

**MINUTES OF A JOINT EMPLOYEES' RETIREMENT BOARD
AND POLICE RETIREMENT BOARD MEETING
HELD IN THE CONFERENCE ROOM AT CITY HALL ON
WEDNESDAY, MARCH 28, 2012 at 1:30 PM**

I. ROLL CALL: 1:38 PM

A. Employees' Retirement Board:

The Employees' Retirement Board does not have a quorum therefore a workshop was called to order at 1:38 PM.

Those persons present included:

Trustees: Robert Kahant, Chair
Steve Carr

Alexis Copeland (arrived -1:57 p.m.)

Others: Ken Harrison, Sugarman & Susskind
Dixie Martinez, Resource Centers
Steve Palmquist, GRS
Peter Strong, GRS
Tim Nash, Bogdahn Group
Members of Public:

The Employees' Retirement Board attained a quorum when Ms. Copeland arrived. Therefore a meeting was called to order at 1:57 PM.

B. Police Retirement Board:

A meeting was called to order at 1:38 PM.

Those persons present included:

Trustees: Lt. Davis Moss, Chair
Steve Carr
Sgt. Randy Collier

Others: Ken Harrison, Sugarman & Susskind
Dixie Martinez, Resource Centers
Steve Palmquist, GRS
Peter Strong, GRS
Tim Nash, Bogdahn Group
Members of Public:
Christopher Johnson (Police Officer)

II. ADDITIONS/ DELETIONS/ REORDERING:

A. Employees' Retirement Board:

B. Police Retirement Board:

The Police Officers' Pension Board added to the Agenda item III.B.1. Invoice from the City.

Action: A motion was made by Mr. Carr and seconded by Sgt. Collier to add the above mentioned item to the Agenda.

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

III. UNFINISHED BUSINESS:

A. Employees' Retirement Board:

B. Police Retirement Board:

1. Invoice from the City :

Mr. Carr explained that as the Board will recall the Police Pension Plan received a check from Division II in the amount of \$202,000 to offset the restoration of the pension benefits. The Pension Board in December had made a motion to authorize the City to take a credit in the amount of \$64,882.60. Mr. Carr explained that after further consideration the City believed that it would be easier for accounting purposes to have the Pension Plan pay the over payment of contributions in the amount of \$64, 882.60 directly to the City instead.

Action: A motion was made by Mr. Carr and seconded by Sgt. Collier to authorize the payment to the City in the amount of \$64,882.60.

Mr. Harrison reported that this may cause problems because the Plan is limited in how they use their funds, which are to pay benefits and expenses. The State may raise the questions about this payment as it is not an expense. He would feel more comfortable if the City took the credit instead.

Mr. Carr withdrew his motion. He explained that he did not want to cause legal issues with the State. The City will take a credit against the employer contributions in the amount of \$64,882.60.

C. Employees' and Police Retirement Boards:

1. GRS Options to improve funded status – Steve Palmquist & Peter Strong

Mr. Palmquist reported that a few months's ago when they reported the actuarial valuation they had talked about different ways of trying to get more money into the Pension Plans and the Board at that time had asked them to put in writing different options for the Boards to review. He reported that on a letter dated February 21, 2012 they had provided three different options for each Pension Plan.

Mr. Strong reported that for the Police Officer's Pension Plan it is expected that within 15 years from now everyone will be retired and right now the amortization period is around 23 years on the unfunded liability. He reported that if they only expect to have active employees for another 15 years and the Plan is amortizing the unfunded liability over 23 years there is no way the Plan will be fully funded by the time the last person retires.

Mr. Strong reviewed option 1 (one) on letter dated February 21, 2012 for the Police officers Pension Plan (letter attached to minutes).

OPTION 1: Reduce the remaining amortization period by two years each year, beginning with the October 1, 2012 actuarial valuation. As of October 1, 2011, there are 23 years remaining (for all but one amortization base). As of October 1, 2012, this period would be reduced to 21 years instead of 22 years. This would increase the required contribution for the fiscal year ending September 30, 2014 by approximately \$34,000. Please note that the contribution requirements in subsequent years would be further increased as the amortization period gets smaller. For instance, the contribution would be projected to increase by an additional \$43,000 for the fiscal year ending September 30, 2015 (a cumulative increase of \$77,000). The contribution increase will get higher each year.

He explained that this option would be like incurring a loss each year because the Plan will be taking off more than what they are expected to on the amortization schedule. He then proceeded to review option 2 and 3.

