
**MINUTES OF THE GENERAL EMPLOYEES' PENSION PLAN QUARTERLY BOARD
MEETING HELD ON MONDAY AUGUST 22 AT 1:30 PM IN COMMISSION CHAMBERS,
CITY HALL, BOYNTON BEACH, FLORIDA**

Trustees: Jose Rodriguez, Chair
Cathy McDeavitt
Michael Low
Virginia Shea
Lisa Jensen
Lori Laverriere
Laurie Fasolo

Others: Jeff Swanson, Southeastern Advisory Services
Bonni Jensen, Perry & Jensen, LLC
Dixie Martinez, Resource Centers
Steve Palmquist, Gabriel Roeder Smith
Janna Hamilton, Garcia Hamilton & Associates
Barry Atwood, Finance Director
Patricia Tucker, Participant of the Plan

Members of Public

I. OPENINGS:

A. Call to Order – Mayor Jose Rodriguez, Chairman.

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

II. AGENDA APPROVAL:

A. Additions, Deletions, Corrections

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

Motion

Ms. McDeavitt moved to approve the Agenda. Mr. Low seconded the motion that unanimously passed 7-0.

Ms. Shea commented that she has a copy of the FPPTA news letter if anyone was interested in getting a copy.

III. APPROVAL OF MINUTES

A. Regular meeting May 23, 2011.

Motion

Ms. Shea noted that the following corrections needed to be made to the May 23, 2011

Minutes; page 3 item E- correct Mr. Swanson's name and change word "her" to "him"

Attorney Bonni Jensen noted that the following correction needed to be made to the May 23, 2011 Minutes; page 4, 5th line next to the words governmental add "over 300 hours."

Motion

Ms. McDeavitt moved to approve the minutes as amended of the regular meeting on May 23, 2011. Ms. Fasolo seconded the motion that unanimously passed 7-0.

IV. INVESTMENT REPORTS

A. Quarterly Investment Performance Report – Garcia Hamilton & Associates Janna Hamilton.

Ms. Janna Hamilton reported that the European debt fears remained the top story this quarter. She reported that equities did underperformed a little this quarter. For quarter ending June 30, 2011 the Equities portfolio ended at -0.9% versus the benchmark at 0.8 %. She still believes that high quality companies will start to do better. She reported that as of last Friday Equities were at 14.4% versus the benchmark at 14.7 %. She reported that consumer discretion is one of the most resilient and surprising sectors. She noted that despite persistently high unemployment, a weak housing market, and tight credit, consumer spending remains healthy. She reported that the S&P 500 consumer discretion sector posted the strongest rally in the last two weeks of the quarter, jumping 6.3%. She reported that relative to both the style benchmark and the broad market, portfolio holdings continued to exhibit greater success at meeting or exceeding expectations. However, in absolute terms the percentage of the portfolio beating expectations was slightly below that of recent quarters. She noted that high quality stocks outperformed in the up month of April. She reported that energy and consumer staples sectors of the portfolio were the two largest contributors to underperformance relative to the Russell 1000 Growth. She reported that the overweight positions in industrials, energy, and materials reflect an outlook for healthy manufacturing activity and demand-driven strength in commodity prices on the back of continued steady but slow domestic economic improvement and strong demand from faster growing developing markets abroad. She noted that they see many reasons to expect a continued average year. Ms. Hamilton reported that for quarter ending June 30, 2011 the Fixed Income portfolio ended at 1.9% versus the benchmark at 2.3%. She noted that it has been a difficult quarter.

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

Mr. Swanson reviewed recent history. He noted that volatility has increased. He explained that in over the course of the year in 2008 the fund had a 30% drawdown but staying the course allowed the Plan to reach an all time high in asset value as of June 30, 2011. He noted that the Plan was nearly \$100 millions in size at June 30, 2011. He reported that the draw back that the Plan is looking at right now is about 17% in terms of equities and this has been

going on for about the last 5 weeks. He noted that the market sentiment is negative but he does not see it to be as bad as in 2008. He reported that so far for fiscal year end the Pension Plan's return is 11.3% but so far in this quarter we have given a lot of this back. He reported that for quarter ending June 30, 2011 the Plan's return was 0.4 %. He reviewed the manager's allocations and cash flows. He reported that as of June 30, 2011 the total value of the plan including the R&D account was \$99,277,622. Mr. Swanson reported that the Total Domestic Equity was slightly behind at -0.8 % versus the index at 0.0% and Total International Equities was also slightly behind at 0.3% versus the index at 1.6%. Total Real Estate was up 5.3% versus the index at 4.6% and Total Fixed Income behind at 1.9% versus the index at 2.3%. Mr. Swanson reviewed each manager individually. He reported that the Plan does not have any significant manager issues. He reminded the Board that Alliance Bernstein had been put under watch last year and they will be coming out of it next quarter.

