouse, Personnel Programs Coordinator Carla S. Kneipp, Finance Director Marie A. Crozier, Assistant to the Finance Director Cheryl Somers, and Attorney John McCracken.

II. APPROVAL OF AGENDA

Mr. Harvey asked for any additions or changes to the agenda.

There being no changes or additions, Mr. Frick moved approval of the Agenda of May 17, 1996. Lt. DeIorio seconded the motion. Motion carried unanimously.

III. APPROVAL OF MINUTES - REGULAR MEETING OF FEBRUARY 16, 1996.

Mr. Harvey asked for corrections or changes to the minutes of the regular meeting of February 16, 1996.

There being no changes, Mr. Frick moved approval of the minutes of the regular meeting of February 16, 1996. Lt. DeIorio seconded the motion and, all voting aye, the motion carried.

IV. REPORT ON QUARTERLY EXPENDITURES BY MARIE A. CROZIER, FINANCE DIRECTOR.

Mrs. Crozier explained that the Quarterly Expenditure Report was for the time period from May 1996 through July 1996. She explained that the Custodian Account Balance as of May 31, 1996 was $67,799.02, and the quarterly employer's contribution would be made during the month of May in the amount of $753,821.50. Mrs. Crozier explained that the estimate for employees contributions through payroll deductions were: Public Safety in the amount of $125,000 and General employees in the amount of $110,000. She stated that the estimated pension benefits consisted of three monthly benefit payments estimated at $285,000 per month for a total of $855,000. Mrs. Crozier explained that the estimated miscellaneous expenses and refunds were $170,000, which left a balance available in the account for transfer of $31,620.52. Mrs. Crozier explained that staff was not recommending any transfers at that point.

There being no comments, Mr. Frick moved approval of the Quarterly Expenditure Report. Ms. Lane seconded the motion, and all voting aye, the motion carried.

Mr. Doney explained that the appropriate motion on this item would be for a motion to accept, not for approval, as the Board was not actually reviewing the substance or content of the report.

Mr. Frick amended his motion to accept the Quarterly Expenditure Report. The amended motion was seconded by Karen Lane, and all voting aye, the motion carried.

V. APPROVAL OF ACTUARY'S FEE FOR 1996.

Mr. Crouse reported that the information regarding the Actuary's Fee for 1996 had been sent out by letter to all Board members. He explained that Gabriel, Roeder, Smith and Company's fee would be $10,240, or $2,560 per quarter, beginning January 1, 1997, in the absence of changes in governmental or financial reporting standards. Mr. Crouse indicated that this increase represented a $200 increase over the 1996 fees. Mr. Crouse explained that special project work was not included in the normal actuarial services fee, and would be provided on an advance quote basis and billed separately. He explained that this had been the policy in the past.

Mr. Doney stated that the quality and responsiveness of the service received from Ron Smith had been excellent, and he anticipated that the quality and responsiveness would remain the same under the new representative, Denise Jones.

Mr. Frick moved approval of Gabriel, Roeder, Smith and Company's fee in the amount of $10,240 for 1997. Ms. Lane seconded the motion, and all voting aye, the motion carried.

VI. APPROVAL OF REVISED POLICY STATEMENT

Mr. Crouse explained that Carl Deane from Callan and Associates was in attendance at the meeting and had asked to give a report on the investment policy.

Carl Deane, Callan and Associates, appeared before the Board and explained that he had gone through the Town's Investment Policy Statement in order to show the Board members how their objectives were being accomplished. Mr. Deane stated that the objective of the total plan assets was to exceed inflation over a five year period of time. He explained that inflation had been at a little less than 3% for the past five years, per year, and the Town's plan had returned approximately 11%. Mr. Dean explained that the underlying inflation assumption in the Town's actuarial report had been between 4% and 5%, so the actuary had actually used a higher inflation number than it had been. Mr. Deane explained that the faster the plan grew over inflation, the better off the Town would be in terms of paying benefits and having enough money to cover all liabilities.

Mr. Deane explained that the minimum goal as fiduciaries was to keep pace with inflation. He further explained that historically, 5% was an average inflation assumption, and if it continued for the next five to six years at 2% to 3%, the actuary may recommend that the Town lower the inflation assumption in order to be more realistic.

