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MINUTES OF RETIREMENT BOARD MEETING
FRIDAY, FEBRUARY 16, 1996, 9:00 A.M.

I. CALL TO ORDER

The meeting of the Retirement Board of Trustees was called to order by Vice-Chairman Wearn at 9:10 a.m., on Friday, February 16, 1996, in the Town Hall Council Chambers. Attending were: Vice-Chairman James McCartney Wearn, and Trustees 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. Wearn asked for any additions or changes to the agenda.

Lt. DeIorio asked to add item VI. B, Request for Actuarial Studies. Mr. Crouse asked to add item XV. G., Retirement Application of Leonard Greene, Assistant Public Works Director.

There being no further additions or changes, Mr. Frick moved approval of the amended Agenda of February 16, 1996. Lt. DeIorio seconded the motion. Motion carried unanimously.

III. APPROVAL OF MINUTES - REGULAR MEETING OF NOVEMBER 17, 1995.

Mr. Wearn asked for corrections or changes to the minutes of the regular meeting of November 17, 1995.

There being no changes, Mr. Frick moved approval of the minutes of the regular meeting of November 17, 1995. Mr. Boggs seconded the motion and, all voting aye, the motion carried.

IV. ELECTION OF CHAIRMAN, VICE-CHAIRMAN, AND SECRETARY

Mr. Wearn called for nominations for Chairman. Nomination of Robert Harvey to serve as Chairman was made by Mr. Frick and seconded by Lt. DeIorio. Mr. Wearn called for further nominations and there were none. Mr. Frick moved to close the nominations and elect by acclamation Mr. Harvey as Chairman. Ms. Lane seconded the motion. The motion carried unanimously.

Mr. Wearn then called for nominations for Vice-Chairman. Nomination of James McCartney Wearn to serve as Vice-Chairman was made by Mr. Frick and seconded by Lt. DeIorio. Mr. Wearn called for further nominations and there were none. Mr. Boggs moved to close the nominations and elect by acclamation Mr. Wearn as Vice-Chairman. Mr. Frick seconded the motion. The motion carried unanimously.

Mr. Wearn called for nominations for Secretary. Nomination of John DeIorio to serve as Secretary was made by Mr. Frick and seconded by Ms. Lane. Mr. Wearn called for further nominations and there were none. Mr. Frick moved to close the nominations and elect by acclamation Lt. DeIorio as Secretary. Ms. Lane seconded the motion. The motion carried unanimously.

V. QUARTERLY REPORTS

A. CALLAN ASSOCIATES, INC.

Paul Troup appeared before the Retirement Board and introduced Carl Deane, explaining that Tom Burbank had returned to the Public Sector, and Mr. Deane would be taking his place in serving as one of Callan Associate's representatives to the Town of Palm Beach Retirement Board. Mr. Troup explained that he wanted to review three things that affected the investment performance of any fund: the investment environment; the investment manager's strategies; and the Town's policies and guidelines. He explained that the Town's policies and guidelines were aligned with the Town's limits on equity exposure, so there was an overall limit of 40% exposure to common stock which would have an affect on the overall wealth in the fund. He further stated that the policies did not affect the ability of either Roanoke Management or Loomis Sayles to select stocks or fixed income securities for the portfolio. Mr. Troup explained that this essentially gave the managers free rein to deliver their best possible ideas into the portfolio. He stated that the Town had deliberately structured the portfolio to have one S & P 500 Stock Index, a fully invested exposure to the 500 largest stocks on the Standard and Poor's 500 Stock Exchange. He explained that the balanced manager, Roanoke Asset Management, had a common stock strategy focus on small to mid-cap sized growth oriented companies, and Loomis Sayles, the balanced fund manager, had a primary focus on larger stocks that were under priced or under valued relative to their appropriate level of pricing, and this gave the Town complimentary investment manager styles. Mr. Troup also explained that the Town had an index fund and a Treasury Bond Fund. Mr. Troup stated that there were common indices that Callan used to measure the performance of the investment environment, with the top line being the S & P 500. He explained that this constituted about 75% of all the managed portfolios in the United States for institutions like the Town, so it was a good indicator of what the market was like. He stated that the previous year, the index had a return of 37 ½%, with gains, losses, and income, which was a very strong year. Mr. Troup stated that both of the Town's manager's had an opportunity to delivery good performances in this environment. Mr. Troup then turned the floor over to Mr. Deane.

Mr. Dean explained that the Town's total assets of the funds were spread out over the different manager's, with a 60%/40% split of the total fund. He explained that both of the balanced managers had 25% of the portfolio, and had a significant impact on the performance of the total fund. Mr. Deane explained that by the end of the quarter, Loomis Sayles had been fairly fully invested, with only 3% in cash, and that Roanoke's asset mix was at about 55% in fixed income and about 5% in cash. Mr. Deane explained that the total fund showed a very strong performance. Mr. Dean reported that Loomis Sayles was fully invested and the returns looked decent, and that Roanoke Asset Management also had a very strong year. Mr. Dean explained that ANB was performing on the index, which was expected. He then reported that Loomis Sayles was very strong relative to the index with the fixed income portfolio, as was the Roanoke bond portfolio. Mr. Deane stated that the Retirement Board should be pleased with the one year performance of the assets.

Mr. Wearn turned the gavel over to Mr. Harvey, who arrived 9:20 a.m.

Mr. Harvey opened the floor to questions.

Mr. Boggs asked if the Town had always had the 60/40 asset mix. Mr. Harvey explained that it had been established for a while, and was within the policy guidelines. Mr. Boggs asked if Mr. Deane was advocating that the Town increase their risk in equities. Mr. Dean stated that this was not what he meant to imply. Mr. Troup explained that he had asked the Town's actuary how healthy the fund was, and Mr. Smith had indicated that it was very healthy. He explained that they did not want to advocate increasing the amount at risk to an already healthy portfolio. Mr. Deane explained that the asset mix is a real key, and in periods of rising markets he would not expect the fund to perform as well because the Town did not have as many assets as a lot of other plans. Mrs. Crozier explained that she had just asked that the spreadsheet regarding the rebalancing of the portfolio be distributed because it showed exactly where the managers were with respect to what needed to be done after December 31st. Mr. Harvey asked if the rebalancing had been implemented. Mrs. Crozier replied that the rebalancing had been completed. Mr. Harvey asked if there were any further questions. Mr. Doney asked if there were any specific actions the managers believed the Board should be taking in furtherance of the experience to date. Mr. Dean explained that the structure of the actuarial report seemed to indicate that the Town was well funded, and the individual managers were performing well within the established structure. He stated that he could not think of any changes that he would recommend. Mr. Harvey asked that Callan Associates provide a copy of their report to the Town's money managers. Mr. Troup indicated that they would do so.

There were no further questions or comments for the representatives of Callan Associates.