V. OLD BUSINESS

No old business

VI. CORRESPONDENCE

A. Request from Patricia Tucker for pension to be paid in a lump sum.

Ms. Martinez reported that Ms. Virginia Tucker was hired on February 20, 2001. She became eligible to retire under a normal retirement on February 20, 2006. She did not retire at that time and continued to work for the City of Boynton Beach. She was laid off on April 15, 2011. When Ms. Tucker contacted Pension Resource Centers she explained that she wanted a refund of her pension contributions plus interest in lieu of her pension benefits. After researching her request it was determined that she could not take a Refund of Contributions because she is of normal retirement age. The Pension Plan document provides at §18-117 Termination of services prior to eligibility for retirement: "An employee who is entitled to a deferred annuity under the provisions of this section 18-117 may waive his right to such deferred annuity and accept in lieu thereof the total amount he has contributed to the pension fund (together with interest thereon as described above) up to the time of his resignation or discharge." Since Ms. Tucker has already resigned and/or been discharged she no longer has the option available. In fact, her benefit should have already started. In her letter she requests a lump sum payment which is not clear as to what exactly she is asking for but per Ms. Martinez conversations with her she believes Ms. Tucker is asking for a refund of her contributions. She is also requesting that her lump sum payment be made without taxes taken out. This request is not within the Pension Funds' control. There is a mandatory 20% tax withholding for lump sum cash distributions. If she were allowed to take a refund of contributions the only way that we could make a distribution without withholding taxes would be if she elected to do a direct rollover into a qualified account. Furthermore, she has been informed that the interest on refund of contributions is 5% interest compounded from the end of each year to the date of termination.

Ms. Bonni Jensen reported that Ms. Tucker's monthly benefit amount is estimated to be about \$1,438.00 for a life annuity of which she is already due beginning in May.

Ms. Tucker addressed the Board. She explained that she does not understand why it has been stated that she retired when in reality she had not retired but her position had been eliminated by the City. She explained that had the City not eliminated her position she would still be working. Due to this fact she is requesting that her employee contributions be paid in a lump sum.

Ms. Bonni Jensen explained that if Ms. Tucker had not been entitled to retire and collect a benefit at this time the Plan would be allowed to grant her request but since she is currently entitled to receive a monthly benefit the Plan can not pay her a refund of contributions. She noted that she understands that Ms. Tucker did not make a conscious decision to retire but the result of her layoff is that she is now entitled to receive a monthly benefit starting May 1, 2011.

Mayor Rodriguez noted that the Plan is ruled by the City Ordinance set by the City Commission therefore this Board really does not have the authority to change that. Ms. Bonni Jensen agreed.

Motion

Ms. McDeavitt moved to deny Ms. Tucker's request for a lump sum payment of her employee contributions to the General Employees' Pension Plan because the Board has no authority to approve such a request. Ms. Jensen seconded the motion that unanimously passed 7-0.

Ms. Bonni Jensen reported that she will send Ms. Tucker a letter of denial. Ms. Tucker then will have the right to appeal it back to the Board of Trustees and she can request a hearing to explain why she feels she is entitled to receive a refund of contributions however the Board would still not have the authority to grant her request. At that point Ms. Tucker would have to challenge this in court.

VII. NEW BUSINESS

A. Actuarial Valuation Report as of October 1, 2010 – Presented by Steve Palmquist, GRS.

Mr. Palmquist reported that initially the valuation report had been completed in February of this year but he had been asked by the City to incorporate two additional things; he had been asked to reflect the estimated payroll for the next fiscal year end and to show the contributions if the City made the full payment at the beginning of the fiscal year. He reported that the actuarial value of assets at this point in time is \$10 million more than the market value of the Pensions fund assets. He explained that this is due primarily to the losses in 2008 which have

been gradually recognized in a 5 year period. So far they have recognized 3/5's of those losses.

Mr. Palmquist reported that the funded ratio for fiscal year end 2010 is 76.4 % compared to last year at 74.8%. He explained that the funded ratio is equal to the actuarial value of assets divided by the actuarial accrued liability. He reported that the required City contribution for October 1, 2011 is \$4,502,590 (19.40% of payroll) if the City pays it as a lump sum on October 1, 2011.

He explained that the Plan also has a situation that he had explained either last year or the year before. He explained that the Plan has some unfunded liability credits that are ending their lives. He explained that for example in 1997 the Plan had an experience gain and those gains were going to reduce the City's contributions over a 15 year period. What this means is that those credits that the Plan had are going to be going away in the next few years and the City's contributions will go up as a result. He reported that he has looked at ways to mitigate the fluctuation. He explained that two years ago the Board had decided not to make any changes in the way the unfunded liability is paid. He believes it's worth taking another look because over the next 5 years the City's cost will go up by \$1.2 million.

