Adobe Document						
Document Name	MayMinutes00GenEmp	Subject	May 2000 General Employees Retirement Board Minutes	Date	Fri 05/12/2000
Directory	Retirement	Type	Minutes	Category	Retirement

TOWN OF PALM BEACH
GENERAL EMPLOYEES RETIREMENT BOARD MEETING
FRIDAY, MAY 12, 2000
9:00 A.M.

I CALL TO ORDER

The meeting of the General Employees Retirement Board of Trustees was called to order by Chairman James Wearn at 9:00 a.m. on Friday, May 12, 2000 in the Town Council Chambers. Attending were Chairman James Wearn, Acting Vice Chairman Fire-Rescue Chief Vincent K. Elmore, and Trustees, Charlie Boggs, Vernon Richards, and Robert Garvey. Also attending were Attorney John McCracken, Finance Director Jane Skittone, Plan Administrator William Crouse, and Human Resources Analyst Carla Kneipp. Present in the audience were Assistant Town Manager Thomas Bradford, Denise Jones from Gabriel, Roeder, Smith & Co., and Jeanne Valcik of Callan & Associates.

II APPROVAL OF AGENDA

Mr. Wearn stated that he wanted to add to the agenda under "other matters" the schedule of upcoming meetings, especially for the November meeting of this year. Mr. Crouse mentioned that calendars and requests for meeting date suggestions had been sent out in the mail and that the calendars were also present for further discussion.

Mr. Crouse also added that a letter received from Loomis & Sayles had been placed in the packet of materials for this meeting. Mr. Boggs asked to discuss the need of an alternate for Mr. Doney when he was unable to attend. There was some discussion, and Mr. McCracken stated that alternates were in place as per the Ordinance.

Mr. Richards moved, Mr. Boggs seconded, to accept the agenda with the addition of the three above mentioned items to be discussed under "other matters". The motion for approval of the agenda with changes passed unanimously.

III APPROVAL OF MINUTES - REGULAR MEETING OF FEBRUARY 11,2000

Mr. Wearn stated that there were two items to be corrected, one typographical and one editorial. Mr. Crouse said that they had been corrected. Mr. Wearn asked if there were any other corrections or additions to the minutes of the Regular Meeting of February 11, 2000. There being none, Mr. Boggs moved for approval of the minutes of the Regular Meeting of February 11, 2000. Mr. Richards seconded. The motion passed unanimously.

IV ANNUAL ACTUARIAL VALUATION (Presented by Denise Jones of Gabriel, Roeder, Smith & Co.)

Referring to The Report of the Fifty-Third Annual Actuarial Valuation, September 30,1999, of the Town of Palm Beach Employees Retirement System, Ms. Jones started her report by giving some background for this particular report and explaining the rationale for actuarial reports in general. Beginning with page A-1, Ms. Jones went over the actuarial highlights for the covered year. She stated that the fund was in the excellent position of not having any unfunded actuarial approved liability. Mr. Boggs asked if there might ever be a time when being so well funded would be fiscally unacceptable. Ms. Jones answered that would happen only when contributions were thought to be "no longer needed" and the contributors might mistakenly think they should start taking from the fund more than originally planned.

Ms. Jones then referred to page B-7 to show how the actuaries try to "smooth out the market volatility". Mr. Boggs asked how many years they had been using this formula. Ms. Jones replied that it had been five to six years; however, the methodology had changed the previous year. Mr. Garvey asked what the former technique had been. Ms. Jones stated that it had been a smoothing technique that differentiated between capital value changes in realized investment income, whereas now the present technique included all realized and nonrealized investment income.

Ms. Jones stated that Section B showed more detailed valuation results with page B-1 showing the contribution requirements for the Plan year beginning October 1, 1999. Mr. Boggs asked if any of the over funded public boards ever gave any of that back to the employees in the form of a one-year moratorium for employee contributions for example. Ms. Jones replied that in such a case, there would need to be a change in the Ordinance to permit this and cited an example in Michigan. Ms. Jones referred to the historical chart on page B-3 to help answer Mr. Boggs question. Mr. Garvey pointed out that as late as 1992, the fund was only 82% funded. Ms. Jones agreed, then reported on the unfunded actuarial accrued liability of the fund, the benefit provisions and data, and the actuarial cost method, as well as the assumptions and definitions.

