
**MINUTES OF THE GENERAL EMPLOYEES' PENSION PLAN QUARTERLY BOARD
MEETING HELD ON TUESDAY, MAY 19, 2010 AT 1:30 PM IN COMMISSION
CHAMBERS, CITY HALL, BOYNTON BEACH, FLORIDA**

Trustees: Jose Rodriguez, Chair
Kurt Bressner
Lisa Jensen
Michael Low
Laurie Fasolo
Virginia Shea

Others: Joe Lawrence, Davis Hamilton Jackson
Jeff Swanson, Southeastern Advisory Services
Bonni Jensen, Perry & Jensen, LLC
Dixie Martinez, Resource Centers
Barry Atwood, Finance Director
Steve Palmquist, Gabriel Roeder Smith
Duane Howison, Gabriel Roeder Smith
Via Teleconference:
Morgan Harting, Alliance Bernstein
Members of Public

I. OPENINGS:

A. Call to Order – Mayor Jose Rodriguez, Chairman

Chair Rodriguez called the meeting to order at 1:30 p.m.

II. AGENDA APPROVAL:

A. Additions, Deletions, Corrections

There were no additions, deletions or corrections to the Agenda.

Motion

Mr. Bressner moved to approve the Agenda. Mr. Low seconded the motion that unanimously passed 6-0.

III. APPROVAL OF MINUTES

A. Regular meeting February 23, 2010.

Motion

Ms. Lisa Jensen moved to approve the minutes of the regular meeting on February 23, 2010. Ms. Fasolo seconded the motion that unanimously passed 6-0.

IV. INVESTMENT REPORTS

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

Mr. Lawrence distributed a handout to the Board. Mr. Lawrence reported that there had been no material changes in the firm and that they still had about \$500 billion under management. He commented that the signs are in place for a very sustainable global economic recovery. Mr. Lawrence reported that he believes we will see some type of “V” shape recovery. He also reported that this is one of the best buying opportunities he has seen in quite some time. Mr. Lawrence reported that since inception the portfolio has added 2% over the bench mark. He reported that the goal was to mitigate surprises in most environments. He briefly reviewed the portfolio with the Board. He reported that as of the end of March the portfolio has a 15% overweight relative to the bench mark in corporate bonds and a 17% underweight in mortgages. Mr. Lawrence reported that he does not like the mortgage sector in the market at all.

1. Alliance Bernstein Private Secondary Offering (Letter)- Morgan Harting

Mr. Harting introduced himself to the Board. Mr. Harting explained that over the next year they may have the opportunity to invest on preferential terms in one or more secondary equity offerings of leading publicly traded large cap companies looking to finance acquisitions. Mr. Harting explained that these companies would require a commitment in advance of the acquisition announcement to purchase shares at a pre-agreed price contingent upon completion of the acquisition. He explained that there would be no additional fees in connection with this opportunity. He explained that in certain potential scenarios the shares may be restricted. The Board asked Mr. Harting various questions regarding the private secondary offering. Mr. Swanson explained that this investment would be in compliance with the investment policy. The Board had a lengthy discussion regarding this new investment opportunity.

Motion

Mr. Low moved to approve the Private Secondary Offering letter from Alliance Bernstein and to allow going up to 5% in allocation to the fund. Ms. Lisa Jensen seconded the motion that unanimously passed 6-0.

B. Quarterly Investment Performance Report: (Investment Consultant) Southeastern Advisory Services: Jeff Swanson

Mr. Swanson introduced himself to the new Board members. Mr. Swanson reviewed the manager allocations for quarter ending March 31, 2010. He reported that the total investment earnings for quarter ending March 31, 2010 are \$2,812,293. Total Domestic Equity was at

