MINUTES OF RETIREMENT BOARD MEETING
FEBRUARY 16, 1995

I. CALL TO ORDER

The meeting of the Retirement Board of Trustees was called to order by Vice Chairman Wearn at 9:00 a.m. on Thursday, February 16, 1995 in the Town Hall Council Chambers. Attending were: Vice-Chairman James McCartney Wearn, Trustees Deborah Kelly, Karen Lane, John DeIorio, George Frick, Robert J. Doney and Council President Lesly Smith. Absent were Mayor Paul R. Ilyinsky and Chairman Robert D. Harvey. Also in attendance were Town Clerk Grace T. Peters, Finance Director Marie A. Crozier, Personnel Director William C. Crouse, Carla Kneipp, Attorney John C. Randolph, Actuary Ron J.W. Smith and Denise Jones from Gabriel, Roeder and Smith, Gregg Watkins, Michael Harris and Kent Mergler from Loomis, Sayles & Company, David Stephens from First National Bank in Palm Beach, Ed Vroom from Roanoke Asset Management, and William Badger from Callan Associates, Inc.

II. APPROVAL OF AGENDA

Mr. Wearn asked for any changes to the agenda.

Mr. Frick asked that Item VIII, Report of the Ad Hoc Committee, be tabled to a special meeting to be determined. Mr. Wearn indicated that discussion of a special meeting for purpose of discussing the Ad Hoc Committee's report would be addressed under Item XIV, Any Other Matters.

Mrs. Peters asked that discussion of changing Board Meetings to a day other than the third Thursday be added to Item XIV, Any Other Matters.

Mr. Crouse asked to add to Item XIV, Any Other Matters, discussion of the administration of the Retirement Board, and a contract with Grace Peters to act as consultant.

There being no further changes or additions, Officer Frick moved approval of the amended Agenda. Mrs. Kelly seconded the motion. Motion carried unanimously.

III. APPROVAL OF MINUTES - NOVEMBER 16, 1994, AND DECEMBER 16, 1994

Mr. Wearn asked for corrections or changes to the minutes of the November 16, 1994 Board meeting. There being none, Mrs. Kelly moved approval of the minutes of November 16, 1994. Lt. DeIorio seconded the motion. The motion carried unanimously.

Lt. DeIorio then moved approval of the minutes of December 16, 1994. Mrs. Kelly 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 of the Retirement Board was made by Mrs. Kelly. Mr. Wearn called for further nominations and there were none. Mrs. Kelly moved to close the nominations and Mr. Harvey be elected Chairman by acclamation. Seconded by Mr. DeIorio. Motion carried unanimously.

Mr. Wearn called for nominations for Vice-Chairman. Nomination of James Wearn to serve as Vice-Chairman of the Retirement Board was made by Lt. DeIorio. Mr. Wearn called for further nominations and there were none. Mr. DeIorio moved to close the nominations and Mr. Wearn be elected Vice-Chairman by acclamation. Seconded by Mrs. Kelly. Motion carried unanimously.

Mr. Wearn called for nominations for Secretary. Nomination of Deborah Kelly to serve as Secretary of the Retirement Board was made by Lt. DeIorio. Mr. Wearn called for further nominations and there were none. Mr. DeIorio moved to close the nominations and Mrs. Kelly be elected Secretary by acclamation. Seconded by Miss Lane. Motion carried unanimously.

V. COMMENTS OF REPRESENTATIVES FROM LOOMIS, SAYLES & COMPANY

Kent Mergler, Managing Partner of Loomis, Sayles & Company, addressed the Board and introduced Greg Watkins, Equity Manager, and Mike Harris, Fixed Income Manager. He explained that they did not have a report in the form of investment results since they came on board the beginning of January, 1995. Mr. Mergler stated that they were honored to be the Town's newest manager, and a part of the Town's team, and were very appreciative of the opportunity to work with the Town. Mr. Mergler explained that Loomis, Sayles and Company was a national investment counseling firm based in Boston, and was a very major firm in the business with $35 billion under management. He explained that the Town was being managed by their Detroit, Michigan office, which had a very supportive bulk of business in the public employer retirement business. Mr. Mergler explained that there were details about the firm and their major research area in the booklet provided to members of the Board.

Greg Watkins, Equity Manager, addressed the Board and expressed his appreciation to the Town for the opportunity to work with the Town. He pointed out a brief profile in the booklet provided to the Board Members, and explained that they had experienced a smooth transition in establishing the portfolio, and that he was impressed by the work done by Alpha in setting up the portfolio.

Mr. Watkins explained that they were now fully invested and meeting the targets of the policy. He stated that the equity characteristics showed the good value manager that Loomis, Sayles and Company wanted to be, as well as showing that their portfolio had a 1995 price earnings multiple at a significant discount to the market as measured by the S&P 500 Index, which was something that the Town should see consistently. He pointed out that under diversification, the Board Members could see that the portfolio was well diversified across the spectrum of major market sectors, which was also something that should consistently describe the portfolio. Mr. Watkins pointed out a brief summary in the information provided, and in accordance with the Town's policy requirements, of the transactions that took place in the portfolio in January, 1995.

