
**MINUTES OF THE GENERAL EMPLOYEES' PENSION PLAN QUARTERLY BOARD
MEETING HELD ON MONDAY FEBRUARY 25 AT 1:30 PM IN COMMISSION
CHAMBERS, CITY HALL, BOYNTON BEACH, FLORIDA**

Trustees: Woodrow Hay, Chair
Michael Low
Cathy McDeavitt
Lisa Jensen
Laurie Fasolo
Lori Laverriere
Matthew Graham

Others: Jeff Swanson, Southeastern Advisory
Bonni Jensen, Perry & Jensen, LLC
Dixie Martinez, Resource Centers
James Burdick, Cherry. Bekaert
Peter Strong, GRS
Members of Public

I. OPENINGS:

A. Call to Order – Mayor Woodrow Hay.

Chair Woodrow Hay called the meeting to order at 1:32 p.m.

II. AGENDA APPROVAL:

A. Additions, Deletions, Corrections

No additions, deletions, or corrections to the Agenda.

Motion

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

III. PRESENTATIONS

**A. Audited Financial Statement Report as of October 1, 2012 – Presented by
James Burdick, Cherry, Bekaert & Holland, L.L.P.**

Mr. Burdick reported that he will need to have the representation letter signed by a member of the Board. He reported that in their opinion, the financial statements present fairly, in all material respects, information regarding the City of Boynton Beach General Employees' Pension Plan's net assets as of September 30, 2012, and the changes therein for the year then ended in conformity with accounting principles generally accepted. He reported that there have been no material weaknesses identified and no significant deficiencies reported.

He reported that there was a minor adjustment entry that had to be made due to an interest fee that came in January 2013 for period ending September 30, 2012. He reported that the net assets of the Plan exceeded its liabilities at the close of the fiscal year ended September 30, 2012 and 2011, with \$104,061,462 and \$88,849,772 in net assets held in trust for pension benefits, respectively. Mr. Burdick reviewed a comparison of 2010 Balance Sheet to 2011. He reported that net assets increased by \$15,211,690 or 17.1% during 2012, primarily due to the 2012 contributions and investment income. He reported that as of October 1, 2011, the date of the latest actuarial valuation, the funded ratio of the Plan was 74.2%. He reported that additions to the Plan's net assets for the year ended September 30, 2012 were \$21,751,748 which includes member and employer contributions of \$6,013,847 and net income from investment activities totaling \$15,737,901. He reported that deductions from the Plan's net assets increased from \$6,111,297 during 2011 to \$6,540,058 in 2012. Most of the increase relates to increased benefit payments in 2012 compared to 2011. Mr. Burdick reviewed the financial statements and administrative expenses of the Plan.

Motion

Mr. Graham moved to approve the Audited Financial Statements as of October 1, 2012. Ms. McDeavitt seconded the motion that unanimously passed 7-0.

B. Actuarial Valuation Report as of October 1, 2012– Presented by Peter Strong, GRS.

Mr. Strong introduced himself to the Board. He reported that the estimated required employer contribution as a percentage of payroll for fiscal year end September 30, 2014 due on October 1, 2013 is \$6,780,773 or 31.35% of covered payroll which has increased by 3.55% from fiscal year end September 30, 2013. He reported that there was a net actuarial loss of \$644,791 for the year which means actual experience was less favorable than expected. The loss is primarily due to less than expected investment return (4.46% actual versus 8.0% expected based on actuarial value of assets). He reported that the investment return on the market value was 17.8%. He explained that this loss was mostly offset by a gain on liabilities due to salary increases being less than expected. He reported that the average salary increases were 2.0%, versus 5.3% expected. He reported that the funded ration this year is 74.5 % compared to 74.2% last year. He reported that if market value had been the basis for the valuation, the City contribution rate for the fiscal year ending September 30, 2014 would have been 32.69% and the funded ratio would have been 72.6%. He reported that this funded ratio (on market value basis) is up from 63.8% last year. In the absence of other gains and losses, the City contribution rate should increase to that level over the next couple years. He reviewed an analysis of change in employer contribution. He reported that the ten year average rate this year was equal to 0.01% compared to the assumed rate of 3.5%. Since the actual payroll growth was less than the assumption, the amortization payment on the UAL increased significantly. He reported that it is important to keep in mind that under the asset smoothing methods, asset gains and losses are recognized over five years. As of September