OPTION 2: Reduce the amortization period to the expected number of years until there are no active participants remaining in the System, in order to target a 100% funded ratio by the time all active employees have retired. This is approximately 14 to 15 years from now and would involve changing the remaining amortization period from 22 years to 14 years as of October 1, 2012. This would increase the required contribution for the fiscal year ending September 30, 2014 by approximately \$431,000.

OPTION 3: Change the funding method to the aggregate funding method, which targets a fully funded status by the time all members have retired as a level percentage of payroll. Adoption of this method as of October 1, 2011 would have increased the required contribution for the fiscal year ending September 30, 2013 by approximately \$1,234,000.

Mr. Carr asked Mr. Palmquist if he could do a multi-year projection on how, if no changes are made, they could expect the contribution rates to act over a longer period of time. Mr. Palmquist reported that they could do a projection over a 20 to 30 year period.

Action: A motion was made by Mr. Carr to ask Gabriel Roeder & Smith to do a multi-year projection for the Police Officer's Pension Plan with the Plan as it exists now and the ability to see what the various funding option changes might hold in these options to see what it will do to the contribution rates.

Mr. Palmquist suggested that before the Board approves this request they could instead request that they send them a proposal showing them what their estimated time charge will be for the projection.

Mr. Strong reported that he estimates the cost to do this projection to be around \$4,000.00

Action: Mr. Carr amended his motion which was seconded by Sgt. Collier to ask Gabriel Roeder & Smith to do a multi-year (20 to 30 years) projection for the Police Officer's Pension Plan with the Plan as it exists now and to include option 1 also as an alternative at a cost not to exceed \$4,000.00.

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

Action: A motion was made by Mr. Carr and seconded by Sgt. Collier to adopt Option 1. provided in GRS letter dated 2-21-12 (attached letter to minutes) for the Police Officer's Pension Plan.

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

Mr. Palmquist expects to have the projection ready by the May Pension Board meeting.

a. Review – changes to the Police Officer's DROP rate of investment return to mirror the General Employee's Pension Plan– Steve Palmquist & Peter Strong

Mr. Strong reported that if the Police Officer's Pension Plan were to mirror the language of the Fixed return for the General Employees' Pension Plan he estimates that the Police Officers will have a savings of around 50 basis points a quarter. He reported that the DROP balances for the Police Officer's Pension Plan is around \$700,000.00 which would give about \$35,000.00 in savings.

The Board had a lengthy discussion regarding this matter.

Action: A motion was made by Mr. Carr and seconded by Sgt. Collier to change the fixed earning rate for the Police Officer's Pension Plan to mirror the language of the General Employee's Pension Plan with an effective date of June 30, 2012.

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

Mr. Strong reported that for the General Employees' Pension Plan the amortization schedule ranges from 22 years to 30 years. He noted that the Plan is in a low funding status and they have prepared a list of possible actions that the Board can take to improve the Plan's funded status.

Mr. Strong reviewed option 1 (one) on letter dated February 21, 2012 for the General Employees' Pension Plan (letter attached to minutes).

OPTION 1: Reduce the remaining amortization period by two years each year, beginning with the October 1, 2012 actuarial valuation. As of October 1, 2011, there are 22 to 30 years remaining. As of October 1, 2012, these periods would be reduced to 20 to 28 years instead of 21 to 29 years. This would increase the required contribution for the fiscal year ending September 30, 2014 by approximately \$55,000. Please note that the contribution requirements in subsequent years would be further increased as the amortization period gets smaller. For instance, the contribution would be projected to increase by an additional \$69,000 for the fiscal year ending September 30, 2015 (a cumulative increase of \$124,000). The contribution increase will get higher each year. Once the remaining number of years reaches 20 (in five years), then revert back to the current procedure, but use 20 years for the amortization of all subsequent changes in the unfunded liability.

He explained that this option would be like incurring a loss each year because the Plan will be taking

off more than what they are expected to on the amortization schedule.

He then proceeded to review option 2 and 3.

OPTION 2: Reduce all current and future amortization periods in excess of 25 years to a cap of 25 years. Application of this option as of October 1, 2011 would have increased the required contribution for the fiscal year ending September 30, 2013 by approximately \$77,000.

OPTION 3: Change the funding method to the aggregate funding method, which targets a fully funded status by the time all current members have retired as a level percentage of payroll. Adoption of this method as of October 1, 2011 would have increased the required contribution for the fiscal year ending September 30, 2013 by approximately \$1,092,000.

The Board had a lengthy discussion regarding the different options presented by Mr. Strong.

