

**THE CITY OF WEST PALM BEACH RESTATED EMPLOYEES' DEFINED  
BENEFIT RETIREMENT SYSTEM**

**MINUTES OF MEETING HELD**

**Septmeber 25, 2007**

A regular meeting of the Board of Trustees was called to order at 1:30P.M. by Benny Rodgers the in City Hall, Room 519, 200 Second Street, West Palm Beach, Florida.

Those Trustees present were:

Alfredo Lay, Benny Rodgers, Lee Anna Claridge, Patrick Cooney,  
William Swisher, and Robert Burd

Also present were:

Scott Baur representing the Pension Resource Center  
Mike Welker representing Bogdahn Consulting Inc  
Lisa Spanraft representing Bogdahn Consulting Inc  
Jack Farland representing Voyageur Asset Management Inc  
Peter Melanson representing State Street Global Advisors  
Robert Spencer representing State Street Global Advisors  
Michael Brown representing Barings  
Eric Maskalunas representing Barings

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**MINUTES**

The Board reviewed the minutes for the meeting held on August 28, 2007. **A motion was made by William Swisher to approve the Minutes for August 28, 2007. The motion was seconded and carried 4-0.**

**STATEMENT OF INCOME AND EXPENSE**

The Board reviewed the statement of income and expense of the fund, provided by the Administrator. Mr. Lay stated that the refund from the legal conditions does not reflect as an income expense on the financial statements. Mr. Baur replied that they might have been shown as an offset on the expense side. He stated he will fix the error and he will communicate with Mr. Lay after the meeting and email the rest of the trustees after he looks everything over. **The Board received and filed the Statement of Income and Expense.**

**DISBURSEMENTS**

The Board reviewed the disbursement list presented. **A motion was made by Alfredo Lay to approve the disbursements for the month of September. The motion was seconded and carried 5-0.**

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## **BENEFIT APPLICATIONS**

The Board reviewed the Benefit Applications provided by the Administrator. **A motion was made by Alfredo Lay to approve the retirement applications presented for Alydia Brown and Gary Hardesty. The motion was seconded and carried 5-0.**

## **INVESTMENT CONSULTANT REPORT: (Bogdahn Consulting) - Presented by Mike Welker and Lisa Spanraft**

Ms. Spanraft introduced herself and stated that she was filling in for Mr. Welker as he was running a little late. Ms. Spanraft reviewed that this is the first meeting that the Board has had with International Managers. She told the board that they have narrowed their search down to the top three International Investment Managers. Ms. Spanraft commented that all three investment managers sent their books to Jeff Vaughn at The Pension Resource Center prior to the meeting. Mr. Baur apologized and said that Jeff had left The Pension Resource Center and he wasn't aware that their books he was supposed to bring. Mr. Baur called someone at his office and asked them to bring the books over. He suggested that until the books arrive, the meeting should continue with the other topics on the Agenda.

## **ATTORNEY REPORT: (Klausner & Kaufman) – Presented by Adam Levinson**

Mr. Levinson joined the meeting via teleconference

Mr. Levinson reviewed his first topic stating that he has signed off and reviewed the Bogdahn contract and it is ready to be approved and executed at the next meeting. Mr. Levinson stated that the Board now had the official legal confirmation to do so.

Mr. Levinson's next topic on the Agenda was in regards to the contract with Don Frank and Argent Capital. He commented that Argent has provided him with a draft agreement, and he is reviewing it and making a couple changes and hopes he will have it all wrapped up and ready for execution at the next meeting. Mr. Levinson continued reporting to the board that Don Frank has reduced their fees, and the agreement has already been executed and signed, so they are all set to go.

He also notified the board that the IRS had put a tax lien against retiree participants' Pension checks. He reviewed with the board the procedures for this kind of situation. Mr. Levinson stated that it is an issue between the IRS and the participant directly so it should not concern the Pension Board.

Mr. Levinson announced that his firm, Klausner & Kaufman will be representing a retirement case in the state of Kentucky and he will keep us updated on that.

