

**MINUTES OF A JOINT EMPLOYEES' RETIREMENT BOARD
AND POLICE RETIREMENT BOARD MEETING
HELD IN THE CONFERENCE ROOM AT CITY HALL ON
WEDNESDAY, JANUARY 23, 2013 at 1:30 PM**

I. ROLL CALL: 1:36 PM

A. Employees' Retirement Board:

A meeting was called to order at 1:36 PM.

Those persons present included:

Trustees: Robert Kahant, Chair
Steve Carr, Vice Chair
Pam Triolo

Others: Robert Sugarman, Sugarman & Susskind
Dixie Martinez, Resource Centers
Steve Gordon, Steve Gordon, CPA
Tim Nash, The Bogdahn Group
Members of Public:

B. Police Retirement Board:

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

Those persons present included:

Trustees: Lt. Todd Baer, Vice Chair
Karri Casper
Steve Carr
Pam Triolo

Others: Robert Sugarman, Sugarman & Susskind
Dixie Martinez, Resource Centers
Bonni Jensen, Law Offices of Perry & Jensen
Members of Public:

II. ADDITIONS/ DELETIONS/ REORDERING:

A. Employees' Retirement Board:

The Employees' Retirement Board added the following items to the Agenda; item. IV.E.5. PRC Revised Fee Schedule.

Action: A motion was made by Ms. Triolo and seconded by Mr. Carr to approve the Agenda as amended.

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

B. Police Retirement Board:

The Police Officers' Retirement Board added the following items to the Agenda; item. III.B.1. Merger Div I & II Discussion and item. IV.E.5. PRC Revised Fee Schedule.

Action: A motion was made by Ms. Casper and seconded by Lt. Baer to approve the Agenda as amended.

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

III. UNFINISHED BUSINESS:

A. Employees' Retirement Board:

B. Police Retirement Board:

1. Merger Div I & II Discussion

Mr. Sugarman introduced to the Board Attorney Bonni Jensen who is the Legal Council for Div II. Ms. Jensen explained why Division I and Division II are considering merging. She explained that Division II has become a wasting Trust due to the Plan being closed and the huge fees to run the Plan. Ms. Jensen explained to the Board the conversation she had with Trish Shoemaker from the Municipal Police Officers & Firefighters Retirement System regarding the 185 Provisions. She reported that the make up of the Board of Trustees for Division II was grandfathered in. Therefore one of the concerns that the State of Florida has is that if the Board for Division II is taken away then the membership will lose that level of protection. She explained the concerns that the State has regarding the composition of the Board. She explained that if the Divisions were to merge, the administrative fee for Division II from Pension Resource Center would be minimal, her firm's fees as well as the investment monitors fees and other service providers fees would go away. She reported that first they would like to present the merger to Ms. Shoemaker as the consolidation of both divisions into one. If that is not amenable to them then the thought process would be to continue to have the Division II Board and have them meet jointly with Division I on a quarterly basis but to change the Ordinance to recognize that the Division II fund will invest in Division I and it will be administered by Division I. Ms. Jensen explained the discussion that she had with Trish Shoemaker and the impact of giving up the Board for Division II. Ms. Triolo expressed her concerns. Ms. Jensen reported that she is confident that they can continue to receive the 185 moneys from the State. She reported that as a follow up to this meeting she will be sending a letter to Ms. Shoemaker stating what the Board wants to do, she will ask what the impact of the state's dollars will be and she will request that they approve the process.

Mr. Carr asked Mr. Nash to provide an estimate of the investment consulting fees if any for Division II if the merger occurred. Mr. Nash reported that if the mergers were to occur and all the funds were to be pooled together there would not be any additional fees to DIV I for investment consulting services as long as the assets become part of Division I. He reported that they may even see a decrease in fees with some of the investment managers. Ms. Jensen reported that since the merger will require an Ordinance Amendment it would make sense to include in the Ordinance Amendment the \$202,000 transfer of funds from Division II to Division I as well. Ms. Triolo asked what the timeline would be to accomplish the merger. Ms. Jensen reported that they will have to send a letter to the membership for their approval and it would require a first and second reading of an Ordinance Amendment. Mr. Carr asked that Mr. Nash provide a formal proposal fee to the Board. Mr. Sugarman reported that Ms. Jensen and Mr. Harrison will be communicating with Ms. Shoemaker to confirm how the merger can be done without jeopardizing the 185 moneys. Mr. Sugarman reported that as he understands the Board has authorized them to move forward with the merger of Division I and Division II, to not jeopardize the 185 moneys in any way and to keep it flowing until after the last active member retires.