B. ROANOKE ASSET MANAGEMENT

Ed Vroom of Roanoke Asset Management appeared before the Retirement Board and stated that 1995 was the third best year for Roanoke in the last 15 years. He explained that the total fund rate of return had actually exceeded the S & P 500 for the five year total fund. He explained that the compound rate of return for the total fund portfolio, which in earlier years was only a 20% equity commitment, had been over 14% on a compounded basis. He then stated that the returns going forward from this time simply would not be at those levels. Mr. Vroom explained that the expectation should be for a more modest, but positive, rate of return. Mr. Vroom stated that in November, he had described to the Retirement some of the things they had been in the process of doing, one of which was to increase the health care segment of the portfolio, particularly in the managed care area, specifically in the decision support applications. He explained that these are hospital and health care information systems which they thought would be the next stage of importance for health care. He quoted from an article written by a head of a general account office: "Many large employers have become increasingly concerned about the wide variation in hospital costs across their communities. They believe that they may be paying for care that is not delivered in the most efficient manner. At the same time they contend that they lack the information to assess the value of the health care services they are paying for." Mr. Vroom explained that it appeared that the health care area was moving from a cost plus delivery of health care, where the doctor or the hospital chart passes costs and adds a little bit to that, to where providers are being made to bid at a fixed price for delivering certain services. Mr. Vroom explained that once that begins to happen, the importance of having accessible information was extremely important. He stated that the health care industry spends about one third of what industrial companies spend on information processing.

Mr. Vroom then reported that technology was an important part of the portfolio. He explained that the telecommunications holding had increased in the quarter. Mr. Vroom explained that since they were a growth stock manager, they liked to indicate at what rate their companies grew. He stated that the top 20 holdings had done very well, and the average holding period for these stocks had been roughly 18 to 20 months, so they were very long-term holdings in the portfolio. He stated that Roanoke was a small mid-capped manager and had a very diversified portfolio. He stated that they had been stable as far as the commitment both to the government and corporate sectors in the bond portfolio.

There were no questions or comments for the representatives of Roanoke Asset Management.

C. FIRST UNION BANK

Sandra Fleming appeared before the Retirement Board explaining that she ran the treasury portion of the portfolio. She explained that it was a laddered bond portfolio from 1 to 10 years of U.S. Government bonds only. Ms. Fleming stated that any maturity that occurs throughout the year was placed in a treasury bill due near the end of December to wait for rebalancing. She stated that in the last few years she had been attempting to get closer in terms of the par value and the market value that was purchased, but in some years it was very difficult because there were not very many treasury notes to choose from, and sometimes she had to pay a premium. She further explained that any income that accumulated over and above a certain amount was reinvested. Ms. Fleming explained that the year to date portfolio was up 16.8%, versus the Lehman Brothers Intermediate Government of 14.4%. Mr. Harvey asked Ms. Fleming to further explain the year end situation. Ms. Fleming explained that any bond that matured throughout the calendar year was placed into a treasury bill due in December, and waited for the rebalancing. She explained that any of the 1996 maturities from January 1st until the end of the year would go into a treasury bill. She explained that she tried to structure the maturities closer to the end of the year, if it was feasible.

There were no further questions or comments for Ms. Fleming regarding First Union Bank.

D. LOOMIS, SAYLES, AND COMPANY

Peter Van Bueren of Loomis, Sayles and Company appeared before the Retirement Board explaining that he was the Senior Partner of the Loomis Sales Office in Florida. He explained that Loomis Sayles in Detroit actually managed the Town's portfolio. Mr. Van Bueren introduced Greg Watkins of the Detroit office, explaining that Mr. Watkins would make the presentation.

Greg Watkins appeared before the Retirement Board stating that he wanted to discuss the Town's investment policies and the restrictions Loomis Sayles operated under. He explained that they were a larger cap value manager on the equity side, so they tried to maintain a group of stocks with price earning ratios at a significant discount to the market. He stated that they were at a 12% discount at this time. Mr. Watkins explained that they tried to maintain a broadly diversified portfolio, with about 50 issues. He further explained that their portfolios tended to be equally weighted so the top 10 issues of their portfolio encompassed 25% of the total portfolio. Mr. Watkins stated that their largest single individual holding was Standard Federal Bank Corporation, a major Midwest S & L. He further stated that their turn-over rate was also fairly modest within today's standards, and was just over 60%. Mr. Watkins explained that on the stock side, the Town's equity portfolio had a return over 11 months of 37.5% versus S & P's total return of 34.1%. Mr. Watkins explained that as a value manager, one of the sectors Loomis Sayles tended to concentrate on was the financial sector, and they had great success in 1995. He explained that their financial stocks were up over 60%, and this was the driving force that gave them above average performance in a market environment which they would not typically expect to see. Mr. Watkins explained that the bonds had not performed quite as well as the stocks, but the bond portfolio had been up 17%, which matched the index. He explained that they had been unable to identify and find enough attractive corporate bonds to build up that sector of the portfolio. He stated that the total portfolio had a return of 24.3%. He explained that Loomis Sayles did exceed the Town's benchmark for this time period despite having only average return on the bond portfolio.

There were no questions or comments for the representatives of Loomis, Sayles and Company.

VI.A. ANNUAL ACTUARIAL VALUATION

Ron Smith of Gabriel, Roeder, Smith, and Company appeared before the Retirement Board and expressed his appreciation to the Town for allowing him to be their actuary for the last 30 plus years. He explained that it had been one of his better experiences over the years, and that he had always enjoyed working with the Town's Retirement Board. Mr. Smith explained that, as the Board was aware, Gabriel, Roeder, Smith and Company had a team that worked on the Town's account. Mr. Smith further explained that he brought this up because he would be retiring in April 1996, and Denise Jones would become the Town's primary contact. Mr. Smith stated that he would like to turn the presentation over to Ms. Jones so she could present the good news on the actuarial report.

Mr. Harvey stated that from the Retirement Board's standpoint, Mr. Smith's guidance over the last 30 years was very much appreciated, especially since it transcended many Board members terms. Mr. Harvey stated that the Town had been well served by Mr. Smith's wisdom and guidance, and thanked Mr. Smith for his work.

Mr. Doney stated that he'd had the opportunity since 1974, and particularly over the last 8 years as Town Manager, to observe Mr. Smith's performance and his responsiveness to the needs of the Board. Mr. Doney stated that he thought Mr. Smith had provided an exceptional service to the Town.

Mr. Harvey welcomed Dense Jones as the Town's new primary contact with Gabriel, Roeder, Smith and Company. Ms. Jones appeared before the Retirement Board and stated that she hoped that she could serve the Board as well and as professionally as Mr. Smith had. She stated that she had been under his tutelage for quite a number of years, and he had taught her well.

Ms. Jones then reported on the actuarial report. She explained that the funding objective of the retirement system was to establish contributions that would remain approximately level from one year to the next. She explained that the objective they wanted to maintain was a contribution rate that would not put off on the future generation of taxpayers the cost of the benefits that were being earned at this time. Ms. Jones explained that in any year, there would be changes due to benefit provisions or changes in actuarial assumption, and that there were some deviations from the level of contribution rate, but for the most part, she expected the contribution rate to stay fairly stable. Ms. Jones stated that there had been some significant changes in the benefit provisions and also some changes in the actuarial report for the period of time she was reporting on. She explained that some of those assumption changes were mandated by the State of Florida, but they did have an impact on the Town's contribution rate and also on the retirement system's funded status. Ms. Jones explained that the funded ratio this year, with that funded ratio being the ratio of the accrued liabilities as measured by the Government Accounting Standards Board, to the actuarial value of assets, was 97% compared to 94% the previous year. Ms. Jones stated that even with all of the changes, there still had been an increase in the funded ratio. She explained that had it not been for the changes, the funded ratio would have been over 100%.

