

**MINUTES OF A JOINT EMPLOYEES' RETIREMENT BOARD
AND POLICE RETIREMENT BOARD MEETING
HELD IN THE CONFERENCE ROOM AT CITY HALL ON
TUESDAY, NOVEMBER 17, 2009 at 2:00 PM**

I. ROLL CALL: 2:03 PM

A. Employees' Retirement Board:

A meeting was called to order at 2:03 PM.

Those persons present included:

Trustees: Valerie Hurley, Chair
Robert Lepa, Vice-Chair
Robert Kahant
Michael Geoghegan

Others: Ken Harrison, Sugarman & Susskind (2:35 pm)
J. Scott Baur, Resource Centers
Dixie Martinez, Resource Centers
Tim Nash, Bogdahn Group
Members of Public:
Donald Mead
Lou Openshaw
Bill Openshaw
Rod Seagraves
Tomas Connally
Randall Bland
Jacqueline Wildman

B. Police Retirement Board:

A meeting was called to order at 2:03 PM.

Those persons present included:

Trustees: Lt. Kenneth White, Chair
Randy Collier, Vice Chair
Karri Casper (2:12 pm)
Michael Geoghegan

Others: Ken Harrison, Sugarman & Susskind (2:35 pm)
J. Scott Baur, Resource Centers
Dixie Martinez, Resource Centers
Tim Nash, Bogdahn Group
Members of Public

II. ADDITIONS/ DELETIONS/ REORDERING:

A. Employees' Retirement Board:

(Reorder) Agenda item IV.C.1 and IV.C.2 to immediately follow the additions, deletions.
and reordering

Action: A motion was made and seconded to approve the Agenda, as amended.

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

B. Police Retirement Board:

(Reorder) Agenda item IV.C.1 and IV.C.2 to immediately follow the additions, deletions and reordering.

Action: A motion was made and seconded to approve the Agenda, as amended.

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

IV. NEW BUSINESS:

C. Employees' and Police Retirement Boards:

1. Auditors RFP- Steve Gordon, CPA:

Mr. Gordon introduced himself and gave a brief overview of his firm. He stated that he had personally been doing this kind of work for about 30 years in south Florida. He explained that 80% of his businesses are Employee Benefit Plans. Mr. Gordon reviewed a list of different Pension Plans that he is currently working for and he explained that these types of Plans are his specialty. He stated that he has also been working with the Lake Worth Firefighters' Pension Plan for quite a while now. Mr. Gordon commented that his firm is small with his office based in Tamarack. Mr. Gordon stated that Mr. Israel Diaz, who is also a CPA, has been working with him for over 15 years and he is completely familiar with these types of Plans. Mr. Gordon explained that his fee proposal was a combined fee of \$12,000 for both Plans, plus a \$1,000 for the state annual report for the Police Officers'. He reported that assuming there are no significant changes, the fee will be the same for two additional audits therefore the bid is good for three consecutive audits.

Ms. Hurley explained that the reason he had been invited today was that he had been requested to include in his bid consulting services regarding tax matters and telephone consultations on Plan matters but she had not seen those details included on the bid. Mr. Gordon stated the details were listed on the same page down on the second paragraph that he had included the fees. Mr. Gordon explained that when clients call him and he is able to handle the call and answer their questions in 5 to 10 minutes then he does not charge additional fees. If someone calls him about the audit, he does not charge additional fees either because he considers that part of the audit. If someone calls him and asks him to do something outside the auditing engagement and it's going to take him more than 10 minutes on the phone then he does charge additional fees and his rates range from \$85 to \$125 per hour. Mr. Gordon explained that he rarely has to charge extra fees because most of the time the calls are about the auditing engagement. He also explained that if he considers something that he is asked to do outside of the auditing engagement he will mention it to the person and explain the additional fees.

Ms. Hurley asked Mr. Gordon to include those details in the engagement letter. Mr. Gordon stated that he will figure out the wording and will include it on the engagement letter. Mr. Kahant asked Mr. Gordon if he had any problems receiving information from the

City when he did the Audit for the Lake Worth Firefighters' Pension Fund. Mr. Gordon explained that there have been some occasions over the years where he had experienced this problem but not over the recent years. He explained that the Administrator of the Plan ends up doing most of the battles with the City to gather the information. Mr. Lepa asked Mr. Gordon what would happen if something happened to him. Mr. Gordon explained that he was the only owner of his firm but if something happened to him, there are other CPA's in his firm who could finish the audit for the Plan and that for the next Audit the Plan could hire someone else or continue with the people in his firm if they continued with the firm. Mr. Gordon explained the differences between a contract and an engagement letter. Mr. Gordon stated that he does not ask for advanced payments but he bills once a month for the work that has done up to the maximum that he has agreed to. Mr. Gordon thanked the Boards for inviting him to today's meeting. The Board postponed further discussion until Mr. Harrison arrives to the meeting.

