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**MINUTES OF THE GENERAL EMPLOYEES' PENSION PLAN QUARTERLY BOARD  
MEETING HELD ON MONDAY NOVEMBER 28 AT 1:30 PM IN COMMISSION  
CHAMBERS, CITY HALL, BOYNTON BEACH, FLORIDA**

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

**Others:** Jeff Swanson, Southeastern Advisory Services  
Bonni Jensen, Perry & Jensen, LLC  
Dixie Martinez, Resource Centers  
Steve Palmquist, Gabriel Roeder Smith  
Pete Strong, Gabriel Roeder Smith  
Joe Lawrence, Alliance Bernstein  
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**

Administrator, Dixie Martinez reported that Mr. Chris Coburn from Tradewinds will not be able to attend this meeting in person. If the Board agrees, he can attend this meeting via teleconference or if the Board prefers he can attend the next pension Board meeting in person.

**Motion**

Mr. Low moved to table item "IV. B Quarterly Investment Performance Report: Tradewinds: Chris Coburn" to the next Pension Board meeting. Ms. Fasolo seconded the motion that unanimously passed 6-0.

**Motion**

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

**III. APPROVAL OF MINUTES**

- A.** Regular meeting August 22, 2011.

**Motion**

Ms. McDeavitt moved to approve the minutes of the regular meeting on August 22, 2011. Ms. Jensen seconded the motion that unanimously passed 6-0.

**IV. INVESTMENT REPORTS**

**A. Quarterly Investment Performance Report – Alliance Bernstein  
Joe Lawrence.**

Mr. Joe Lawrence gave a quick update on the firm. He noted that they have \$461 Billion assets under management and they are still the top 5 manager of global equity assets. He reported that there are issues with their balance sheet and they have strong financials. For the quarter, he reported that this is the cheapest equity market that they have seen in the last 45 years. He noted that market metrics reflect excessive fear about the future. He reviewed a graph where it showed how attractive they think the stock market is relative to bonds in the next 3 years. He reported that as of September 30, 2011 the Fixed Income portfolio underperformed at -17.0% versus the benchmark at -16.2%. He explained why it has been so difficult for them as a deep value manager to achieve any kind of out performance in the last 1, 3, and 5 years. He noted that it has been a painful year for value, as investors abandoned stocks perceived as vulnerable to economic weakness or European instability. Over decades, value stocks have gone in and out of favor, with big periods of out performance following weakness. He commented that this is one of the times when they should really not move away from them. He understands that it is difficult to be patient but history has showed that if you can wait this out a couple of years you should make all of this back and maybe some more. He reported that as of September 30, 2011 the Fixed Income portfolio was at 3.3% versus the benchmark at 3.8%. He reported that there have been no changes to the firm or management team.

**B. Quarterly Investment Performance Report: (Investment Manager)  
Tradewinds: Chris Coburn (Via Teleconference)**

This item was tabled to the next Pension Board meeting.

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

Mr. Swanson reported that we had a nice year in 2010 and the Plan was on very solid footing for the fiscal year end in 2011 but the September 2011 struck again. September historically is the worst month of the year and the last day of the quarter the market was down between 2% and 3%. We had been tracking about a plus 10% for the fiscal year end and in September we gave back 10%. Our return ended up being flat for the 12 months. Everyone else is in the

same boat. Mr. Swanson reviewed the asset allocations. He noted that the equity markets are more volatile than they have ever been in the past. He reviewed the manager's allocations and cash flows. He reported that as of September 30, 2011 the total value of the plan including the R&D account was \$88,343,993. The value of the fund as of yesterday was \$93,160,000. We have recovered about half of the loss so far from the end of fiscal year 2011. Mr. Swanson reported that for quarter ending September 30, 2011 the Total Domestic Equity was at -15.7 % versus the index at -16.0% and Total International Equities was at -22.7% versus the index at -16.0%. Total Real Estate was at 3.2% versus the index at 3.5% and Total Fixed Income was at 2.2% versus the index at 3.8%. Mr. Swanson reviewed each manager individually. Mr. Swanson reported that on the report Garcia Hamilton was missing the negative sign in front of the return. Alliance Bernstein was the only manager below average for this difficult quarter. As the Board knows this manager is under review. Mr. Swanson noted that Mr. Lawrence had made a very big case for their strategy and what he had said is true. Other managers using deep value have not done well and are in the same boat as Alliance Bernstein. Mr. Swanson is in favor of staying the course, even though they are outside of their policy. The reason is that if the Board dumps Alliance Bernstein and they seek out another value manager that has performed well, they are not going to be this deep value type of manager. They are going to be relative value and they run the risk of jumping off this one into another one and getting whipsawed when the market rotates back to deep value. This is a real risk of making a change. Also, he noted that for the one and three time period it has not been that terrible. The performance has been light but not terrible. He is inclined to stay the course. It is better to change managers after they have done well, not when they have underperformed. He recommends keeping them under review. He reported that all of the new managers have significantly above average rankings this quarter. Mr. Swanson reported that Artio International Equity manager was within our policy ranges last quarter but in this quarter they are below our policy ranges therefore he has placed Artio under review. We now have two managers formally under review. They will be watched closely.