Michael Harris, Fixed Income Manager, addressed the Board and reported on bond characteristics. He explained that what Loomis, Sayles and Company had initially done was to get the bond portfolio invested, have its exposure to interest rates about the same as the market, with a duration of about 4.9 years, and maintain consistency with the market benchmark being used. He further explained that they had begun a process of identifying corporate securities, and increased the weighting there at 10%, with more purchases of corporate bonds and mortgage pass throughs planned for the future. He explained that the goal was to increase the overall yield of the portfolio, and to do that they needed to invest in the higher yielding segments of the bond market, so they would be selling some of the treasury securities to accomplish that. Mr. Harris explained that there were comments regarding the bond purchases in the information supplied to the Board Members, as well as the S&P tear sheets that listed all the various stock and bonds purchases made. Mr. Harris stated that Loomis, Sayles and Company was happy to be working with the Town.

VI. QUARTERLY REPORTS: FIRST NATIONAL BANK IN PALM BEACH (FIRST UNION'S PRIVATE BANK); ROANOKE ASSET MANAGEMENT; CALLAN ASSOCIATES, INC.

David Stevens, Portfolio Manager with First National Bank in Palm Beach, addressed the Board explaining that the Town's ongoing Portfolio Manager Sandra Brown was unable to attend this meeting. He explained that the information provided to the Board included the rules First National Bank was working under as outlined to them, including that all maturities were to be reinvested in T-bills to mature just before year-end so the account could be rebalanced each year, and all income was to be re-invested, keeping the portfolio evenly laddered 10% each year, with a minimum money market balance of $50,000. Mr. Stevens reported that 1994 was a bad year for bonds, so some market value was lost, but since the idea behind the portfolio was to hold to maturity, that should not be a problem. He further reported on the current position of the portfolio, explaining that the account had been rebalanced, and they were holding their 10% weighting positions across the board.

Ed Vroom of Roanoke Asset Management addressed the Board stating that the portfolio presented did not really reflect present actions because as of 12/31/94, monies had not been disbursed from the portfolio. He explained that the short term investments were those monies that completed the restructuring of the fund. Mr. Vroom stated that Roanoke Asset Management liquidated $8.5 million of securities out of the equity portfolio during December, so that the $7.9 million was reflective of that liquidation. He explained that the report provided showed a reflection of the liquidation and dispersal of those monies as of 12/31/94, so the portfolio as of that date was $15.8 million, with roughly a 50/50 split between stocks and bonds, so more liquidating had to be done to get it down into the approved asset allocation set forth in the new guidelines. Mr. Vroom then reported on the performance rates of return for various segments of the portfolio. He explained that the equity only rates of return showed in the fourth quarter reflected the full impact of the liquidation of 8.5% of equity, so it had some effect on these numbers. He explained that the equities were a positive 1% in the fourth quarter, and for the year, were a positive 3.7% return versus the Standard and Poor's which was up 1.3%. He explained that regarding the three year numbers, Roanoke's equity compounded rates of return were 10.3% versus 6.3% for the S & P, and they also beat the S & P on the five year basis. Mr. Vroom stated that Roanoke was happy with these numbers, particularly after the last difficult year.

Mr. Vroom reported that bonds were more difficult to deal with, and that they brought down Roanoke's total fund rate of return. Mr. Vroom stated that Roanoke continued to be comfortably ahead of the industries that they are measured against. He explained that the total fund rate of return had a slightly positive fourth quarter, with the year being slightly negative by less than 1%. He explained that on a three year basis, the annualized rate of return for the fund was 8.3%, which beat all of the industries looked at, and for five years, the compound rate of return was 9.7% for total fund. Mr. Vroom reported that from inception on, the total fund was compounded at a rate of return of 13.0% from 1981 through 1994, with stocks achieving a compound annual rate of return of 16.8%, versus an S & P of 14.8%, and fixed income achieved a compound annualized return of 12.6%, versus the Shearson Leahman of 11.6% during that period.

Mr. Vroom explained that he wanted to reiterate to the Board who and what Roanoke Asset Management was. He stated that they are growth stock managers, and try to identify small and medium capitalization companies with growth characteristics of a minimum of growing revenues and earnings on a secular basis of 15% or greater, with stable and above average profit margins with balance sheets that can sustain and support the growth rate expected, have market share or a defensible market niche where they can maintain their growth rates and profitability they currently achieve, and that have managements with significant ownership stakes.

Mr. Vroom reported on Roanoke's investment strategy, mentioning stocks and sector selection or sector concentration in the portfolios, health care, technology and telecommunications. He explained that those three areas continue to be weighted heavily in the portfolio. He explained that Health Care was 18.2% of the portfolio, explaining that managed care offered the best control of price, volume and intensity of services. Mr. Vroom indicated that Technology was 28.5% of the portfolio, and reported that a massive upgrade cycle had been triggered by changes in computers. Mr. Vroom then reported on Telecommunications, which was 15.7% of the portfolio, explaining that deregulation continued to drive competition.

Mr. Vroom explained that Roanoke took a long term point of view, and not short term trends, and that this strategy had been a relatively profitable one for them. He explained that they maintained a well diversified portfolio including soft goods, hard goods, financial services, energy and capital goods.

Mr. Vroom explained that the weighted average market capitalization of the portfolio was $2.3 billion, with the earnings growth rate of 29%, with the price to earnings ratio at 23.0%, and with the return on equity being significantly greater than the average stock. Mr. Vroom explained that they ran a relatively conservative bond portfolio, and that it had been impacted by the economic circumstances in the bond market. He stated that this year was shaping up as a more positive year.

