

**MINUTES OF A JOINT EMPLOYEES' RETIREMENT BOARD  
AND POLICE RETIREMENT BOARD MEETING  
HELD IN THE CONFERENCE ROOM AT CITY HALL ON  
WEDNESDAY, SEPTEMBER 28, 2011 at 1:30 PM**

**I. ROLL CALL: ..... 1:35 PM**

**A. Employees' Retirement Board:**

Mr. Carr will act as Chair in Mr. Kahant's absence.

A meeting was called to order at 1:35 PM.

Those persons present included:

Trustees: Steve Carr  
Alexis Easterday  
Rachel Waterman  
Robert Lepa (1:50 pm)

Others: Pedro Herrera, Sugarman & Susskind  
Tim Nash, The Bogdhan Group  
Scott Baur, Resource Centers  
Dixie Martinez, Resource Centers  
Members of Public

**B. Police Retirement Board:**

A meeting was called to order at 1:35 PM.

Those persons present included:

Trustees: Lt. David Moss  
Sgt. Randy Collier  
Karri Casper  
Steve Carr  
Rachel Waterman

Others: Pedro Herrera, Sugarman & Susskind  
Tim Nash, The Bogdhan Group  
Scott Baur, Resource Centers  
Dixie Martinez, Resource Centers  
Members of Public:

**II. ADDITIONS/ DELETIONS/ REORDERING:**

**A. Employees' Retirement Board:**

Ms. Martinez reported that Mr. Kahant would not be attending the meeting due to his father's passing and a break in at his home earlier in the day. She explained that Mr. Kahant had asked her to ask the Board on his behalf if item. IV.A.1. Drop Amendment could be deferred to the next Pension Board meeting. Also Mr. Kahant wanted to discuss the IBEW contract at today's meeting but since he is not here he would like to add the discussion of the IBEW contract to the next Pension Board's meeting Agenda for discussion.

Action: A motion was made by Ms. Waterman and seconded by Ms. Easterday to deferred item IV.A.1. to the next Pension Board meeting on October 26, 2011.

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

Action: A motion was made by Ms. Waterman and seconded by Ms. Easterday to defer the Discussion of the IBEW Contract to the next Pension Board meeting on October 26, 2011.

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

**B. Police Retirement Board:**

No additions, deletions or reordering.

**IV.UNFINISHED BUSINESS:**

**A. Employees Retirement Boards:**

Mr. Baur asked if he could address the Board briefly. He reported that the General Employees' members are overdue in receiving their DROP statements for various reasons. He explained that the issues that had delayed the process of the DROP statements have been resolved. Therefore he is ready to process the DROP statements but because of the questions that some Board members have on how earnings will be posted to those accounts he will not proceed in issuing the DROP statements until the Board has had the opportunity to discuss this issue at their next Pension Board meeting. He reported that he will be happy to send a letter to the members to explain to them that their normal credits to their DROP accounts are still going into their accounts and that it's just the open question regarding the earnings that prevent them from getting the updated statements at this time.

The Board agreed that a letter should be sent to the DROP participants.

Ms. Easterday asked the Board whether members should not be allowed to address the Board since item "IV.A.1. Drop Amendment "had been deferred to the next Pension Board meeting. Mr. Carr reported that normally that would be the case. Member of the Public, William Ferguson noted that he had taken a vacation day to attend this meeting.

Action: A motion was made by Ms. Easterday to add a comment section for members of the public to address the Board.

Mr. Lepa commented that instead it may be better if Ms. Easterday made a motion to allow the members who are present to talk while they are here today.

Action: Ms. Easterday amended her motion to allow the members of the public that are here today to address the Board regarding the DROP statements. The motion was seconded by Mr. Lepa.

**Discussion:**

Ms. Waterman reported that she would be in favor of adding a permanent section in the Agenda to allow for citizens comments.

Ms. Casper explained that it has never been an issue for members to address the Board. She explained that members have always been given the opportunity to talk at the appropriate time regarding the issue that they are concerned about. She believes that if the Board adds a specific place in the Agenda for citizen's comments that members of the public will have to wait until they reach that point in the Agenda. This may cause them to have to stay for the whole meeting which sometimes can be rather lengthy.

Mr. Lepa explained that they have never had any problems with allowing members to speak and they are always aware as to why the members are here. He explained that once they reach the subject that concerns the members they are allowed to address the Board.

The Board agreed to leave the Agenda as is and not add a section for citizens' comments so that they can be more flexible.