Mr. Harvey asked if there was such a thing in Florida as an average pension system. Ms. Jones explained that there was no average, and there was no specific point where the Town should be. She explained that the Town's system was very well funded, but the key was to look at the trend and not necessarily the absolute number in a particular year because that funded ratio changed as a result of the changes in the benefit provisions. She explained that to measure the Town's system against another system that did not have changes in benefit provisions would not be an accurate comparison. She further stated that 90% in any case would be very well funded. Ms. Jones explained that they key was to look at the trend, and if there were any deviations from the trend, to find the explanations to those deviations. Mr. Harvey asked how high the funding could go. Ms. Jones explained that funding could go as high as the assets would allow. She explained that Gabriel, Roeder, Smith and Company had some clients that were well over 100% funded, but that this was not necessarily good. She explained that there was no point in pumping a lot of extra money in the retirement system just to build up a pool of assets. She explained that the Retirement Board just wanted to make sure that the plan was funded well enough to pay for benefits, and this could be done by keeping a level contribution rate.

Ms. Jones explained that there had been changes to the Town's Retirement Plan due to the benefit's provisions in the member contribution rate as well as to the employer contribution rate, or the public portion of the contribution rate. She explained that the general member contribution rate had been 6.1%, but had been changed to 5.75%. She explained that this reflected first a member contribution rate reduction of 1% followed by an increase to cover the cost of an early retirement provision, which resulted in a net total contribution rate of 5.75%. Ms. Jones explained that the Public Safety Retirement Plan had experienced a reduction of 2% in the member contribution rate. Ms. Jones explained that the rate had been computed to be 14.29% of payroll for the general employee division, which compared to 15.7% in the previous valuation. She explained that even with all of the changes, there had still been a reduction from the previous year. Ms. Jones explained that in the police division, the rate had been computed to be 30.6%, which compared to 28.2% the previous year; in the fire division, the contribution rate was 35.4%, comparing to 32.8% the previous year; and the lifeguard division computed rate was 19.7%, which compared to 19.9% the previous year, so there was just a slight increase in lifeguard rates.

Mrs. Crozier asked why the lifeguard group did not show the same increase for the public portion as shown by the police and fire portions. She explained that the report showed the public portion with approximately the same increase for police and fire as the reduction had been for the public, but it was not shown for lifeguards. Ms. Jones explained that there had been changes in the actuarial assumptions that had an impact on the lifeguard portion, and the police and fire had experienced changes in the benefit provisions. She explained that it was difficult to compare the groups because different things were happening in each. Mrs. Crozier asked if the public portion for fire was due in part to the seniority and salaries of the employees as compared to other divisions. Ms. Jones explained that the primary reason for the increase was the change in the benefit provisions that had been put into the new benefit formula. She explained that offsetting the increases were favorable experience factors. She explained that the retirement system had a very favorable year. She further stated that the investment experience had been very favorable, and in addition to that, the active member pays did not increase as much for those that were in the plan throughout the year, so did not increase as much as had been anticipated. She explained that those favorable factors actually served to reduce the contribution even though there were changes in the benefit provisions. Ms. Jones explained that the contributions in the fire group would have been 27.84% before any of those changes were made. Ms. Jones further explained that the general division had experienced more terminations than had been anticipated, and that also helped the general division contribution rate and added to the favorable experience for that group. She explained that the reason there was not a one-to-one relationship between the reduction in the contribution rate and the impact on the reduction in the member contribution rate and the impact on the employer was that there was a refund provision that had to be taken into account. She explained that not every member of a group was expected to stay with the group until retirement, and if they terminated before they were vested, many times they would take their contributions out. She explained that this was reflected in the valuation, and resulted in there not being a one-to-one relationship anytime there was a change in the member contribution rate. Ms. Jones explained that the change in the member contribution rate for the police division increased the employer contribution by 1.93% of payroll and the change in the benefit provision increased the employer contribution rate by 6.31%, resulting in a total of 8.24%. She explained that this was similar for the fire group, with a change in the member contribution rate resulting in a 1.93% impact on the employer rate, and a change in the benefit provision of 6.14%. Ms. Jones explained that the impact on the lifeguards resulted in a change in the member contribution rate of 1.91% of payroll.

Ms. Jones explained that in the aggregate, the favorable experience resulted in a reduction in the unfunded or accrued liabilities for the retirement system of roughly 4.4 million dollars. She explained that this was the combination of the favorable investment experience and the pays not going up as much as had been anticipated, as well as the other demographic changes that did not coincide exactly with what was expected to happen based on the actuarial assumptions. She explained that gains and losses are experienced in any given year, but over a period of years, it was expected that those gains and losses would cancel each other out. Ms. Jones stated that for the last 10 years, the Town had 7 years of very favorable experience, primarily due to the favorable investment environment. She further explained that pay increases had not increased as much as anticipated over several periods of years, and since the Division of Retirement mandated a change in the mortality tables to recognize that people were living longer, it was thought that it was time to make a change in the merit and longevity portion of the salary scale that was used to project the pay at retirement. Ms. explained that in addition, there was legislation pending that would allow a change in the payroll growth assumption to use in financing the unfunded accrued liabilities. She explained that in prior years, that payroll growth assumption had been the average of 3 years of what had actually occurred in the plan, and the pending legislation would allow a 3 year average to change to a 10 year average, which smoothed out some of the effects. Ms. Jones explained that the whole purpose of doing the actuarial valuations and the funding objective of the system was to establish a somewhat stable contribution rate. She explained that the 3 year average was throwing things off because there were additions being made to the contribution rate as a result of that 3 year average on pure growth assumption, and this caused the contribution rate to change. Ms. Jones explained that the legislation had not passed, but the State was fairly certain that it would, so it had indicated that it would accept reports that included the 10 year average. Ms. Jones explained that she was obligated to warn the Retirement Board that if the legislation did not pass, the old method of calculating this would have to be used, and because pays had been fairly flat in the Town's system, it could cause a larger impact on the contribution rate the next year. Ms. Jones stated that for this year, the Town's contributions actually decreased as a result of the pending legislation, resulting in a decrease of roughly 7/10% of payroll for the general division, 2.46% for the police division, and 2.89% for the fire division. She explained that the pending legislation had a large impact on the contribution rate, and it was hoped that it would pass so these figures would not have to be added back in next year.

Ms. Jones then reported on a history of the pension recipients and pension payroll since 1988.

She explained that there were approximately 203 pension recipients receiving $2.9 million in benefits, but the system was very well funded, so those obligations were being met and there was no concern whether the obligations for the current active members would be met. Ms. Jones explained that when the valuation was done, recommendations were made so that the assets that were allocated to the current retirees receiving benefits was equal to the liabilities. She explained that recommendations were made every year in accordance with the ordinance so the particular account exactly met the liabilities for the pensioners receiving benefits. Ms. Jones stated that as a result of the Town making the recommended contributions, even when there had been changes in the assumptions or changes in the benefit provisions, the funded ratio had steadily increased so that the plan was now funded at the 97% level.

Mr. Harvey asked what the assumed actuarial growth percent was in order for the Town to stay constant at 97%. Ms. Jones explained that the assumed rate of return was 8%, but the assumed real rate of return, which was the rate of return over inflation, was 3%, and this was the important factor because the retirement system could earn well over 8%. She further explained that because inflation had been low and the actual investment return was much higher, the actual real rates of return was much higher than 3%. Mr. Harvey stated that vesting for public employees was generally 10 years, but that the private had gone to a shorter year vesting. He asked if there had been any discussion for public employees to vest at less than ten years. Ms. Jones explained that some plans may consider it, but there was not a consideration to mandate it because it would be an unfunded mandate. She explained that retirement systems were designed for long-term employees, and most of the public employees enter into a career of public service so the change from 10 years to 5 years sometimes did not have a very large impact.