Mr. Lay questioned Mr. Levinson on his thoughts about the recession in the US Economy. Mr. Levinson stated that the Investment Managers would probably be the best

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ones to answer that question, but his insight was that right now we are in a current credit squeeze due to the sub prime lending. He advised Mr. Lay to ask Mr. Welker if he is comfortable with the quality restrictions in their portfolio and if there are any CDO's in the portfolio. Mr. Baur commented that, that question was answered at the last meeting and there are none that are in danger to the portfolio.

Lastly, a question was asked if there was an update on the retiree who was using the wrong social security number. Mr. Baur stated that he ultimately had the retiree give him a copy of a valid social security card showing the correct social security number they should have been using. He then simply closed the case and started using the correct number for the retiree. Mr. Levinson asked Mr. Baur to provide him a copy of the new social security card and all the back up documentation to put in his files. Mr. Levinson asked if there was any explanation from the retiree on why they were using the wrong social security number. Mr. Baur commented that they had previously had a discussion on this matter and stated that his company had initially received the wrong number from the city's member data. Also he explained that when a retiree fills out their Retirement Application they are required to provide a valid and correct social security number, and as long as we are agreeing with the employer's information and the information given by the retiree, a social security card is not a specific form of documentation that is required when someone retires. Mr. Baur also commented that the retiree does sign an affidavit when they are filling out the application stating that everything they provided to us is true and to the best of their knowledge and belief, and this was just an unusual case that doesn't arise regularly.

Mr. Levinson departed the meeting

## **ADMINISTRATIVE REPORT: (The Pension Resource Center) – Presented by Scott Baur**

Mr. Baur named the members who did not respond to the affidavit that they sent out. He stated that the members who did not respond to the affidavits are having their Pension checks held and had to contact The Pension Resource Center before having them released.

Mr. Baur also reported that Jeff Vaughn left his office last Friday due to personal matters. Mr. Baur stated that he will continue to be coming to the meetings, but he will probably be bringing someone in addition to him.

## **INTERVIEW INVESTMENT MANAGERS:**

Mr. Welker reviewed with the board the order in of the Investment Managers Presentations:

1. Barings – There International fund style is growth with a value tilt
2. State Street Global Advisors– They are an Index International Fund
3. Voyageur Assets Management – There International fund style is value

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## **1) BARINGS: Presented by Eric Maskalunas and Michael Brown**

Mr. Maskalunas stated by thanking the board for having them there. He reported that he has 15 years experience with Barings, and that it is the oldest Asset Management around. With Barings having over 200 years of history, the currently manage \$50B world wide in assets with one half in equity. Barings also has global appearance world wide with offices in London and Tokyo. Mr. Maskalunas stated that most of the assets in the US are in public municipal monies.

He explained to the board that their firm is a strong believer in growth with a responsible price. Mr. Maskalunas commented that balancing growth and value is the most important thing because it helps with the volatility and risk. They have 41 analysts who are on the ground and visit offices daily to make sure they are always balancing growth and value.

Mr. Brown introduced himself and stated he is one of the Portfolio Mangers and he was happy to be here. Mr. Brown jumped right into the performance of his portfolio. He reviewed that over the past 5 years they have added over 6% more than the average International Equity Managers, which gave them a return of 23% as to the average manager who had a return of about 17%. Mr. Brown stated that they had about \$6B in active passive enhanced index products. He continued reporting that they rate sectors on a 1 to 5 basis scale with 5 being the highest. They also have added over 1% annual value every year over the benchmark for the last 20 years.

Mr. Maskalunas described to the board that they have two portfolios, one with a merging market exposures and one with out. They equal weight their holding sectors so each take a 2% position across all 50 stocks. Mr. Maskalunas then moved on to talk about their results. He stated that results are the most important part to their portfolio. Their results are based on a 1, 3 and 5 year basis, and they have always out performed. They out perform two thirds of the time and they always out perform on a negative quarter. Mr. Lay stated to Barings that their Pension fund was a closed fund and they don't allow any more employees to come into it. The fund has 100 employees that are waiting to retiree and Mr. Lay wanted to know what kind of protection they have to offer. Mr. Brown answered that they have no guarantee on the equity market, but from the asset allocation side the diversification in the International Market have been very strong over the past 5 years and they believe it will continue.