Mr. Harvey asked if 3% was a proper target if the goal of the investment assumptions was to exceed inflation. Mr. Deane explained that the policy should be based on longer terms and should not be adjusted to short term fluctuations. Mr. Dean stated that 5% was normal, and the Town must exceed inflation no matter what percentage it was. Mr. Deane explained that the investment policy did not address a specific percentage, but rather that it had to exceed inflation.

Mr. Deane then explained that the next point for the total plan was for it to exceed the actuarial assumption of earnings. He explained that the actuary used an earning assumption of 8%, which meant that the actuary was indicating if inflation was assumed to be 5% and earnings were assumed to be 8%, the Town was required to earn a real rate of return against inflation of 3% per year to meet its goals. Mr. Deane explained that the Town had experienced a much greater return over inflation and had even exceeded the actuary's earnings assumption. Mr. Deane explained that the total objectives of the plan had been met over the last five year period.

Mr. Deane then reported on the Equity Portfolio, explaining that its goal was to exceed the S & P 500. Mr. Deane recommended that the Town may wish to consider a change to the wording of the Statement of Investment Policy to "exceed the Standard and Poor's 500 on a net basis in excess of fees". Mr. Dean explained that the Town had experienced a 16% to 16 ½% rate of return on the Equity Portfolio, which was 200 basis points better than the S & P 500.

Mr. Deane explained that on the Fixed Income Portfolio, the Town had combined the manager's fixed income with the T-Bond account. He explained that Lehman Brothers Government Corporate was the index used, and they had experienced a 7% rate of return and the Town had experienced 8.4%. Mr. Deane explained that the investment managers' portfolio were better equipped to keep pace with Lehman Brothers, and the T-Bond account was not. He stated that the Board may wish to consider a new objective for the T-Bond account and separate the managers' objective from the T-Bond objective.

Mr. Deane then explained that he would not report at length on the individual investment managers because Loomis, Sayles Inc. had not been with the Town long enough for the outcomes to be evaluated. He explained that for the quarter, their equities had far exceeded the S & P 500, but their bonds had lagged a little behind the Government Corporate Index. Mr. Deane explained that this could be because they were not as fully vested as Roanoke, and they had only 42% of their assets in equities, and Roanoke had about 47% of their assets in equities. Mr. Deane stated that he felt Loomis, Sayles should have been a little more aggressive with the Town's portfolio.

Mr. Deane reported on Loomis, Sayles and Company. He stated that the objective was for Loomis to be in the top third over a five year period of time, and that this had been accomplished. Mr. Deane then reported on Roanoke, explaining that they had compounded money at the rate of 14.9%, and were well into the upper third of their data base.

Mr. Deane explained that the objective for the Index Fund had been to track the index and what the Town should expect over long periods of time. He explained that this should be between 10 and 20 basis points below the S & P 500 because the Index did not have transaction fees and the managers must make some buys and sells in order to get back to the index. Mr. Deane explained that the managers' jobs were to track the index, not to beat it.

Mr. Harvey asked what the costs were for transaction fees. Mr. Deane explained that he thought it would be about 10 to 15 basis points.

Mr. Deane indicated that he had not included the T-Bond account in the report because he was not clear on what the objective was, or if the Town needed an objective on the T-Bond account. Mr. Harvey explained that the idea was for the S & P 500 and the bond portfolio to be passive, and the managers would diversify among four different entities in terms of decision making.

Mr. Deane explained that the Town required a different equity strategy from Roanoke than it did from Loomis, and he felt that this was good because there were different equity strategies employed.

Mr. Frick asked if the Board members could receive an annual report similar to the one Mr. Deane had just given. Mr. Deane explained that this was his intention.

Mr. Crouse then reported on a recommended change to the Investment Policy. He explained that this change was under the heading of "Personnel Changes" and changed the term "systems consultant" to "investment performance consultant". Mr. Harvey explained that Mr. Deane had also recommended that the Board change the definition of the objectives to read "to exceed the S & P 500 index net of fees".

Mr. Boggs moved to accept Mr. Deane's recommended change to the Investment Policy. Lt. DeIorio seconded the motion. Lt. DeIorio moved to accept the Investment Policy with recommended changes. Mr. Frick seconded the motion. The motions carried unanimously.

Mr. Doney asked Ms. Kneipp to date each page of the Investment Policy with the day the changes were adopted, and that the Investment Policy indicate the date the Board had given final approval. Ms. Kneipp explained that she would refer his request to Callan and Associates, who maintained the Investment Policy.