Action: Consensus of the Board to move forward with the merger of Division I and Division II, to not jeopardize the 185 moneys in any way and to keep it flowing until after the last active member retires.

Mr. Nash reported that if they are required to have separate trust accounts which would mean that the investment would be different they would have investment consulting fees. However if Division I and Division II are combined together there will not be any additional investment consulting fees.

Ms. Bonni Jensen left the meeting at 2:12 p.m.

C. Employees' and Police Retirement Boards:

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 Rodney B. Smith, Joshua Zamot and Vernon Patrick; Application for Retirement for Angel Lopez and Application to Purchase Military Service Time for Patrick Paynter.

Action: A motion was made by Mr. Carr and seconded by Ms. Triolo to approve the following benefit Applications: Application for Refund of Contributions for Rodney B. Smith, Joshua Zamot and Vernon Patrick; Application for Retirement for Angel Lopez.

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

Ms. Martinez reported that the 2.75 years of service buyback has been calculated as post-2010 service, leaving Mr. Paynter's frozen benefit as of October 1, 2010 (under the previous plan provisions) unchanged. She explained that the rationale here was that he is purchasing service after October 1, 2010, therefore, the post-October 1, 2010 benefit provisions would apply.

Ms. Martinez reported that Mr. Paynter had requested paying for the service buyback by having \$397.74 deducted out of his bi-weekly pay check for 2 years. She reported that she asked the City if this could be done. She was advised that currently the City can not make this deduction. Mr. Carr explained that the City does have the capability to do this. However there is a cost to do this. The Board had a brief discussion regarding this matter. The Board agreed that going forward the Policy of the Board will be that all service buybacks be paid in full as a lump sum payment.

Mr. Kahant suggested that the Board should also have a Policy that the purchase of service will be bought at the benefit rate in effect at the time that the member makes the request.

Action: For the General Employees' Plan a motion was made by Ms. Triolo and seconded by Mr. Carr that going forward the Policy of the Board will be that Service Buybacks will be at the benefit rate in effect at the time that the member's request is made and must be paid as a lump sum.

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

Action: A motion was made by Ms. Triolo and seconded by Mr. Carr to approve the Application to Purchase Military Service Time for Patrick Paynter as a lump sum payment.

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

2. Representation Letter to be Ratified:

Action: A motion was made by Mr. Carr and seconded by Ms. Triolo to approve the Ratification of the Representation letter from the Auditor.

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 application for approval: Recalculation of Benefit Due to Change in Beneficiary (Joint Annuitant) for Bruce Stoller

Action: A motion was made by Mr. Carr and seconded by Ms. Triolo to approve Mr. Bruce Stoller's Recalculation of Benefit Due to Change in Beneficiary (Joint Annuitant).

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

C. Employees' and Police Retirement Boards:

1. Presentation by Steve Gordon, CPA- Steve Gordon

a. Audited Financial Statement Report as of October 1, 2012.

Employees' Retirement Board:

Mr. Steve Gordon appeared before the Board to present the audit report for the fiscal year ending September 30, 2012. Mr. Gordon reviewed the financial statements of the Plan and issued the Board a clean unqualified opinion letter on the financial statements. He noted that no material weaknesses in the financial statements had been discovered and also that no deficiencies were identified with internal controls and procedures. The Plan's net assets, as of September 30, 2012, were in the amount of \$59,673,490, which was 10% greater than the 2011 total plan net assets. He explained that the Plan had a net appreciation in fair value of investments of \$8,593,138. Mr. Gordon reviewed the funding progress of the Plan.

