

**MINUTES OF THE GENERAL EMPLOYEES' PENSION PLAN QUARTERLY BOARD  
MEETING HELD ON FRIDAY, AUGUST 29, 2008 AT 1 :30 P.M. IN  
COMMISSION CHAMBERS, CITY HALL, BOYNTON BEACH, FLORIDA**

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**PRESENT:**

Jerry Taylor, Chair  
Kurt Bressner  
Lisa Jensen  
Sue Kruse  
Michael Low  
Cathy McDeavitt

Barry Atwood, Finance Director

**I. OPENINGS:**

- A. Call to Order - Mayor Gerald (Jerry) Taylor, Chairman

Chair Taylor called the meeting to order at 1:31 p.m.

**II. AGENDA APPROVAL:**

- A. Additions, Deletions, Corrections

The following items were requested to be added to the agenda:

1. A report on a scanning project was added to VI. Old Business as Item B.
2. The FPPTA Supplemental Benefit Program was added to VII. New Business as Item C.

**Motion**

Ms. McDeavitt moved to approve the agenda as amended. Ms. Kruse seconded the motion that unanimously passed.

**III. APPROVAL OF MINUTES - Regular Meeting May 30, 2008**

**Motion**

Mr. Low moved to approve the minutes. Ms. Jensen seconded the motion that unanimously passed.

#### IV. FINANCIAL REPORTS

- A. Davis Hamilton Jackson & Associates - Investment Strategy, Second Quarter 2008 - Jana Woods

**Jana Woods**, reported on the period ending June 30, 2008.

The portfolio composition was about 53% in equities and about 47% in fixed income at quarter end. The total value of the portfolio was approximately \$26,170,000.

The market experienced extreme volatility. There were continued negative commodity prices, continued foreclosures, the credit issues were tightening and inflationary issues with oil causing the cost of goods to rise. Growth outperformed value for the quarter but there was a change seen in what was performing better going into the next quarter.

Equities underperformed their benchmark. There was flight to low quality and lower capped stocks this quarter. Commodity prices and metals were the winners during the quarter as well as oil prices.

Fixed income, which had been the stable part of the portfolio over the last few years, also suffered. The numbers were down, but less than the benchmark. Interest rates were up during the quarter; the short rates were up almost 1% and the long rates less than one-quarter percent.

The fiscal year number showed a negative. Equities were negative, but were at 2.3% over performance fiscal year-to-date, and about 5% to 6% ahead of the S&P for the fiscal year. Fixed income was ahead of the benchmark for the fiscal year. The one-year number was up over 3% with equities down about 2%. The S&P 500 showed a large negative and the value numbers were worse than the S&P 500.

Fixed income for the prior twelve-month period was up over 9%. High quality, conservative fixed-income instruments had a nice outperformance within the fund. The three and five-year numbers were coming closer together. There was outperformance over the last eighteen months with the market returning to growth. Outperforming the benchmark was narrowing the gap. There had been three years of underperformance for the index when growth was out of style. Fixed income outperformed during the last 5.5 years.

This quarter, value was starting to outperform growth because financial stocks had been beginning to rebound. The big swing was in oil prices, which was positive for the market. The account was in the positive in stocks and bonds. Equities were up about

1.5-1.6% and the growth index up about 70 basis points. Fixed income was up about 80 basis points.

Factors which influenced the market were increases in energy prices and continuing inflation fears. Ms. Woods expressed they have seen one of the worst Junes since the Depression. Small cap stocks fared better than the large cap stocks. Growth versus value for the current quarter had a 6% spread of growth. Over the past year, growth outperformed value by over 13%. There has been a huge swing back into the growth arena.

Energy increased the most and financials and consumer discretions had the biggest negatives.

The portfolio underperformed for the quarter compared to the Russell Growth Index but the earnings in the portfolio could not keep up with the market. The earnings versus the Russell 1000 and the S&P 500 showed the portfolio was continually beating the earnings of those benchmarks.