Mr. Wearn asked if any Board Members had any questions or comments. Mr. Doney asked if there was anything from Mr. Vroom's perspective in the transition that he saw as a problem, or any difficulties that he'd experienced that the board should be aware of. Mr. Vroom replied that there were none.

William Badger of Callan Associates, Inc. addressed the board and discussed the previous year's activity in the market. He explained that it had been the worst year since the 1920's for the fixed income market, and the equity market fortunately had been a little more positive by the end of the year. Mr. Badger explained that the portfolio at the end of the year was 49.7% in fixed income, almost 24% in equities, and 27% in cash and equivalences, primarily because of the transition. He further explained that Roanoke Asset Management, as of the end of the year, had 42% of the Town's assets, with 24.9% in the T-Bond Account, and the rest in Wolf, Webb.

Mr. Badger reported on a summary of the performance of the Town's assets. He explained that in the last quarter, Roanoke Asset Management outperformed both the Standard & Poor's 500 stock index and Lehman Brothers Corporate. He stated that their equity returns over the last year had been significantly positive, whereas their fixed income asset was a little bit negative, relative to the indices. Mr. Badger stated that over a period of time, the Town's fund had done fairly well. Mr. Badger reported that Roanoke Asset Management compared very well with its peer group of mid-cap managers.

Mr. Badger pointed out that in the fixed-income ranking, Roanoke Asset Management compared well with other core bond fixed income Managers. He pointed out that they had done well for the fourth quarter, but the spread of the performance was very tight. He explained that in the last year it had been in the 93rd percentile, but while 1994 was an unpleasant year for them in the bond area, in previous years they had done very well. Mr. Badger explained that the total return indicated an added value both in the Security Selection area and the Asset Allocation area, which showed the market return showing a total positive return. Mr. Badger reported that Wolf, Webb had shown a negative return of 4.6% under Security Selection.

Mr. Badger then explained that the Town's T-Bond account had been compared to Intermediate Fixed-Income Management, which was appropriate given the duration of the portfolio, and this showed that they had ranked in the 27th percentile, which was very good. He explained that over the last one year period, they had a negative 2.56, which was a little below the Lehman Brothers Government Corporate Intermediate return. He explained that they ranked in 74th percentile for the year. Mr. Badger explained that they had a median return in 1992 and a little bit better than median in 1993. He asked if any Board Members had any questions, stating that it had been an unusual quarter for the Town because they had gone through a transition. He explained that the next quarter would be a little bit better, although Loomis's performance would not be able to be ranked because it did not have the portfolio as of the first of the year.

Mr. Wearn asked if it would be possible to have comparative information from February 1st. Mr. Badger replied that the ranking systems were quarterly, so it would not be possible to have an interperiod ranking. He explained that what they could do, since they were so close to the first of the year, would be to put in an exhibit that would show how they would have done if the numbers had been there since the first of the year. Mr. Wearn indicated approval of this suggestion.

Mr. Doney asked whether or not there was any item that the board needed to be aware of, or any actions they should take at this time in lieu of the major actions and transition that occurred, or if there were any outstanding items the board should be aware of. Mr. Badger stated that from his review of the situation, the transition had gone smoothly, and Loomis was fully positioned in an appropriate way, so the best thing to do was to make sure that they understood what their performance guidelines and goals and objectives were and how they were being measured, what they could buy and what they could not buy, and once all that information had been given to Loomis, then the Town had to monitor it on a quarterly basis, and listen to their particular reports. He explained that in getting to know a Manager, it was a good idea to meet with a new Manager fairly frequently just so the Board could get to know the Manager and the people who run the portfolio because this business was one of communication. Mr. Badger stated that the best thing the Town could do was to get to know them so they would know why they were performing in a certain manner, so that when a negative experience occurred, the Town would know why it happened.

Mr. Doney asked Mrs. Crozier if there was anything from the Finance Department's perspective that the board should consider today in order to complete any related actions by the Town. Mrs. Crozier indicated that all the transaction were complete, and everything was in order. Mr. Wearn stated that this transition seemed to have gone very smoothly.

Mr. Doney asked Mrs. Peters if she could announce the reporting schedule of Roanoke and also Loomis for the balance of the year. Mrs. Peters explained that Loomis, Sayles & Company was scheduled to come to the August meeting, and Roanoke Asset Management was scheduled to come to the May meeting, with Callan Associates scheduled to come in November. Mr. Doney stated that it might be well advised for the Board to consider having Loomis present a report in May. Mr. Wearn stated that this suggestion was well-taken, particularly since Loomis had a local office. He asked if anyone had an objection to asking for a report from Loomis at the May meeting. There being no objections, Mr. Wearn asked that Loomis, Sayles and Company be asked to attend the May 19, 1995 Retirement Board Meeting. Mr. Doney moved that a letter be sent to Loomis, Sayles and Company asking them to appear and report at the May 19, and August 18, 1995 Retirement Board Meetings. Miss Lane seconded the motion. Motion carried unanimously.

VII. REPORT OF THE ACTUARY

Mr. Smith addressed the Board and expressed his and Gabriel, Roeder and Smith's regret at Mrs. Peters' upcoming retirement. He stated that he had had the privilege of working with Mrs. Peters for a number of years, and that all of the people at Gabriel, Roeder and Smith would miss her.

