

**MINUTES OF A JOINT EMPLOYEES' RETIREMENT BOARD
AND POLICE RETIREMENT BOARD MEETING
HELD IN THE CONFERENCE ROOM AT CITY HALL ON
WEDNESDAY, JUNE 22, 2011 at 1:30 PM**

I. ROLL CALL: 1:40 PM

A. Employees' Retirement Board:

A meeting was called to order at 1:40 PM.

Those persons present included:

Trustees: Valerie Hurley, Chair
Robert Lepa
Robert Kahant
Steve Carr

Others: Ken Harrison, Sugarman & Suskind
Dixie Martinez, Resource Centers
Tim Nash, The Bogdahn Group
Kevin Joy, Heartland Advisors
David Fondrie, Heartland Advisors
William Selby, Gamco Asset
William Gilcher, Gamco Asset
Peter Gulli, DGHM
Members of Public:

B. Police Retirement Board:

A workshop was called to order at 1:40 PM.

Those persons present included:

Trustees: Karri Casper
Steve Carr

Others: Ken Harrison, Sugarman & Suskind
Dixie Martinez, Resource Centers
Tim Nash, The Bogdahn Group
Kevin Joy, Heartland Advisors
David Fondrie, Heartland Advisors
William Selby, Gamco Asset
William Gilcher, Gamco Asset
Peter Gulli, DGHM
Members of Public:

II. ADDITIONS/ DELETIONS/ REORDERING:

A. Employees' Retirement Board:

The General Employees' Pension Board added under item IV.A.1. Application for Distribution of DROP Account Balance for Vincent Eley, Martin Rosenblant, Elizabeth Baker, Debby Cox and Calvin Smith and item IV.A.2. Employee Benefit Statements.

Action: Consensus of the Board to add the above mentioned items to the Agenda.

B. Police Retirement Board:

No additions, deletions or reordering to the Agenda were made for the Police Officers' Retirement Board.

Ms. Karri Casper was not feeling well and had to leave the workshop at 1:45 p.m.

III. UNFINISHED BUSINESS:

A. Employees' and Police Retirement Boards:

None

B. Police Retirement Board:

None

C. Employees' and Police Retirement Boards:

None

IV. NEW BUSINESS:

A. Employees' Retirement Board:

1. Benefit Approval

Ms. Martinez presented to the General Employees' Pension Board the following benefit applications for approval: Refund of Pension Contributions for Lisa Williams, Bonnie Sierra, Michael Scott, Roberto Pelaez, Niulka Hernandez, Reynaldo Corona, Alvin Colbert, Hermand Adams and Gary Brown; Application to Exit the DROP for Vincent Eley, Debby Cox, Edward Johnson, Martin Rosenblant, Calvin Smith, Brenda Scott, Peter Eberhardy and Roland Neus; Application for Distribution of DROP Account Balance for Vincent Eley, Martin Rosenblant, Elizabeth Baker, Debby Cox and Calvin Smith.

Action: A motion was made by Mr. Carr and seconded by Mr. Lepa to approve the following benefit applications for approval: Refund of Pension Contributions for Lisa Williams, Bonnie Sierra, Michael Scott, Roberto Pelaez, Niulka Hernandez, Reynaldo Corona, Alvin Colbert, Hermand Adams and Gary Brown; Application to Exit the DROP for Vincent Eley, Debby Cox, Edward Johnson, Martin Rosenblant, Calvin Smith, Brenda Scott, Peter Eberhardy and Roland Neus; Application for Distribution of DROP Account Balance for Vincent Eley, Martin Rosenblant, Elizabeth Baker, Debby Cox and Calvin Smith.

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

2. Employee Benefit Statements

Ms. Martinez reported that she had received the annual employee benefit statements from the Plan's actuary. She explained that in the past the City's Human Resource Department had distributed the statements to members. She reported that she had been advised that the City's Human Resource Department would not be able to distribute the statements to the employees this year. She asked the Board for their authorization to mail the annual employee benefit statements.

Action: A motion was made by Mr. Lepa and seconded by Mr. Carr to authorize the Plan administrator to mail to the participants of the Plan the annual benefit statements going forward.