Ms. Jones opened the floor for questions. Ms. Skittone asked how the addition of the DROP plan affected the fund. Ms. Jones replied that at this date not at all, but next year could produce a large amount of activity. She stated that with the Public Safety Employees, on the other hand, it had already fallen and would continue to happen until a full DROP period was reached, and then level off a bit.

As there were no other questions or comments, Mr. Wearn asked for a motion to accept the report and implement the recommendations. Mr. Garvey so moved and Chief Elmore seconded the motion. The motion carried unanimously.

Mr. Wearn then asked Ms. Jones to discuss the actuary's fee. Ms. Jones discussed the difficulty of dividing the cost between the two boards, but she had been able to come up with a proposal of $10,000 for the General Employees and $12,000 for the Public Safety. She further explained the need to change the retainer year to coincide with the Town's fiscal year, so the fee for the current year 2000 was $14,000, and for the actuarial year starting October 1, 2000 it would be a new retainer fee based on actual time and expense incurred, not to exceed $10,000 for the General Employees. Mr. Wearn asked if it was possible to differentiate the amount of time spent on each portion of the fund. Ms. Jones said that even now it was able to determine how much time was spent on each part, and explained that for shared time, it would be a shared expense. Mr. Wearn asked Mr. McCracken to review the proposal, and while he did so, Mr. Wearn asked for further questions. There was some discussion of wage inflation and market return assumptions over the last ten years. Mr. McCracken then reported that he had reviewed the letter and found it to be consistent with the conversation that had been had and recommended that it would be appropriate to accept the letter if the Board was inclined to accept those terms. Mr. Wearn asked if there were any issues that might be coming up over the balance of this fiscal year. Ms. Jones replied that the biggest issue would be the separating of the finances and correct allocation of assets. There was no more discussion. Mr. Wearn asked for a motion to accept the fee proposal . Chief Elmore so moved and Mr. Boggs seconded the motion. The vote was taken and the motion passed unanimously.

V. CALLAN & ASSOCIATES (Jeanne Valcik)

Quarterly Report

Ms. Valcik began her report by acknowledging that splitting the assets was quite difficult but it was now progressing. She explained that in the beginning, First Union made many errors in the transition by not appropriately reflecting the transactions given to them by the money managers; however, Ed Vroom found the mistakes and continually, and very carefully, reconciled every bank statement, every security, and every piece of cash and notified First Union each and every time. Loomis & Sayles did not do nearly as good a job catching the mistakes. She explained that there had been a point in time when First Union was not going to go back and correct their errors, but, being prevailed upon, they had now done so, and were now being quite responsive. Ms. Valcik stated that the difficulties had necessitated that corrected pages be added to the Callan report, which Ms. Valcik proceeded to distribute.

Ms. Valcik, when asked, stated that the master custodian business can be difficult to deal with unless there was daily communication because the fees were low. She stated that she had asked Allen Smith of First Union if the Town's fund was in the proper part of First Union because there was a true institutional business section, but the Town was in a mid-market section and Ms. Valcik had asked Mr. Smith to come back with a proposal rationalizing why the Town was where it was and why it should not be moved over.

Mr. Garvey asked if Ms. Valcik would recommend moving to a more major master custodian, as this split had been quite difficult, but Ms. Valcik said that no, not at this time, because transitions can be very ugly, and since the split had just happened, now would not be a good time to look for another master custodian. She stated that Allen Smith had done a good job responding in the last month, so the recommendation would be to wait and see, but maybe at a later time, especially if it was proven that the Town was not in the right section of First Union and needed to be moved.

Ms. Valcik started the report by discussing the Market Overview, beginning with the range of returns by asset classes, Domestic Equity returns for the quarter; and Domestic Fixed-Income Returns. Ms. Valcik then went to the corrected pages and reported on cumulative performance, the fund after the split on March 31, 2000, and the Total Fund as of March 31, 2000. Mr. Boggs asked about April and Ms. Valcik stated it was doing all right, and reported on the Total Fund Return Analysis Summary. When Mr. Garvey asked what happened in 1995, Ms. Valcik said that happened when during the first year there was a transition and a cash drag. She stated that she would find out exactly what happened and get back to the Board.