Mr. Smith explained that the report the Board Members had received contained a number of incorrect items. He explained that the results were correct, however, some of the numbers were recorded incorrectly. Mr. Smith indicated that a new copy of the corrected report would be issued to all of the Board Members.

Mr. Smith then introduced Denise Jones of Gabriel, Roeder and Smith, explaining that she had been on the actuarial staff for the last fifteen plus years, and was very experienced in putting the reports together.

Ms. Jones addressed the Board by reporting on the Actuarial Valuation. She explained that the purpose of this report was to measure how well the Retirement System's funding objectives were being met. She explained that the funding objective was to ensure that the cost of the Retirement System remained substantially low from one generation of taxpayers to the next. She then explained that Gabriel, Roeder and Smith performed an Actuarial Valuation every year to measure how well that objective was being met, and to determine the contribution rates for the upcoming fiscal year. Ms. Jones explained that one of the measures of checking the funding objectives would be the funding progress indicators, which were summarized in the report provided. She explained that the Funding Progress Indicator was 94% funded by accrued assets, which was an increase over the past year, with the experience for the year being slightly more favorable than anticipated, which was why the indicator did increase. Ms. Jones stated that they expected it to increase in the absence of changes in benefit provisions or changes in actuarial assumptions, so this measure was positive for the year, going from 93% to 94%.

Ms. Jones reported that another indicator was the ratio of the unfunded actuarial present value of credited projected benefits, which was the unfunded accrued obligations of the plan as measured by the Government Accounting Standards Board divided by active member payroll. She explained that the purpose behind this indicator was to eliminate the impact of inflation in the dollar amount of the values. She stated that both of these indicators would increase just as a matter of inflation. Ms. Jones explained that this particular indicator was expected to decrease in the absence of changes in benefit provisions or actuarial assumptions. The actuarial experience gained or lost during the year was slightly more favorable than anticipated for the year, producing an experience gain of roughly $674,000. She explained that the primary source of that favorable experience was that active member salaries did not increase as much as anticipated.

Ms. Jones stated that there were other indicators in the different divisions, such as higher than expected withdrawals in one of the divisions. She indicated that the report showed terminations were slightly higher than anticipated, and that all of these factors produced actuarial gains, and as a result, increased the funded ratio and the funding progress indicators for the year.

Ms. Jones stated that the other purpose of the Actuarial Valuation was to determine the contribution rates, which were shown in the report. She stated that for the most part, the contribution rates would have decreased slightly had it not been for the FS Chapter 112 requirement in determining or in computing the unfunded accrued liability percents of payroll. Ms. Jones explained that adjustments to calculated contribution requirements increased 0.8% of payroll on average for the year, and had it not been for that, the contribution rates in the aggregate would have decreased for all of the divisions. She explained that there had been an increase in the member contribution rate for the Lifeguard Division, and that caused a significant decrease in the Town's contribution for that particular group, but for the most part, the contribution rate for all of the divisions did increase as a result of that adjustment in compliance with FS Section 112.64. She pointed out that the public contributions were shown in the report, with the General Division at 15.76%, comparing to 15.66% in the previous year, and for Police, the contribution rate was 28.24% comparing to 27.74% in the previous year. She explained that the Firefighter portion had the most significant increase with the contribution rate at 32.83% as compared to 29.73%. She reported that the contribution rate decreased in the Lifeguard division as a result of the increase in the member contribution rate, with the Town's contributions being 19.9% compared to 21.26 in the previous year.

Mrs. Crozier asked if the number was 19.90% or 19.94%, explaining that there were two numbers given in the report. Ms. Jones explained that the correct number was 19.90%. Mr. Doney asked if there would be a complete, reissued report with all of the corrections provided to all the Board Members. Ms. Jones replied that there would be. Mr. Doney asked that this report indicate that it was revised, and have today's date. Ms. Jones explained that each page of the revised report would have an "R" on it so the Board Members would know that it had been changed, and the report in its entirety would be reissued, with the cover indicating that it was a revised report.

Ms. Jones then referred to the Retirement System experience for the year, explaining that it had increased slightly more than projected, with the net rate of return being 8.2%, with the assumed rate at

8%, so this helped contribute to the actuarial experience gained for the year. Ms. Jones explained that under this method of the actuarial value of assets showed Recognized Captive Value Changes over a four year period, with this year showing a loss. She explained that fortunately there had been three previous years showing favorable experience. She explained that fluctuations were able to be smoothed out by showing four years of experience. Ms. Jones explained that over a period of years, it was expected that the actuarial gains and losses would cancel each other out. She explained that over the last ten years, the experience gains had been more prevalent than the experienced losses, with seven years of favorable experience, and three years of unfavorable experience. Ms. Jones stated that this was reflected in the funded ratio, and was one of the reasons why the system was so well funded.

Ms. Jones reported that the Retirement System was maturing, with approximately 190 retired members and roughly 340 active members, with the retired members receiving approximately $2.8 million in pension payroll, and active member payroll at $12.4 million. She reported that the ratio of pensions to payroll was about 22.5%, which was fairly close to the weighted average of what the Town was contributing, which meant that it had reached the point where the payout as a percent of payroll was pretty close to what was actually contributed. Ms. Jones explained that as a system matures, the payout would continue to increase as a percent of payroll, but if the funding objective continued to be followed, the contributions would remain level as the payout increased.