Action: A motion was made by Ms. Triolo and seconded by Mr. Carr to accept the 2012 auditor's report and financial statements.

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

Police Retirement Board:

Mr. Steve Gordon appeared before the Board to present the audit report for the fiscal year ending September 30, 2012. Mr. Gordon reviewed the financial statements of the Plan and issued the Board a clean unqualified opinion letter on the financial statements. He noted that no material weaknesses in the financial statements had been discovered and also that no deficiencies were identified with internal controls and procedures. The Plan's net assets, as of September 30, 2012, were in the amount of \$13,107,742, which was 11% greater than the 2011 total plan net assets. He explained that the Plan had a net appreciation in fair value of investments of \$3,394,945. He reviewed the amount of Chapter 185 Revenue transfer to Division I. Mr. Gordon reviewed the funding progress of the Plan. Lt. Baer noted an anomaly in the Schedule of Funding Progress as of October 1, 2011. He noted that on the schedule of Funding Progress the actuarial value of the assets was reported at \$106,392,914 at 10/1/2000 and then dropped to \$22,415,505 the next year. He commented that it appeared to be an error because the Police Fund has never had anything close to \$106 million in assets. Mr. Carr noted that it appeared as if it was a typo because the same amounts of assets were showed on the General Employee's report as well. Mr. Gordon reported that he will look into this and he will report back to the Board.

Action: A motion was made by Ms. Triolo and seconded by Mr. Carr to accept the 2012 auditor's report and financial statements.

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

Mr. Sugarman noted that Ms. Martinez will be sending the Audited Financial Statement Report as of October 1, 2012 to the State of Florida, to the actuary and to the City of Lake Worth.

Mr. Carr accepted the Audited Financial Statement Report as of October 1, 2012 on behalf of the City of Lake Worth.

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

Mr. Nash reported that during this quarter there was not a lot of variation in performance among the domestic equity indexes. He reported that for the second consecutive quarter, "value" outperformed "growth." Mr. Nash reviewed the financial reconciliation as of December 31, 2012 for each Plan. Mr. Nash reported that for quarter ending December 31, 2012 the assets for the General Plan were \$57,192,015 and for the Police Plan were \$21,479,473. He reported that for quarter ending December 31, 2012 the General Employees' total fund (gross) was up 1.42% versus the bench mark at 1.30% and the Police Plan was up 1.23% versus the bench mark at 1.19%. He reviewed the individual performances by investment managers. Mr. Nash reported that the numbers for real estate on the report are preliminary numbers. He will send the final report to the Board at the end of the month. Mr. Nash recommended rebalancing. He explained that funds need to be moved from equity and into bonds to be on target. Mr. Nash reviewed the 3 year and 5 year Sawgrass performance.

Action: For the Employees' Retirement Board a motion was made by Ms. Triolo and seconded by Mr. Carr to accept the December 31, 2012 investment performance review.

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

Action: For the Police Officers' Retirement Board a motion was made by Ms. Triolo and seconded by Mr. Carr to accept the December 31, 2012 investment performance review.

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

D. Board Attorney's Report:

Mr. Sugarman reported that since the last meeting his firm had :reviewed the revised fee schedule for Pension Resource Centers which Ms. Martinez will be reviewing under her report; reviewed the auditors representation letter; communicated with Ms. Jensen and the State of Florida regarding the merger of Division I and Division II.

Mr. Kahant asked for an update on the Merrill Lynch Settlement. Mr. Sugarman reported that he has seen communication from the court approving the disbursements. He believes the Plan should be receiving the disbursement soon.

E. ADMINISTRATOR REPORT:

1. E-mail from Evanna Stephenson dated January 2, 2013.

Ms. Martinez reported that she had received an e-mail from Evanna Stephenson in which she expressed her interest in serving on the Board of Trustees. However Ms. Stephenson is aware that the Ordinance precludes two members from the same department to serve on the Board at the same time. Therefore she is requesting that the Board draft an ordinance amendment and submit it to the City Commission for their approval. The Board considered Ms. Evanna Stephenson's request. The Board had a brief discussion regarding this matter. No action was taken by the Board at this time.

