

**MINUTES OF A JOINT EMPLOYEES' RETIREMENT BOARD
AND POLICE RETIREMENT BOARD MEETING
HELD IN THE CONFERENCE ROOM AT CITY HALL ON TUESDAY,
September 23, 2008 at 2:00 PM**

I. ROLL CALL: 2:12 PM

A. Employees' Retirement Board:

A workshop was called to order at 2:12 PM. There was not a quorum when the workshop was called to order.

Those persons present included:

Trustees: Valerie Hurley, Chair	Others: Ken Harrison, Sugarman & Susskind
Robert Lepa, Vice-Chair (2:23 PM)	J Scott Baur and Margie Adcock, Pension Resource Center
Robert Kahant	Tim Nash, Bogdahn Consulting
	Steve Palmquist and Duane Howison, GRS Members of Public

B. Police Retirement Board:

A workshop was called to order at 2:12 PM. There was not a quorum when the workshop was called to order.

Those persons present included:

Trustees: Lt. Kenneth White, Chair	Others: Ken Harrison, Sugarman & Susskind
Sgt. Randy Collier, Vice-Chair	J Scott Baur and Margie Adcock, Pension Resource Center
	Tim Nash, Bogdahn Consulting
	Steve Palmquist and Duane Howison, GRS Members of Public

IV. NEW BUSINESS:

A. Employees' Retirement Board:

B. Police Retirement Board and

B. Employees' and Police Retirement Boards:

1. Annual Actuarial Valuation:

Steve Palmquist and Duane Howison appeared before the Board. Mr. Palmquist presented the Actuarial Valuation for both Plans for the fiscal year ending September 30, 2007. He stated that the report indicates what the City has to pay starting next month. He noted that there were experience gains due to investments for both Plans. The Police also had a gain from salary increases in that salaries were lower than expected. For both Plans the cost went down because of favorable experience. There was a slight change in cost due to administrative expenses. Mr. Palmquist reviewed the unfunded actuarial accrued liability. He discussed the COLA. He stated that although the Plans experienced a gain during the last year, there is no COLA payable June 1, 2008 because the Plans have experienced a cumulative loss since the COLA provision went into effect. The funded ratio for Police was 72.3% and the funded ratio for GE was 77.2%. Mr. Palmquist

provided a handout showing the funded ratio based on the State of Florida database. The median for general employee plans was 85% and the median for police and fire plans was 78%.

Robert Lepa entered the meeting and the GE Board had a quorum.

The handout also showed the various municipalities cost as a percentage of payroll. The median for general employee plans was about 15% and the percentage of payroll for the GE Plan is 23%. The median for police and fire plans was about 17% and the percentage of payroll for the Police Plan is 28%. Mr. Palmquist reviewed the actual and expected information regarding retirements, deaths and terminations. There was a discussion on the actuarial rate of return. The handout showed that only 12% of plans are at 8.5% or more. Mr. Palmquist stated that this was not the time to reduce the actuarial rate of return, as it will make the City's cost go up. However, the Plans need to focus on it after this year. Mr. Palmquist stated that he was not recommending any change in assumptions at this time. Rather he just wanted the Board to be aware of the things that they needed to keep an eye on. Mr. Nash stated that the actuarial rate of return of 8.5% is a little on the high side and 8% is more common. However, 8.5% is not unreasonable. The Plans are well diversified and they look at it on a long-term basis. It is not unachievable. Mr. Harrison stated that he has found that plans above 8% have been encouraged to reduce it given current market performance.

Mr. Palmquist reviewed the actuarial value of assets and the 5-year smoothing. There was a lengthy discussion on assumptions. Mr. Harrison stated that there are two areas the State has been looking at and they are the investment assumption rate compared over the last 5 years and the salary assumption compared to the actual amount. Mr. Harrison noted that the Boards could do an experience study to see where they were really at with respect to these items. Mr. Harrison stated that he also knows a mortality table change is coming. The Actuary has said that the Plans do not need to anything for this report. However, he would urge the Boards to consider some type of adjustment in the next cycle. Mr. Palmquist stated that adjustments usually happen in conjunction with an experience study as not all experience is going to be in one direction. It was noted that this should be put on next month's agenda. Mr. Palmquist will send information on an experience study and include the cost and how long the process will take.

Action: A motion was made and seconded to approve the Actuarial Valuation for the fiscal year ending September 30, 2007 by the Employees' Retirement Board.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

Action: A motion was made and seconded to direct the Investment Monitor to write a letter to the Division of Retirement regarding the 8.5% rate of return.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

Steve Palmquist and Duane Howison departed the meeting.

II. ADDITIONS/DELETIONS/REORDERING:

A. Employees' Retirement Board:

Robert Kahant stated that he had names to be added to the hurricane pay list.

B. Police Retirement Board:

No additions or deletions to the Agenda were made for the Police Retirement Board.

C. Employees' and Police Retirement Boards:

No additions or deletions to the Agenda were made for the Employees' and Police Retirement Boards.

III. UNFINISHED BUSINESS:

A. Employees' Retirement Board:

B. Police Retirement Board and

C. Employees' and Police Retirement Boards:

1. Recalculation of Pension Benefits

Mr. Baur stated that the recalculation of benefits was in progress. He noted that most of his energy has been in the Police merger.

IV. NEW BUSINESS:

A. Employees' Retirement Board:

1. Benefit Approvals

Mr. Baur stated that he received a number of benefit approvals from the City in the last 24-48 hours. However, that was not enough time to get the information on the agenda. Therefore, there were no benefit approvals for the General Employees Plan.