5.0% versus the index at 6.4% and Total International Equities was at 0.6% versus the index at 0.9%. Mr. Swanson reported that the Total Fixed Income was up by 3.1% versus the index at 1.8%. He reviewed the manager allocations and cash flows as of March 31, 2010. Mr. Swanson reported that over the last year the fund had nicely participated in the market rebound in both domestic and in the international portfolios. He reported that the weak part of the portfolio has been the real estate component which is about 6% of assets and this was the only negative performer in the last year. Mr. Swanson reviewed each manager individually. He reported that all of the managers have performed within an acceptable range in the last year. He recommends deleting mutual funds and searching for a replacement. He explained that the reason for this recommendation is not performance but for efficiency. The attempt to invest into lower cost funds at Calamos had been rejected by the manager and there are managers that the Plan could get that would be just as good at a lower cost. He would like to do a search and bring it to the next pension Board meeting to replace Calamos. He also reported that Wachovia has been successful in transferring the money market allocation to the R&D account and now those funds are properly coded for dividend investments.

Motion

Mr. Bressner moved to accept the investment report. Ms. Shea seconded the motion that unanimously passed 6-0.

V. OLD BUSINESS

A. Treatment of Employee Contributions Not Withheld Barry Atwood (Finance Director)

Mr. Atwood briefly explained to the new trustees how this situation came about. Mr. Atwood reported that the City is covered by an error and omissions policy and it will cover 50% of the contributions owed to the Plan on behalf of Mr. Kendrick. Mr. Kendrick agreed to pay the other 50%. The agreement has been reviewed by the City attorney and the Pension Plan attorney.

Motion

Mr. Bressner moved to approve the agreement with Mr. Kendrick. Ms. Shea seconded the motion that unanimously passed 6-0.

VI. CORRESPONDENCE

No Correspondence.

VII. NEW BUSINESS

A. Actuary Report – Gabriel, Roeder, Smith & Company: Steve Palmquist & Duane Howison

Mr. Palmquist introduced himself and Mr. Howison to the new Trustees. Mr. Howison distributed a handout to the Board. Mr. Howison reviewed with the Board the summary of funding requirements. He reported that due to the asset performance the funding requirements had gone up quite a bit for the October 1, 2009 valuation report. He explained that the Plan assumes an asset return of 8% and in actuality the return was barely zero once the actuarial smoothing was done. He explained to the Board the smoothing procedure and idea behind it. Mr. Howison reported that the new smoothing method instead of smoothing out capital depreciation, smoothes out the difference between what the assets actually return versus what the expected rate of return is and this is smoothed out over a 5 year period. He explained that the main reason they had changed the smoothing method is because this method is much more in compliance with the actuarial standard of practice. He also reported that the idea is that if future returns meet the Plans expectations that smooth value should convert to the actual market value within a reasonable short period of time. Also the new method is slightly less volatile. Mr. Howison reported that one of the key measures that are looked at in the valuation is the funding ratio which did not change very much from last year. He explained that the funded ratio is 74.8% compared to last year at 74.4%. He explained that the funded ratio is equal to the actuarial value of assets divided by the actuarial accrued liability. Mr. Howison gave the Board a quick review of what kind of funding requirements they might have over the next few years. He commented that unfortunately things do not look well unless there is a very dramatic turnaround in the assets value. The Plan will have some substantial increases in the funding requirements over the next few years. Mr. Howison reported that the poor experience that the Plan had as of September 30, 2009 will be recognized 1/5 over the next 4 years. Currently the actuarial value is greater than the market value by 13.2 millions. Mr. Howison reviewed the analysis of the amortization schedule.

Mr. Howison reported that the mortality table currently used by the Plan is the 1983 group annuity mortality table and it's actually quite outdated at this point. He recommends adopting a much more up to date mortality table specially the version that assumes mortality will continue to improve in the future. He reported that the unfortunate side effect of adopting this new updated mortality table will be that the funding requirements will go up since they will assume that retirees will collect pensions over a longer period of time. He also recommends using a slightly lower assumption investment return rate, maybe at 7.75%. Mr. Howison reported that this year the experience loss came to about 7.5 million and that is the amount that is amortized over 15 years. He reviewed in more detail the funding requirements. He also reported that the Plan is funded in an unusual way. He explained that the majority of Plans use the October 1, 2009 valuation to determine the funding requirements for year ending 2011; instead the Plan is using that valuation to determine the requirement for the current year. He explained that for many years the payment has been made on October 15 of the year following the fiscal year therefore the October 1, 2009 valuation will determine the