30, 2012, the actuarial value of assets exceeded the market value by \$2,598,926. He explained that once all the losses through September 30, 2012 are fully recognized in the actuarial asset values, the contribution rate will increase by roughly 1.3% of payroll unless there are offsetting gains. He noted that under the funding method, gains and losses are amortized over 15 years. Mr. Strong reported that currently the Plan is using the 1983 mortality table, in his opinion this should be updated to a more current mortality table, for example to the RP 2000 mortality table. Mr. Strong also recommends that the Board consider reducing the assumed rate of investment return, based on the current expected long-term expected return on the Plan's assets. He noted that the current assumption is 8.0% net of investment returns. He reviewed the participant data; Active members reduced from 395 in 2011 to 387 in 2012 therefore the covered annual payroll decreased from \$22,183,119 in 2011 to \$20,956,556 in 2012. He reviewed the actuarial value of benefits and assets. He reported that the actuarial net value of Plan assets as of October 1, 2012 is \$100,907,564 compared to \$98,246,139 as of October 1, 2011. He reviewed a calculation of employer normal cost. He reported that the employer normal cost as a percentage of covered payroll increased as of October 1, 2012 to 7.91% from 7.85% as of October 1, 2011. Mr. Strong reviewed the reconciliation of plan assets. He reviewed the information related to FASB NO.35. He noted that the funded ratio (using FRS rate of 7.75%) is 79.1% as of October 1, 2012. Mr. Strong reviewed the schedule of funding progress.

Motion

Trustee Lisa Jensen moved to approve the Actuarial Valuation Report as of October 1, 2012. Ms. McDeavitt seconded the motion that unanimously passed 7-0.

The Board had a lengthy discussion in regards to updating the mortality table and lowering the assumed rate of return. The Board would like to see an experience study to reflect the impact of making these changes. The Board had a brief discussion in regards to lowering the DROP investment return. Mr. Strong reviewed a memorandum that he provided to the Board regarding GASB Statement No. 67 and the new requirements that will be required effective September 30, 2014. Mr. Strong reported that he can bring to the next Pension Board meeting an study showing the current year and projected impact of lowering the investment return assumption and updating the mortality assumption. He reported that the study can show the impact of each assumption change on the current year's contribution requirement if fully implemented versus being phased in over a five year period. Also he can include a projection showing the projected impact of phasing in the new assumptions over a five year period.

Action

Consensus of the Board to authorize Mr. Strong to bring to the next Pension Board meeting a study showing the current year and projected impact of lowering the investment return assumption and updating the mortality assumption and the impact of each assumption

change on the current year's contribution requirement if fully implemented versus being phased in over a five year period.

Mr. Swanson will also bring to the next meeting a review of the Actuarial Assumptions as well.

