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**MINUTES OF THE GENERAL EMPLOYEES' PENSION PLAN QUARTERLY BOARD  
MEETING HELD ON MONDAY NOVEMBER 30, 2009 AT 1:30 PM IN COMMISSION  
CHAMBERS, CITY HALL, BOYNTON BEACH, FLORIDA**

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**Trustees:** Kurt Bressner  
Cathy McDeavitt  
Michael Low  
Sue Kruse

**Others:** Joe Lawrence, Alliance Bernstein  
Scott Howell, Alliance Bernstein  
Jeff Swanson, Southeastern Advisory Services  
Bonni Jensen, Perry & Jensen, LLC  
Scott Baur, Resource Centers  
Dixie Martinez, Resource Centers  
Barry Atwood, Finance Director  
**Members of Public**

**I. OPENINGS:**

**A.** Call to Order – Kurt Bressner, acting as Chairman

Kurt Bressner called the meeting to order at 1:35 p.m. The meeting will start as a workshop until there is a quorum.

**II. AGENDA APPROVAL:**

**A. Additions, Deletions, Corrections**

Mr. Kurt Bressner reported that since the Board did not have a quorum the approval of the Agenda and approval of Minutes would have to be delayed until later and he suggested moving the Investment Report to first item on the Agenda.

**IV. INVESTMENT REPORTS**

**A. Quarterly Investment Review – Alliance Bernstein – Joe Lawrence (Manager)**

Mr. Lawrence introduced Mr. Scott Howell to the Board. Mr. Lawrence briefly gave the Board a firms update. Mr. Lawrence reported that the 3<sup>rd</sup> quarter had a very strong rebound performance versus what they had seen last year at this time. Mr. Lawrence reported that for quarter ending September 30, 2009 the Plan was up by 18.6% versus the benchmark at 18.2%. Mr. Lawrence reported that year to date the Plan is up by 21.6% and since inception the Plan has outperformed the benchmark by 2.1%. Mr. Lawrence reported that this recovery started about 4 to 5 months ago and that it is sustainable. Mr. Lawrence reported that stocks have begun to rebound and he explained that equity markets have rallied from March lows but are still well below their October 2007 peak. Mr. Lawrence reported that stocks are attractively priced based on 2010 and 2011 expected earnings. Lastly, Mr. Lawrence reported that for year to date the Fixed Income Portfolio has outperformed the benchmark by 4.2% and

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for quarter ending September 30, 2009 the Plan is up by 5.6% versus the benchmark at 3.7%.

**B. Quarterly Investment Review – Southeastern Advisory Services – Jeff Swanson (Consultant)**

Mr. Swanson reported that there was a 50% price decline but then there had been a 60% rebound from the March 2009 lows. Mr. Swanson reported that the last two quarters were both very good quarters for the Plan. Mr. Swanson reviewed the asset allocation as of September 30, 2009. Mr. Swanson explained that the negative in the Plan's asset allocations has been due to real estate, as commercial real estate continues to be a very difficult environment. Mr. Swanson reviewed the manager allocations for quarter ending September 30, 2009. Mr. Swanson reported that the total investment earnings for quarter ending September 30, 2009 are \$7,552,694. Mr. Swanson commented that this was the best quarter on record for the Plan. Mr. Swanson reviewed with the Board the returns for each manager. Mr. Swanson recommends instructing Wachovia to reinvest all distributions including dividends and interest from mutual fund holdings. Mr. Swanson also recommends instructing Wachovia to reinvest all cash held in the money market within the mutual fund account into the EuroPacific Fund. Mr. Swanson reviewed the total fund performance for the Plan, for quarter ending September 30, 2009 the Plan was up by 11.2% and ranked in the top 43 percentile of Public Funds across the country. Mr. Swanson reported that Domestic Equity was up 16.1% and International Equities was up 19.5%. Mr. Swanson reported that real estate had a negative return and it was down -7.3%. Mr. Swanson reported that the Total Fixed Income was up by 5.7%. Mr. Swanson reported that the portfolio was well positioned for this quarter. Mr. Swanson reviewed the portfolio by manager. Mr. Swanson reported that no rebalancing is necessary at this time. He explained that the Plan is right at target and the managers are generally performing at or above expectation. Ms. McDeavitt asked Mr. Swanson to repeat all of his recommendations. Mr. Swanson reviewed his recommendations; 1<sup>st</sup> to instruct Wachovia to reinvest all distributions including dividends and interest from mutual fund holdings; 2<sup>nd</sup> to instruct Wachovia to reinvest all cash held in the money market within the mutual fund account into the EuroPacific Fund; 3<sup>rd</sup> to instruct Wachovia to transfer Calamos "A" shares into "I" shares; 4<sup>th</sup> to instruct Wachovia to split all the contributions/distributions into the pension as follows: 25% to Alliance Bernstein Bonds, 25% to Alliance Bernstein Equity, 25% to Davis Hamilton Bonds and 25% to Davis Hamilton Equity. Mr. Swanson explained that currently 50% is going to Davis Hamilton and Jackson Bonds with 25% going to the two Alliance Bernstein accounts respectively.