REQUEST AUTHORIZATION FOR MEDICAL EVALUATIONS TO BE PERFORMED ON DISABILITY RETIRANTS.

Mr. Crouse reported that there were currently three disability retirants who had not met the age and service for a regular retirement. He explained that Richard Leandro and Arthur Roebuck were two of the more recent disability retirements, and that staff recommended that medical evaluations be completed in these cases. Mr. Crouse explained that the third retirant was Bennie Creech, and it had been reported that Mr. Creech's condition was serious, and he probably would never be able to return to work. He explained that in the case of Mr. Creech, staff felt it would be appropriate to obtain an updated report from his current physician rather than asking for a medical evaluation to be performed. Mr. Crouse explained that Dr. Craig Lichtblau performed these types of medical evaluations for the Board and was familiar with the other two cases. Mr. Crouse further explained that the Board had previously asked that these types of evaluations be performed on an annual basis.

Lt. DeIorio moved approval for medical evaluations for Mr. Leandro and Mr. Roebuck, and payment for same; and approval for an annual medical report and payment for same for Mr. Creech. Mr. Frick seconded the motion, and all voting aye, the motion carried.

VIII. APPROVAL OF RETIREMENT APPLICATIONS

A. ROBERT C. CROZIER

Mr. Crouse reported on the retirement application of Robert C. Crozier, Firefighter, age 44, with 21 years and 11 months of service. He explained that Mr. Crozier qualified under the 65 point plan, and his application for retirement was in order.

Lt. DeIorio moved approval of the retirement application of Robert C. Crozier. Mr. Frick seconded the motion, and all voting aye, the motion carried.

B. JACK A. AMBROSINE

Mr. Crouse reported on the retirement application of Jack A. Ambrosine, Firefighter Driver/Operator, age 45, with 22 years of service. He explained that Mr. Ambrosine also qualified under the 65 point plan, and his application for retirement was in order.

Lt. DeIorio moved approval of the retirement application of Jack A. Ambrosine. Mr. Frick seconded the motion, and all voting aye, the motion carried.

C. ROY GRIFFIN

Mr. Crouse reported on the retirement application of Roy Griffin, Fire-Rescue Lieutenant, with 24 years and 9 months of service. He explained that Mr. Griffin qualified for retirement under the 65 point plan and was only three months away from retiring under the 25 and out plan. He stated that Mr. Griffin's application for retirement was in order.

Lt. DeIorio moved approval of the application for retirement of Roy Griffin. Mr. Frick seconded the motion, and all voting aye, the motion carried.

XI. REPORT ON RETIREMENT BOARD MEMBER TERMS

Mr. Crouse reported that there were three seats on the Retirement Board of Trustees that were due to expire in July and August. He explained that Mr. Boggs would be completing the unexpired term of Debby Kelly in July, and Mr. Frick's and Lt. DeIorio's four year terms would expire in August. Mr. Crouse explained that the election rules had been reviewed and that Ms. Kneipp was in the process of making arrangements for the elections.

Lt. DeIorio, Mr. Frick, and Mr. Boggs indicated their intention to run for re-election to the Retirement Board of Trustees.

X. ANY OTHER MATTERS

A. REQUEST FOR RETIREMENT BOARD ATTORNEY TO REVIEW SECTION 401(a)(17) OF THE INTERNAL REVENUE CODE TO DETERMINE NECESSITY OF ORDINANCE CHANGE

Mr. Crouse explained that the Town Attorney had been contacted regarding this, and that he had indicated that this ordinance change would not be needed. He explained that the intent of the new IRS rule was to hold retirement pensions to $150,000, and the Town was not concerned as there were no employee incomes at this level. Mr. Crouse explained that even though the Town's retirement ordinance did include an inflation adjustment, he did not think the Town would ever need an Ordinance amendment regarding Section 401(a)(17) of the Internal Revenue Code. He asked Mr. McCracken if he agreed. Mr. McCracken indicated that he agreed with Mr. Crouse.

XI. ADJOURNMENT

Mr. Harvey asked if there were any other matters to be discussed. There being none, Mr. Frick moved adjournment of the meeting. Lt. DeIorio seconded the motion, and all voting aye, the meeting adjourned at 9:40 a.m.

____
John DeIorio, Secretary