Ms. Jones reported on adjustments being made to the Town's contribution rate as a result of the FS Section 112.64 requirement. She explained that there was pending legislation to change the particular method of calculating the adjustment, saying that currently it was based on the three year growth rate in total payroll, and pay increases over that period had been virtually nonexistent, with the result that since the unfunded accrued liability had to be financed over that percentage, it caused higher adjustments. She explained that the legislation would extend that average period to ten years, which should smooth out a lot of the fluctuations. She stated that the purpose was to establish contributions that would remain level.

Ms. Jones referred to a State mandated requirement for future valuations on a state mandated 1983 Group Annuity Mortality Table, which assumed that people would live a longer period of time than under the current table, and recognized improved longevity. She explained that this would increase the liabilities or obligations of the Retirement System, and that it would more than likely increase the contribution rates, but the assumptions would be reviewed in order to see if there were other adjustments that could be made that would temper this increase.

In conclusion, Ms. Jones stated that the Retirement System was meeting its funding objective, and that the funding progress indicators indicated that the Retirement System was doing very well.

Mr. Smith stated that he did not think that the proposed mortality rate was appropriate for this Retirement System, and he would like the Board's permission to look at some of the other assumptions to see if they could offset some of the effect of that change. He stated that there seemed to be an increasing trend in Tallahassee that the legislators had the ultimate knowledge and experience in running local retirement systems, and that the next thing could be that they would try to set the investment return rate. Mr. Smith explained that the part of the bill that included the relief on the three year averaging period also had a requirement where each year the estimated investment return for the next three years had to be filed, and he felt that if it came in a little less than the actuarial assumption, they would try to force the municipality to change it. He explained that the whole premise of the State was that all of these communities were underfunding their retirement plans deliberately, and it was the State's job to keep it from happening.

Mr. Wearn asked Mr. Smith if there were any changes he would recommend that the Board consider in the fiscal set of assumptions. Mr. Smith replied that there were not any at this time, but he would report back to the Board if there were any recommendations to be made.

Mr. Wearn asked if there were any questions or comments from the Board. Mrs. Crozier asked Ms. Jones regarding the current retirement payroll being 22% of active, whether that was a typical number. Ms. Jones explained that as a system reaches maturity this was expected. Mrs. Crozier asked if this was typical with respect to other retirement systems. Mr. Smith explained that this was largely a byproduct of the Town's history, and that brand new rapidly growing communities took a long time for that payout to creep up in relationship to the payroll, but an older city with no growth would expect a higher payout with respect to the payroll. Mr. Smith explained that this was unique to each community.

VIII. REPORT OF THE AD HOC COMMITTEE

Mr. Wearn asked to set a meeting date for the Ad Hoc Committee, explaining that there was an extensive report regarding the information the Committee had discussed. He asked if the Ad Hoc Committee members wished to have this included in a regular Retirement Board Meeting, or if they wished to discuss it at a separate special meeting.

Mr. Frick explained that he would like to present this information at a special meeting so that the Board Members could devote their attention to these issues. Mr. Doney indicated that he agreed, stating that he felt it was crucial to coordinate this meeting with Mr. Smith's agenda, as well as the Mayor's and Mr. Harvey's and the other Board Members.

Mr. Wearn suggested that this be turned over to the Plan Administrator in order to contact all of the members of the Board because he felt a full board was appropriate for this consideration. He asked that the Plan Administrator find a date and time that was acceptable for at least a three hour period for a Special Meeting, and to contact the Actuaries to be sure they were available. The Board Members indicated that this was acceptable.

After a short break, the meeting was called back to order.

IX. APPROVAL OF RETIREMENT REQUESTS OF:

John T. Irvine, Police Department, 21 years, 9 months;

Grace T. Peters, Administration, 22 years, 3 months;
John W. Davis, Police Department, 24 years, 11 months.

Mr. Wearn asked if all was in order with the Retirement application of John T. Irvine of the Police Department, with 21 years and 9 months of service. Mrs. Peters reported that all was in order. There being no discussion, Officer Frick moved approval of John T. Irvine's application for retirement. Lt. DeIorio seconded the motion, and all voting aye, the motion carried.

Mr. Wearn asked if all was in order with the Retirement application of Grace T. Peters, Town Clerk, with 22 years, 3 months of service. The Board Members indicated their regret at Mrs. Peters' retirement. Mr. Doney moved approval of Grace T. Peters' application for retirement. Miss Lane seconded the motion, and all voting aye, the motion carried.

Mr. Wearn asked if all was in order with the Retirement application of John W. Davis of the Police Department, with 24 years, 11 months of service. Mr. Doney indicated that he had received a letter from Mr. Davis which showed Mr. Davis' years of service to be almost 26. Mrs. Peters stated that the dates would be verified. There being no further discussion, Officer Frick moved approval of John W. Davis' application for retirement. Lt. DeIorio seconded the motion, and all voting aye, the motion carried.

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

Mrs. Crozier reported that this was the Benefit Payment Account Report for the period February 1995 through May 1995. She explained that the balance in the account at February 14, 1995 was $187,034.96. She stated that fourth quarter transfer of Employer's contributions of February of 1995 was $667,910, with estimated pension benefit payments for the period February through April of 1995, $720,000. Mrs. Crozier explained that the estimated miscellaneous expenses in refunds was $150,000, and of the estimated employee contributions for January through March of 1995, Public Safety represented $120,000, General Employees represented $90,000, and the balance available in the account for transfer to the active managers was $194,945.71. Mrs. Crozier explained that the recommendation for transfer was $192,000.