Ms. Jensen advised Mr. Swanson that the Board did have a quorum therefore the Board would be able to vote on these recommendations.

**Motion**

Ms. McDeavitt moved to follow the recommendations from the Investment Consultant. Mr. Low seconded the motion that unanimously passed 4-0.

## **1. Investment Policy Review**

Mr. Swanson reported that he is recommending a couple of changes to the investment policy.

Mr. Swanson reviewed the main policy first, he explained that he is recommending a change to the target index currently at 40% in the Russell 1000 stock index; his recommendation is to change it to 35%. Mr. Swanson is also recommending changing from the 10% investment in the MSCI Europacific, Australia, and Far East stock index to 15%. Mr. Swanson reviewed the investment guidelines. Mr. Swanson reported that now the policy will be more specific on how they are defining domestic and non domestic stocks. Mr. Swanson reported that he had also added language to allow managers to use EFTs.

Ms. Jensen reported that the Investment Objectives that are contained with the Investment Policy for the General Employees' Pension Fund has a specific targeting index therefore in order for the Plan to use the target index recommended by Mr. Swanson the Ordinance will have to be amended. Ms. Jensen explained that as far as the 25% permissible range, although Mr. Swanson is referring at market the Ordinance references at cost, 20% at cost therefore the Ordinance will also need to be amended.

Mr. Swanson reviewed the revised addendums to the Investment Policy and he explained that the only changes are the modifications on being more specific regarding foreign securities.

### **Motion**

Ms. McDeavitt moved to approve the revisions to the Statement of Investment Policy Goals and Guidelines and the Addendums. Mr. Low seconded the motion that unanimously passed 4-0

Mr. Bressner officially called the meeting to order. Mr. Bressner commented that he will be acting as Chair today and the Board does have a quorum.

## **II. AGENDA APPROVAL:**

Mr. Bressner explained that for the record the Board had already heard the quarterly investment report from Alliance Bernstein. Mr. Bressner reported that the Board had also heard the quarterly investment report from the investment consultant and had motioned to approve his recommendations.

### **Motion**

Mr. Low moved to approve the Agenda. Ms. McDeavitt seconded the motion that unanimously passed 4-0.

## **III. APPROVAL OF MINUTES**

**A. Regular meeting August 24, 2009.**

**Motion**

Ms. McDeavitt moved to approve the minutes of the regular meeting on August 24, 2009. Mr. Low seconded the motion that unanimously passed 4-0.

**VII. NEW BUSINESS**

**A. Treatment of Employee Contributions Not Withheld – Barry Atwood**

Mr. Atwood introduced himself. Mr. Atwood explained that the employee in question was previously a part time employee which as a part time employee was not entitled to belong to the pension system. Mr. Atwood explained that the employee in question later was hired as a full time employee and at that time there had been an oversight to add him to the pension system although he did sign the election to participate in the pension plan form but no pension contributions were deducted from his payroll. Mr. Atwood explained that this was an unfortunate situation and that his department had discovered it during a regular withholding Audit. Mr. Atwood explained that there could be several ways of resolving this situation. Mr. Bressner reported that the options that had been identified by Mr. Atwood to resolve this matter are: 1<sup>st</sup> due to the City's oversight, should the Pension Plan collect withholdings from the Employee; 2<sup>nd</sup> if yes, should interest be included and in what manner and over what period of time? Some options include, no interest, interest according to the actuarial assumption; 3<sup>rd</sup> withholding in arrears and should the employee be given the option if the decision is to collect the \$17K, 199.98

Mr. Bressner explained that at the time of his employment Mr. Kendrick who is the member in question did file the application properly and had made a designation of beneficiaries. Mr. Bressner explained that all of the administrative enrollment documents were evident as part of his employee file but pension contributions had not been deducted from Mr. Kendrick's payroll.

The Board discussed past practices in the cases where an employee wished to buy service credit as an example.