Ms. Martinez reported that the Pension Plan received the check in full for the employer contributions on October 17, 2011.

## **V. OLD BUSINESS**

No old business

## **VI. CORRESPONDENCE**

No correspondence.

## **VII. NEW BUSINESS**

### **A. Cost Analysis of Paying off the unfunded Actuarial Accrued Liability Under**

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**Different Payment Scenarios – Presented by Steve Palmquist, GRS.**

Mr. Palmquist introduced Mr. Pete Strong to the Board. He reported that even if all of the Plan's assumptions are exactly realized going forward the City's payment on the unfunded liability is going to keep going up because the credit basis will be reaching the end of their lives. As those credits go away, the contribution credit that the Plan had is going to be going away therefore the cost of the Plan is going to go up. He reviewed the amortization payments if the Plan does not make any changes. The payment this year is about \$3.3 million, the payments, if nothing is done, will go up to \$ 5 million in about six years and then start heading back down. If this is what the Board and the City wants that is fine but they just wanted to alert the Board regarding this issue so it is not a surprise. He explained how the payment of the unfunded liability is calculated. He reviewed different payment scenarios to pay off the unfunded actuarial accrued liability. The Board had a discussion regarding the different scenarios presented by Mr. Palmquist. Mr. Palmquist reported that there is nothing wrong with continuing with the current schedule but they just wanted to alert them that this peak was coming up and there are ways to go around it. The timing on this is that we just crossed another September 30, therefore we are starting the process of working on the 2011 actuarial valuation report, and we would like to reflect in that report whatever the Boards decision is. If the Board takes no action we will just keep going the way we have been in the past. The Board can consider this again next September 30.

Mr. Atwood reported that he has not had time to absorb this report. He noted that he does not like big swings but budget wise scenarios 2 and 3 make more sense.

Mr. Palmquist reported that the proposed changes to the GASB accounting standards will not affect the City's cash required contributions but it will affect the expense. As far as the amount of dollars that the City has to deposit into the pension fund there will be no affect. As to the amount of the City expense in their financial statements there will be some changes, plus the unfunded liability will go into the City's balance sheet.

Mr. Palmquist explained that under Scenario three there are two more payments compared to scenario two.

**Motion**

Ms. Jensen moved to adopt scenario two. Ms. Fasolo seconded the motion that unanimously passed 6-0.

**B. Attorney Report**

**1. Commision on Ethics**

- a. Memorandum – Form 1 Reporting (Intangible Property)**
- b. CEO- 11-11**
- c. Form 1**
- d. Form 1X**

Ms. Bonni Jensen reported that the Commission on Ethics opinion clarified what intangible property is. Essentially what they've decided is that assets that are held in an IRA, assets in a 401K Plan, assets in the State investment Plan or assets in a 457 Plan, the Trustees don't need to report the item as a whole but will need to report the component parts. They will need to report each individual holding in your IRA or other Plan. December 31 is the reporting date, so what ever your holdings were on that day is what you need to report. Also pre-paid college plans need to be reported if it exceeds the treshhold reporting requirement which is \$10,000, if you have a dollar value or 10% of net assets ,if you are reporting on percentage value. DROP plans are also reportable. Ms. Jensen reported that Form 1X needs to be completed if the person feels that they have substantially under reported on Form 1 to correct that section. If you feel you have properly reported you do not need to complete. There is no deadline to file form 1X. Form 1 is due annually on July 1.

## **2. Legislative Updates – 2012 HB 365**

Ms. Bonni Jensen reported that there has been a new Pension Bill that has been filed. House Bill 365 has nothing to do with General Employee Pension Plans. It has to do with Chapter 175/185.