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

D. Board Attorney's Report:

1. DROP Amendments

Mr. Harrison reported that he had made the changes to the DROP Plan per the Boards request and that the document was ready for the Boards review. Ms. Hurley stated that she thought the intent of the Board was to make DROP participants terminate their employment after five years of participation in the DROP Plan and if they didn't terminate employment then the participants DROP account would not be credited with the monthly DROP deposits anymore. She asked Mr. Harrison if this was something that could be done. Mr. Harrison reported that the Board can not stop the participant's monthly benefit. What they can do is reinstate the member into the Pension Plan once they have reached the five years and decide not to separate from employment. The participants could be reinstated in the Plan as if they had never left. The Board then could make the necessary adjustments to the members DROP balance. All of the employee contributions owed by the member for those years could be deducted out of the members DROP account so that they could be credited with the years of service and any DROP balance would go back into the Pension Plan.

The Board does not believe that the employee contributions should be deducted from the members DROP account since this would mean that for five years DROP participants did not have to make any employee contributions into the Plan. Mr. Harrison reported that the proposed changes to the limiting the years that a member can be in the DROP would only apply to new DROP participants and it would not apply to members already in the DROP.

Mr. Carr stated that initially the intention was surrounding individuals who are currently in the DROP Plan and the intent was to perhaps create a safe harbor period of time so that the participant could continue in the DROP Plan but they would be given notice that the DROP rules have changed. In accordance with the new language the current DROP participants would have to separate from employment at a certain time. Mr. Harrison noted that this change can not be done for members already in the Plan

Mr. Harrison explained that what can be changed for members in the DROP Plan and future members if the DROP Plan is implemented again is the fixed rate of return. Mr. Lepa explained that the Board had asked Mr. Harrison to change the fixed rate of return to a money market rate plus 1% above prime but not to exceed the net rate of investment return. He noted that this rate should be good for one year. On September 30 of every year the new rate should be determined to be effective January 1 of every year.

Mr. Harrison reported that the change to the fixed rate will be good as long as there are participants in the DROP Plan and the participants will receive earnings posted to their accounts up to five years or 60 months. In the case that the DROP program is ever reinstated the Board wants the DROP Rules to state clearly that Participants who enter the DROP on or after October 1, 2010 will have to separate from employment after five years of entry into the DROP Plan. Also section C of the DROP rules should state that no matter what the fixed rate it will never exceed the assumed rate of return and if the Pension Plan investment return is negative the participants will receive zero interest but will not have any losses. The effective date of the change in the fixed rate should be January 1, 2012. The bench mark for the money market rate should be the London Interbank Offered Rate (LIBOR) plus 1%.

Action: Consensus of the Board to reject the DROP Rule document that Mr. Harrison had provided to them until he makes the above noted changes.

C. Employees' and Police Retirement Boards:

1. All Cap Value Manager Interview:

- **DGHM- Peter Gulli**

Mr. Gulli introduced himself to the Board. He reported that his firm is a very stable organization. He gave an overview of the firm. He noted that they buy the highest quality companies available at the best prices and they have a diverse product line with limited assets accepted in each product line. He explained that they significantly invested alongside their clients. He reviewed the fundamental building blocks of success. He explained that they have a very disciplined process and that they will not take any significant market timing or sector bets. He reviewed the investment professionals at his firm. He also reviewed their diversified client base. He noted that they have an office in Naples as well. He reported that their active capitalization management range is \$750 million and have 35-40 stock portfolio diversified by sector. He reviewed the portfolio construction and trading. He reported that their fees are 75 basis points. The Board asked Mr. Gulli various questions to which he responded accordingly.

- **GAMCO- William Selby & William Gilcher**

Mr. Selby and Mr. Gilcher introduced themselves to the Board. Mr. Selby reported that their firm invests in all size companies and they do all of their own research. He noted that they invest within the circle of competence and in businesses, not stocks. He reviewed the firm's value portfolio managers and he provided a partial list of their clients. He reviewed their top ten

holdings. He reviewed their performance since inception. He reviewed their performance in rising and falling markets. He reported that their fees are 75 basis points. The Board asked Mr. Selby and Mr. Gilcher various questions to which they responded accordingly.

