**MINUTES OF THE GENERAL EMPLOYEES' PENSION PLAN QUARTERLY BOARD MEETING HELD ON MONDAY AUGUST 23, 2010 AT 1:30 PM IN COMMISSION CHAMBERS, CITY HALL, BOYNTON BEACH, FLORIDA**

| | | | |
|---|---|---|---|
| **Trustees**: | Jose Rodriguez, Chair | **Others:** | Janna Hamilton, Garcia Hamilton & Associates |
| | Kurt Bressner | | Jeff Swanson, Southeastern Advisory Services |
| | Lisa Jensen | | Bonni Jensen, Perry & Jensen, LLC |
| | Cathy McDeavitt | | Dixie Martinez, Resource Centers |
| | Laurie Fasolo | | Scott Baur, Resource Centers (2:30 pm) |
| | Virginia Shea | | Barry Atwood, Finance Director |
| | | | **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

Ms. Bonni Jensen added items; VII.B.2. IRS Determination Letter and item VII.B.3. W-9 JP Morgan. Ms. McDeavitt added item; VII.C.1. FPPTA Trustee School.

Mr. Bressner reported that he will have to leave the meeting at 2:30 pm and he would like to be present for items; VI.A. Letter from Participant Katherine Jenkins and item VII.A.1. Final Average Compensation & Earnings. Ms. Martinez reported that Mr. Baur was running about 20 minutes late and he had additional information regarding Ms. Jenkins.

**Motion**

Ms. McDeavitt moved to approve the Agenda. Ms. Shea seconded the motion that unanimously passed 6-0.

## III. APPROVAL OF MINUTES

**A.** Regular meeting May 19, 2010.

**Motion**

Ms. Shea moved to approve the minutes of the regular meeting on May 19, 2010. Ms. Fasolo seconded the motion that unanimously passed 6-0.

## IV. INVESTMENT REPORTS

### A. Quarterly Investment Review – Garcia Hamilton & Associates (Formerly Davis Hamilton Jackson & Associates – Janna Hamilton (Manager)

Ms. Hamilton reported that stock process retreated during the quarter, following four quarters of uninterrupted gains off the March 2009 bottom. She reported that economic measures such as industrial production and corporate profits remain healthy and valuations are attractive. Ms. Hamilton reported that there are still concerns on the European debt but there are still positive things going on in the market. Ms. Hamilton reviewed the performance report for quarter ending June 30, 2010. The market value equity portfolio as of the end of the quarter is $15,020,046.88 with 96.9% in equities and 3.1% in cash. For the quarter the equity account was down -11.1% versus the Russell 1000 growth -11.7% and the S&P 500 -11.4%. Ms. Hamilton reported that equity markets are apt to move higher once the current correction has played out and that traditional growth stocks remain favorably positioned to deliver strong relative performance. Ms. Hamilton reported that the fixed income portfolio market value as of the end of the quarter is $15,341,844.62, with 99.2% in fixed income and 0.8% in cash. For the quarter the fixed income account was 2.9% versus the Barclays Capital Aggregate 3.5% and the Barclays Capital Int Gov/Credit at 3.0%. Ms. Hamilton reported that this quarter we saw a revival of the safe-haven bid for treasuries as the events in Europe weighted heavily on investors. She reported that investors steadily moved to a neutral position from their previous outlook in rates. She also reported that monetary growth has fallen to normal historical levels. Ms. Hamilton reported that she believes the worst is behind us now but that recovery will take longer then anyone expected.

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

Mr. Swanson reported that the markets had panicked in March of 2009 and that it's looking much more positive now but in terms of the economy there are many concerns. He reported that the June quarter was negative and that the first two quarter had some nice gains but these had been taken back by the 3rd quarter. Mr. Swanson estimates that after July and August the fund is positive 2% to 3%. He recommended eliminating Calamos Growth and Touchstone Mid Cap Growth. He reported that all of the managers are performing within the acceptable range except for Alliance Bernstein equity portfolio. He recommended putting them under review. He explained that what this means is that they will be looking for them to improve going forward and if they don't they should seek a replacement. Mr. Swanson reported that it had been a very difficult quarter. He reported that the total fund was down -6.6% versus the target index at -6.5%.Total Domestic Equity was down -11.8% versus the index at -11.2% and Total International Equities was at -12.4% versus the index at -14.0%.