She then reported on Loomis - Sayles' Equity during the last quarter. There was some discussion concerning Loomis- Sayles and whether they should be kept as a money manager in the future. Ms. Valcik gave some background on Loomis-Sayles Detroit Office. Mr. Wearn commented that the problem with Loomis-Sayles was a continuation of a problem that the Town had with Wolf-Webb, and there was a need to analyze how to do better in the selection process the next time around. After much discussion concerning this, the Board concurred that the Board was very displeased with the results. Ms. Valcik explained that right now the Town had a large cap value manager and a mid cap growth manager, and perhaps the Town needed both a large cap value manager and a large cap growth manager, or perhaps two different managers or managers whose focus was not quite so narrow or focused due to their management philosophy. There was discussion concerning putting Loomis-Sayles on notice with a letter or a call from Ms. Valcik. Mr. Garvey stated that it should go on record that the Board was very dissatisfied with these results and further action may very well be taken. Mr. Garvey also suggested that the Board consider adopting a policy regarding the notification of money managers and a formal process for evaluation and termination, if necessary, so there would be a formal policy to pursue. He explained that this way everyone would know where they were within the process and that the Town could have a watch list and a termination or manager retention policy. Mr. Wearn said that this should be on the agenda at the next regular meeting in August. In the meantime, Mr. Wearn desired to research the letter sent to Roanoke . Mr. Crouse said this would be done during the upcoming break, and that service should be included in the letter as well as results.

Ms. Valcik then reported on Roanoke Asset Management and pointed out how well Roanoke had done this past year and the last quarter. There were no questions or comments.

Mr. Wearn called for a recess to research the previous letter to Roanoke.

Mr. Wearn reconvened the meeting at 10:40 a.m..

Mr. Wearn passed out copies of a letter dated November 20, 1998 to Roanoke Asset Management and asked the Board to review the letter, especially noting the second sentence of the first paragraph. After time spent reviewing the letter, Mr. Wearn opened the floor for discussion. Mr. Boggs stated that a similar letter to this, with added input from Ms. Valcik concerning poor service, should be sent to Loomis-Sayles. Ms. Valcik replied that she was concerned with performance in two areas, first, the administration and client service as it related to the splitting of the Fund and second, the performance relative to their value peers. It was stated that the reverse order put them in a priority, and Ms. Valcik agreed. There was discussion concerning how the letter to Roanoke didn't exactly address Loomis-Sayles problems and suggestions were given on different aspects to be included and/or stressed in the forthcoming letter. Mr. Crouse interjected that this might be the proper time to consider the letter from Loomis-Sayles that had been received from Michael Harris. Mr. Wearn asked Mr. Crouse to hand out copies of that letter for consideration at this time rather than in "other matters" and Mr. Crouse did so. There was some discussion concerning the local office of Loomis-Sayles. Mr. Wearn asked for any other comments on revisions for the proposed probationary status letter to Loomis-Sayles. Hearing none, Mr. Wearn called for a motion for an appropriate letter to be put together by the Plan Administrator for the Chairman's signature incorporating all of the comments made in consideration of the similar probationary letter to Roanoke. Mr. Garvey so moved with Mr. Boggs seconding the motion. Further discussion included a question about adding that this issue would be reviewed at the next meeting, and it was decided that the issue would be on the agenda for the August 2000 meeting but the probationary status would be an indefinite time period. The additional comments for the letter were incorporated into the motion and the vote was taken. The motion carried unanimously.

Mr. Wearn asked if there was anything else from Callan Associates. Ms. Valcik replied that the discussion had been quite productive and that in August the Board could look at the style that the Board was currently taking, the turnover that Loomis-Sayles had, and the money managers retention and the watch list policy. Mr Wearn asked for any comments Ms. Valcik might have before the August meeting, and Ms. Valcik replied that she would send them to Mr. Crouse and he could distribute them to the Board. Mr. Wearn thanked Ms. Valcik for her presentation and comments.

VI REPORT ON QUARTERLY EXPENDITURES (Jane Skittone, Finance Director)

Ms. Skittone presented The Cash Flow Projection for the period of May 1, 2000 through July 31, 2000 and the operating expenses for the period of January 1, 2000 through April 30, 2000. Ms. Skittone mentioned that the line "DROP Payable" had been added to the first exhibit. Ms. Skittone also mentioned that her office had just received the December 31, 1999 corrected statements this past week and would be closing the books on Monday, May 15, 2000 and getting them to the auditor very quickly and would be able to have the "true-up" figures at the August meeting. Mr. Wearn asked for questions. There being none, Mr. Wearn asked for a motion to accept the report. Mr. Garvey so moved and Chief Elmore seconded the motion. As there was no discussion, Mr. Wearn called the question. The motion carried unanimously.