The good performers were energy and Industrial stocks and Amphenol, which was an electronic equipment manufacturer. Poor performers were C.R. Bard, a healthcare company, the financials, which was Bank of America, and General Electric.

At the end of June each year, the Russell Indices are reconstituted. The change was the healthcare weightings were lowered 2.2% in the Russell 1000 Growth Index and they increased the energy weighting by 2.2%. At the end of the quarter, they were equally weighted.

The current market outlook was anticipated to be a tough market. There would be continued volatility but there are attractive stocks, and market evaluation levels looked good. There should be careful selection of stocks. The big returns would be about a year away on the equity side of the portfolio. Interest rates were still considered relatively low and the trend would be to stay flat and then move slightly upward. For the short term, the market was considered positive. The Federal Reserve was neutral and there would likely be no decreases moving forward.

Valuation of the market was positive. The economics were neutral with negative earnings because they are not finishing the sub-prime write-offs, and inflation was negative with concerns regarding oil and commodity prices which increased the price of all consumer items.

The portfolio on the equity side showed some overweighting in technology, industrials and energy. Technology had the most attractive values in earnings projections.

The fixed-income market saw a rise in interest and longer rates were not up nearly as much as short term rates. The market favored corporate bonds and mortgage-backed securities. There was movement to quality which pushed the pricing up on treasuries and they started buying more mortgage-backed securities as well as high quality corporate items. They would also add to those positions and lighten their durations. They have been aggressive bond managers in the high quality phase, reviewing how the spread products were performing and moving the portfolio to best capture where they think the benefits are. They believed quality in the fixed income portfolio was important to the portfolio. They were pleased with what growth was doing which had better returns. They had 4% outperformance over the trailing 12 months and the two-year mark.

**B. Quarterly Investment Review - Southeastern Advisory Services, Inc. - Jeff Swanson**

Mr. Swanson advised they loaded all the back data from Merrill Lynch up until March and then the monthly statement for every portfolio advisor linked to the performance so the members would have a continuous performance history through June.

Mr. Swanson reviewed it was a very difficult June quarter. The alternative investments were the only investments with positive earnings. These were hedge funds and real estate. The Morgan Stanley Capital International Europe Australasia and Far East (MSCI EAFE) had positive earnings. The traditional asset classes did not work in the quarter and it was very challenging on the equity side. Stocks were down about 20% from their November highs and there would be volatility in the near term from equity.

There would be a negative return for the fiscal year-to-date. The Plan's investment losses have been lighter than most others and were right on policy. Real estate and real assets were up 8% in three quarters in their investments with J.P. Morgan and that helped a great deal. He suggested inviting J.P. Morgan to the next meeting to review their one-year performance and have them review some of the other real asset funds they use; namely, infrastructure, which they recommend to clients.

The portfolio asset allocation was broadly diversified and the small and mid-cap managers added considerably to the fund's return. J.P. Morgan helped stem the losses. And he recommended J.P. Morgan be invited to the next meeting. Mr. Swanson explained some of the components of the fund were in the custody of Merrill Lynch. Since the Board no longer has a relationship with them, those assets should be transferred to Wachovia so all the assets would be in a single place. He recommended moving transfer of custody for Calamos, Touchstone, EuroPacific and ING to Wachovia.

The funds for the quarter were earned .5% in June. The target index was down 1.3% and the portfolio protected capital better than anticipated. Compared to the live universe of other public funds across the country, they ranked in the top third. For the one-year period, the fund was down 3.4%, and the fund lost less than the target and ranked above average.

Domestic equities did quite well, being down 8% versus 12% for the blended policy target. Compared to the equity portfolio of other public funds, it ranked in the top 14. The international component was down, but in line with the benchmark, and ranked slightly below average.

The real estate component did not have a one-year figure, but the three-quarter number was about 8%, which assisted the portfolio. Bonds earned 8.4% and finished in the top quartile. Mr. Swanson reported both managers did a good job for the fund with fixed income.