Total Real Estate was up by 4.0% versus the index at 3.3% and Total Fixed Income was 2.5% versus the index at 3.5%. Mr. Swanson reviewed each manager individually.

**1. Review of Small- Mid Capitalization Managers.**

Mr. Swanson reported that we are looking to replace the two managers which are holding the Mutual Funds, Calamos Growth, and Touchstone Mid Cap Growth. He reported that the Plan has had these holdings for a long time now and they have grown over time. He reported that he had six candidates for the Boards review to replace these managers. Mr. Swanson reported that Atlanta Capital has a fee of 80 basis points, Eagle has a fee of 92 basis points, Loomis Sayles has a fee of 84 basis points, Mutual of America Capital Management has a fee of 9 basis points, Tradewinds has a fee of 69 basis points, and Wells Capital has a fee of 95 basis points. Mr. Swanson explained that he recommends going with at least two managers that complement each other. Mr. Swanson compared and contrasted each manager. He reviewed each manager in detail. The Board discussed the differences between the managers in detail. The Board would like to interview Atlanta Capital, Mutual of America Capital Management, Tradewinds, and Wells Capital. The Board instructed the administrator to schedule a Special Board Meeting to interview the managers.

**Action**

Consensus of the Board to interview Atlanta Capital, Mutual of America Capital Management, Tradewinds, and Wells Capital.

**Action**

Consensus of the Board to schedule a Special Board Meeting to interview the managers.

## V. OLD BUSINESS

## VI. CORRESPONDENCE

**Mr. Bressner left the meeting at 2:32 pm.**

### A. Letter from Participant Katherine Jenkins – Request for Buying Additional Time.

Mr. Baur reported that the ordinance describes eligibility and benefits for a vested deferred member as follows:

> If he has completed five (5) or more years of credited service or is totally and permanently disabled he shall be fully vested and entitled to a deferred annuity commencing at his normal retirement date. The monthly amount of such deferred

> annuity shall be an amount computed in the same manner as the deferred annuity described for early retirement in section 18-114. For the purpose of such calculation, the member's date of termination of employment shall be considered as his early retirement date.

According to the ordinance, the benefit begins at the normal retirement date for the member. The amount of the benefit, on the other hand, is determined in the same manner as a benefit for an early retirement, with the date of termination considered the member's "early retirement date". Section 18-114 then describes eligibility and benefits for early retirement:

> (a) The early retirement date of an employee shall be the first day of any month prior to his or her normal retirement date and following, or coinciding with, the date of actual retirement, provided (s)he has then completed less than thirty (30) years of service, but at least: (a) ten (10) years of credited service and has attained his or her fifty-fifth (55th) birthday; or (b) twenty-five (25) years of service and has attained fifty-two (52) years of age. An employee who retires on an early retirement date shall be entitled to a deferred annuity payable beginning at his or her normal retirement date or, if (s)he so elects, to an immediate annuity beginning at his or her early retirement date. The amount of the deferred annuity will be equal to a benefit determined as for normal retirement under the provision of section 18-111, but based on the employee's final average monthly compensation as of his or her early retirement date and his or her credited service as of such early retirement date. If the retiring employee elects to receive an immediate annuity commencing at his or her early retirement date, the amount of such immediate annuity shall be the deferred annuity described in the preceding sentence, less one-quarter of one percent (.25%) times the number of months preceding his or her normal retirement date.