VII REQUEST AUTHORIZATION FOR MEDICAL EVALUATIONS TO BE PERFORMED ON DISABILITY RETIRANT

A. Dianne Gale

Mr. Crouse reported that it was the practice of the Board each May to consider reviewing any disability retirants and their current status. Mr. Crouse explained that Ms. Gale's last medical evaluation was March 21, 2000 and, according to the Town's clinic, who reviewed the results, it was doubtful that she would ever return to her previous position. Mr. Crouse was asked if he had a recommendation, but he stated that he did not. Mr. Boggs, citing the amount of liability, stated that he didn't see any reason for spending money on a medical evaluation until the worker's compensation claim was settled and the liability reverted to normal disability retirement, and moved to not do a medical evaluation until Ms. Gale's claim with worker's compensation was settled. Mr. Garvey asked if there was any legal or administrator problem with the motion. The answer given by both Mr. McCracken and Mr. Crouse was "no". Mr. Richards seconded the motion. Mr. Garvey asked for clarification of the status of the settlement. Mr. Crouse replied that it waas upcoming in the next few months. Chief Elmore stated that the motion seemed to indicate that this particular item would not be up for discussion next year. Mr. Wearn replied that a status report would be done next year and any change in the status would warrant action at that time. Mr. Crouse asked if any change in the status happened at any other time of year, should he bring it to the attention of the Board at that quarterly meeting. The consensus was that he should. Mr. Wearn then called the question and the vote was taken. The motion again carried unanimously.

VIII APPROVAL OF RETIREMENT APPLICATIONS

A. Bazzie Odom, Equipment Operator, Public Works (Application to DROP)

Mr. Crouse reported that Bazzie Odom met all the requirements for retirement, had worked for the Town for 19 years, 2 months and had elected to take the DROP, which meant he would continue employment with the Town but would begin his retirement on May 3, 2000. Mr. Boggs moved to approve the retirement and Chief Elmore seconded the motion. The vote was taken and the motion passed unanimously.

IX ANY OTHER MATTERS

A. Schedule of Future Meetings

Mr. Wearn opened the discussion of future meeting dates by presenting the possible dates for the November 2000 meeting. After discussion, Mr. Boggs moved to set the November meeting for Friday, November 17, 2000 at 9:00 a.m. in the Town Council Chambers. Mr. Garvey seconded the motion. The vote was taken and the motion passed unanimously. Mr. Wearn then went over the rest of the schedule of meetings checking for conflicts. There did not seem to be any other conflicts at this time.

B Alternates to the Town Manager

Mr. McCracken reviewed the membership of the Board as determined by Ordinance. He mentioned that the Public Safety Board was fixed by State Statute, unlike this Board, and also gave other differences between the make-up of the Boards. Mr. Boggs voiced his concern regarding alternates for the Town Manager, stating that alternates were not required for the Public Safety Board. Mr. Wearn stated that he was willing to agenda this item for further consideration. After further discussion, stating that the Board could only make recommendations to the Town Council but not change the Ordinance themselves, Mr. Wearn suggested that the Board leave the matter in abeyance and not schedule further discussion at this time. Mr. Boggs agreed.

C Study for "10-year certain benefit" for the General Employees

Mr. Boggs stated his concern that the general employees did not have the 10 year certain benefit, and brought up an example of one retiree dying after a year of retirement and his spouse only receiving 75% of his pension. Ms. Jones answered that the "10-year certain" benefit was in lieu of the life-long surviving spouse benefit and was an option. Mr. Wearn asked for a possible cost for doing a study to see if this option might be of benefit to the general employees and should be made available to them. Ms. Jones answered that it was based on the time and expense for doing the study, but not to exceed $1100. After some discussion, Mr. Boggs decided not to pursue this right now, but would look into it and possibly bring it up at a later meeting.

X. ADJOURNMENT

There being no further business to discuss, Mr. Garvey moved and Mr. Richards seconded the motion to adjourn. The motion carried unanimously and Mr. Wearn adjourned the meeting at 11:20 a.m.

Approved: ______________________________
Secretary

FUTURE RETIREMENT BOARD MEETINGS

Friday, November 17, 2000
Friday, February 9, 2001
Friday, May 11, 2001
Friday, August 10, 2001
Friday, November 9, 2001