Mrs. Crozier felt clarification was needed with respect to the changes in the investment policy, explaining that in the past, funds were only transferred to the active managers, but now, if her interpretation of the investment policy was correct, these monies should be transferred with a breakdown of 25% to Roanoke, 25% to Loomis, 20% to the Index Fund, and 30% to the Treasury Bond Fund. She asked for direction on whether or not that understanding was correct. Mr. Wearn indicated that this was his understanding, and asked if there was specific language that caused a question from the policy statement. Mrs. Crozier indicated only in that it was a deviation from what was previously done. She explained that while she thought it was specifically indicated in the investment policy, she wanted to be sure everyone was of the same interpretation that those numbers would change, and it would not just be a disbursement to the two active managers. The Board Members indicated they agreed with this.

Mr. Doney commented on the new style of reports from First National Bank in Palm Beach, and asked Mrs. Crozier if she thought this type of report was better for the Finance Department. Mrs. Crozier replied that she did not think it was better. She stated that First National Bank had sent the old master account that had previously been used, but she did not know why the report had been restructured. Mrs. Crozier explained that the previous report was easier to interpret. Mr. Doney asked if the Board could not require the report be submitted in a format and detail that they wanted, as this was the ultimate importance to the Board.

Mrs. Crozier explained that she had some concerns with First Union regarding the reports they produced, explaining that when it was a report not produced for any other agencies, there were problems in that regard. She stated that if they continued to provide the old master account report with the new style report, she would be comfortable with that.

Mr. Wearn asked the Board Members if they would like to ask Mrs. Crozier to contact the Bank to find out whether or not they would get the full report they need. Mrs. Crozier indicated that they had done this, and the full report was being provided.

Mr. Wearn indicated that the Board Members should consider whether they were happy and satisfied with the report they were receiving, and if any Board member had any concerns or questions, it would be discussed at the next meeting of the Retirement Board.

Mr. Doney agreed, and explained that since First National Bank would be present at the next meeting, the Board could at that time request them to do certain things. Mr. Wearn indicated that a sub-item to their report at the next meeting could be included in the Agenda, in order to consider any comments on the report change for 1995.

XI. APPROVAL OF REVISED POLICY STATEMENT

Mr. Wearn explained that at the December 16, 1994 meeting, the Board had considered the Statement of Investment Policy, and had briefly identified revisions that had occurred from the draft to the revised. He reported on item 3, from page 3, which was a third Balanced Investment Manager responsibility, explaining that this information was new.

Mr. Wearn then reported on the new Personnel Changes Policy, on page 5. He explained that these were the two primary changes from the last draft at the December 16 meeting.

Mr. Wearn explained that he had two further revisions he suggested to the Statement of Investment Policy. He stated that one was located on page 2, Balanced Investment Manager Responsibilities, which used to include the statement, "Each Investment Manager is expected to immediately report to the System any substantive changes in the ownership, affiliations, organizational structure, financial condition, professional personnel staffing, and clientele of their respective investment management organizations." Mr. Wearn stated that this clause may have been deleted based upon the addition at page 5 of the Personnel Changes provision in the Policy Statement, but the Personnel Changes provision dealt only with personnel assigned to the system, and did not deal with the omitted language from the draft, which dealt with ownership, affiliations, organizational structure, financial condition, professional personnel staffing and clientele. Mr. Wearn stated that he would like to recommend to the Board favorable consideration of re-inserting that language as the second sentence of item two of the Balanced Investment Manager Responsibilities.

Mr. Wearn explained that the last change was a suggestion of Grace Peters, and was found at the top of page 5, the Reporting Policy Statement, with reference to the investment committee of the system. Mr. Wearn explained that this was archaic language, and there was no longer an Investment Committee of the system and his recommendation was to delete the words "investment committee" and substitute the words "Board of Trustees".

Mr. Wearn explained to the Board Members that these were four items for their consideration regarding the Statement of Investment Policy, and each change should be considered separately.

Mr. Wearn opened discussion regarding the first change, the inclusion in Balanced Investment Manager Responsibilities, number one, "each investment manager is expected to immediately report to the System any substantive changes in the ownership, affiliations, organizational structure, financial condition, professional personnel staffing and clientele of their respective investment management organizations." There were no comments or objections to the inclusion of this language in the Reporting Policy Statement.

Mr. Wearn opened discussion regarding the insertion of the Investment Manager Responsibility identified as number 3, which was new. There were no comments or objections to the inclusion of this language in the Statement of Investment Policy.

Mrs. Kelly suggested a change to page 5, under Review of Policy, and read "Investment returns shall be related to objectives and performance benchmarks in conjunction with the Callan and Associates...", and recommended changing that to "System Performance Monitor". There were no comments or objections to the inclusion of this language in the Statement of Investment Policy.

Mr. Wearn opened discussion regarding the Reporting Policy, changing "Investment Committee" to "Board of Trustees". There were no comments or objections to the inclusion of this language in the Statement of Investment Policy.

Mr. Wearn opened discussion regarding "Personnel Changes", explaining that this was new language. There were no comments or objections to the inclusion of this language in the Statement of Investment Policy.