- **Heartland Advisors- Kevin Joy & David Fondrie**

Mr. Joy and Mr. Fondrie introduced themselves to the Board. Mr. Joy stated that they are disciplined and they have a very deep and stable team. He also noted that they have many clients in Florida. He reported that they were founded in 1983 and they are an independent employee owned firm with approximately \$5.4 billion under management in mutual funds and separately managed accounts. He reviewed their investment philosophy. Mr. Fondrie reviewed the firm's stock selection process and the portfolio's construction. He reviewed their upside and downside capture. He reported that their fees are 85 basis points but it is negotiable. He later noted that they could do it for 75 basis points. The Board asked Mr. Joy and Mr. Fondrie various questions to which they responded accordingly.

The Board had a lengthy discussion regarding the investment managers' presentations. Mr. Carr's and Mr. Lepa's first choice would be Heartland.

Action: A motion was made by Mr. Lepa and seconded by Mr. Carr to pick Heartland as their first choice and GAMCO as second choice.

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

E. ADMINISTRATORS REPORT:

1. Election- Employee Representative to the Lake Worth General Employees' Pension Plan

Ms. Martinez reported that the notices of election have been sent out to be posted in different locations. The Board briefly discussed possible election dates.

Action: A motion was made by Mr. Lepa and seconded by Mr. Kahant to hold the election on July 18, July 19, and July 20, 2011.

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

2. Election- Employee Representative to the Lake Worth General Employees' Pension Plan

Mr. Harrison reported that the Board had asked the administrator to research whether there were any members who were receiving a retirement benefit in excess of 100 % of their final average salary. Ms. Martinez reported that the only person that she had been able to find was Mr. Michael Brown who had 33 years of service and was pre 1979. Mr. Harrison reported that the Plan has specific provisions for pre 1979 members of the Plan. He reported that in Mr. Brown's case he receives a benefit from the Pension Plan and he gets a remaining balance from the Excess Benefit Plan which is totally funded by the City. He reported that the Plan is not in violation of the 415 limits and that we are not paying Mr. Brown more than what his salary was.

IV. CONSENT AGENDA:

A. Employees' Retirement Board:

1. Warrant for Accounts Payable

Action: A motion was made by Mr. Lepa and seconded by Mr. Kahant to approve the Consent Agenda, which included a Warrant for invoices.

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

Mr. Harrison reported that the Board still had to decide on the issue of the Cornerstone agreement. Mr. Nash reported that the Board had chosen American Realty Advisors as a second choice when they elected Cornerstone.

Action: A motion was made by Mr. Carr and seconded by Mr. Kahant to choose American Realty instead of Cornerstone.

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

Action: A motion was made by Mr. Carr and seconded by Mr. Lepa to authorize a contract with CAPIS as the transition manager.

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

Mr. Nash will draft a termination letter to Alethia.

Mr. Harrison asked the Board to e-mail him their resumes or bios if they had any for the Merrill Lynch interrogatories. He reported that the letter to answer the Merrill Lynch interrogatory is ready for execution. If the Board approves Ms. Hurley can sign the letter for the General Employees. The letter for the Police Officers can be signed by the Chair or Vice Chair and can be ratified at the next meeting.

Action: A motion was made by Mr. Kahant and seconded by Mr. Lepa to authorize Chair Hurley to sign the Merrill Lynch Interrogatory Letter.

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

Mr. Nash reported that as of the end of May the General Employees asset value was \$63,597,031.

B. Police Retirement Board:

1. Warrant for Accounts Payable

The Police Retirement Board did not have a quorum. This item will be added to the next Pension

Board Agenda for the Boards review and approval.

C. Employees' and Police Retirement Boards:

VI. ADJOURNMENT:

There being no other business and the next meeting having been previously scheduled for Wednesday, July 27 at 1:30 PM, the General Employees' Board adjourned the meeting at 4:33 p.m.

MINUTES APPROVED: July 27, 2011

Valerie Hurley, Chair Employees' Retirement Board

Randy Collier, Chairman Police Retirement Board

Dixie Martinez, Administrator
Employees' & Police Retirement Boards