2. Investment Consultant Report: Tim Nash (The Bogdahn Group):

a. 3rd Quarter Investment Report:

Mr. Nash reported that it was nice to see the Board and to have good news to report after three quarters of a very difficult stock market. Mr. Nash gave the Board a quick review of what has happened within the last year. Mr. Nash reported that the Plans have done very well for the quarter. Mr. Nash reported that for the quarter ending September 30, 2009 the General Plan in dollar terms earned \$5,560,000 and the Police Plan earned \$2,295,819. Mr. Nash reported that the assets for the General Plan were \$59,725,563 and for the Police Plan they were \$21,066,750. The total fund for the General Plan was at 11.81% and the Police Plan was at 12.10%. The total domestic equity for the General Plan was at 16.37% versus the index at 15.61% and the Police Plan was at 15.77% versus the index at 15.61%. The total international equity for the General Plan was at 22.00% versus the index at 19.52% and the Police Plan was at 22.28% versus the index at 19.52%. The total fixed income for the General Plan was ahead at 5.86% versus the index at 4.24% and the Police Plan outperformed at 6.00% versus the index at 4.24%. Mr. Nash reviewed with the Board the returns for each manager. Mr. Nash reviewed with the Board the Compliance Checklist as of September 30, 2009 for the General and Police Plan. Mr. Nash does not recommend any changes to the Portfolio.

c. Report on the CAFR Schedule of Findings- Non Compliance Matters:

Mr. Kahant asked Mr. Nash to explain the auditor's comments on the City's CAFR regarding the schedule of findings under the non compliance matters. Mr. Nash reported that as the auditors went through their report and looked at the Plan's corporate bond holdings and compared it to the Plan's investment policy statement ratings of an "A" category or better they had found a couple who had fallen below those ratings. Mr. Nash explained that this happens from time to time. He explained that the investment policy statement states that if a bond should fall below the required rating then it should be sold at the earliest beneficial opportunity. Mr. Nash reported that they want to give the managers the most flexibility that they can in managing their portfolio and they have this high quality rating which has certainly not hurt them this year but he also thinks it makes more sense to broaden that out as they go forward and change the ratings to investment

grade or better. Mr. Nash explained that this would be a minor change but it does require a change in the Ordinance. This is something he would recommend doing.

d. Investment Policy Statement Updates:

Mr. Nash reported that because of the State changes for the Police Officers' the investment policy statements have been revised. He explained that one of those changes is that it allows the amount of holdings in the portfolio for international investments to increase to 25% and it also addresses the scrutinized companies which are investments in Iran and Sudan that the Plan is not allowed to hold. It also puts the language in place so that the managers are aware that this is in effect. Mr. Nash reposted that it also provides a website so that managers can check and see the list of the scrutinized companies. Mr. Harrison reported that the City had passed its own Ordinance adopting this provision even though the state gives them some flexibility the Ordinance may not. Mr. Harrison asked Mr. Nash if his legal team had reviewed these changes to the Ordinance. Mr. Nash reported that he had not reviewed these changes. He explained that he will have his legal department take a look at it to make sure they are in compliance. The Board had a discussion regarding the statement of investment policy. Mr. Harrison recommended deferring approval until next quarterly meeting.

III. UNFINISHED BUSINESS

A. Employees' Retirement Board:

B. Police Retirement Board:

C. Employees' and Police Retirement Boards:

1. Benefit Recalculations:

Mr. Baur reported that members had been notified of the over/underpayments and that he believes that some of them are here today. Ms. Hurley stated that item III.C.c. was the last item under unfinished business but she would like to hear the members first unless anyone had an objection; both Boards agreed.

c. Retirees to address the Board:

Donald Mead from the Power Plant: Mr. Mead explained that he had received a letter from Pension resource Centers on June 4, 2008 and in the middle of that letter it said that "*in the process of reviewing all pension calculations completed within the last 5 years.*" Mr. Mead would like to know why his calculation was reviewed if it was over 5 years ago that it had been calculated.