## **3. Ordinance Amendment**

Ms. Bonni Jensen reported that the most recent ordinance that she presented had a scribiners error therefore she is submitting to the City to correct that scribner's error in the definition of actuarial equivalence. The definition of actuarial equivalence was updated during the course of the submission to the Internal Revenue Service. This was back in 2008 when there was a pending change to the definition of actarial equivalence or at least a change to the mortality table and the percentages. Those percentages did not actually go through. Therefore when the Ordinance was submitted to the municipality that change was not removed from the Ordinance. This Ordinance change will just correct it to go back to the language prior to the change which was " for purposes of measuring actuarial equivalence we use the interest rate, mortality and other actuarial tables that are under effect under the Plan". She believes this is scheduled to go before the City Commission in December.

## **4. Karen Main – Death Benefit**

Ms. Bonni Jensen reported that Ms. Karen Main, participant of the Boynton General Employees' Pension Plan passed away. She contacted the Board and the Board received a change in designation of beneficiary while she was dying. We also received a Power of Attorney and her sister was designated in her Power of Attorney. The designation of beneficiary was changed from her ex husband to her two sisters during the course of her dying. It has been represented to us that the Power of Attorney was not the person who signed the designation of beneficiary, under Florida Law that can not happen. It has been

represented to us that Ms. Main signed it and it was witnessed by two individual people. We have been in contact with the ex husband to let him know that we were making the determination of the benefit and that the designation of beneficiary was changed at the time of death. He is aware of it. He did not have any issues with it, but she wants the Board to be aware of this situation. She explained that this is being handled internally. She will request that all parties involved sign release forms. She will let the Board know if any issues arise regarding this matter.

Ms. Bonni Jensen noted that item VII.1 "Letter from GRS – Senate Bill 1128 Actuarial Disclosure Requirement approval of \$750.00 fee" on the Agenda was skipped. This letter is requesting an increase in fees because of the state mandate that changes the way they perform the actuarial valuation report.

### **Motion**

Mr. Low moved to approve the change in actuarial fee of \$750.00. Ms. McDeavitt seconded the motion that unanimously passed 6-0.

## **C. Administrator Report**

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

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

### **Motion**

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

### **2. Benefit Approvals**

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

### **Motion**

Ms. McDeavitt moved to approve the Benefit Approval presented by the Administrator. Ms. Fasolo seconded the motion that unanimously passed 6-0.

### **3. 2012 Meeting Calendar**

Ms. Martinez reported that normally the Pension Board meets the fourth Monday. In February she has a conflict with the fourth Monday therefore she is asking the Board to consider having

the February meeting on Tuesday February 14<sup>th</sup> but she wants to make sure that the Board is aware that in order to have the meeting on that day Mr. Swanson will have to present via teleconference. If the Board prefers that Mr. Swanson present his report in person then the meeting can be scheduled for the fourth Monday in February. She will see if she can change her schedule or someone else from her firm can attend the February meeting. She reported that the fourth Monday in May is Memorial Day therefore the May meeting was moved to the third Monday at 9:00 a.m. The Board reviewed the 2012 Pension Board Meeting calendar. The Board prefers that Mr. Swanson attend the meeting in Person therefore the 2012 Pension Board meeting will be as follows:

- ❖ Monday, February 27 at 1:30 p.m.
- ❖ Monday, May 21 at 9 a.m.
- ❖ Monday, August 27 at 1:30 p.m.
- ❖ Monday, November 26 at 1:30 p.m.

#### **4. FPPTA Annual Membership Renewal**

Ms. Martinez reported that the 2012 annual FPPTA membership in the amount of \$600.00 is due. She needs Board approval to send the payment. The next Trustee School is in Jacksonville on February 5-8 and the Annual Conference is June 24-27 in Orlando.

#### **Motion**

Ms. Jensen moved to approve the payment for the 2012 annual membership for the FPPTA. Mr. Low seconded the motion that unanimously passed 6-0.

#### **5. Trustee Election**

Ms. Martinez reported that the Trustee term for Michael Low expires December 31, 2011. A notice of election will be sent. The Trustee term is now a four year term.

#### **E. Board Issues**

### **VIII. PUBLIC COMMENTS**

### **IX. ADJOURNMENT**

There being no other business and the next meeting having been previously scheduled for Monday, February 27 at 1:30 PM, the Trustees adjourned the meeting at 2:53 pm.

MINUTES APPROVED: February 27, 2012

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Jose Rodriguez, Chair  
Boynton Beach General Employees' Pension  
Board

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Dixie Martinez, Administrator  
Boynton Beach General Employees' Pension  
Board

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