2. Election Procedures:

Ms. Martinez reported that she had not received any notices of interest from anyone else other than Ms. Evanna Stephenson. She reviewed with the Board the election procedures. The Board instructed Ms. Martinez to send an e-mail with the Notice of Election to all department heads and request that the notice be provided to the employees within their department as well as posting the notice on any employee bulletin boards that they may have in their department.

3. Former Employee Carlos Falagan:

Ms. Martinez reported that former employee of the City of Lake Worth, Carlos Falagan, contacted her office. She reported that Mr. Falagan had explained that when he terminated employment with the City of Lake Worth he had not taken a refund of his contributions. Therefore he wanted to know if he was entitled to any benefits under the Plan and if not then he wanted to request that his employee contributions be refunded to him. Ms. Martinez reported that she has been working with Human Resources to gather his information. She reported that Mr. Falagan terminated employment in 1985. She reported that she had found that on the Minutes of the Lake Worth General Employees Pension Board meeting on June 26, 1985 Mr. Falagan's refund of contributions request had been approved. She was also able to find a form signed by Mr. Falagan where he had requested a refund of contributions in 1985. The Board had a lengthy discussion regarding this matter. Mr. Carr will see if he can find any additional bank records. The Board asked Ms. Martinez to notify Mr. Falagan that according to the Pension Plan records he received a refund of his contributions in 1985.

4. Former Employee Stephen Frederick:

Ms. Martinez reported that former employee of the City of Lake Worth, Stephen Frederick, contacted her office. She reported that Mr. Frederick had explained that when he terminated employment with the City of Lake Worth he had not taken a refund of his contributions. Therefore he wanted to know if he was entitled to any benefits under the Plan and if not then he wanted to request that his employee contributions be refunded to him. Ms. Martinez reported that she has been working with Human Resources to gather his information. She reported that she had found that on the Minutes of the Lake Worth General Employees Pension Board meeting on February 22, 1978 Mr. Fredericks' refund of contributions request had been approved. She explained that he has called her twice but he has not left her contact information. She reported that so far he has not called her back. The Board instructed Ms. Martinez to notify Mr. Frederick that according to the Pension Plan records he received a refund of his contributions in 1978.

5. PRC Revised Fee Schedule:

Ms. Martinez reviewed the Pension Resource Centers (PRC) revised fee schedule which was approved by the Board at the last Pension Board meeting.

Action: For the Employees' Retirement Board a motion was made by Mr. Carr and seconded by Ms. Triolo to accept the PRC Revised Fee Schedule (administrative fee increase from \$3,500 to \$3,800 effective January 1, 2013 with a 3.5% cola increase effective January 1, 2014).

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

Action: For the Police Retirement Board a motion was made by Mr. Carr and seconded by Ms. Triolo to accept the PRC Revised Fee (administrative fee increase from \$1,875 to \$2,025 effective January 1, 2013 with a 3.5% cola increase effective January 1, 2014).

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

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: December 5, 2012 Regular Meeting

Action: For the Employees' Retirement Board a motion was made by Mr. Carr and seconded by Ms. Triolo to approve the consent agenda which included; warrant for accounts payable and minutes of the December 5, 2012 Regular Meeting.

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

Action: For the Police Retirement Board a motion was made by Mr. Carr and seconded by Ms. Triolo to approve the consent agenda which included the warrant for accounts payable and minutes of the December 5, 2012 Regular Meeting.

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

VI. ADJOURNMENT FOR THE EMPLOYEES' RETIREMENT BOARD:

There being no other business and the next meeting having been previously scheduled for Wednesday, February 27, 2013 at 1:30 PM, the General Employees' and the Police Officers' Pension Boards adjourned the meeting at 3:33 p.m.

MINUTES APPROVED: February 27, 2013

Robert Kahant, Chairman Employees' Retirement Board

Sgt. Randy Collier, Chairman Police Retirement Board Div I

Dixie Martinez, Administrator
Employees' & Police Retirement Boards