With no further discussion, Mr. Wearn asked that these changes be considered to have been revised as of this date, and entertained a motion to approve and adopt the amended Statement of Investment Policy.

Lt. DeIorio moved approval and adoption of the amended Statement of Investment Policy. Officer Frick seconded the motion. Mr. Doney asked if procedurally, this meant that the revised policy as approved and adopted by the Board would then be sent to Callan Associates, who would then send it to the Investment Managers for their signature. Mrs. Peters indicated that this was the procedure, explaining that she would send the changes to Callan immediately, who then would send on the amended Statement of Investment Policy. There being no further discussion, the motion carried unanimously.

XII. REQUEST FOR AUTHORIZATION FOR $1,200 FOR EXAMINATION OF DISABILITY RETIRANTS:
Willie Frank Telfair
Richard Leandro

Mrs. Peters explained that the disability retirees were reviewed on an annual basis to make sure they are still disabled. She explained that some of these individuals would never get any better, so their attending physicians were asked to send their latest reports, which were then reviewed by the Town's Clinic. Mrs. Peters explained that in reviewing the disability retirant Willie Telfair, the Town's Physician indicated that Mr. Telfair's Doctor had indicated that Mr. Telfair was currently working and may continue his current work status, so the determination that he is still disabled would be contradictory. Mrs. Peters indicated that in this case, she would suggest an independent medical evaluation regarding his work capabilities. She further suggested using Dr. Craig Lichtblau for this determination, since the Town had used him in the past, and had been satisfied with his evaluations. Mrs. Peters explained that Dr. Lichtblau had examined Mr. Telfair in the past, and had also examined Richard Leandro. Mrs. Peters reported that Mr. Leandro had retired in May of 1993, and this was why she was requesting these two examinations by Dr. Lichtblau.

Mr. Doney asked if the cost was $1,200 per evaluation. Mrs. Peters replied it was.

Lt. DeIorio asked if disability retirees had to be re-examined every year. Mrs. Peters explained that a current report is obtained from every retirant's Doctor, and they are all sent to the Town Physician. She stated that some of these retirants will never get better and will stay on disability, but these two were back injuries so she was asking for an updated examination. Mrs. Peters explained that years ago the Board had asked that these be done on an annual basis. Mr. Wearn stated that he felt the Board had the responsibility to ask that these re-evaluations be done.

Mr. Doney asked if the Board had by motion asked that these types of disabilities be brought forward as a matter of procedure and policy every year so that the re-evaluations could be done, and reported back to the Board at the next quarterly Retirement Board meeting. Mrs. Peters indicated that the Board had enacted this policy.

Miss Lane moved authorization of the expenditure of $1,200 each for examination of two disability retirants, Willie Frank Telfair and Richard Leandro. Officer Frick seconded the motion, and all voting aye, the motion carried.

Lt. DeIorio asked if the Town had a policy regarding reinstating people who were out on disability retirements in another position or division. Mr. Crouse replied that the problem with Public Safety employees in the Ordinance was that the reinstatement had to be back to Police or Fire-Rescue work, but that with other employees, it would be in any position where they could be placed. He explained that he felt it might be good for the Board to consider changing the policy that if gainful employment that was relatively equivalent could be provided, then it would give the Board some latitude to get these people back into gainful employment.

Lt. DeIorio explained that the problem that he had with this was that if there was no possibility of an individual returning to work, as in Mr. Leandro's case, he did not understand why these expenditures would be made for re-evaluations each year. Mr. Wearn explained that a placement policy did exist, but that it depended upon the positions that were available. Lt. DeIorio stated that at this point in time, there was no provision in Public Safety to place Public Safety employees in other positions. Mr. Crouse explained that the recommendation presently before the Board was based upon the condition of the individual, and that it was incumbent upon the Board to review any individual when there was the question that the individual could possibly return to work. He explained that part of the reason these individuals were being reviewed was because the Town's Physician felt that based upon their current status their condition should probably be looked at. Lt. DeIorio asked if the Board was then going on the recommendation of the Town Physician as compared to just a rule of thumb that this be done every year. Mr. Doney explained that these requests were also based upon the reports of the individual's physician that are reviewed by the Town's Physician. Mrs. Peters explained that these re-evaluations were conducted at the recommendation of Dr. Ojea.

Mr. Doney asked Mrs. Peters how many disability retirants there were with the Town. Mrs. Peters explained that there were about seven. Lt. DeIorio asked if these were all duty disabilities. Mrs. Peters replied they were not.

Mrs. Kelly asked if financials and 1040's had to be requested every year for these individuals if they had not yet attained retirement age. Mrs. Peters explained that this had been asked for the previous year. Mrs. Crozier asked if at that time they had been asked to provide this on an annual basis. Mrs. Peters stated that they had not all been asked. Mr. Wearn suggested that if this was an administrative matter, then perhaps it could be taken up by the Plan Administrator. Mr. Doney indicated that the Board had discussed this matter, and he thought it should be followed up on, as it was part of the policy discussion.