Vested deferred members commenced benefits at age 62 with less than 10 years of service, age 55 with 10 or more years of service, and age 52 with 25 years or more of service. Normal eligibility requires a member to retire at age 62 with less than 10 years of service, age 55 with 25 years or more of service, or 30 years of service regardless of age. The reduction for early retirement, meanwhile, was determined. Mr. Baur reported that he does not believe the member can buy time as she had requested under the current ordinance therefore the only option to the member would be to receive a refund of the elective benefit contributions. Ms. Bonni Jensen agreed. Ms. Martinez reported that Ms. Jenkins was present and she would like to adress the Board. Mayor Rodriguez asked Ms. Jenkins to adress the Board.

Katherine Jenkins, 414 S.W. 8th Ave – Ms. Jenkins explained that her intentions are not to request a refund of her elective benefits. She explained that she wanted to remain with the City for another 8 months so that she can receive her full retirement benefits. Mayor Rodriguez explained that this was the Pension Board and they did not have any say regarding her employment. Ms. Jenkins explained that she would like to buy the 8 months that she need in order to retire. Mayor Rodriguez asked Ms. Sharin Goebelt who is the Resources Director, if there was a time line before the Board had to make a decision regarding Ms. Jenkins' request. Ms. Goebelt explained that Ms. Jenkins' position will be terminated as of October 1,

2010. Ms. Bonni Jensen reported that she did not believe that Ms. Jenkins could buy the time but if the Board wanted to look into this a little bit further and see if there were any other options for Ms. Jenkins they could table this item to the Special Meeting that the Board will be having to interview investment managers. Ms. Jenkins son, Jerrill Harris asked the Board if he could speak.

Jerrill Harris, 414 SW 8th Ave – Mr. Harris explained that Ms. Jenkins' primary concern was that in 8 months she would be able to retire but by not being able to purchase the time she will have to wait additional years to retire. He explained that he does not know if the Ordinance allows for any exceptions for members whose separation is not voluntary because their positons have been eliminated. Ms. Bonni Jensen reported that there isn't anything in the Ordinance for this type of situation but she could research it further if the Board would like her to do so. The Board discussed Ms. Jenkins situation.

**Motion**

Ms. McDeavitt moved to table this item to the Special Meeting to be held prior to October 1, 2010. Ms. Lisa Jensen seconded the motion that unanimously passed 5-0.

## VII. NEW BUSINESS

### A. Administrator Report

### 1. Final Average Compensation & Earnings - Discussion

Mr. Baur reported that he needed clarification from the Board regarding the final average salary. He explained that the Boynton ordinance contains the following definition for "Final Average Compensation" and "Earnings":

> (4) "Final average monthly compensation," for the purposes of this section, shall mean the monthly average of the employee's earnings during the highest sixty (60) consecutive calendar months occurring in the one hundred twenty (120) calendar months immediately preceding his normal retirement date if such date falls on or after January 1, 1979, and based upon compensation immediately preceding actual retirement date if normal retirement date preceded January 1, 1979, or he elected to continue to contribute after normal retirement date as provided in section 18-95. "Earnings" as used in the above sentence shall mean gross earnings received by the employee as compensation for service to the city including overtime pay and sick pay paid in the lump sum at termination or retirement but excluding bonuses.

Calculations now and in the past add the lump sum sick and vacation pay out to the final payroll. In other words, the lump-sum payment generally forces the highest consecutive five years to be the last five years when the lump sum sick and vacation pay is added at the end.

Most general employees do not have significant variations in payroll due to overtime or other pay, unlike public safety workers. The last five years is commonly the highest five years as a result. Even though past practice dictates that the lump-sum payments become part of the final pay (and force the selection of the final average salary period), we do not particularly agree with this interpretation.