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

The Board allowed members of the Public to address the Board regarding the DROP amendment

Member of the Public, William Ferguson, addressed the Board. He thanked them for allowing him to speak. He explained that it has been known that the interest rate would have to be changed but he disagrees with the effective date of the change. He feels that the reason for the effective date of January 1, 2011 is due to the DROP statements not being processed and had the statements been processed the effective date would have been different. He explained that also after conversing with Chair Kahant, he had mentioned to them that even though he had voted for it he did not know he was voting for that. He had thought that the Board was voting for this upcoming October or January. Mr. Ferguson explained that subsequently they had heard that members who had already left the DROP after December 31, 2010 had received the 7% interest with their final payout. Furthermore he believes the effective date should be going forward and not back to the beginning of this year.

Mr. Baur introduced himself to Mr. Ferguson. He noted that he wanted to clarify that members who left the DROP after December 31, 2010 have not received the 7% interest. He explained that everyone in the DROP is in the same situation. He explained that what happens with members who have left the DROP is that they received a payment based on what their known balance was with interest up until December 31, 2010. At some point these members will be due an additional distribution if they left the Plan once the effective date of the change in earnings is confirmed. He noted that there has been no situation where DROP participants have been treated differently.

Mr. Lepa reported that this process has been going on for multiple meetings which means multiple months. He believes it started as far back as the beginning of this year and it was initially meant to be retroactive. Ms. Martinez reported that the Board had originally considered going back to October of 2010 but since the December 31, 2010 DROP statements had already been processed they had decided against adjusting the accounts and instead made it effective January 1, 2011.

**B. Police Retirement Board:**

**C. Employees' and Police Retirement Boards:**

Mr. Pedro Herrera, from Sugarman & Susskind introduced himself to the Board.

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

Mr. Nash reported that this is the first time in the last 2 years where we have seen such a huge difference between growth and value stocks. He explained that this is important because both Pension Plans have exposure to both on the portfolios and clearly they will see that value is down pretty substantially. Value managers were also down during the quarter. Growth on the other hand did well. Small Cap had the most underperformance for the quarter. Financials, Energy, Basis Materials, and Industrial stocks were the biggest sectors that had underperformance for the quarter. On the Small Cap side, Information Technology stocks were one of the poor performers this quarter as well.

Mr. Nash reported that for quarter ending June 30, 2011 the assets for the General Plan were \$62,450,412 and for the Police Plan they were \$23,409,180. Currently the General Plan is at \$56,945,626 and the Police Plan is at \$21,792,787. Since July 1<sup>st</sup> to now the S&P 500 is down -7.36%, International is down -9.77% and Bonds are up 3.48%.

He reported that as of June 30, 2011 the General Employees Plan was up 0.94% and for Fiscal year end had a return of 10.91% and the Police Plan was up 1.28% and for fiscal year end had a return of 11.74%. Currently, as of the beginning of the fiscal year to close of business last night both Plans have a return of about 6.1%. Mr. Nash reviewed the performance by manager. Mr. Lepa noted that Richmond Capital seems to be missing the mark. Mr. Nash reported that they were but for the last two months they are up 3.5%. He explained that they are a high quality manager and because of the constraints in the local ordinance of only investing in A rated or better bonds they have missed the mark. He reported that the Pension Plans have added Real Estate to their portfolios and they are in the process of moving away from Alethia.

Mr. Pedro Herrera reported that as of yesterday Heartland has agreed to all the revisions to the investment manager agreements. He explained what the holdups have been. He reported that the agreements should be ready for signature within the next couple of days. Since the Board has already agreed to hire Heartland, the Chair can sign the agreements as soon as they are ready for execution and it does not need to be ratified again. Mr. Nash reported that Mr. Herrera is reviewing the CAPIS agreements which will be the transition manager and as soon as the agreements are ready they will need to be signed as well. The Board had a discussion regarding the market volatility.

Ms. Martinez reported that the Board is in the process of lowering the assumption rate to 7.75% by 2013. The Board discussed how the lowering of the assumption rate impacts the contributions into the Plans.

Ms. Valerie Hurley addressed the Board. She pointed out that when the Plan's multiplier was at 2.5% the members increased their employee contribution for the General Plan from 7% to 7.8% to accommodate the increase in the multiplier to 2.75%. When the multiplier went up to 3% the employee's did not have to increase the employee contributions but when the multiplier was decreased to 2% there was no decrease in the required employee contributions therefore employees are still paying for that increase that was taken away from them.