The incumbent managers were reviewed. Bernstein was the large cap value manager which handled the hardest hit portion of the market. This encompassed the finance companies which went down the most. Generally those stocks paid the dividends. The deepest losses, down 19%, came from this portfolio. The style benchmark, the Russell 1000, was also down 19%.

Davis Hamilton showed considerable improvement. Their one-year number of -2.1% ranked very favorably to the growth benchmark and the Russell 1000 and they ranked in the top 27% of other growth managers. This manager had been put on a watch list one year ago, but had been taken off the list and was now in good standing.

Calamos and Touchstone had deeply positive returns for the quarter with both funds ranking above average, and having very light losses for the year.

The Boston Company had been replaced by Julius Baer. EuroPacific did well over the last year. ING has not performed. Mr. Swanson recommended the members delete that portfolio and consolidate it between Julius Baer and EuroPacific.

The equity portfolio was split between Davis Hamilton and Alliance. Combined, there were 182 stocks in the well diversified portfolio. It was in this portfolio that the magnitude of the credit crisis was reflected.

Mr. Swanson explained the total fund data point was on target near the Russell 1000 fund, and with all the managers combined, the fund had a very central style position.

Mr. Swanson explained Calamos was an excellent manager with a four-star rating. This fund was with Merrill Lynch and should be transferred to Wachovia. Calamos has, in its institutional share class, the same exact fund as Merrill Lynch, but it was less expensive. Merrill Lynch was not able to hold the "I" share class but Wachovia can. Accordingly, the recommendation was to transfer out of the "A" share class with Merrill Lynch and into the "I" share class at Wachovia because it was the same fund with a lower expense ratio.

The Touchstone fund, held by Merrill Lynch was recommended to be transferred to Wachovia. This did not have a cheaper share class but he would like to set up the fund for recapture. Right now there is a 12b-1 fee and this can be recaptured back to the fund.

The EuroPacific fund was the best performing foreign fund in the world. He recommended this fund be transferred from Merrill Lynch to Wachovia because there is a less expensive "R-5" share class.

The ING fund was reviewed. Mr. Swanson recommended this fund be transferred from Merrill Lynch to Wachovia and then delete the fund and split it between EuroPacific and Julius Baer. The Julius Baer fund was purchased after the quarter when the Boston Company was deleted.

There was agreement to invite J.P. Morgan to the next meeting.

**Motion**

Ms. McDeavitt moved to transfer all of the mutual funds at Merrill Lynch to Wachovia. Ms. Kruse seconded the motion that unanimously passed.

**Motion**

Mr. Bressner moved to get rid of ING and split the fund between EuroPacific and Julius Baer. Ms. Jensen seconded the motion that unanimously passed.

**Motion**

Mr. Bressner moved to transfer from the existing Calamos fund into the institutional share of Calamos. Ms. Kruse seconded the motion that unanimously passed.

**Motion**

Mr. Low moved to implement recapture on the Touchstone fund, to recapture the 12b-1 fees available on that fund. Mr. Bressner seconded the motion that unanimously passed.

**Motion**

Mr. Bressner moved to transfer out of the EuroPacific "A" and into the EuroPacific "R-5" share class. Ms. Kruse seconded the motion that unanimously passed.

For the next meeting, Mr. Swanson would invite J.P. Morgan to present their existing product, plus their infrastructure product. He would also like to review the investment policy. He explained Merrill Lynch never put the MSCI EAFE property index into the target which needs to be updated. While he was doing that, he would ensure all else was up-to-date.

- C. Alliance Bernstein- June 30, 2008 - For your review

There were no comments on this item.

**V. CORRESPONDENCE**

- A. Gabriel Roeder Smith - July 17, 2008 memorandum RE: Comments on proposed changes to State Administrative Rules pertaining to funding and disclosure

There were no comments on this item.

- B. Merrill Lynch - \$10,677.06 check received for 12b-1 fees generated from April 1 - June 2, 2008

There were no comments on this item.