XIII. REQUEST FOR TRAVEL AUTHORIZATION FOR LT. JOHN

DEIORIO TO ATTEND 16TH ANNUAL POLICE OFFICERS' AND FIREFIGHTERS SCHOOL ON MARCH 14-15, 1995, IN TALLAHASSEE, FLORIDA

Mr. Wearn asked Mr. DeIorio if he had attended this the previous year. Lt. DeIorio replied that he had, and explained that the previous request had been approximately $200 for travel expenses, $40.00 for lodging, and $95.00 for the conference. He explained that this was a trustee school specifically for Police Officers and Firefighters, and there were several pertinent issues to be covered this year, especially as related to amending Chapters 175 and 185, actuarial issues, and investment considerations for pension plans. Lt. DeIorio explained that he felt this conference was very relevant.

Mr. Wearn asked Lt. DeIorio if he would be providing a written report of the conference to the Retirement Board. Lt. DeIorio replied that he would. Mr. Doney explained that the travel request met policy requirements.

Mrs. Kelly moved approval of Lt. John DeIorio's request for travel authorization to attend the 16th Annual Police Officers' and Firefighters' school on March 14 and 15, 1995 in Tallahassee, Florida, and the advance request in the amount of $448.00, with a written report to be submitted to the Retirement Board after the conference. Officer Frick seconded the motion. There was no further discussion. The motion carried.

XIV. OTHER MATTERS

A. Mr. Wearn commented on the unique situation of having former Mayor Earl E.T. Smith serve on the Retirement Board by reason of his being Mayor, and now having former Mayor Smith's widow, Lesly Smith, serve on the Retirement Board by means of her being Council President. Mr. Wearn also expressed such service was a tremendous honor. Mrs. Smith thanked Mr. Wearn.

B. Mr. Wearn then welcomed Carla Kneipp of the Personnel Department, explaining that she would be taking over the preparation of the Minutes and assisting the Plan Administrator.

C. Mr. Wearn reported that Mr. Harvey had called and left a message for Grace Peters to say that she would be missed, as would all the help she had provided over the years. Mr. Wearn indicated that while Mr. Harvey sent his best wishes for Mrs. Peters' retirement, he felt sure that Mr. Harvey would be able to say that also in person. Mr. Wearn expressed to Mrs. Peters that he also would miss her and her presence on the Town staff, saying that it had been very meaningful to him over his years of involvement with the Town.

D. Mr. Wearn stated that he understood it was being raised before the Town Council for a change in the designation of the Plan Administrator, and he was very pleased to say that the candidate for this position was William C. Crouse, the Personnel Director, so he felt the Board would have a continued excellent Plan Administrator. Mr. Doney stated that this Ordinance had been adopted at its first reading on February 14, 1995, and the second reading would be March 14, 1995, which gave the

Town the necessary continuity because of the necessity to have control of all of the Retirement records.

E. Mr. Wearn addressed the Board regarding approval of the consultancy of Grace Peters to the Retirement Board of Trustees, and asked if the Town Manager had a recommendation.

Mr. Doney moved that the Retirement Board authorize Mrs. Peters to be retained as a Special Advisor to the Plan Administrator effective 5:00 p.m. February 24, 1995, to December 31, 1995, with the number of hours to be at the discretion of the Personnel Director, who will become the Plan Administrator, so the necessary continuity and activities of the Retirement Board may proceed in an orderly fashion, and that the hourly rate for those professional services be $50.00 per hour. Officer Frick seconded the motion. There being no further discussion, the motion carried.

F. Mr. Wearn opened discussion on the meeting date of the Retirement Board, explaining that Mr. Randolph, Town Attorney, had indicated that Mr. McCracken of his firm, who had worked on the Ad Hoc Committee Report, has a commitment the third Thursday of each month, and that this was apparently the only recurring committment which would interfere with the Retirement Board's meeting dates, it being intended by the Town Attorney that Mr. McCracken take over the legal representation on the Board. He explained that the request was being placed before the Retirement Board to consider a change of the quarterly meeting dates from Thursdays. Mr. Wearn indicated that the third Fridays were feasible for him. Mrs. Peters noted that this would be a good time, because the Callan reports were in by then.

Mr. Doney asked if there were any other meetings regularly scheduled in the Council Chambers on Fridays. Mrs. Smith indicated that there was usually nothing scheduled on Friday, except for the Golf Commission on fourth Fridays, and they did not always meet in the Council Chambers.

Mr. Wearn asked the pleasure of each member on the Board, and asked how available they were for the third Friday of the month for the quarterly meetings. The Board Members indicated this day was acceptable. Mr. Wearn stated that the meetings would be changed from May 18 to May 19; from August 17 to 18; and from November 16 to 17. Mr. Doney asked that these dates be confirmed with the appropriate Board Members.

Officer Frick moved to tentatively approve the next quarterly meeting of the Retirement Board of Trustees to be held on Friday, May 19, 1995, subject to everyone's availability, including Mr. Harvey, and at that time discuss changing the August and December meetings. Mr. Doney seconded the motion. There being no further discussion, the motion carried.

G. Mr. Doney reminded the Board Members of the retirement party being held on February 22, 1995, for Grace T. Peters.

XV. ADJOURNMENT

There being no further business, Lt. DeIorio moved adjournment of the meeting. Mr. Doney seconded the motion, and all voting aye, the motion carried. The meeting was adjourned at 11:45 a.m.

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Debbie Kelly, Secretary

FUTURE MEETINGS:

9:00 a.m., Friday, May 19, 1995
9:00 a.m., Friday, August 18, 1995
9:00 a.m., Friday, November 17, 1995