IV. INVESTMENT REPORT

A. Southeastern Advisory Services: Jeff Swanson (Investment Consultant) **1. Quarterly Investment Performance Report**

Mr. Swanson reported that for quarter ending December 31, 2012 the Plan's return was 1.5%. He reviewed the allocation of assets for the quarter; Domestic Equity 48.9%, International Equity 11.5%, Real Estate 7.5%, Fixed Income 28.0% and Cash 4.1%. He reported that the total value of the plan as of December 31, 2012 including the R&D account was \$110,420,736. He reported that for the quarter the Total Fund-Gross of Fees was 1.5% versus the index at 2.0%; Total Domestic Equity was at 0.7% versus the index at 0.7%; Total International Equities were at 6.8% versus the index at 6.6%; Total Real Estate was at 2.8% versus the index at 2.4% and Total Fixed Income was at 0.9% versus the index at 0.2%. Mr. Swanson reviewed each manager individually. He reported that Garcia Hamilton had a difficult quarter do to its holdings in Apple. He noted that Alliance Bernstein had a good quarter however his recommendation is to move forward with the change. Mr. Swanson reported that he had two recommendation in rebalancing the portfolio. He reported that the current the weighting in real estate is 7.0% and the targeted weighting into real estate is 10% of assets. Therefore he recommends entering into queue with a sister fund that JP Morgan is offering which is the JPMCB Special Situation Property Fund. He reported that as he understands this would not require a new contract, however it will require an addendum to the agreement. He reported that the waiting period is two to three quarters. Therefore the Board can enter into queue and still have plenty of time for Ms. Bonni Jensen to review the documents and request that JP Morgan come and present to the Board. Mr. Swanson reported that the current fees for JP Morgan are 100 basis points; he reviewed the fees for the JPMCB Special Situation Property Fund. He explained that the fees are between 170 basis points and 187 basis points depending on the leverage, which is reasonable for this kind of investment. He reported that the targeted investment is \$10 million. Currently the Plan has \$8 million invested in this holding including \$1 million in queue already. He recommends investing \$2 million into JPMCB Special Situation Property Fund. He explained that the funds for this investment would come out of the Fixed Income portfolio. The Board had a lengthy discussion regarding the new investment presented by Mr. Swanson.

Motion

Mr. Low moved to enter \$2 million into queue with JPMCB Special Situation Property Fund and the funds for this investment to come out of the Fixed Income portfolio. Ms. McDeavitt seconded the motion that unanimously passed 7-0.

Ms. Bonni Jensen will review the documents from JPMCB Special Situation Property Fund. She noted that it would be helpful if JP Morgan came and presented this new investment to the Board. The Board discussed inviting JP Morgan to an upcoming meeting. The Board agreed to invite JP Morgan to present at their August 26, 2013 Pension Board meeting.

Mr. Swanson reported that he had a second recommendation for rebalancing the portfolio. He reported that currently the Plan is slightly over weighted to Fixed Income and slightly underweighted to International Equity. Therefore he recommends rebalancing the portfolio, taking \$1 million from each bond portfolio and moving it into each of the two international portfolios.

Motion

Trustee Jensen moved take \$1 million from each fixed income portfolio and reallocate it into the international portfolios. Ms. Graham seconded the motion that unanimously passed 7-0.

2. DePrince, Race & Zollo – Investment Manager Agreement

Mr. Swanson reported that the DePrince, Race & Zollo investment manager agreement is ready for execution as well as the investment policy documents.

3. ConvergeEx Group – Transition Manager Agreement

Mr. Swanson reported that as the Board will recall from the last meeting he recommends that they use a transition manager to fund the portfolio. Ms. Jensen reported that the agreement is included in the meeting packets. She explained the mechanics of the transition. She reported that Mr. Swanson was able to negotiate with DePrince, Race & Zollo a reduced fee of 50 basis points. He also negotiated with ConvergeEx to \$0.0125 per share. Mr. Swanson explained why he is in favor of using a transition manager in this process.

Motion

Trustee Lisa Jensen moved to use ConvergeEx as a transition manager. Ms. Laverriere seconded the motion that unanimously passed 7-0.

V. APPROVAL OF MINUTES

- A. Regular meeting November 26, 2012.**
- B. Special Meeting January 9, 2013**

Ms. McDeavitt suggested clarifying on the minutes if its Trustee Jensen or Attorney Jensen when referring to Ms. Jensen. Ms. Martinez will make clarification on the minutes.

Motion

Mr. Low moved to approve the minutes of the regular meeting on November 26, 2012. Ms. Fasolo seconded the motion that unanimously passed 7-0.

Motion

Ms. McDeavitt moved to approve the minutes of the special meeting on January 9, 2013. Mr. Low seconded the motion that unanimously passed 7-0.