**VI. OLD BUSINESS**

- A. Status of temporary transition to Financial Services for pension administrative services

*Mr. Bressner left the dais at 2:10 p.m.*

1. Responded to requests for pension information from employees

**Barry Atwood**, Finance Director, explained they have been receiving a lot of requests for information on the status of the plan. He explained Ms. McDeavitt has been helpful in getting the RFP issued for the next Pension administrator and answering questions. There have been some requests for withdrawals due to hard financial times and requests for account balances to consider withdrawals.

2. Transferred a copy of the pension administration computer software to Payroll

The software has been added to the computers in the Finance area.

*Mr. Bressner returned at 2:11 p.m.*

- (1) Authorized the author of the software to train staff and correct an apparent program error

The originators of the software recently made corrections to the software and trained staff in the operation and proper use of the equipment. The software was now up-to-date.

- (2) Statements not generated at this time until above completed

Mr. Atwood was not certain statements were generated to the members quarterly or annually and he requested direction. Ms. McDeavitt explained to her knowledge, the DROP balances were issued quarterly. There was an annual statement sent to retirees, and current employees would receive what their estimated benefits would be.

The Alive and Well Statements were mailed annually and usually requested to be returned by the end of September. The annual benefit statement detailing the health of the plan usually came in after the actuarial report. The actuary created the document, not the Administrator.

Mr. Bressner suggested determining what is of value to the retirees and what documents and reports the members should receive. From the viewpoint of an incumbent employee, it was thought the employee should receive an estimate of earnings on an annual basis and projected pension benefit. As it pertained to retirees, a similar type of document should be prepared.

On a quarterly basis, the City received year-to-date payouts for the DROP beneficiaries and retirees. The letter regarding the health of the fund being sent was previously discussed by the members, but it was not known if it was ever sent. There was a form



sent to retirees with their Alive and Well Benefits informing them they had to verify their beneficiary information and elective benefits on an annual basis.

Changing pension benefits was discussed and it was suggested the opportunity to do so should be incorporated into the open enrollment period held every August. Mr. Atwood noted he reviewed finance documents and found a brochure. It was thought the brochure could be sent with the checks. Ms. McDeavitt explained she has the information and the ITS Department could update the brochure and move it forward fairly quickly. The brochure indicates if there were questions, the individual should contact the Pension Administrator. That language would be changed to reflect questions should be directed to the Finance Department until the new Pension Administrator begins.

Mr. Bressner thanked Mr. Atwood for stepping in and handling this project.

**B. Report on scanning project**

Ms. McDeavitt explained in November the three Pension Boards entered into an agreement with R&S Integrated, who is a scanning and document imaging company, to scan the retiree information and put it in electronic format for each of the Boards.

In January, Ms. McDeavitt created a purchase order, and in February she held a meeting with Ms. LaDue, Mr. Chapman, the vendor and an ITS representative to discuss how to get started on the project. At that point, it was Ms. LaDue's responsibility to provide the company with information for the scanning project. The idea was R&S would bring the records up-to-date, and then Ms. LaDue would maintain them.

To-date, the Police and Fire Department files were done. The purchase order needed to be closed out, but it contained a scanner for \$950, which was to be divided between the three Boards and paid for equally. Ms. McDeavitt explained it was her recommendation the Board not pay for the scanner because Ms. LaDue will not be scanning the Employees' Pension Board files.

The Police and Fire Departments wrote the General Employees' Pension Plan a check for their portion of the project, which was deposited. Whatever funds were left from the Police and Fire portion should be returned to them, and then if they want to secure a scanner for LaDue Inc. to use, they could create a new purchase order for a scanner or they could use a scanner in their offices. She suggested closing the purchase requisition out, because when the new Administrator comes on board, he/she can review it and they may have a document imaging system.

**Motion**

Ms. McDeavitt moved the purchase order to R&S be closed out after final invoicing and any further work on the project for Police and Fire be done independently of the General Employees Pension Board. Mr. Bressner seconded the motion.

The motion was amended to include the General Employees' Pension Board not participate in the purchase of a scanner at this time. Mr. Bressner agreed to the amendment. A vote was taken and the motion unanimously passed.