funding requirements for the year ending September 30, 2010 but that amount has been paid on October 15, 2010. Mr. Howison reported that Mr. Atwood had brought this matter to his attention and had pointed out that since its being paid at a later date the City has to pay interest. Mr. Howison reported that if the payment was accelerated it would lower the City's cost if the contributions are paid though out the year since there would be less interest to be paid. Mr. Bressner reported that he had talked to the finance director about different terms of working out some type of a faster paying schedule so that the cost could be reduced. Mr. Bressner reported that another issue embraced in prior years and also as his annual reminder is that the amount that employees contribute as a percentage of their payroll is currently 7%. If it could be adjusted even for a 2 year period this would help the funding. He understands that in order to accomplish this it would have to be through an Ordinance amendment by the City Commission. Mr. Bressner reported that this is something that will have to be considered as the City works on their budget this year. Mayor Rodriguez commented that he would have to agree. Mr. Palmquist reviewed the two components of the annual cost. Mr. Palmquist reported that the only way that the funding requirements can be reduced is by cutting benefits or to increase employee contributions. Mr. Palmquist explained that under a defined benefit plan the amount that the employees receive from the Plan has nothing to do with how well the Plan is funded. The City of Boynton Beach made a promise to pay a set of benefits to employees once they reach retirement age and as long as that is what it is promised the funding has to go along with it. If the promise is reduced then the funding requirements will be reduced. Mayor Rodriguez commented that the City could potentially reduce that promise to eliminate the unfunded liability. Mr. Bressner explained that it would only apply going forward not retroactively. Ms. Bonni Jensen explained that as the Pension Board attorney she wanted to start off by reminding the Board that it is their job to act in the best interest of the participants and beneficiaries of the Plan, in particular for those members of the Board who also wear a different hat and the issues of cutting benefits or thinking about early retirement programs. All of those issues should be generated from the City Counsel. Ms. Bonni Jensen commented that she understands that the people need to be aware of some of the issues that are looming out there but the Pension Board can not recommend any of these changes. Ms. Jensen explained that she just wants to caution everybody.

Motion

Mr. Low moved to accept the October 1, 2009 actuarial valuation reports. Ms. Lisa Jensen seconded the motion that unanimously passed 6-0.

B. Administrative Report

1. Final Average Compensation & Earnings - Discussion

Ms. Martinez introduced herself to the new members of the Board. Ms Martinez reported that Mr. Baur had been delayed at a prior meeting and would not be able to attend this meeting. He sends his apologies. Ms. Martinez reported that there are a couple of members who took

lower paying positions within the City to keep their jobs and are now thinking about retiring. She explained that their highest five consecutive years will not be their last years. Ms. Martinez reported that the way calculations are processed now and have been in the past is that sick and vacation is added to the final payroll therefore the lump sum vacation and sick pay out forces the highest five years to be the last five years. Ms. Martinez reported that she was not sure if this is the most appropriate way to process the calculations. She reported that she had asked Ms. Bonni Jensen and Mr. Palmquist for their advice. Ms. Bonni Jensen explained that the Ordinance itself does not specifically determine how the final average salary should be calculated therefore her recommendation had been to bring this matter to the Board for their determination as to a Policy if we are to change the way is calculated. Ms. Martinez reported that the issue that they are looking at is whether they should make the determination of the highest five years first and then add the final lump sum payout on a separate basis. Mr. Palmquist reported that he had spoken to Mr. Baur and Ms. Martinez regarding this issue and from his stand point for funding purposes it does not make any difference in the actuarial figures which way the lump sum sick and vacation payout is processed. Mr. Palmquist asked the Board if they had any samples to see the dollar amount difference in these members' calculations. Ms. Martinez reported that currently she did not have samples but that it would be in the members benefit to calculate first the highest five consecutive years and then add the lump sum vacation and sick pay out at the end. Ms. Martinez commented that she could bring this item to the Boards attention at the next Pension Board meeting where she could bring a report so that the Board could see the different samples. Mayor Rodriguez commented that he would like that.

