

**MINUTES OF A JOINT EMPLOYEES' RETIREMENT BOARD
AND POLICE RETIREMENT BOARD MEETING
HELD IN THE CONFERENCE ROOM AT CITY HALL ON
WEDNESDAY, FEBRUARY 27, 2013 at 1:30 PM**

I. ROLL CALL: 1:33 PM

A. Employees' Retirement Board:

A meeting was called to order at 1:33 PM.

Those persons present included:

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

Others: Pedro Herrera, Sugarman & Susskind
Dixie Martinez, Resource Centers
Pete Strong, GRS
Members of Public:

B. Police Retirement Board:

A meeting was called to order at 1:33 PM.

Those persons present included:

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

Others: Pedro Herrera, Sugarman & Susskind
Dixie Martinez, Resource Centers
Pete Strong, GRS
Bonni Jensen, Law Offices of Perry & Jensen
Members of Public:

II. ADDITIONS/ DELETIONS/ REORDERING:

A. Employees' Retirement Board:

The Employees' Retirement Board moved Item V. Consent Agenda and Item. V.C. Presentation by Peter Strong, GRS to be first items on the Agenda.

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

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

B. Police Retirement Board:

The Police Officers' Retirement Board moved Item V. Consent Agenda and Item. V.C. Presentation by Peter Strong, GRS to be first items on the Agenda.

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

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

V. CONSENT AGENDA:

A. Employees' Retirement Board:

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1. Warrant for Accounts Payable

B. Police Retirement Board:

1. Warrant for Accounts Payable

C. Employees' and Police Retirement Boards:

1. Approval of Minutes: January 23, 2013 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 January 23, 2013 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 January 23, 2013 Regular Meeting.

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

IV. NEW BUSINESS:

C. Employees' and Police Retirement Boards:

1. Presentation by Pete Strong, GRS

a. Actuarial Valuation Report as of October 1, 2012.

Police Retirement Board:

Mr. Pete Strong appeared before the Board to present the actuarial valuation report for as of October 1, 2012. Mr. Strong reported that for the Police Officers the City's required contributions for FYE 9/30/14 will be \$1,863,625 compared to \$1,565,292 from FYE 9/30/13, an increase of \$298,333. The required Palm Beach County Sheriffs Contributions are estimated to be for FYE 9/30/14 \$275,728 compared to \$303,894 from FYE 9/30/13, a decrease of \$28,169, also the amount of Chapter 185 Revenue is assumed to be \$202,000 which makes a total required contribution for FYE 9/30/2014 \$2,341,353. He noted that the amounts required by the City and the Sheriff are estimates based on FRS contribution rate effective July 1, 2012. The final Sheriff contribution will also depend on the FRS rate effective July 1, 2013 and 2014. He explained that as initiated in 2009, the assumed investment return has been reduced by 0.15% from 8.05% per year to 7.90% per year and the mortality assumptions have been changed to 20% blend of the 1983 Group Annuity Mortality table and 80% blend of the RP-2000 Generational Mortality table. He noted that in next year's valuation, the investment return assumption will be further reduced to 7.75% and the RP-2000 Generational table will be fully phased in as the mortality assumptions. He reported that the amortization period used in developing the payment on the unfunded liability has also been revised. The amortization period will be reduced by two years (one extra year) each year beginning this year until October 1, 2019. He reported that there was a net actuarial loss of \$1,478,949 for the year which means that actual experience was less favorable than expected. The loss is primarily due to a lower expected return of investments.

Based on the actuarial value of assets, the net return was 2.55%. The market value rate of return was 18.59%. The actuarial experience translates into a cost increase of \$140,379. He reported that the funded ratio was 51.0% this year versus 55.3% last year. He reviewed an analysis of change in City Contributions and the variability of future contribution rates. He reviewed the participant data. He noted that active members covered annual payroll decreased from October 1 2011 \$1,553,664 to October 1, 2012 \$1,460,425. He reviewed the actuarial value of benefits and assets, he noted that the actuarial accrued (past service) liability per GASB No. 25 is \$44,209,567. He reviewed the reconciliation of Plan

assets. He reviewed the actuarial present value of accumulated Plan benefits at FRS rate (7.75%) and noted that the funded ratio is 51.44%.

Action: A motion was made by Mr. Carr and seconded by Ms. Triolo to accept the Actuarial Valuation Report as of October 1, 2012 and to direct the administrator to send the report and a letter of annual determination of rate of return to the State of Florida.

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

Employees' Retirement Board:

Mr. Pete Strong appeared before the Board to present the actuarial valuation report for as of October 1, 2012. Mr. Strong reported that that for the General Employees the City's required contributions for FYE 9/30/14 will be \$4,553,202 compared to \$3,982,877 from FYE 9/30/13, an increase of \$570,325. He explained that as initiated in 2009, the assumed investment return has been reduced by 0.15% from 8.20% per year to 8.05% per year. He reported that a revision has been made this year in the methodology of the Actuarial Cost method in order to make the method compliant with the upcoming requirements of GASB Numbers 67 and 68. The methodology previously used was accepted by the State, but was not compliant with the methodology required under GASB Nos. 67 and 68. This change increased the required contribution 1.84% of covered payroll. He reported that there was a net actuarial loss of \$1,583,123 for the year which means that actual experience was less favorable than expected. The loss is primarily due to a lower expected return of investments. Based on the actuarial value of assets, the net return was 1.3% versus an expected return of 8.05% while the return on market value was 18.3%. He reported that the funded ratio was 56.3% this year versus 59.0% last year. He reviewed an analysis of change in City Contributions and the variability of future contribution rates. He reviewed the participant data, he noted that actives members covered annual payroll increased from October 1 2011 \$10,951,357 to October 1, 2012 \$11,916,382. He reviewed the actuarial value of benefits and assets, he noted that the actuarial accrued (past service) liability per GASB No. 25 is \$99,469,324. He reviewed the reconciliation of Plan assets. The Board had a brief discussion regarding the effects of lowering the assumed investment rate of return within the next couple of years.