**VII. NEW BUSINESS**

- A. Discussion of process and timing for selection of a pension administrator and a Pension Attorney.
  - 1. Request for Proposals for Pension Administrative services - Staff solicited proposals with an August 28, 2008 deadline for the Board's consideration.

Mr. Atwood explained an RFP was issued and two proposals were received; one from the Resource Center and the second from Benefits U.S.A. Both firms were fairly local with one located in Palm Beach Gardens, and Benefits U.S.A. in Lauderhill. Both firms have a fair number of clients in the areas. The scope of proposal and quality of them were quite different and he did not know whether the members wanted to review the proposals or have the firms make a presentation. Mr. Atwood advised he had reviewed both proposals and thought the Resource Center was, by far, the better of the two firms. They had a lot of on-line information. He explained the thing to recognize was both of the firms would handle inquiries by telephone, which was similar to how the State system works. If a face-to-face meeting was requested, they could arrange for them to come at specific intervals, similar to ICMA or Nationwide services.

Mr. Swanson noted the Board had interviewed them in 2006 and they made a full presentation at that time.

**Motion**

Mr. Bressner moved that they authorize the attorney, whoever it would be, to finalize a contract with the Pension Resource Center, and to also request they include the provision for face-to-face meetings with City employees in tandem with any benefit fair or open enrollment cycle the City has. Ms. McDeavitt seconded the motion that unanimously passed.

There was discussion and agreement to ask the firm to come to the next meeting to present their roll-out plan and how they would notify employees of the manner of business.

2. The City Attorney will report on the process used to solicit interest from the following firms to serve as Board attorney and how the Board wishes to proceed.

- (1) Cohen & Rind, PA, Miami Lakes
- (2) Hanson, Perry & Jensen, PA, West Palm Beach
- (3) Sugarman & Susskind, PA, Coral Gables

**Jim Cherof**, City Attorney, explained in conjunction with the transition of legal services to another individual or firm, he made inquiries to several attorneys he knew who provide these services, and they represent several pension boards in the local area and throughout the State. He contacted Robert Klausner and he did not ask for written proposals; rather, it was to get a fee for their hourly rate, which was \$285 per hour. He explained it was up to the Board to determine the procedure for the hiring process.

The members discussed the firms and their hourly rates. Cohen & Rind, PA, and Hanson Perry and Jensen, P.A. quoted \$250 per hour; and Sugarman & Susskind, quoted \$300 per hour, increasing over a three-year period to \$315 per hour. It was noted the Police were satisfied with the services of Hanson Perry and Jensen, P.A.

### **Motion**

Ms. McDeavitt moved the General Employees' Pension Board contract with Hanson Perry and Jensen for Board legal services. Mr. Low seconded the motion that unanimously passed.

Mr. Bressner thanked Attorney Cherof for his work on the transition and getting the proposals from the firms. Mr. Cherof would contact the firm and begin the transition of the documents for the next meeting.

### **B. Invoices for review and approval:**

1. Alliance Bernstein - Account 03731693 \$10,471.28 - Quarterly Management Fees, July 1 - September 30, 2008, Invoice 16508, Aug.12, 2008 and (2) \$16,612.03 - Quarterly Management Fees, July 1 - September 30,2008, Invoice 17826, Aug.12, 2008
2. The Boston Company - Account Boynton (Account terminated

July 7, 2008) (1) \$6,654.91 - Quarterly Fees, April 1 - June 30, 2008, Invoice 2359, July 7, 2008 and (2) \$ 493.56 - Quarterly Fees, July 1 - July 7, 2008, Invoice 2361, July 8, 2008