Mr. Welker asked Barings what there fee was and Mr. Maskalunas stated that they are a commingled fund so the proposed fee is 80 basis points which is in the proposal.

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**2) STATE STREET GLOBAL ADVISORS:** Presented by Peter Melanson and Robert Spencer

Mr. Melanson and Mr. Spencer introduced themselves and thanked the board for inviting them to the meeting. Mr. Spencer started by explaining to the board that their firm has 7 to 8 Floridian clients that have funded this same strategy that they are going to explain today. He continued stating that they use the MCID for their benchmark, and there are over 1400 different stocks that they select from to build their portfolio. Mr. Melanson commented that this strategy seems to always out perform the benchmark by over 3% on an annual basis over a market cycle.

Mr. Melanson continued to explain that State Street Global works with the Advanced Research Center to make sure their investment process is always on track. Mr. Spencer announced that because of the size of State Street Global they are on the top 5 brokers' clients list. Their firm wants companies that are actively price, but not too low, and they should also have a strong balance sheet. He states that their portfolio is very tight to the benchmark, and that no one security dominates the portfolio. State Street Global has out performed every year since inception, and they were able to generate 460 basis points of excessive returns since inception in June and 455 basis points of excessive returns since inception in August. A question raised and the board wanted to know what the manager's insight was in regards to definition of the market cycle and Mr. Spencer stated that 3 to 5 years is their definition of the market cycle.

They concluded by stating to the board that State Street Global currently hold \$8.5B in assets, and if chosen their fund would be commingled fund for a fee of 80 basis points. They also reviewed that they have an average of 85 to 105 holdings and are currently running about 97 at the moment.

**3) VOYAGEUR ASSET MANAGEMENT:** Presented by Jack Farland

Mr. Farland introduced himself and the company and thanked the board for considering them. Voyageur has been in the Investment business for over 20 years and currently manages over \$31B in institutional assets. Mr. Farland is the managing director in the Ft. Lauderdale office.

He reviewed with the board that Voyageur's main focus is on absolute risk. They will not look at any companies unless they have a positive cash flow. Voyageur guarantees a fund a 6% return and then adds on another 2% for active management. His team establishes a risk free premium per country due to the international bond market which automatically does that for them.

Mr. Farland continued to explain their process of putting together their portfolio. They have a global universe of 24,000 companies then they began to do a process of elimination. Their first step is to eliminate those companies that do not have a positive

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cash flow. Then they eliminate the companies that don't have a positive cash flow after their maintenance and then go on to eliminate the companies that won't give them that guaranteed 8%. By that time now you are left with about 5000 companies. They move on to the companies that have a 5 year record that shows that their growth and cash flow exceeds their sale growth, and they keep eliminating companies one by one. Mr. Farland stated that they have a program that allows them to do this process in two days so that they rest of the days they are able to be doing fundamental research.

Their portfolio is made up of about 40 to 60 different companies that have to have at least 12 different countries and 10 different sectors or industries to keep their risk lowered. Lastly, Mr. Farland stated that they are a commingled fund with fees of .95.

Mr. Welker stated that he has had great experience with all of the managers that presented at the meeting. Mr. Welker did comment that Voyageur did have the worst run this year because of the British Home Builders, but over the past 7 years they have done very well. Mr. Welker gave the board his opinion and stated that he thought that if the board wanted one manager that maybe State Street Global would be the best because they have the best representation and they beat the index just by a little and their right in the middle of all the other managers. Mr. Welker stated that you can look at the presentations two different ways. You can go with Barings and Voyageur and give them each \$1M and still have the 10% of the overall portfolio, or you can ease into it with State Street Global and get index like returns and still have exposure to the International Market.

The Board discussed and reviewed the International Managers presentation and a **motion was made by Benny Rodgers to hire Barings and Voyageur for their International Investment Managers. The motion was seconded by Lee Anna Claridge and carried 5-0.**

**OTHER BUSINESS**

There being no other business, and the next meeting having been scheduled October 30, 2007, the meeting was adjourned.

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Benny Rodgers, Secretary