Mr. Sam Kendrick introduced himself to the Board. Mr. Kendrick explained that over the past 8 ½ years he has been officially employed by the City. Mr. Kendrick explained that he had no idea that he had never contributed into the Pension Plan. Mr. Kendrick asked the Board if there is any way he can make up for the 8 ½ years of pension contributions. Mr. Bressner explained that the Board will have to evaluate on the basis of the entire fund. Ms. Jensen reported that other Funds that she has worked for that had similar issues as this one had collected the contributions but had given the employee a time frame to pay it back. The Board discussed how the repayments could be made. Mr. Bressner commented that personally he does not think it would be fair to charge interest on the basis that it was a City

oversight and he believes the Pension should cover it actuarially. Mr. Bressner explained that in his opinion he believes that the principal amount should be collected and it should be worked out into some type of repayment schedule.

**Motion**

Ms. McDeavitt moved to waive any interest payments on the payback of Pension contributions for the period of May 21, 2001 to current for Mr. Sam Kendrick. Mr. Low seconded the motion that unanimously passed 4-0

Mr. Bressner recommended a roll call for this motion.

<b><u>Roll Call:</u></b>	Cathy McDeavitt	Aye
	Kurt Bressner	Aye
	Michael Low	Aye
	Sue Kruse	Aye

Mr. Bressner recommended dealing with the principal amount which is approximately \$17,199.98 through October 30, 2009. Mr. Bressner explained that currently the principal amount will be a little more.

**Motion**

Ms. McDeavitt moved to direct staff to work with Mr. Kendrick for the repayment of the pension contributions from May 21, 2001 to current without interest. The repayment agreement should not exceed 10 years, should separation from employment happened prior to full repayment those funds should be collected. Mr. Low seconded the motion that unanimously passed 4-0

Mr. Bressner recommended a roll call for this motion.

<b><u>Roll Call:</u></b>	Cathy McDeavitt	Aye
	Kurt Bressner	Aye
	Michael Low	Aye
	Sue Kruse	Aye

**Motion**

Mr. Low moved to direct the Administrator to immediately enroll Mr. Kendrick in the Pension Plan and to commence repayments and reflect his service as commencing on May 21, 2001. Ms. McDeavitt seconded the motion that unanimously passed 4-0

Mr. Bressner recommended a roll call for this motion.

<b><u>Roll Call:</u></b>	Cathy McDeavitt	Aye
	Kurt Bressner	Aye
	Michael Low	Aye
	Sue Kruse	Aye

There was a 5 minute break.

**A. Attorney Report**

**1. Elective Benefit**

**a. Memorandum – 25 Year Service Requirement**

**b. Memorandum from Scott Blasie – 25 Year Service Requirement**

Ms. Jensen reported that at the last pension Board meeting the Board had discussed the elective benefits therefore Ms. Jensen had met with Duane Howison and Steve Palmquist from GRS and Scott Baur and Dixie Martinez from Pension Resource Center to discuss the elective benefits issues discovered at their last Pension Board meeting. Ms. Jensen explained that as a result of this meeting it is their recommendation to; terminate with the elective benefits provision on a prospective basis; to allow the current elective benefit members to remain in the elective benefit at the current rates; to allow members to withdraw from the elective benefit with a refund of contributions without interest; to allow current active members who are not part of the elective benefits one last time to enroll in the elective benefits at the current rates. Mr. Baur reported that there is a retired member who may be affected by this.

Mr. Scott Blassie introduced himself. Mr. Blassie explained that as he was getting prepared to make the decision to entering the DROP it became quickly evident with the correspondence from the Pension administrator that in his opinion there are some fundamental flaws in this particular elective benefit. Mr. Blassie explained that he had been contributing 1.89% of his payroll to enhance his benefit and reduce the cost of early retirement. Mr. Blassie explained that even though he had contributed \$13, 500 for this enhanced benefit, he believes he is not deriving any benefit and he would be better off taking an early retirement penalty to go into the DROP.

Mr. Baur reported that the Plan does not allow him to enter the DROP under an early retirement therefore Mr. Blasie would not been able to enter the DROP under an early retirement therefore what Mr. Blassie explained is true. If he retired or he wanted to enter the DROP the only way he could do so at this time would be under the 25 year elective benefit. The Board had a discussion regarding the elective benefits. Mr. Baur reported that there are a total of 95 members in the elective benefit program and 51 out of those members have the 25 year service elective benefit. Mr. Baur reviewed how the elective benefits are calculated and prorated according to the amount of time the benefits have been paid if they are paid for less then 25 years. Mr. Baur reported that the money that had been contributed into these

elective benefits was set aside into a separate reserve that did not credit earnings or losses therefore there would be no impact to the Plan if the Board approved giving the money back to participants. Mr. Baur reported that currently there are three members on the benefit approvals who are entering the DROP under the 25 year service elective benefit. Mr. Baur reviewed each individual case. Ms. Jensen recommended not approving these applications today and deferred them to the next Pension Board meeting so that the administrator can review with each member one more time the elective benefit program and how it affects them.