3. Davis Hamilton Jackson & Associates - (1) \$32,421.77 - Quarterly Management Fees, July 1 - September 30, 2008, Invoice 20904, July 28, 2008
4. Ellen Schaffer - (1) \$472.50 - Consulting and programming service to pension software, Invoice 2068, August 16, 2008
5. Gabriel Roeder Smith & Company - Account 0486723  
(1) \$700.00 - Actuarial Services through June 30, 2008, Invoice 105324, June 30, 2008
6. J. P. Morgan Investment Management - Account 248210  
(1) \$18,752.83 - Strategic Property Fund Fee, January 1 - March 31, 2008, Invoice 20080331-5154-A, July 1, 2008
7. Southeastern Advisory Services, Inc. - (1) \$8,357.00 - Performance Measurement and Related Investment Consulting Services, Second Quarter 2008, Invoice 8002
8. Merrill Lynch Consulting Services - Account 7PV-05030  
(1) \$16,176.44 - Consulting Services Fee, October 1, 2007 - March 31, 2008, Invoice of August 14, 2008
9. Wachovia - Account 4046000161 - (1) \$905.58 - Fiduciary's Fee, May 1-31, 2008, Invoice 149481, June 5, 2008 (2) \$867.06 - Fiduciary's Fee, June 1-30, 2008, Invoice 150026, July 8, 2008 (3) \$855.62 - Fiduciary's Fee, July 1-31, 2008, Invoice 150758, August 6, 2008
10. Wachovia - Account 4046000170 - (1) \$859.67 - Fiduciary's Fee, May 1-31, 2008, Invoice 149482, June 5, 2008 (2) \$804.68 - Fiduciary's Fee, June 1-30, 2008, Invoice 150027, July 8, 2008 (3) \$789.30 - Fiduciary's Fee, July 1-31, 2008, Invoice 150759, August 6, 2008

Mr. Atwood explained he had reviewed the invoices and they appeared in order. Item 4, the Ellen Schaffer Consulting and Program Services invoice, was for work already

completed. In the future, the services may not be needed when the new Administrator comes on board.

**Motion**

Mr. Low moved to approve the invoices. Ms. Jensen seconded the motion that unanimously passed.

Mr. Atwood questioned whether the board wanted to continue holding the invoices to the next meeting which would occur quarterly, or whether they should be paid and the Board provided with an information item. Since there were no issues with the vendors in the past, there was agreement to continue in the same manner as the Board has used in the past.

C. 1. Florida Public Pension Trustee Association (FPPTA) Supplemental Benefits.

Ms. McDeavitt explained all three Boards were members of the Association. She explained the Association was starting a new benefit program where the current employee can sign up for the program for \$9.99. They give benefits such as auto or liability insurance, some healthcare, term life insurance, identity theft, and retirement planning. The fee paid is not charged until they actually sign up for one of their offerings. The association also agreed that \$5 of the fee would be returned to local retiree or protective organizations and further agreed to set up an organization for the Board if it so desired. The marketing to the retirees and employees would be done electronically, but would involve some upfront work to compile lists of information for the program. The Board currently uses the internet and paychecks to get information to the employee. Ms. McDeavitt sought direction from the board whether they were interested in the program.

Discussion ensued this was a personal decision for each employee to make and they should be made aware of the program. The decision for the Board was if the employees participated, whether they would recapture the \$5 if they used the service.

Further discussion followed setting up a recapture program could potentially become cumbersome. It was Ms. McDeavitt's feeling the program was more geared to Police and Fire who have more organizations the \$5 could go to. If the General Employees had a retiree association which had an annual dinner or educational seminar for their employees, that would be one way to recapture the monies. It was suggested and agreed on that this information would be included in the brochure being updated and interested employees could go on line and obtain further information, or include the

information with the paychecks issued. Ms. McDeavitt would also work with Mr. Atwood so when some notices were issued, the retirees received the information as well.

**VIII. FUTURE AGENDA ITEMS**

A. Selection of Pension Administrator

This item was discussed earlier in the meeting.

B. Selection of Pension Attorney

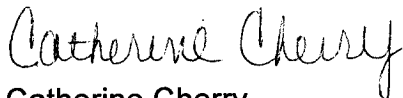
This item was discussed earlier in the meeting.

**IX. PUBLIC COMMENTS**

None.

**X. ADJOURNMENT**

There being no further business to come before the Board, the meeting properly adjourned at 2:47 p.m.



Catherine Cherry  
Recording Secretary  
100308