Mrs. Crozier asked why the requirement for the fire department contributions had gone up $127,000, explaining that there had not been such a significant deviation in the police group. Ms. Jones explained that the police pays had gone down roughly $100,000, and the fire pays had gone up approximately $100,000. Mr. Doney stated that there had been more turnover in the police department, so the total payroll and longevity would be one of the major factors that would affect this calculation. Mr. Frick explained that most of the turnover experienced in the Police Department was newer employees. Mrs. Crozier asked if the anticipated contribution from the State for fire was projected to go down $20,000 from the previous year, and asked if this was based on actual amounts. Ms. Jones replied that this was correct. Mrs. Crozier then stated that the required contribution for the recommended contribution for 1994/1995 when compared to the actual contribution was about $100,000 higher than recommended, and asked why this was. Ms. Jones explained that the recommended contributions were based on a projected or estimated payroll, and the Town contributed the actual percentages times the actual payroll, so there would not be an exact match all the time. Mrs. Crozier asked if this could reflect the State 175/185 monies, explaining that the Town would not know what the exact dollar amount for this would be. Ms. Jones explained that it could be an adjustment in the 175/185 money, but that she would find out and inform Mrs. Crozier.

Mr. Frick stated that the Retirement system was very near 100% funded, and he understood that it was possible to be well over 100% funded, but he would like to know if as funding reached

100%, would it be recommended to decrease the dollar contributions? Ms. Jones explained that there was a normal cost of the ongoing cost of the system, a contribution for unfunded accrued liabilities, and adjustments to calculated contribution requirements, where there was a temporary full funding credit. She explained that this excess would be amortized and there would then be a reduction to the normal cost of the contribution rate. She explained that this would be reflected in the public portion as the member contribution portions were fixed by ordinance.

There were no further questions or comments, and Mr. Harvey thanked Ms. Jones for presenting the actuarial report.

VII. DISCUSSION OF STATEMENT OF INVESTMENT POLICY

Mr. Harvey stated that he had a question regarding the First Union laddered bond portfolio, and indicated that he did not know if this was part of the investment policy or just procedure, but he thought when the bonds matured, that money was invested. Mrs. Crozier stated that this had been her understanding as well, and that First Union would keep any monies that were transferred to the fund in that account, but not the actual maturities. Mr. Troup explained that to date, thanks to the spectacular equity market returns, the Town had been putting money in the laddered bond portfolio in order to accomplish rebalancing. He explained that the reason for leaving the maturities in the portfolio until year end was that if the reverse occurs, transfer of cash to the equity and to the balanced fund managers would not require the sale of securities. Mr. Troup stated that this was the reason the policy was written that way, and it was actually in the policy guidelines. Mr. Troup explained that Ms. Fleming was doing exactly as the instructions required. He further explained that originally there had been a lot of maturities that took place throughout the year, but now most of them took place fairly close to December 31, so the amount of money that was in the money market or in the treasury bill got smaller each year because more and more of the maturities were coming due at the end of the year.

Mr. Harvey asked if there were any other questions regarding the Investment Policy. Mr. Deane explained that he had wanted to wait until the actuarial report was completed so he could run some asset simulations in order to see the Town's policy asset mix and the range of expectations that might occur in the next five years. He explained that this would give the Board a clear picture of the probability of achieving the actuarial assumptions.

Mr. Doney asked if the Board had previously requested Callan to give the Board an annual written statement regarding the money managers' compliance with the investment policy. Mr. Troup indicated that the Retirement Board had not requested this. Mr. Doney explained that he thought if Callan could provide a written statement and certification regarding the money managers' full compliance with the investment policy as it may be amended from time to time, then this would give the Board a needed level of assurance regarding any non-compliance with the policy statement or deviations from an auditing perspective. Mr. Troup explained that Callan could certainly correspond with the Retirement Board to the effect that, to the best of their professional ability, they had not found any dislocation of the managers' activities from the policy guidelines, but they were not auditors so they were not looking at every single transaction. Mrs. Crozier explained that the Town's independent auditors gave a confirmation of compliance with respect to both the general fund and the retirement system. Mr. Doney asked if this included the investment policy. Mrs. Crozier explained that this was one of the things that were reviewed by the auditors so they could make sure that all of the policies the Town had in place were being followed.

Mr. Deane stated that he would be happy to put a page at the back of each quarterly report that indicates the investment policy guidelines for the managers, and whether or not the managers had complied with them. Mr. Wearn stated that he thought that would be an excellent addition from the standpoint that it forces a discipline to review the managers relative to the guidelines that were laid out. Mr. Harvey agreed. He explained that he wanted to make sure that the policies that were in effect would protect the Board in most economic scenarios.

Mr. Doney asked the Retirement Board members to review page 5 of the Investment Policy, under Personnel Changes. He read "The firm should also immediately inform the systems consultant of same". He explained that he had discussed this with Mr. Crouse and Mrs. Crozier, and it was agreed that the term "systems consultant" should be defined. Mr. Troup asked if "investment consultant" would be more appropriate. Mr. Harvey suggested that the term "investment performance consultant" be substituted for "systems consultant". There were no comments or objections to the inclusion of this language in the Statement of Investment Policy.

Mr. Wearn moved approval and adoption of the amended Statement of Investment Policy. Mr. Frick seconded the motion, and all voting aye, the motion carried.

VIII. DISCUSSION OF COMMISSION RECAPTURE PROGRAM BY MARIE A. CROZIER, FINANCE DIRECTOR (continued from Retirement Board Meeting of November 17, 1995.)

Mrs. Crozier explained that at the previous Retirement Board Meeting, she had been asked to speak with Loomis, Sayles and Company and Roanoke Asset Management to ask them to provide to the Board the cents per share that they realized. She explained that Loomis had indicated that their commission rates were seven cents per share, with an average of six cents, and Roanoke Asset indicated that it was between six and eight cents. She asked Mr. Troupe and Mr. Deane if there was still a compelling reason why there would be a benefit of trading through Alpha Management from the Commission Recapture Program that was in place.

Mr. Troup explained that when a transaction was executed through Alpha Management, 50% of whatever commission was generated was refunded back to the system. He explained that from the portfolio benefited in that it was receiving a refund of some of the transaction costs associated with a securities transaction. Mr. Troup further explained that the managers informed Callan what they wanted to execute the transactions at, and it was normally six cents a share. He explained that when Alpha did the transaction, they credited three cents of the six cents back to the retirement system, and this was refunded quarterly in a check to the retirement system. Mrs. Crozier explained that she had some concerns regarding this. Mr. Troup explained that institutional money managers use somewhere between 30% and 70% of the commissions they generated to buy research and other services. He explained that the money managers called the trading desk at Alpha Management and indicated that they wished to have a transaction executed and if they were not satisfied that the cost was competitive, they would execute it elsewhere.

Mr. Wearn suggested that way to approach the solution to the question regarding the Commission Recapture would be to ask the Finance Director, Marie Crozier, to draft a policy which might be incorporated into the Town's investment policy, and to take that policy and circulate it through Callan and through the investment managers for their comments. He stated that this could then be considered at a future Retirement Board meeting. Mr. Troup indicated that his firm would be happy to assist with this. Mr. Harvey stated that he would like to see the money managers' comments regarding trading through Alpha Management and how it might benefit the retirement system.