### **Motion**

Mr. Low moved to approve all of the benefit approvals with the exception of Mr. Roberts, Mr. Graham, and Mr. Glass. Ms. McDeavitt seconded the motion that unanimously passed 4-0

The Board had a discussion regarding the recommendations on the Memorandum from Ms. Jensen dated October 1, 2009 with the recommendations from the service providers: 1<sup>st</sup> Termination of Elective Benefits provision at 18-128 of the Plan on a prospective basis; 2<sup>nd</sup> Allow current elective benefit members to remain in the elective benefits at the current rates; 3<sup>rd</sup> Allow current elective benefit members the option to withdraw from the elective benefit with a refund of contributions without interest; 4<sup>th</sup> Allow current active members who are not part of the elective benefits one last time to enroll in the elective benefits at the current rates.

### **Motion**

Ms. McDeavitt moved to approve the 4 points as outlined on the October 1, 2009 Memorandum from Ms. Bonni Jensen. Ms. Kruse seconded the motion that unanimously passed 4-0

### **Motion**

Mr. Low moved to deferred approval of the application to enter the DROP for Mr. Roberts, Mr. Graham, and Mr. Glass until they had the option to discuss with the pension administrator their options. Ms. McDeavit seconded the motion that unanimously passed 4-0

## **2. State Law Updates**

Ms. Jensen reported that the Pension Plan now has the authority to collect social security numbers under the law for purposes of administering the pension. Ms. Jensen reported that there has been some changes regarding the 175/185 of the Florida statutes impacting the Police and Fire Pension Funds and the Board may be interested in some of those changes. She reported that the Board may be interested in extending the Trustee term to up to 4 years. Ms. Jensen reviewed the Florida Investment Act. Ms. Jensen reported that the amendments also clarified that retirees may change their designated beneficiary twice without the approval of the Board. Ms. Jensen reported that the employees will most likely die with a beneficiary

who is eligible to receive the pension benefits and the actuaries are indicating that this does have a cost to the Plan. They are recommending passing this cost to the members. Ms. Jensen reported that the law also clarified the termination of Pension Funds requiring municipalities to fully fund all of the non forfeitable benefits at termination of a Pension Plan. The Board had a discussion regarding the Trustee term.

### **Motion**

Ms. McDeavitt moved to authorize the Board attorney to make the recommended changes for the 4 year Trustee term. Mr. Low seconded the motion that unanimously passed 4-0

Ms. Jensen reviewed Sec.18-113 from the Ordinance. Ms. Jensen reported that she had researched these delayed retirement provision and that currently there are no employees who are actually taking advantage of this provision therefore her recommendation is to delete it. Ms. Jensen reviewed Sec.18-95 from the Ordinance. Ms. Jensen reported that she had added language that will delete the provision that allows members to not make contributions into the Pension Plan and it would allow members to stay beyond their normal retirement date.

### **Motion**

Ms. McDeavitt moved to authorize the recommended changes from the Plan attorney in the form of an Ordinance recommendation to the City Commission. Ms. Kruse seconded the motion that unanimously passed 4-0

## **B. Administrative Report**

Ms. Martinez reported that Ms. Virginia Shea had won the Trustee election.

### **Motion**

Mr. Low moved to certify Virginia Shea as the winner of the election. Ms. McDeavitt seconded the motion that unanimously passed 4-0

### **1. Warrant for Invoices**

The Board reviewed the Disbursements presented for approval by the Administrator.

### **Motion**

Ms. McDeavitt moved to approve the invoices that were presented by the Administrator. Mr. Low seconded the motion that unanimously passed 6-0.



## **V. PUBLIC COMMENTS**

Mr. Stone asked the Board to explain how the process of changing the Trustee terms would be handled. Mr. Bressner explained how this process is done. Mr. Stone asked the Board if employees are able to attend the Pension meetings without having to use sick and vacation time. Mr. Bressner explained that he could not answer that question and that the terms of the bargaining agreements would have to be checked. Mr. Stone asked the Board for an update on the RFP he had seen for pension consultant services. Mr. Atwood explained that the City had an RFP for an independent actuary.

## **VI. ADJOURNMENT**

There being no other business and the next meeting having been previously scheduled for Monday, February 22 at 1:30 PM, the Trustees adjourned the meeting at 4:20 p.m.

MINUTES APPROVED: February 23, 2010

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Jerry Taylor, Chair  
Boynton Beach General Employees' Pension  
Board

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Dixie Martinez, Administrator  
Boynton Beach General Employees' Pension  
Board