He reported that there was a net actuarial gain of \$390,808. He explained that the gain was primarily due to salary increases that were less than expected (-07. % actual versus 5.4%). He reported that as of October 1, 2010 there were 479 active members, 273 retired members.

Mr. Palmquist noted that the annual cost of the Plan will go down because of Senate Bill 1128 (SB 1128). He reported that once the next collective bargaining agreement is entered into overtime in excess of 300 hours will no longer be pensionable pay. Also the payout of unused leave at the time a person retires will no longer be included in the pensionable compensation. He reported that SB 1128 states that whatever unused leave that is in the books at the time of signing the next bargaining agreement is settled at that point in time. The City will have to take a snap shot look of how much leave was on the books and there will be no increases beyond that point that can be included as pensionable pay.

Ms. Bonni Jensen reported that the effective date for Plans subject to collective bargaining is the date the new collective bargaining agreement is entered into. She explained that her understanding is that the City has three collective bargaining agreements of which two expire September 30, 2011. The PBA agreement which includes some members in the Plan expires in 2012.

Mr. Palmquist asked the Board to revisit the study that was done several years ago which recommended changing several assumptions so that the assumptions can be strengthened in such a way that it won't increase the City's cost.

Ms. Bonni Jensen noted that if Mr. Palmquist could create an analysis and bring different scenarios this could help the Board with what is coming down the road and it would help them

in making the decision as to whether they want to make the recommended changes or not.

Mr. Palmquist reported that he will bring a study and graph for the Board's review to the next Pension Board Meeting.

He reviewed the Plan's revenue and expense. He reported that the Plan's net investment Income for fiscal year end 2010 was \$6,847,986 versus \$-250,180 in 2009.

Motion

Ms. Jensen moved to approve the Actuarial Valuation Report as of October 1, 2010. Ms. Shea seconded the motion that unanimously passed 7-0.

B. Attorney Report

1. Cherry Bekaert & Holland LLP- Auditing Services Agreement

Ms. Bonni Jensen reported that the auditing service agreement and engagement letter for September 30 ,2011 with Cherry Bekaert & Holland is ready for execution.

Motion

Ms. McDeavitt moved to approve the auditing service agreement and engagement letter with Cherry Bekaert & Holland LLP. Ms. Shea seconded the motion that unanimously passed 7-0.

2. SB 1128 Memorandum

Ms. Bonni Jensen reported that Senate Bill 1128 passed into law. She explained that the Pension Plan does include overtime and the payment of accumulated sick and vacation time in the final average salary therefore these changes will affect the Plan. She reported that the collective bargaining relationship is really what is going to determine how these changes are calculated going forward. She reported that she believes the simplest way to do this is to look as the number of hours a participant has at a particular given date. At that point a participant can't have more than those hours included as pensionable when they retire. She reported that this is something that can be collectively bargained.

3. IRS Mileage Rate 2011 Memorandum

Ms. Bonni Jensen reported that the IRS increased the mileage rate to .555.

4. Commission on Ethics Memorandum

Ms. Bonni Jensen reported that as of June 1st the Palm Beach County Commission amended the Ethics Code to include all of the 38 Municipalities, which may or may not include this

Board of Trustees. She reported that she has several questions pending with the Commission on Ethics regarding the Pension Boards. She has asked them for example if Trustees attend the FPPTA and the breakfast is sponsored by an investment manager will the Trustee be allowed to eat the breakfast. Also she has asked if they have jurisdiction over Pension Boards at all. She has been asked to wait until after September 1st at which time the Commission on Ethics will make a decision about the first Pension Board.

C. Administrator Report

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 7-0.

2. Benefit Approvals

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

Motion

Mr. Low moved to approve the Benefit Approval presented by the Administrator. Ms. Jensen seconded the motion that unanimously passed 6-0.

Ms. Shea abstained from voting since her application for DROP was part of the Benefit Approval. She will complete Form 8B.

3. Financial Statements

Ms. Martinez provided the Board with an unaudited financial statement and an income and expense report for review through the month of July 2011.

The Board received and filed the un-audited financial statements through the month of July 2011.

E. Board Issues

VIII. PUBLIC COMMENTS

IX. ADJOURNMENT

There being no other business and the next meeting having been previously scheduled for Monday, November 28 at 1:30 PM, the Trustees adjourned the meeting at 3:40 pm.

MINUTES

APPROVED:

November

28,

2011

Jose Rodriguez, Chair
Boynton Beach General Employees' Pension
Board

Dixie Martinez, Administrator
Boynton Beach General Employees' Pension
Board

DRAFT