VI. CORRESPONDENCE

- A. Letter from former Trustee Mark Hurley dated January 11, 2013 re; advising the Board to lower the Plan's "Assumed Actuarial Rate of Return."

The Board will discuss this item at the August Pension Board meeting when Mr. Strong presents the experience study.

VII. OLD BUSINESS

There was no old business.

VIII. NEW BUSINESS

A. Attorney Report:

1. 2013 IRS Mileage Rate

Attorney Bonni Jensen reported that the Standard Mileage Rate for 2013 has been updated. The new rate is 56.5 cents per mile starting January 1, 2013.

2. DROP and SB 1128 Ordinance Amendment

Attorney Bonni Jensen reviewed the changes to the plan. She reviewed the changes due to Senate Bill 1128 and explained that she will defer to the City to let her know the effective date. She reviewed the language added to deal with the termination of service prior to eligibility for retirement. She explained that this was a follow up to how the vested terminated members benefits are being calculated, providing that they can receive the benefit at either their otherwise early or normal retirement date. She reported that as the Board will recall this question came about when Ms. Catherine Jenkins terminated employment. At that time this is how the issue had been resolved. She reviewed the language that was added as a follow up to an issue that Plan had where a participant did not have a designated beneficiary on file at the time of death. The language that has been added will allow the Board at their discretion

to pay to the Estate of the member or to pay to the spouse or dependent children of the member, or dependent leaving parents of the member. The Board requested that Attorney Jensen add to the language a particular order in which the Plan will pay the benefits for any member who dies without having a designated beneficiary at the time of death. Attorney Jensen will add the requested language by the Board to the proposed ordinance amendments.

Motion

Ms. McDeavitt moved to authorize legal council to move forward with the ordinance amendment as revised. Ms. Fasolo seconded the motion that unanimously passed 7-0.

B. Administrator Report

1. Warrant for Invoices

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

Motion

Mr. Low moved to approve the invoices that were presented by the administrator. Ms. McDeavitt seconded the motion that unanimously passed 7-0.

2. Benefit Approval

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

Motion

Ms. McDeavitt moved to approve the benefits in the Benefit Approval listing as presented by the Administrator. Trustee Jensen seconded the motion that unanimously passed 7-0.

3. Trustee Election

Ms. Martinez reported that Mr. Matthew Graham had been elected by default to serve a new term expiring on December 31, 2016

Motion

Mr. Low moved to certify the election results. Ms. Laverriere seconded the motion that

unanimously passed 7-0.

4. Fiduciary Liability Insurance

Ms. Martinez reported the Plan's fiduciary liability insurance policy expires April 10, 2013. She reported that she had received two quotes. She reviewed the quotes as follows: RLI base premium is \$8,125, plus a premium of \$175 for waiver of recourse, which totals \$8,404. She explained that the premium of \$175 for waiver of recourse needs to be paid by the Trustees which mean that Trustees will have to pay \$25 each; Alterra America Insurance premium is \$8,474.73. She noted that the waiver of recourse premium is included in the policy at no extra charge to the Trustees. Ms. Jensen explained to the Board what the "waiver of recourse" is and how it works.

Motion

Trustee Jensen moved to bind coverage with Alterra America Insurance premium in the amount of \$8,474.73. Ms. McDeavitt seconded the motion that unanimously passed 7-0.

VIII. PUBLIC COMMENTS

Ms. Hanna Matras questioned language within the Ordinance. Attorney Jensen answered Ms. Matras questions accordingly.

IX. ADJOURNMENT

There being no other business and the next meeting having been previously scheduled for Tuesday, May 28 at 1:30 p.m., the Trustees adjourned the meeting at 3:17 p.m.

MINUTES APPROVED: May 28, 2013

Jerry Taylor, Chair Boynton Beach General
Employees' Pension Board

Dixie Martinez, Administrator
Boynton Beach General Employees' Pension
Board