B. Police Retirement Board:

1. Benefit Approvals

Mr. Baur stated that he received a number of benefit approvals from the City in the last 24-48 hours. However, that was not enough time to get the information on the agenda. Therefore, there were no benefit approvals for the Police Plan.

B. Employees' and Police Retirement Boards:

1. Bogdahn Consulting – Large Cap Growth Equity Manager Search

Tim Nash presented the large cap equity manager search. He reviewed the current managers. He stated that there is duplication with Fayeze and Rigel and noted that Fayeze is not doing that well. There is also duplication with Davis Hamilton and Rigel and the performance of Rigel is much better than DHJ. Calamos is doing a good job and is a nice complement to Rigel. However, they have other options for the Boards to consider. They think the Boards should replace Fayeze and DHJ because of duplication and lower performance than Rigel. He stated that for the GE Plan, they were looking to reallocate \$6.8 million from Fayeze and DHJ or \$9 million if they include replacing Calamos. For the Police Plan, they were looking to reallocate \$2.4 million from Fayeze and DHJ or \$3.5 million if they include replacing Calamos.

Mr. Nash reviewed the candidates from their manager search: Calamos; DSM; Dana; Denver; Fayeze; DHJ; Gardner Lewis; Rigel; Victory; Wells Capital; Sawgrass and Sawgrass Best Ideas. He reviewed the tracking performance of returns and the manager ranking versus the universe through June, 30, 2008 for the quarter, year to date, 1, 2, 3, 4, 5, 6, 7 and 8 year time period. He reviewed the risk and return analysis for the five-year period ending June 30, 2008. He reviewed the upside and downside capture ratios. He stated that some of the managers that keep bubbling to the top are DSM; Rigel; Wells; and Sawgrass Best Ideas. He stated that the two areas they think the Boards need to make a change are DHJ and Fayeze. There is too much duplication and the performance is not that great. He stated that Calamos' near term performance in the last four years is not as good as DSM. DSM goes a little more into the large cap area and is a little more opportunistic than Calamos. They think a manager who has the ability to go up and down the capitalization range would do better for the Fund if small and mid cap do not do well over the next five years.

Sgt. Randy Collier departed the meeting.

Mr. Nash reviewed the attribution analysis of the candidates for the five-year period ending June 30, 2008. He recommended that the candidates be narrowed down to three and have them make a presentation to the Boards.

Action: A motion was made and seconded by the Employees' Retirement Board to invite Sawgrass Best Ideas; Wells Capital; and DSM to make a presentation to the Board.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

Mr. Nash provided a new updated Investment Policy Statement. He stated that they would prepare a new addendum for Manning & Napier as well as the new growth manager to be selected.

Mr. Nash stated that they contacted all of the managers and asked them about any holdings in AIG; Lehman Brothers; Fannie May and Freddie Mac. He received responses from the managers and no one had any effected holdings except Richmond who had Lehman Brothers bonds, which were less than 5% of the overall portfolio.

2. PBSO Merger

Mr. Harrison noted that the PBSO Merger does effect the GE Plan as there are 24 employees in the Police Department that are in the GE Plan that will be going to work for Palm Beach County. He stated that they are entitled to vote just like the police officers. It was noted that the City would be receiving ballots from FRS. At this moment the best that can be done is to send out a survey to see what members are planning on doing to get a feel for that. There was a lengthy discussion. Mr. Baur noted that everyone affected received a very detailed statement so that they know exactly what they have in the Plan. In the process he realized that they were missing a lot of buyback information.

Lt. Kenneth White departed the meeting.

D. Board Attorney's Report

Mr. Harrison discussed the matter of members returning to service. He stated that he drafted an opinion, which is not in final as of yet. He stated that the GE Plan has specific language that when someone returns to work their pension benefits cease to be paid and it is the obligation of the employee to notify that they are returning to work. He then discussed how the benefit is calculated. The first benefits is frozen when the person is re-employed and the Board has the option to continue to let you received your pension for a while. Once the person re-retires, the pension benefit is reduced to capture the benefit that should have been stopped. The benefit starts again the first of the moth after the Board received notice from the employee that they have re-retired. The amount to pay for the time when the person was re-rehired is determined by whatever the benefit was in effect at that time from being re-hired to re-retired and that portion of their benefit gets added to the first pension benefit amount.

Mr. Harrison stated that he is drafting a Policy regarding the Police Plan collecting employee contributions that were not taken out for pensionable compensation. He stated that the Plan address it and he too the language and put it in the Policy with the same information. He also stated that he is working on a Policy on how to calculate service. He will have the final draft Policies for the next meeting.

Mr. Harrison discussed the \$50,000 minimum set forth in the Police Plan. He conferred with the Actuary and stated that that portion of the Ordinance relates to the IRS 415 limit. It is not a minimum benefit but rather puts a limit on the limitation of 415. He stated that the Ordinance should be updated.

E. Administrator Report

Mr. Baur presented the unaudited financial statements through August 31, 2008.

V. CONSENT AGENDA:

- A. Employees' Retirement Board: and**
- B. Police Retirement Board: and**

C. Employees' and Police Retirement Boards:

Since there was no quorum on the Police Board, it was determined that the entire Consent Agenda would be held until the next meeting.

VI. ADJOURNMENT:

There being no other business and the next meeting having been previously scheduled for Tuesday, October 28 at 2:00 PM, the Trustees adjourned the meeting at 4:20 p.m.

MINUTES APPROVED: October 28, 2008

Valerie Hurley, Chair
Employees' Retirement Board

Kenneth White, Chairman
Police Retirement Board

J. Scott Baur, Administrator
Employees' & Police Retirement Boards