Mr. Lepa asked Mr. Nash to review the compliance checklist as of June 30, 2011. Mr. Lepa pointed out that for the General Employees the Total Fund Compliance is a straight no all the way down. He asked what can be done to move that to the proper direction. Mr. Nash reported that the Plan has already taken some actions to correct this by making some manager changes over time.

Action: A motion was made by Mr. Lepa and seconded by Ms. Waterman to accept the June 30, 2011 Investment Performance Report.

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

Action: A motion was made by Sgt. Collier and seconded by Ms. Casper to accept the June 30, 2011 Investment Performance Report.

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

## **2. Investment Policy Statement**

Mr. Nash reviewed the changes made to the Statement of Investment Policy for both Plans. He reported that he will update the page with the revised investment rate of return and he will add the chart. He reported that prior to the ordinance amendment the Plans were limited to investing up to 10% in international at cost. Both Pension Plans can invest up to 25% in international at market therefore he has incorporated this change into the Investment Policy Statement. He noted that the target for international is 15% and the range column has been changed as well. He reported that to bring international equity up he had to reduce the range for domestic equity from 50% to 45% for both Plans. He reported that he also had to change the Fixed Income because the Board added real estate to the portfolio. The recommendation from his firm was to add it up to 10% for both Boards. He reported that under the real estate column of the General Employees' Pension Plan there is a 10% and for the Police Officers there is a 5% instead of a zero. He reported that the adjustment to account for this change comes under the Fixed Income which was reduced to 25% for the General Employees' and 30% for the Police Officers'. Mr. Nash reported an index for real estate was also added which is the NCREIF. Also he added the State of Florida's definition of what foreign stocks are and under absolute restrictions it is noted that they are not allowed to invest in the scrutinized company list.

Mr. Herrera reported that a minor change needs to be done to the Heartland Advisors Addendum to the Investment Policy. He reported that Heartland Advisors has asked that the wording "and money market securities" be removed because they do not invest in money market securities. He does not see a problem with that change. Mr. Nash reported that as long as it was with Mr. Herrera's approval he would go ahead and make that change. Mr. Herrera agreed.

Action: A motion was made by Mr. Lepa and seconded by Ms. Waterman to accept the Investment Policy Statement subject to the two changes (revision to the assumed rate of return and the change to the Heartland Advisors addendum) and the approval of the Plan's attorney.

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

Action: A motion was made by Mr. Casper and seconded by Ms. Waterman to accept the Investment Policy Statement subject to the two changes (revision to the assumed rate of return and the change to the Heartland Advisors addendum) and the approval of the Plan's attorney.

Vote: Voice vote showed: AYES: Unanimous. NAYS: 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: Application for Distribution of DROP Account Balance; Vivian Salmon, Donald Mead, Stephen Haskell.

Action: A motion was made by Ms. Easterday and seconded by Mr. Lepa to approve the following benefit applications for approval: Application for Distribution of DROP Account Balance; Vivian Salmon, Donald Mead, Stephen Haskell.

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

##### **B. Police Retirement Board:**

##### **C. Employees' and Police Retirement Boards:**

##### **D. Board Attorney's Report:**

Mr. Herrera reported that the Heartland Advisor agreements should be ready within the next couple of days for execution.

Mr. Herrera reported that they had asked the Actuary to include language into the Summary Plan Description for the Police Officers regarding the two Ordinances that were enacted by the City. Ms. Martinez reported that the revised Summary Plan Descriptions should be ready within the next couple of weeks. She explained that the Board had already approved them pending the revision.

Mr. Herrera reported that their office had been corresponding with Ms. Martinez regarding Mr. Carl Willis who was a member of the General Employees Pension Plan. They had asked Ms. Martinez to request copies of the guardianship documents. Ms. Martinez reported that she had received the guardianship documents and had forwarded them to Mr. Harrison. Mr. Harrison has reviewed and approved. He asked Ms. Martinez to send the necessary forms to the guardians so that the benefit can be paid.

Mr. Herrera reported that they had been working with Ms. Martinez regarding a pending application to purchase military time for the General Employees. He explained that based on the DD214 form it appears that the member who is making the request is not eligible to purchase the time. He explained that in the Ordinance the member needs to have been honorably discharged from service and he was not therefore they believe that he is not eligible to purchase the time. Ms. Martinez will send a letter to the member.

Mr. Herrera reported that they have been working with Ms. Martinez's office regarding an income deduction order. Ms. Martinez believes this has been resolved but she will confirm.