Mr. Harrison explained that first he would like to explain briefly why they were, where they are today. Mr. Harrison explained that the Board had discovered a group of errors and that in the transition of moving the administration of the Plan from the City to a third party administrator more calculation errors were discovered. Therefore the Board asked that the new administrator looked at these calculations because several retired members had

their calculations changed by the City when they were doing the administration of the Plan.

The Board at that time froze all of those changes and asked the administrator to look into it. Mr. Harrison explained that the Board had gone back 5 years because of questions on the legal statute of limitations and the fact that the errors were really relevant at a certain point in time. Mr. Harrison explained that the Board of Trustees have a fiduciary responsibility when they discover errors to correct them; they also have the authority to correct them. Mr. Harrison explained that by doing this some retired members had experience an adjustment on the positive side and some on the negative side. Mr. Harrison explained that the administrator had brought all of this information to the Board and the Board discussed these issues several times as to what they had to do in their fiduciary roll. Harrison reported that it is clearly legal, if an error has been identified the Board has to fix it because of their responsibilities to all participants and beneficiaries of the Plan. Mr. Harrison explained that each of their cases were talked about and discussed and that is how they got to this point in time.

Mr. Mead stated that his questioned had not been answered and he wanted to know the legality, ordinance or something that explains that they can go back more then 5 years after a calculation has been done. Mr. Mead stated that his calculation had been calculated more then 9 years ago. Mr. Bauer explained that Mr. Mead was in the DROP; therefore he is still actively employed by the City. Mr. Baur reported that Mr. Mead had entered the DROP in 2001 and that the reason his calculation had been revised was that he was still in the DROP and it had been part of the batches of calculations that were redone by the City. Mr. Harrison explained that if you were an active employee today your calculations are always subject to review until you terminate employment and then it freezes. Mr. Baur explained that the reason they had revised the calculations for members who were in the DROP was that the 5 years was considered by the date of separation from the City and not by the date of entry into the DROP. Therefore there are members whose benefits have been recalculated that are in the DROP.

Mr. Mead wants someone to show him where it shows that this can be done. Mr. Harrison explained that he will have to do some research in the matter. Mr. Mead explained that he does not believe that the rules in the ordinance were followed when notifications were sent to the participants. Mr. Baur explained that he had read the rules and the rules which call for certified letters have to do with notification of an appeal not a correction and that none of these members had appealed yet therefore the notifications were sent out regular mail. Mr. Harrison commented that Mr. Baur's position was that once the notifications are sent members can appeal and at that point they would send certified letters. Mr. Mead asked Mr. Baur to give him an explanation to the correction in his calculation. Mr. Baur explained to him his individual case and the methodology in which the revised calculation was processed. Mr. Mead asked for directions on how to appeal the Boards decision. Mr. Harrison explained that he needs to respond to the notification he had received by sending a letter saying he disagrees and that he requests to appear before the Board. The Board will review the letters, each individual case will be heard by the Board at a time determined by the Board, and it will be scheduled so that the Board can commit to hearing each individual case within a reasonable amount of time. Mr. Harrison explained that this process will be done over a period of months. Mr. Connally

Thomas introduced himself to the Board. Mr. Baur explained that Mr. Thomas had entered the DROP in 1999 and that he had separated five years or less from service. Mr. Baur believes that the biggest difference in his calculation to the revised calculation was longevity pay that was added to the wages on his original calculation and that was not part of his pensionable wages. Mr. Rod Seagraves introduced himself to the Board. He explained that when he retired he had been given three to four benefit options therefore he had picked one and now that his pension is being recalculated he does not understand why he has to pay back money. Mr. Baur explained that the difference in his revised City's calculation to the current revised calculation was the final average salary. Mr. Bill Openshaw introduced himself to the Board. He explained that the revision to his calculation will financially hurt him. Mr. Baur explained that the City had made a significant revision to his final average salary. Mr. Baur explained that when he revised Mr. Openshaw's calculation the revision was not as significant however it appears that according to the City's notes that there was an IBEW type of pay that was added to his original benefit calculation which he had no pension contributions to correspond to it therefore his recalculation does not include the IBEW retro pay. Mr. Baur explained that he has no documentation of an IBEW pay either to include or exclude from his recalculation of his benefit. Mr. Baur explained that he does not have any records of wages that are not pensionable. Ms. Wildman introduced herself to the Board and explained that she did not understand why it took six to eight weeks to receive her first benefit payment after she retired. Mr. Baur explained that he had received all of her records and her payment would be processed by the next day. Mr. Harrison advised that the Board had passed a policy to allow the administrator to initiate benefit payment based on last year's annual statement. He recommended to the administrator to do this in the future

b. Letter to the Board from Janet Petron:

Mr. Harrison advised that she should be scheduled to come in to a Pension Board meeting. Ms. Martinez will contact Ms. Petrone and schedule her to come to the next Pension Board meeting. Mr. Baur reported that it appears that the City had included sick pay in her original benefit calculation. Her revised calculation came very close to the revised City's recalculation but smaller than the original calculation because of the pay differential of the additional money that was included on her final average salary by the City that was not pensionable. Ms. Hurley stated that they should have all of the payroll records from the participants who attended this meeting and Janet Petrone.