Mr. Strong reported that he estimates the cost to the General Employees to do a projection similar to the projection that will be done for the Police Officers' to be around \$6,000.00.

Mr. Kahant would like to see options 1 and 2 layered into the multi-year projection.

Action: A motion was made by Mr. Carr and seconded by Ms. Copeland to ask Gabriel Roeder & Smith to do a multi-year (30 years) projection for the General Employees' Pension Plan with the Plan as it exists now and to include options 1 and 2 also as an alternative at a cost not to exceed \$6,000.00.

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

Mr. Palmquist expects to have the projection ready by the May Pension Board meeting.

The General Employees' Pension Board added to item IV.A.1. Application to Buy Service Time from Richard Collier.

Action: A motion was made by Mr. Carr and seconded by Ms. Copeland to add the above mentioned item to the Agenda.

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 Refund of Contributions for Celeme Mentor; Application to Buy Service Time for Richard Collier.

Action: A motion was made by Mr. Carr and seconded by Ms. Copeland to approve the following benefit applications for approval: Application for Refund of Contributions for Celeme Mentor; Application to Buy Service Time for Richard Collier.

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

B. Police Retirement Board:

1. Benefit Approval:

Ms. Martinez presented to the Police Officers' Pension Board the following benefit applications for approval: Application for Retirement for Alan Gonzalez.

Action: A motion was made by Mr. Carr and seconded by Sgt. Collier to approve the following benefit applications for approval: Application for Retirement for Alan Gonzalez.

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

C. Employees' and Police Retirement Boards:

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

Mr. Nash reported that for quarter ending December 31, 2011 the assets for the General Plan were \$55,111,561 and for the Police Plan they were \$21,252,325. He reported that the General Employees' Plan was up 6.77% versus the bench mark at 6.68% and the Police Plan was up 7.05% versus the bench mark at 6.53%. He reported that the asset allocations are in line for both Plans. He also reported that for the month of February the General Employees' Plan is up 3.50% versus the bench mark at 2.75% and the Police Plan is up 3.76% versus the bench mark at 2.75%.

a. Asset Allocations compared to other Pension Plans Review -Tim Nash (The Bogdahn Group).

Mr. Nash reported that Mr. Kahant had asked him to review asset allocations compared to other Pension Plans. He reviewed a comparison sample. He reported that he believes the Pension Plans are in line with other similar Plans. He reported that the only recommendation that he has at this time is to maybe take 5% away from Richmond's portfolio and invest in Global Bonds. Lt. Moss noted that the Police Pension Plan is a closed Plan and he wants to make sure that Mr. Nash is taking this into account. Mr. Nash reported that because the Police Plan is a closed Plan he believes that they will soon have to start reducing their equity portfolio because that is where the major volatility is. Mr. Nash reported that currently as per the Investment Policy the Police Plan's allocation is 60% Equity and 40% Fixed Income. He explained that they may have to consider more real estate further down the line and adding Global Bonds would be good for them because this would create coupon income. He explained that this may have to be done over the next five years.

Mr. Nash reviewed the Morningstar's take on the Templeton Global Bond Adv. He reported that he will bring further information regarding this mutual fund to the Board within the next couple of quarters. Mr. Nash answered questions regarding the one year and five year Sawgrass performance. He noted that Sawgrass was the only manager positive at the end of the fiscal year, September 30, 2011.

Mr. Carr reported that he had to leave the meeting. Once he leaves the meeting both Boards will lose their quorum. Therefore both Boards agreed to review Item V. Consent Agenda as the next item on the Agenda.

V. CONSENT AGENDA:

A. Employees' Retirement Board:

1. Warrant for Accounts Payable

B. Police Retirement Board:

1. Warrant for Accounts Payable

C. Employees' and Police Retirement Boards:

1. Approval of Minutes: February 22, 2012 Regular Meeting

Action: A motion was made by Mr. Carr and seconded by Ms. Copeland to approve the consent Agenda which included the warrant for accounts payable, the minutes for the February 22, 2012 Regular Meeting.

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

Action: A motion was made by Mr. Carr and seconded by Sgt. Collier to approve the consent Agenda which included the warrant for accounts payable, the minutes for the February 22, 2012 Regular Meeting.

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

Mr. Carr left the meeting at 3:35 p.m.

D. Board Attorney's Report:

Mr. Harrison reported that there had been a lot of action during the State Legislation Session but nothing happened.

Mr. Harrison reported that his firm had received a letter from the IRS regarding the filing of the Determination Letter for both Plans. On that letter the IRS recognizes that they have received and accepted the applications for both Plans. He is not certain when the Determination letters will be issued.