Mr. Herrera reported that Palm Beach County has a new Ethics Ordinance. His firm has submitted their opinion to the Commission on Ethics. There were questions as to whether or not this Ordinance applied to them because the State Statute says that they are totally independent. They have been told that it does apply to the Board. The Pension Board is not considered an Advisory Board but Trustees are considered as officials. Essentially Trustees are required to comply. He will provide the Board with a memo with more information.

#### **E. ADMINISTRATORS REPORT:**

##### **1. Fiduciary Liability Insurance (General Employees)**

Ms. Martinez reported that the fee for the fiduciary liability insurance has been increased by \$761.96. The Board asked Ms. Martinez to pay the premium and to find out if a better quote is found and if it's refundable. If it is refundable Ms. Martinez should shop around.

Action: A motion was made by Mr. Lepa and seconded by Ms. Easterday to pay the premium for the fiduciary liability insurance, to find out if it's refundable and if so to shop around.

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

##### **2. Financial Statements**

Ms. Martinez provided the Board with an unaudited financial statement and an income and expense report for review through the month of August 2011.

The Board received and filed the un-audited financial statements through the month of August 2011.

Ms. Martinez reported that she has received Mr. Viera's disability affidavit and medical report. She noted that this matter was for the Police Officers' Board.

Ms. Martinez reported that at the last Pension Board meeting the General Employees' Board had asked her to find out if there were any active pre-1979 members in the Plan. She reported that she had looked at the records and she confirmed with the City. It does not seem that there are any active pre-1979 members in the Plan.

Ms. Martinez reported that the invoice had been sent to the Police Officers Division II Plan requesting the transfer of 185 monies. She reported that this years 185 check was for \$363,445.46 which is less then the baseline of \$411,050 therefore Division II will not receive the \$81,000.00.

Ms. Martinez reported that there is an additional question regarding the \$202,000 that the City and the Police Officers agreed to pay to the City from Division II to keep the Pension Plan without changes for a year. She explained that Division II has sent her a request to send an invoice for the \$202,000. She is not certain if the invoice needs to be sent by Division I or the City. She asked the Board for advice.

Mr. Carr reported that the agreement was that the \$202,00 would offset a portion of the City's contributions but the Ordinance as adopted states that Division II will contribute these funds into Division I. Therefore as he understands what needs to happen is that Division I needs to send an invoice for \$202,000 to Division II. Once Division I receives the payment it will mean that the City has over contributed to Division I by \$202,000 so an offset will need to be done by the City. Ms. Martinez explained that she needs the Board to make a motion to authorize her to send the invoice to Division I for \$202,000. Once the payment is received then she will notify the City.

**Action:** A motion was made by Mr. Carr and seconded by Ms. Waterman to pay send the invoice in the amount of \$202,000 to Division II.

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

#### **IV. CONSENT AGENDA:**

##### **A. Employees' Retirement Board:**

###### **1. Warrant for Accounts Payable**

**Action:** A motion was made by Ms. Easterday and seconded by Ms. Lepa to approve the Warrant for Accounts Payable

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

##### **B. Police Retirement Board:**

###### **1. Warrant for Accounts Payable**

**Action:** A motion was made by Sgt. Collier and seconded by Ms. Casper to approve the Warrant for Accounts Payable.

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

##### **C. Employees' and Police Retirement Boards:**

###### **1. Approval of Minutes: Regular Meeting August 28, 2011.**

Ms. Easterday noted that at the Meeting on August 28, Ms. Casper had been elected as the Secretary but the minutes do not reflect this action. Ms. Martinez will make the revision and will add the election of Ms. Casper as the Secretary to the Minutes of the Regular Meeting July 27, 2011.



**Action:** A motion was made by Ms. Easterday and seconded by Ms. Waterman to approve the Minutes of the Regular Meeting on August 28, 2011 as revised.

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

**Action:** A motion was made by Ms. Casper and seconded by Ms. Waterman to approve the Minutes of the Regular Meeting on August 28, 2011 as revised.

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

Mr. Lepa reported that part of the reason for stepping down and resigning is that there is a citizen that is a lot more qualified then he is to sit on this Board and he certainly hopes that Ms. Valerie Hurley is nominated for that position.

#### **VI. ADJOURNMENT:**

There being no other business and the next meeting having been previously scheduled for Wednesday, October 26 at 1:30 PM, the General Employees' and Police Officers' Pension Board adjourned the meeting at 3:29 p.m.

MINUTES APPROVED: October 26, 2011

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Robert Kahant, Chairman Employees' Retirement Board

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Lt. David Moss, Chairman Police Retirement Board

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Dixie Martinez, Administrator  
Employees' & Police Retirement Boards