Action: A motion was made by Mr. Kahant and seconded by Mr. Lepa to adjust monthly benefit payments to the revised amounts but not to start deducting or collecting the overpayments while the member is appealing.

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

1. Benefit Recalculations:

Mr. Baur reported that he was ready to go ahead and finalize the DROP statements but he needed action from the Board. Mr. Baur presented the Board with a summary of DROP accounts. Mr. Baur explained that he would go over the General Employees'

report first .He explained that on the report there were three different columns with balances. One column represented the number he received from the City at transition, the second column represented City revised balances and the third column represent the Auditors adjusted numbers for fiscal year end 2007. Mr. Baur explained that he had not been aware of the City's adjusted DROP balances until recently when the City's was going though their audit process. Mr. Baur reported that the numbers he received at transition and the Auditor's numbers are very consistent with the original balances he received from the City at transition. Mr. Baur reported that there was a difference for Mr. James Barrow. Mr. Baur reported that according to the documentation he has received, it seems to support that the original balances transferred at transition are correct and not the lesser number that for some reason the Auditors had in their possession. Mr. Baur can not explain if it was a typographical error on their part but because of the documentation that he has he would support the original balance transferred to him as Mr. Barrow's DROP balance that was provided to him by the City and then carried forward. Mr. Baur's recommendation for the General Employees' Plan is to move forward without revising any balances. The Board had a discussion regarding the DROP accounts.

Action: A motion was made by Mr. Lepa and seconded by Mr. Kahant to accept the original October 1, 2007 balances that were transferred to the administrator at transition and to move forward with the DROP Statements.

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

Mr. Baur reported that for the Police Officers' they have members with significant differences. Mr. Baur explained the differences to the Board, he reported that Mr. Ponce's difference is due to a rounding difference; Mr. Baur does not recommend adjusting his DROP account. Mr. Baur reported that for Mr. Rashkin and Mr. Evans he recommends crediting them with the higher balance because they've had payroll contributions going into their DROP accounts and that makes for the difference. Mr. Baur does not believe they received full credit for all of the contributions which is why their balances were revised upwards. Mr. Baur reported that the Board had already discussed the issue with Judith Fleming's DROP account. Mr. Baur has been in contact with her and she is aware of the problem. Mr. Baur reported that Patrick Hampshire's DROP account had a downwards adjustment. Mr. Baur does not have an explanation for this change or adjustment. Mr. Baur explained that his account has been paid out and given the fact that he can not explain the downward revision he recommends to leave it alone and keep it as it was.

Action: A motion was made by Sgt. Collier and seconded by Ms. Casper to move forward with the Auditors revised DROP balances with the exception of the rounding error on Mr. Ponce'

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

a. City Recalculation:

Mr. Baur reported that Mr. Robert Gross benefit had been revised downwards substantially. Mr. Baur explained that the difference had to do with workers comp added into his payroll that was used to calculate his final average salary calculation. Mr. Baur explained that the Board only has one precedent to look at which is Donna Murphy because the other members he had looked at retired long ago. Mr. Baur explained that in the case of Donna Murphy she was not given credit for workers comp and in the case of Robert Gross he was given credit. Mr. Baur stated that those two calculations should be consistent. Mr. Baur reported that there had been no pension contributions taken from workers comp pay but it's normally a matter of the way it's administered. He explained that it is considered a continuation of regular payroll. The Board had a discussion regarding the treatment of workers comp. Mr. Harrison advised the Board to be consistent on how this is treated. Mr. Baur advised that Donna Murphy could pay the pension contributions for workers comp from her underpayment and Mr. Gross could be given the opportunity to pay the pension contributions for the workers comp by deducting it through a period of months from his monthly pension check.

Action: A motion was made by Sgt. Collier and seconded by Ms. Casper to move forward with the administrators recommendation which is to allow to include workers comp payment for pension purposes in an average final salary calculation and to make sure that the Plan receives pension contributions on those amounts.