Mr. Wearn moved for the Finance Director, Marie Crozier, to draft a policy to be incorporated into the Town's investment policy, with such policy to be circulated through Callan and Associates and the Town's investment managers for their comments; and that such policy be considered by the Retirement Board at a future meeting. Mr. Frick seconded the motion and, all voting aye, the motion carried.

Mr. Harvey then explained that there were several items that had been missed on the agenda, and suggested addressing those at this time.

V. QUARTERLY REPORTS

D.1. REQUEST REGARDING REPRESENTATIVE CLIENT LIST.

Mr. Harvey explained that the Retirement Board had received a letter from Loomis Sayles regarding the Town allowing them to use the Town's name as a representative client in their client list for marketing presentations. Mr. Wearn asked if the Town Council or the Town generally had a policy on approving or allowing the use of the Town's name, explaining that he certainly would not want the Retirement Board to be in opposition to that policy.

Mr. Doney explained that the Town did not have any formal, structured method of allowing use of the Town's name, but that the Town had allowed individual companies who had performed professional services for the Town to list the Town as a client.

Mr. Boggs suggested that if someone did call for a recommendation about a company that the Town had done business with, the Town could provide information regarding whether satisfactory or unsatisfactory service had been provided but the Town should not give recommendations or indicate that one vendor or professional association was preferred over another. Mr. Doney explained that because of State and Federal laws, the Town did not pass judgement upon the level and quality of performance. Mr. Harvey indicated agreement. Mrs. Smith expressed concern with allowing the Town to be used in marketing brochures, explaining that the Town of Palm Beach has a worldwide reputation, and if the Board did this for one firm, they would have to do it for all who asked. Mr. Harvey indicated that this would be public information, explaining that he had suggested that Loomis, Sayles and Company present this request in writing to the Board. Mr. Wearn suggested that an appropriate disposition could be to thank them for the letter, and take no action either for or against their request. He stated that the fact that Loomis, Sayles and Company was a money manager for the Town of Palm Beach was public knowledge, and they could use their discretion in how they applied that. The Board members indicated their agreement.

Mr. Watkins indicated that this was satisfactory, and he understood the Board members' concern. He stated that Loomis, Sayles and Company did not do mass advertising, and the purpose of their request was to provide a client list to potential clients.

There were no further questions or comments regarding Loomis, Sayles and Company's request.

VI.B. REQUEST OF JOHN DEIORIO TO INCLUDE ITEMS FOR ACTUARY TO INVESTIGATE

Lt. DeIorio stated that he would like the Board's permission to have the actuary do an investigation of some costs or different versions of several items. He explained that the first one was a DROP Plan, which is a deferred retirement option plan. He explained that he and Mr. Crouse had recently attended a conference, and DROP Plans had been discussed at that time. Lt. DeIorio explained that there were several plans in the area that did have a DROP version, stating that they were touted as being cost-free, but whether that was true or not remained to be seen. He stated that it is an excellent option for the employees and also for the employer. Lt. DeIorio explained that the actuary had been requested at one time to look into it, but it had been a relatively new concept at that time and there had not been much information available. He stated that since it had been several years since the original request, he wanted to find out if there was more information available and have the actuary cost out different options or put together some different options for a DROP Plan.

Lt. DeIorio stated that the second item dealt with the recently increased accrual rate for Public Safety employees. He explained that it had been increased to 3% accrual rate. Lt. DeIorio explained that the Fire-Rescue Department had several employees who were senior in tenure and they felt that after 25 years they were being penalized. He explained that they do want to provide extra service to the Town, and they tended to be in an age where they could do this. Lt. DeIorio stated that they would like to see the accrual rate increase after 25 years, and that he would like to find out a cost for that.

Lt. DeIorio stated that his next two requests dealt with duty-disability and non-duty disability pensions, and again, because the accrual rate was adjusted, he had been advised by personnel who were on the board in the past that when the 52 ½% figure had been determined as a minimum for duty disability related pensions, it was based on an average of 20 to 21 years of service and a 2 ½% accrual rate at that time. Lt. DeIorio stated that since the accrual rate had been increased, he felt it would better serve the employees if there was a minimum of 60% for duty disability, because that would be based on an average of 20 year career at the 3% accrual rate. Lt. DeIorio that the non-duty disability pension was the same, and that a person who had an average of ten years or more was set at 25% because of the past accrual rate, but he would like to see this adjusted to 30% because of the new 3% accrual rate.

Lt. DeIorio explained that his last request dealt with duty disability pensions. He explained that he was referring to the issue of taxed income versus non-taxed income. He explained that he realized that this had nothing to do with the Town of Palm Beach; however, the IRS did state that duty disability pensions, as far as tax liability was concerned, was directly related to what the Town's ordinance stated. He explained that he had been advised by several different people in positions in the State that deal with the Division of Retirement, and also IRS people who confirmed that the taxable or non-taxable status dealt with how the ordinance reads, explaining that if the ordinance has wording that deals with the duty disability based on the way a regular pension is calculated, such as years of service and age, then it is not going to be considered tax free. He stated that if the pension was a minimum figure, then it would be considered tax free. Lt. DeIorio stated that the Town's ordinance tended to have a minimum figure, and he believed that there was a general feeling that a pension converts, explaining that a person may be on a duty disability until a retirement qualification was reached under the 65 Point Plan, at which point their pension converted to a normal retirement. Lt. DeIorio explained at that the conference he had attended, it had been discussed that this was illegal. He explained that this individual, who was an attorney, had explained that if a person is on a duty disability pension and the pension is tax-free, it cannot then convert to a taxed pension. Lt. DeIorio stated that this dealt with ordinance language, so he was requesting the attorney to look into this and determine if it was legal, illegal, or if there was something that should be adjusted in the language.

Mr. Crouse indicated that Lt. DeIorio was addressing some of the information contained within the conference sessions they had attended, and those opinions were put forth relative to the disability retirement, in that if a disability retirement was fixed on an amount and had nothing to do with years of service, that it was tax free. Mr. Crouse explained that the position the trustees' attorney, Mr. McCracken, had taken was that this was true; however, research had been conducted and other information had been found that led to the fact that even if there was a fixed amount, once an employee reaches age and service for normal retirement, it was no longer considered a disability benefit. Mr. Crouse stated that when individuals called the IRS, different answers could be received. He explained that Mr. Smith's position on this was that the Town was not a body that gives tax information, and that it was between the taxpayer and the IRS, and the safest thing to do was to back away from providing this information, but to make sure that the Town's ordinance was written the way the Retirement Board felt it should be written to protect the interests of the Town and the employee. Mr. Crouse explained that the tax status had nothing to do with the Town, stating that the tax status of the pension paid to the retiree did not affect the Town. He explained that the Board would want to make sure that the ordinance was written to keep in mind that the right thing was being done for both parties. Mr. Boggs asked asked if the Town did anything different from other retirement plans, explaining that in the Federal Government, once an individual received a disability pension it did not convert back to a normal retirement once the individual reached the age for a normal retirement.

Lt. DeIorio explained that information provided to the Board Members indicated that two of the individuals who received a disability pension were from Fire-Rescue. He explained that their dates of retirement showed as the date they went out on disability retirement. He stated that the next category indicated the date of their normal retirement. Lt. DeIorio asked why this was on there and how it affected them, stating that if they were on a disability pension, then it was a disability pension, and asked if that was correct. Mr. Crouse explained that this was correct, and explained that this information was included because the pension would be recalculated, and in almost every case, the individual would receive a higher pension. Mr. Frick asked if, instead of wording it that way, the Board could simply word it to say that they would receive a minimum of 52 ½%, however, upon attaining age and service to 65 points, it would then be recalculated to a new disability pension of a new amount. Mr. Frick asked if the wording was changed, would it solve the problem. Lt. DeIorio explained that he was under the impression from some of the information he had received that if a person was out on a disability retirement, it is a disability retirement period, and it did not convert or change. He explained that there was a set minimum in the way that the ordinance reads, if it is based on years of service and age, then it would have a tax liability.