Motion

Ms. Lisa Jensen moved to table this item to the next pension Board meeting in August. Ms. Shea seconded the motion that unanimously passed 6-0.

2. Financial Statements

Ms. Martinez provided the Board with un-audited financial statements and an income and expense report for review through the month of March 2010.

Ms. Jensen reported that the Board receives and files but does not approve the un-audited financial statements. The Board received and filed the un-audited financial statements through the month of March 2010.

3. Warrant for Invoices

The Board reviewed the Disbursements presented for approval by the Administrator

Motion

Mr. Bressner moved to approve the invoices that were presented by the Administrator. Ms.

Lisa Jensen seconded the motion that unanimously passed 6-0.

4. Benefit Approvals

The Board reviewed the Benefit Approvals presented for approval by the Administrator. Ms. Fasiolo reported that there was a typographical error on the report. Ms. Martinez noted the error and will correct. Ms. Martinez also reported that in error Ms. Joan Pavlic had been listed twice but that her information was slightly different. Ms. Martinez reported that she will confirm the correct information and will include Ms. Pavlick on the next benefit approval. Ms. Martinez reported that this would not affect Ms. Pavlick in any way.

Motion

Ms. Shea moved to approve the Benefit Approval presented by the Administrator with the exception of Ms. Joan Pavlic. Mr. Low seconded the motion that unanimously passed 6-0.

C. Attorney Report

- 1. Memorandum SB 1902**
- 2. Senate Issues Brief 2010-37**
- 3. State Legal Updates**

Ms. Bonni Jensen reported that the first three items in the Agenda under her report are items that happened during the legislative session and she wanted to keep the Board up to date. She commented that she was happy to report that nothing had happened. She explained that there were a lot of expectations but nothing actually happened which would impact Governmental Pension Plans. Ms. Bonni Jensen reported that there were some changes that were made to the Florida Retirement System (FRS). They had reduced their DROP program fixed rate from 6 ½ % to 3%.

4. Memorandum – IRS Determination Letter Status

Ms. Bonni Jensen reported that she had finished up the Internal Revenue Services determination process. She reported that as she went through the process it was discovered that back in the 80's the Plan had not made certain technical IRS amendments timely. Ms. Bonni Jensen reported that none of these amendments had any impact on the Plan's operation of benefits that the Plan has been providing. Ms. Bonni Jensen reported that as of April 24, 2010 the IRS has provided a letter indicating that they will have no reliance regarding the pickup language. Ms. Bonni Jensen explained that the pickup language is the language that allows Pension Plans to allow the employees to make contributions on a pre tax basis. Ms. Bonni Jensen reported that when the Plan was amended it did not specifically use the IRS pickup language therefore the IRS is not able to issue any reliance regarding this. Ms.

Bonni Jensen reported that the Plan does have the opportunity to apply for a private letter ruling. Ms. Bonni Jensen believes the Plan should wait until the determination letter is received in order to make a determination of whether the Plan should go forward on a private letter ruling.

D. Board Issues

No Board issues.

VIII. PUBLIC COMMENTS

No public comments.

Ms. Martinez reported that the Trustees will have to sign new signature cards for the local checking account with First Southern since there has been some changes made to the Board.

IX. ADJOURNMENT

There being no other business and the next meeting having been previously scheduled for Monday, August 23 at 1:30 PM, the Trustees adjourned the meeting at 3:30 pm.

MINUTES APPROVED: May 19, 2010

Jose Rodriguez, Chair
Boynton Beach General Employees' Pension
Board

Dixie Martinez, Administrator
Boynton Beach General Employees' Pension
Board