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

Action: A motion was made by Sgt. Collier and seconded by Ms. Casper to allow Mr. Gross to make the pension contribution payments for the workers comp repayments in a period not to exceed a year

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

IV. NEW BUSINESS:

A. Employees' Retirement Board:

1. Disability Review- Melody Hughes (Non-Duty):

2. Benefit Approvals:

Ms. Martinez presented to the General Employees' Pension Board the following benefit applications for approval: Application for distribution of DROP account for Robert Brown, Robert Dillingham, and Robert Douglas.

Action: A motion was made by Mr. Lepa and seconded by Mr. Kahant to approve the Application for distribution of DROP account for Robert Brown, Robert Dillingham, and Robert Douglas.

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

B. Police Retirement Board:

There were no Benefit Approvals for the Police Officers' Pension Board.

C. Employees' and Police Retirement Boards:

D. Board Attorney Report:

Mr. Harrison reviewed with the Board the Safe Harbor Notices from the IRS. Mr. Harrison encourages the Board to adopt these as their own policy which is the simplest way to comply with the IRS.

Action: A motion was made by Mr. Kahant and seconded by Mr. Lepa to adopt the Safe Harbor rules from the IRS as their own policy.

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

Action: A motion was made by Sgt. Collier and seconded by Ms. Casper to adopt the Safe Harbor rules from the IRS as their own policy.

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

Mr. Harrison reviewed with the Board the Proposed IRS Compliance Ordinance Amendment. Mr. Harrison explained that this would put in place any IRS requirements that the Plan didn't have and it will be changing those that the Plan already has to be in compliance and to maintain the status of a qualified Plan.

Action: A motion was made by Mr. Kahant and seconded by Mr. Lepa to forward Proposed IRS Compliance Ordinance Amendment to the City Commission for adoption and the actuary for impact statement.

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

Action: A motion was made by Sgt. Collier and seconded by Ms. Casper to forward the Proposed IRS Compliance Ordinance Amendment to the City Commission for adoption and the actuary for impact statement.

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

Mr. Harrison reported that he is working on an updated legal services agreement. He will have it ready for the next Pension Board meeting.

Ms. Hurley explained to Mr. Harrison, Mr. Gordon's presentation regarding his proposed fees. Ms. Hurley explained that she had asked Mr. Gordon to include the details regarding his additional fees on the engagement letter and that Mr. Gordon had agreed. The Board

had a discussion regarding the auditors request for proposals.

Action: A motion was made by Mr. Kahant and seconded by Mr. Lepa to retain Steve I Gordon and to authorize Mr. Harrison to review engagement letter.

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

Action: A motion was made by Sgt. Collier and seconded by Ms. Casper retain Steve I Gordon and to authorize Mr. Harrison to review engagement letter.

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

E. Administrator Report:

Ms. Martinez reported that Mr. Palmquist will be attending the next pension Board meeting on December 15 to present the 2008 Actuarial Valuation Report, the nine year experience study, and the projection on City contributions. Ms. Martinez reported that Mr. Palmquist had sent a reminder that it was time to update the summary plan description. Ms. Hurley stated that she believes the Board should wait until the pending Ordinances are approved and then proceed with the Summary Plan Descriptions.

Mr. Harrison explained that he needed approval from the Board for the expense of requesting the Anne Costello's Formal Hearing transcripts.

Action: A motion was made by Mr. Kahant and seconded by Mr. Lepa to approve the expense of requesting the transcripts from the Formal Hearing of Anne Costello.

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

V. CONSENT AGENDA:

A. Employees' Retirement Board:

Action: A motion was made by Mr. Lepa and seconded by Mr. Kahant to approve the Consent Agenda, which included a Warrant for invoices and Minutes from the Formal Hearing of Anne Costello on September 15, 2009 and meeting of October 20, 2009.

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

The Board had a discussion regarding a GRS invoice.

B. Police Retirement Board:

Action: A motion was made by Sgt. Collier and seconded by Ms. Casper to approve the Consent Agenda, which included a Warrant for invoices and revised Minutes from the meeting of October 20, 2009.

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

VI. ADJOURNMENT:

There being no other business and the next meeting having been previously scheduled for Tuesday, December 15 at 2:00 PM, the Trustees adjourned the meeting at 4:56 p.m.

MINUTES APPROVED: December 15, 2009

Valerie Hurley, Chair Employees' Retirement Board

Kenneth White, Chairman Police Retirement Board

Dixie Martinez, Administrator
Employees' & Police Retirement Boards