Mr. Harvey stated that he thought the issue here was should the Board go ahead in terms of studying this so there was a basis for discussion versus trying to answer the question at this juncture. Mr. Harvey explained that some of Lt. DeIorio's requests dealt with the actuary, and some dealt with the attorney. Lt. DeIorio asked if Mr. Doney or Mr. Crouse had any questions regarding his requests. Mr. Doney indicated that he had just become aware of these requests, and that if the Board was going to consider and recommend to the Town Council regarding any funding implications, it would have to be done by April. Mr. Doney explained that this issue could potentially be one of those items. He further stated that if a Drop Plan study was being proposed for Fire-Rescue employees, it would make sense to study it for the other groups as well. He explained that major changes that were made last year to the system, and it was his recollection that the Board members had indicated that they did not anticipate a need for any additional changes to the system for FY97. Lt. DeIorio explained that he was just asking for some costs. Mr. Harvey explained that at this point there was no way of knowing if a Drop Plan would cost anything. He stated that the position Lt. DeIorio was in was that he had these items that he would like to have reviewed, and he did not know if it was good idea or a bad idea, and there was no basis of discussion or evaluation at this point. Mr. Harvey stated that he thought the first step was whether the Board wanted to proceed with gathering the information so the Board could have this discussion so at the end of it, and if there was a cost issue, they could take it to the Town for April of 1997. Mr. Harvey explained that the Retirement Board did not meet that frequently, and it took time to get these types of requests going. Mr. Harvey stated that the question was, did the Retirement Board want to proceed with studies to evaluate these points, and were there any points the Board wanted to drop or any points they wanted to add. Lt DeIorio explained that the Police Department may not be interested in the Drop Plan as that tended to be for people who wanted to stay a little longer. He explained that Mr. Frick had stated that the people he represented were looking at a period of time to leave sooner. Lt. DeIorio stated that if it did not cost anything, then it could be an across-the-board adjustment. Mr. Frick stated that if a study was being done, it might as well be done for all groups in order to make sure the issue would not have to be re-approached at a later time.

Mr. Harvey asked Mr. Smith if he could approximate the cost for studying these proposals. Mr. Smith responded that the cost would be approximately $1,200. He explained that the Drop Plan was really difficult to predict, but that in general, some Drop Plans do not cost any money, but some do. Mr. Smith explained that there were ways to design Drop Plans so they did not cost the employer any money. Mr. Doney asked if a Drop Plan had been looked at in the past few years. Mr. Frick explained that the Town had looked into a Drop Plan, but because they were so new at that time, there had not been a lot of information available. Lt. DeIorio stated that if it was going to be more costly to study whether a Drop Plan would be good or not, perhaps the focus of the study could be to prepare a Drop Plan where the actuary would be able to determine that there would be no cost to the Drop Plan. Mr. Crouse stated that when it was said that a Drop Plan costs something, it had to be determined who it was going to cost. Mr. Crouse explained that he did not think a Drop Plan would cost the Retirement System any more or any less. He stated that the other side of the coin concerned whether or not it was more cost effective for the employer, with some arguing that it saves money for the employer because of the contributions, but when you looked at an employee at the high end of pay and benefits, there could be a cost. Mr. Crouse explained that he had attended the same meeting Lt. DeIorio had, and that he had provided information to the Board members regarding the many different variations of Drop Plans. He stated that he was convinced that the Town could create their own Drop Plan without even calling it a drop plan, that it truly would benefit both the employee and the employer. Mr. Crouse explained that the plan would have to be designed specifically to do this, and that both parties would have to agree to it. Mr. Crouse explained that a Town-wide re-employment program had recently been implemented, and that it was similar to the Drop Plan, except that the employee was paid a pension and a salary. He stated that the advantage to the Drop Plan was that the pension was not paid, but was put into a holding account so the individual would not have to pay taxes on it. Mr. Crouse explained that he thought one could be put together, and that it may not require a study, but simply some discussions and agreement as to what the benefits to both sides would be. Mr. Harvey stated that it sounded like there could be different outcomes depending on the type of Drop Plan, so the Board either needed to provide to Mr. Smith a specific drop plan to evaluate, or the question would really be to have him design a drop plan for the Town so the Board could evaluate. Lt. DeIorio stated that this would be fine if it was possible. Mr. Harvey asked Mr. Smith if the Board should present something specific for him to look at. Mr. Smith explained that if the Board submitted a Drop Plan for him to look at, he would be able to tell them of any changes that might need to be made in order to save costs. Mr. Harvey asked if the Board needed guidance in order to draw up a Drop Plan. Mrs. Smith asked if Lt. DeIorio had actually seen a Drop Plan that he wanted the Town to consider. Lt. DeIorio explained that Drop Plans were very popular in Public Safety. Mr. Harvey stated that he thought the Board should come up with a plan for Mr. Smith to evaluate. Mr. Doney asked that Mr. Crouse and Lt. DeIorio assist in trying to draw information from what other plans do, and if the goal was to create a Drop Plan that would not be of any additional cost to the Town to fund, then the pros and cons could be listed in order to help the Board make its decision. Mr. Doney explained that Gabriel, Roeder and Smith could then include the costs of the plan. Mr. Harvey stated that the Board wanted to make sure the plan was the best available value.

Lt. DeIorio moved development of a DROP plan to be amenable to employer and employees, with such plan to be brought back to the Retirement Board for their consideration. Mr. Harvey asked

Mr. Smith if Lt. DeIorio could call and ask for some input, explaining that what Lt. DeIorio developed should be an informed development. Mr. Doney stated that in order to maintain the control the Board needs on this project, Lt. DeIorio should work with Mr. Crouse so that Mr. Crouse could report back to the Board as the Plan Administrator. He further explained that once there was a proposal in writing, Mr. Smith could look at it in order to determine if the plan was acceptable or not. With this understanding, Mr. Doney seconded the motion, and all voting aye, the motion carried.

Mr. Boggs explained that item XII on the Agenda involved a request by the General Employees for a study on reducing the retirement age to 55. He asked to include this with item VI.B., information submitted to Gabriel, Roeder, Smith for studies and reports to be considered by the Retirement Board. The Board members indicated their agreement.

Mr. Boggs moved that studies be conducted regarding increasing the accrual rate after 25 years of service from 2% to 3%; increasing the duty disability pension amount from a minimum of 52.5% to 60%; and increasing the accrual rate after 30 years of service from 1% to 2.4% for general employees. Mr. Frick seconded the motion. All voted aye, and the motion carried.