Action: A motion was made by Mr. Carr and seconded by Ms. Triolo to accept the Actuarial Valuation Report as of October 1, 2012 and to direct the administrator to send the report and a letter of annual determination of rate of return to the State of Florida.

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

Mr. Strong reviewed a handout regarding GASB No. 67.

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 Christine Davis, Christine Ansara, Shauna Burgess, Ross Ormay, Sean Ruffo, Deborah Welker, and Bryan Henning; Application to enter D.R.O.P. Plan for George Wamsley.

Action: A motion was made by Mr. Carr and seconded by Ms. Triolo to approve the following benefit Applications: Application for Refund of Contributions Christine Davis, Christine Ansara, Shauna Burgess, Ross Ormay, and Sean Ruffo. Deborah Welker and Bryan Henning; Application to enter D.R.O.P. Plan for George Wamsley.

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

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Mr. Carr departed the meeting at 2:35 p.m. The General Employees lost their quorum therefore they continued the meeting as a workshop.

III. UNFINISHED BUSINESS:

A. Employees' Retirement Board:

B. Police Retirement Board:

1. Letter to Municipal Police Officers & Firefighters re: Merger of Divisions 1 and 2.

Ms. Bonni Jensen reported that she had sent a letter to Ms. Trish Shoemaker requesting the approval of the merger. She reported that in the letter she had requested jointly with Mr. Ken Harrison that Division I and Division II be permitted to merge. She explained that in the letter it was explained the reasons for the merger. She reported that the letter also explained that the proposal from Division 1 and Division 2 funds is to include the Division 2 as part of the Division 1. In this way the cost of the Division 2 will be substantially reduced and the assets of the Division 1 will be increased by approximately 20 %. She explained on the letter that the chief concern for both funds is that they continue to remain eligible to receive the State Chapter 185 money. She reported that she has not received a written response from Ms. Shoemaker yet. Ms. Jensen reported that as soon as she receives Ms. Shoemaker's approval she will work on the ordinance amendment needed and a letter to the members of Division 2 will be sent.

Ms. Jensen also reported that Mr. Nash from the Bogdahn Group had sent a letter in which they explain that should the Division 1 and Division 2 assets be "commingled" or "combined" there would be no additional direct cost associated with the consulting services provided by the Bogdahn Group. There would be a direct consulting service fee cost savings of \$19,500 annually as a result of the termination of the Lake Worth Police Division 2 Pension Plan, Bogdahn Group Consulting Service Fee agreement.

IV. NEW BUSINESS:

C. Employees' and Police Retirement Boards:

D. Board Attorney's Report:

1. IRS Favorable Determination (GE)

Mr. Herrera reported that the General Employees' Pension Plan has received a favorable determination letter from the IRS. He reported that this determination is subject to the adoption of the proposed amendments submitted to the IRS on letters dated January 7, 2013 and January 15, 2013. He reported that the proposed amendments will be presented to the Board at their next meeting. He explained that he is not certain whether or not the Plan will need to file for a determination letter in 2014. Mr. Herrera explained that he will have to check to see if the letter included the changes to the Plan in 2010.

2. Merrill Lynch Class Action Settlement Distribution (GE & Police)

Mr. Herrera reported that the judge in the Merrill Lynch Class Action signed an order on January 31, 2013 approving the distribution settlement fund to class members. He reported that the checks are expected to be mailed within 30 days of the court's order. According to the judge's order the General Employees' Pension Plan will receive at least \$168,394.88 and the Police Officers' Pension Plan will receive at least \$76,197.03.

E. ADMINISTRATOR REPORT:

1. E-mail from Steve Gordon.

Ms. Martinez reported that Mr. Steve Gordon had sent an e-mail regarding the question that arose at the January 22, 2013 Pension Board meeting. She explained that at that meeting Lt. Baer had noted an anomaly in the actuary's information that Mr. Gordon had included in the September 30, 2012 audited financial statements. She explained that he had noted that on the schedule of Funding Progress the actuarial value of the assets was reported at \$106,392,914 on October 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. Gordon explained in his e-mail that as it turns out it was not a mistake. He explained that the actuary reports it this way because prior to that date, the General Fund and the Police Fund were combined on the actuary's report. In his email Mr. Gordon stated that if the Boards feel it's confusing, he can just leave off the earlier data because GASB only requires the last 10 years anyway or if it's not a matter of great importance he can leave the report the way it is. The Board agreed that it is not a matter of great importance and the report can be left as it is.

2. Election Update:

Ms. Martinez reported that the due date to submit the letter of interest was March 25, 2013. She explained that no letter of interest was received. She will post the Election Notice once again.

VI. ADJOURNMENT FOR THE EMPLOYEES' RETIREMENT BOARD:

There being no other business and the next meeting having been previously scheduled for Wednesday, March 27, 2013 at 1:30 PM, the General Employees' and the Police Officers' Pension Boards adjourned the meeting at 3:02 p.m.

MINUTES APPROVED: March 27, 2013

Robert Kahant, Chairman Employees' Retirement Board

Sgt. Randy Collier, Chairman Police Retirement Board Div I

Dixie Martinez, Administrator
Employees' & Police Retirement Boards