Mr. Baur explained that he had consulted with the Plan's actuary and he advised that neither method affects how he values the Plan assets and liabilities. He explained that the ordinance itself does not specifically determine how the final average salary should be calculated therefore he is asking the Board for their determination as to a policy on how the final average salary should be calculated. Ms. Martinez reported that she had used Ms. Sharon Vicky as a sample so that the Board could see how it affects the members. Ms. Bonni Jensen reported that Mr. Bressner had left his option regarding this matter before he left the meeting and he felt that under the strictest interpretation of the Ordinance that in the highest five years had to be consecutive to the sick and vacation payout in order to include it. Ms. McDeavitt asked Ms. Vicky if she had anything unusual regarding her sick and vacation. Ms. Vicky explained that when she went from an upper management position to an entry level position and as collective bargaining member she could only accrue in her sick bank 1040 hours but she already had accumulated 1500 hours of sick time therefore Finance created a personal bank and every month she can carry any excess hours into her personal bank. The Board had a lengthy discussion regarding how the final average salary is calculated and past practices. Mayor Rodriguez reported that the Board did not have to make a decision today regarding this matter he would like to see two different scenarios from an impact analysis to see the how this could impact the Plan. He wants to make sure that the Board sees the financial risk impacts before making a decision. Mayor commented that this item could be tabled until further analysis can be done. Mr. Baur reported that he will work with the actuary and will bring it back to the Board for their consideration.

**Motion**

Ms. McDeavitt moved to table this item to the next quarterly meeting. Ms. Lisa Jensen seconded the motion that unanimously passed 5-0.

**2. Warrant for Invoices**

The Board reviewed the Disbursements presented for approval by the Administrator

**Motion**

Mr. McDeavitt moved to approve the invoices that were presented by the Administrator. Ms. Lisa Jensen seconded the motion that unanimously passed 5-0.

**3. Benefit Approvals**

The Board reviewed the Benefit Approvals presented for approval by the Administrator.

**Motion**

Ms. Lisa Jensen moved to approve the Benefit Approval presented by the Administrator. Ms. McDeavitt seconded the motion that unanimously passed 5-0.

### B. Attorney Report

#### 1. Benefits Unassignable and Not Subject to Process – Lewis Askins

Ms. Bonni Jensen reported that a letter had been sent to Ms. Askins. She explained that Ms. Askins was looking for a Qualified Domestic Relations Order against Mr. Lewis Askins. MS. Bonni Jensen explained that in general governmental plans are not subject to anything other then income deductions orders for alimony or child support. Ms. Bonni Jensen reported that the Board did not have to take any action regarding this matter.

#### 2. IRS Determination Letter

Ms. Bonni Jensen reported that the Plan had received a Compliance Statement from the IRS in response to the Plan's request for an IRS Determination Letter. She reported that it had been discovered as the letter was filed that there were technical IRS amendments that were not made in the past. Therefore in order for the Plan to be in compliance they had to go through the Compliance Voluntary Program. She reported that the Plan had received the approval and that the IRS has indicated that the Plan can be amendment to include those compliance statements that had not been made. The Plan will need to be amended before November 24, 2010. Ms. Bonni Jensen reviewed with the Board the proposed IRS compliance amendments to the Plan with the Board. Ms. Bonni Jensen reported that the Board will need to make a motion to forward the amendments to the Municipality so that the Plan can implement this in accordance with the IRS compliance Statement.

**Motion**

Ms. Lisa Jensen moved to forward the amendments to the Municipality. Ms. McDeavitt seconded the motion that unanimously passed 5-0.

#### 3. W-9 JP Morgan

Ms. Bonni Jensen reported that she had the JP Morgan W-9 form and signature card ready for execution.

### D. Board Issues

#### 1. FPPTA Conference

Ms. McDeavitt reported that she would like to attend the FPPTA Trustee School in September at the PGA Resort. Mayor Rodriguez commented that he may want to go as well. He will confirm with the administrator.

**Motion**

Ms. Lisa Jensen moved to grant permission to Trustee McDeavitt and Mayor Rodriguez to attend the FPPTA conference. Ms. Shea seconded the motion that unanimously passed 5-0.

## VIII. PUBLIC COMMENTS

No public comments.

## IX. ADJOURNMENT

There being no other business and the next meeting having been previously scheduled for Monday, November 22 at 1:30 PM, the Trustees adjourned the meeting at 3:34 pm.

MINUTES APPROVED: November 22, 2010 ________________________________

Jose Rodriguez, Chair
Boynton Beach General Employees' Pension Board

________________________________

Dixie Martinez, Administrator
Boynton Beach General Employees' Pension Board