Lt. DeIorio moved that the Retirement Board's attorney clarify the language regarding a disability or duty disability pension to where there was not a conflict, or the potential for conflict or future liability was reduced. Mr. McCracken stated that he had looked at this issue and that the tax law was clear as to the treatment under the Town's plan, and he was uncertain whether it could be restructured to change that result. Lt. DeIorio asked what Mr. McCracken's interpretation of the present ordinance was regarding an employee who is not yet of retirement qualification receives a duty disability pension, and when that person reaches a normal qualification whether it be 65 point plan, what happens to the pension then. Mr. McCracken replied that it then becomes taxable. Lt. DeIorio asked if it converted or changed. Mr. McCracken stated that it did not convert, but under the internal revenue code, a pension that is based upon age and service is taxable. Lt. DeIorio asked why it would then become taxable, since it was based upon the minimum 52%. Mr. McCracken explained that he was not sure that anything was converting, but according to the revenue ruling he had read, if an individual was otherwise entitled to a pension, the pension would be taxable. Lt. DeIorio asked if the first 52 ½% of a disability pension would be tax free, or if the entire pension would be taxed. Mr. McCracken indicated that according to the information he had, the entire pension was taxable.

Lt. DeIorio indicated that he would like to contact the State Division of Retirement in order to confirm some information, and therefore, for the time being, would like to withdraw his request for Mr. McCracken to investigate the taxable versus non-taxable status of duty disability pensions. He explained that the Town's ordinance was confusing because it mentioned age and years of service, which made this a taxed pension. Lt. DeIorio indicated that if this wording was not included, but rather the duty disability pension was based on a minimum, then the pension would be tax free. He explained that he would contact the State Division of Retirement and possibly some other individuals in order to bring more information back to the Retirement Board.

The Retirement Board members indicated their agreement.

IX. DISCUSSION AND APPROVAL OF ANNUAL RATE OF INTEREST TO BE CREDITED TO MEMBER CONTRIBUTIONS (Continuation from the Retirement Board meeting of November 17, 1995).

Mrs. Crozier explained that she had been asked to research and determine when the 5 ½% interest calculation paid on contributions was first put into place. She stated that an excerpt from the minutes of the Retirement Board Meeting of October 22, 1980, indicated that it was at this time that the interest rate changed from 3 ½% to 5 ½%. She explained that she had been unable to determine when the 3 ½% rate had been put into place, but it had been felt that the 5 ½% mirrored the rate that was paid by the Savings and Loan Associations at that time. Mrs. Crozier indicated that there had been some concern that if the rate was changed over time, the Town would be in the position to make up a deficit if there was one. Mrs. Crozier stated that one of the things she wanted to reiterate was that if the intent was to mirror Savings and Loans, the Town had probably stayed close to that. She stated that it had been suggested at the November Retirement Board meeting that it was perhaps time to change the rate because the rate was extraordinarily low with respect to what the retirement system had been reaping in interest rates over the last 12 months. Mrs. Crozier explained that it had been communicated in 1980 that the structure of the fund had been put in place for those individuals who retired. She stated that to change the rate to a more attractive rate that would benefit people who left Town employment had not been the intent of the system. Mrs. Crozier explained that this would be what the board would be doing if they changed the interest rate. Mrs. Crozier explained that this would, in essence, establish a savings account for employees who choose to leave Town employment, rather than allowing the benefit of interest earnings to go back into the fund to be used for the benefit of employees who retire. She explained that she did not believe it was the intent of the pension fund to benefit anyone other than the individual who intended to retire.

Mr. Harvey asked if there could be a mechanism designed to serve as a reference point because of the fact that interest rates would change. He asked if it would be feasible to use the 90 day treasury bill to base the rate on. Mrs. Crozier explained that it would probably be feasible, but she did not understand why the Retirement Board would want to do that. She explained that the person who intended to retire would receive many times more than the interest earnings would bring them. She stated that the interest earnings were not important to someone who intended to retire, but probably meant more to those individuals who intended to leave the employment of the Town.

Mr. Boggs stated that he had brought this matter up at the last meeting. He explained that the reason he objected to the fixed interest rate was because there had been occasions when some retirement funds had converted from a defined benefit to a defined contribution plan, where that particular retirement fund matched the employee's contributions, and the earnings on those contributions. He explained that if the Town limited that to 5 ½% interest rate, then those employees could suffer in the long run if the plan was converted to a defined contribution plan. He asked if it was possible to show some kind of savings account or to show how much that employee's contributions had earned, explaining that this would show how much their retirement contributions had earned during their period of service. Mr. Boggs explained that if at some time in the future the plan converted to a defined contribution plan, employees would have a true representation of what their contributions were worth.

Mrs. Crozier explained that her concerns with this were that the Town would give employees a reason to believe that they were entitled to 20% or 30% more interest when the plan was converted, but actuarially, this had never been anticipated and she did not believe there would be funds to accommodate that kind of change. Mr. Boggs explained that he did not have a problem with using the 5 ½% interest rate, but that he would like a statement to show each employee the amount of interest earned on their contributions and indicating that this would become part of their retirement fund at such time as they retired.

Mr. Boggs then moved that the annual rate of interest to be credited member contributions remain at 5 ½% retroactive to the period ending September 30, 1995. Mr. Frick seconded the motion, all voting aye, the motion carried.

Mrs. Crozier stated that she was concerned about the possibility of employees misunderstanding why the interest rate was set at 5 ½%. She explained that she did not want them to think that the Retirement Board was reaping some kind of benefit from the interest rates that had been experienced in 1995. Mr. Boggs indicated that he agreed with Mrs. Crozier, but his concern was with a situation that had occurred in West Palm Beach, where employees were given the opportunity to convert their pension plan to a defined contribution, and many of them had taken the opportunity to do so. He explained that the funds that had accumulated based on the designated interest rate was what was matched, and this was all these employees would get for the rest of their lives. Mr. Boggs explained that many of these people did not understand what they were opting for, and he did not want the Town's employees to get into that type of situation. Mrs. Crozier explained that she thought the situation in West Palm Beach had occurred because the fund had been actuarially structured to provide the employees with a certain amount. She explained that if the Town chose to go from a defined benefit plan to a defined contribution plan, she suspected that the Retirement Board at that juncture would change the structure of the way the interest was calculated. She further explained that this probably could not be done retroactively because the plan couldn't remain solid by doing that.

Mr. Boggs stated that this discussion really needed the participation of the Retirement System's actuary because he did not understand the way the actuarial assumptions were done. Mr. Harvey asked if the Board members would like to continue this discussion until such time as the Town's actuary could be present. The Board members indicated their agreement to this suggestion.

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

Mrs. Crozier reported on the quarterly expenditures for the period February, 1996 projected to April, 1996. She explained that the custodian account balance at February 1, 1996 was $751,038, and this included the second quarter transfer which was done on the first. She explained that this showed the second quarter transfers included in that. Mrs. Crozier stated that estimated employee contributions for February, March and April for Public Safety were projected to be $160,000, and general contributions projected at $100,000. Mrs. Crozier reported that the estimated pension benefit payments for February, March and April were projected to be $793,000, and estimated miscellaneous expenses and refunds were $170,000, which left a balance available in the account for transfer to active managers at $48,038. Mrs. Crozier stated that the recommendation was not to transfer these monies but to leave them in the fund for unanticipated expenses.

There being no questions or comments, Mr. Wearn moved approval of the report on quarterly expenditures. Mr. Boggs seconded the motion and, all voting aye, the motion carried.

XI. DISCUSSION OF APPROVAL FOR TRAVEL REQUESTS.

Mr. Crouse reported that this item was on the agenda in order to notify all of the Board members that both John DeIorio and he had received approval from Mr. Harvey as the Chairman of the Retirement Board to attend a Trustees school from February 5, 1996 through February 7, 1996. Mr. Crouse explained that the cost for this was $1,286.00. Mr. Crouse explained that because the Retirement Board met quarterly, he and Lt. DeIorio had not had the opportunity to bring their request to the Board, so he had wanted to notify the Board members that the Chairman had approved the request.