Mr. Harrison reported that the Merrill Lynch court order action has been filed. They can now discuss openly the amount of the settlement. He believes this may be finalized by mid July and distributions may be sent by September. Ms. Martinez will bring to the next Pension Board meeting copies of the court reporters transcripts so that they can be filed with the Pension's records.

Mr. Harrison reported that Ms. Koonce's applications for disability are in process.

Mr. Harrison reviewed the proposed legal fee increase. He explained that he is proposing to increase the General Employee's monthly retainer from \$ 1,206.00 to \$2,850.00 over a three year period. He explained that the fees would increase on April 1, 2012 to \$1,750.00; on April 1, 2013 to \$2,250.00; and on April 1, 2014 to \$2,850.00. He is also proposing to increase the Police Officer's monthly retainer from \$ 1,899.00 to \$2,200.00 over a three year period. He explained that the fees would increase on April 1, 2012 to \$2,000.00; on April 1, 2013 to \$2,100.00; and on April 1, 2014 to \$2,200.00. He will bring the proposal in writing to the next Pension Board meeting for the Board's review and approval.

The Board had a short discussion regarding a court ruling for FRS. The General Employees' Pension Board briefly discussed the IBEW contract and how the City may enforce this contract. Mr. Harrison suggested that this item be added to the next Agenda for discussion. Ms. Martinez was directed to add item "Ordinance Amendment Reflecting IBEW Contract" under New Business to the next Agenda for the Board's discussion.

E. ADMINISTRATOR REPORT:

Ms. Martinez reported that the Police Officers' Audited Financial Statement Report as of October 1, 2011 has been revised to clarify the language to reflect the change in the Pension Plan and the change that reverted the Plan to the way it was before the change. She will be sending the revised report to the State of Florida.

Ms. Martinez reported that the Annual Disability Letters have been sent out. She will have the results for the next meeting.

Ms. Martinez reported that the GRS has sent the impact statement for Ordinance amendment regarding Military Service Buyback. She will be sending these documents to the City.

VI. ADJOURNMENT:

There being no other business and the next meeting having been previously scheduled for Wednesday, April 25 at 1:30 PM, the General Employees' and Police Officers' Pension Board adjourned the meeting at 3:58 p.m.

MINUTES APPROVED: April 25, 2012

Robert Kahant, Chairman Employees' Retirement Board

Lt. David Moss, Chairman Police Retirement Board

Dixie Martinez, Administrator
Employees' & Police Retirement Boards



Gabriel Roeder Smith & Company
Consultants of Actuaries

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February 21, 2012

Item . III. C. 1 .

Mr. J. Scott Baur
The Pension Resource Center, LLC
4360 Northlake Blvd. Suite 206
Palm Beach Gardens, FL 33410

Mr. J. Scott Baur
February 22, 2012

Re: City of Lake Worth General Employees' Retirement System

Dear Scott:

As discussed and requested during the pension board meeting on January 25, 2012, we have prepared a list of possible actions the board could take to improve the System's funded status:

- OPTION 1: Reduce the remaining amortization period by two years each year, beginning with the October 1, 2012 actuarial valuation. As of October 1, 2011, there are 22 to 30 years remaining. As of October 1, 2012, these periods would be reduced to 20 to 28 years instead of 21 to 29 years. This would increase the required contribution for the fiscal year ending September 30, 2014 by approximately \$55,000. Please note that the contribution requirements in subsequent years would be further increased as the amortization period gets smaller. For instance, the contribution would be projected to increase by an additional \$69,000 for the fiscal year ending September 30, 2015 (a cumulative increase of \$124,000). The contribution increase will get higher each year. Once the remaining number of years reaches 20 (in five years), then revert back to the current procedure, but use 20 years for the amortization of all subsequent changes in the unfunded liability.
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We welcome your questions and comments.

Sincerely yours,

J. Stephen Palmquist, ASA
Senior Consultant and Actuary

Peter N. Strong, ASA
Consultant and Actuary

JSP:ps

Cc: Ken Harrison



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Consultants & Actuaries

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February 21, 2012

Mr. J. Scott Baur
The Pension Resource Center, LLC
4360 Northlake Blvd. Suite 206
Palm Beach Gardens, FL 33410

RECEIVED
FEB 22 2012

Re: City of Lake Worth Police Officers Retirement System

Dear Scott:

As discussed and requested during the pension board meeting on January 25, 2012, we have prepared a list of possible actions the board could take to improve the System's funded status:

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