Mr. Wearn moved gratification of the approval for Mr. Crouse and Lt. DeIorio to attend a Trustees school in February, 1996. Mr. Frick seconded the motion and, all voting aye, the motion carried.

Mr. Doney stated that the Retirement Board had established a written policy regarding travel, and he thought it should be recirculated to all of the Board members. He indicated that the policy did have limitations and requirements, such as limiting attendance to once per year and requiring written reports.

XII. REPORT ON REQUEST OF GENERAL EMPLOYEES TO REDUCE MINIMUM RETIREMENT AGE TO AGE 55.

Mr. Harvey explained that this item had been included with those items under VI.b., Request of John DeIorio for actuarial studies.

XIII. DISCUSSION OF MEDICAL VALUATION FOR DISABILITY RETIREMENTS.

Mr. Crouse reported that at the November, 1995, meeting, the Retirement Board had asked for a list of Retirants who were on a disability pension. He explained that this list had been provided to the Board Members. He explained that there were 4 individuals who were on disability retirements as of this date, but one of those individuals would go on normal retirement effective January, 1997. Mr. Crouse further explained that the Board had determined that no further medical reviews were necessary for this individual. Mr. Crouse explained that the remaining 3 still had some time to go before they would meet normal retirement age, therefore, it would behoove the Board to continue to monitor their medical status. Mr. Crouse further explained that he thought it would simplify the administration of these cases if approving the disability retirement medical reviews were considered by the Retirement Board at the May meetings, and the results of these considered at the August meeting.

Mr. Wearn moved approval of continued monitoring by the Retirement Board of Trustees of the remaining two disability retirements and one non-disability retirement; approval of the annual performance of medical evaluations for these individuals, with consideration for approval of such medical evaluations to occur at the Retirement Board's May meetings; and the results of the annual medical evaluations to be considered at the August meetings of the Retirement Board. Mr. Frick seconded the motion and, all voting aye, the motion carried.

XIV. DISCUSSION AND APPROVAL OF RETIREMENT APPLICATIONS.

A. LYDIA CLARRY

Mr. Crouse reported that Lydia Clarry's request for retirement had been done retrospective of the actual retirement. He explained that Mrs. Clarry had filed for retirement on June 8, 1996, but had asked that her retirement to be effective June 1, 1996. Mr. Crouse explained that Mrs. Clarry had been on leave due to long term illness, and because she met all of the requirements for retirement, the paperwork for her retirement had been processed, but the request had not been brought to the Retirement Board for their approval. Mr. Crouse explained that the auditor had brought this to his attention, so he was bringing it to the Retirement for belated approval. Mr. Wearn asked if the approval was being requested for a retirement date of June 1, 1996. Mr. Crouse indicated that this was correct.

There being no further discussion, Mr. Wearn moved approval of Lydia Clarry's application for retirement, effective June 1, 1996. Mr. Frick seconded the motion and, all voting aye, the motion carried.

B. DONNA JOHNSON
C. ISABEL CARPENTER

Mr. Crouse reported that Donna Johnson and Isabel Carpenter were spouses of two employees who had died while they were employed by the Town. Mr. Crouse explained that these two employees had died in late 1994 and early 1995. Mr. Crouse explained that Town ordinance, Section 15, 25 and 26 made an automatic pension to the surviving spouse, so these two retirement applications had not been brought to the Retirement Board for their approval.

Mrs. Crozier asked if these needed to be considered applications, as she had discussed with the auditors whether or not someone who is entitled to an automatic retirement was required to make application. Mr. Crouse explained that the auditor had indicated that he was satisfied that the pension was automatic in instances such as these, but he wanted to bring it to the attention of the Board.

Mr. Crouse further reported that the retirement ordinance required a retirement notice to be filed not less than 30 nor more than 120 days. He explained that in the last 2 years, 11 out of 26 retirements did not meet that notice requirement. Mr. Crouse stated that he did not know if this was a major problem, but he wanted the Retirement Board to know that the ordinance had specific requirements, yet retirement application were being approved no matter what type of notice had been given. Mr. Crouse explained that from a management point of view, it would be helpful to receive a retirement notice of at least 30 to 90 days. Mr. Crouse stated that he would like to make appropriate changes to the ordinance to include this.

Mr. Doney suggested that Mr. Crouse meet with Mr. McCracken regarding this, and that their recommendation be brought back to the Retirement Board. He explained that, in addition, the issue of spontaneous announcements of retirement should be addressed. He explained that it was very difficult to tell someone who had 26 to 35 years of service that they could not retire without giving proper notice. Mr. Doney suggested that perhaps a reporting format could be set up that would allow the Plan Administrator to advise the Board that these individuals had not given advance notice of their retirement, but nevertheless met all other eligibility requirements and were allowed to retire. Mr. Crouse explained that the point of the retirement notice was really to assist the Department Heads so they would know who was leaving and what kind of arrangements would have to be made in order to fill that position, as well as the budget implications of an individual retiring.

Mr. Wearn moved that the Plan Administrator and the Attorney to the Retirement Board review the entirety of the ordinance and identify sections for clarifications or revision; and that the Board's attorney provide an estimate of the cost for making such revisions in order for the Board to consider them all at one time. Mr. Frick seconded the motion and, all voting aye, the motion carried.

XV. APPROVAL OF RETIREMENT APPLICATIONS

Mr. Crouse reported on the retirement applications of Robert Black, Laborer II/WPCO, Public Works, 62 years old with 12 years and 11 months of service; Leroy Powell, Equipment Operator II/Sanitation, Public Works, with 30 years and 4 months of service; Johnnie Gloster, Sanitation Walker, Public Works, 51 years old with 24 years and 1 month of service, and taking the early retirement option; Ron Meadows, Solid Waste Division Manager, Public Works, with 30 years and 8 months of service; Willie Simmons, Equipment Operator II/Sanitation, Public Works, with 33 years and 6 months of service; Charles M. Saxton, Firefighter/Captain Paramedic, Fire-Rescue, with 22 years and 11 months of service; and Leonard Greene, Assistant Public Works Director, Public Works, with 30 years and 2 months of service. Mr. Crouse stated that all of these individuals met the requirements for retirement.

There being no discussion, Charlie Boggs moved approval of the applications for retirement of

Robert Black, Leroy Powell, Johnnie Gloster, Ron Meadows, Willie Simmons, Charles M. Saxton, and Leonard Greene. Mr. Frick seconded the motion and, all voting aye, the motion carried.

XVI. ANY OTHER MATTERS

A. RETIREMENT GIFT FOR RON SMITH

Mr. Doney suggested that the Board may want to consider authorizing the purchase of a retirement gift for Ron Smith, actuary for the pension plan. Mr. Doney stated that Mr. Smith had always been helpful and responsive to the Board. Mr. Harvey suggested that Mr. Crouse and Mr. Doney decide on an appropriate gift for Mr. Smith. The Board members indicated their approval.

B. FORMAT OF MONTHLY REPORTS

Mr. Harvey indicated that he would discuss with Ms. Fleming of First Union Bank the possibility of standardizing the format of their monthly reports.

XVII. ADJOURNMENT

Mr. Harvey asked if there were any other matters to be discussed. There being none, Mr. Doney moved adjournment of the meeting. Mr. Frick seconded the motion and, all voting aye, the meeting adjourned at 12:35 p.m.

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John DeIorio, Secretary