

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

**MINUTES OF MEETING HELD  
JANUARY 25, 2011**

A regular meeting of the Board of Trustees was called to order at 1:37 P.M. by Patrick Cooney in the City Hall (5th Floor) Conference Room 5.19, 401 Clematis Street, West Palm Beach, Florida 33401.

Those Trustees present were:

Craig Kahle, Chair (arrived 1:53P)  
Bill Swisher, Trustee  
Bob Burd, Trustee  
Patrick Cooney, Trustee (departed 3P)  
Randy Sherman, Trustee  
Vicki Barnard, Trustee

Also present were:

Audrey Ross, Administrator – Resource Centers  
Claudia McKenna, Attorney – City of West Palm Beach  
Steve Gordon, Auditor – Steven I. Gordon CPA  
Mike Welker, Investment Consultant – The Bogdahn Group  
Patrick Kelly, Investment Manager – Agincourt Capital Management  
Patrick O'Hara, Investment Manager – Agincourt Capital Management  
Gilbert Garcia, Investment Manager – Garcia Hamilton & Associates (GH&A)  
Janna Hamilton, Investment Manager – Garcia Hamilton & Associates (GH&A)  
Andrew Heiskell, Investment Manager – Mutual of America Capital Mgmt.  
Patrick Sullivan, Investment Manager – Mutual of America Capital Mgmt.  
Dorothy Fagan, Retiree – City of West Palm Beach  
Hazel Carr, Retiree – City of West Palm Beach  
Jack Foley, Retiree – City of West Palm Beach

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**PUBLIC COMMENTS**

N/A

**PRESENTATION OF THE SEPTEMBER 30, 2010 AUDITED FINANCIAL STATEMENTS – STEVEN I. GORDON, CPA (PRESENTED BY: STEVE GORDON)**

Mr. Gordon stated that a clean opinion was issued in regards to this year's audit. He explained that a clean opinion is what you are hoping for and is the highest level that you can receive. Mr. Gordon briefly reviewed the management discussion and analysis letter, which is a narrative overview of the audit process and findings.

Mr. Gordon reviewed the financial statements and reported that the net assets increased from \$21,769,380 in 2009 to \$24,284,897 in 2010. The investments themselves increased from \$640,839 last year to \$1,979,329 this year, but the employer contributions were slightly up as well as the benefit payments and administration expenses.

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Lastly, Mr. Gordon reviewed the footnotes which are required under the general accepted auditing standards and government auditing standards. He reported that he found no significant findings and did not encounter any difficulties while performing the audit.

The Trustees questioned whether or not he had any problems/difficulties with any of the parties involved while performing the audit. Mr. Gordon stated that he did not encounter any problems from any parties involved, and that the transition went very smooth with all the service providers that were involved.

**A motion was made by Randy Sherman accept and approve the September 30, 2011 audited financial statements as presented by the auditor. The motion was seconded by Patrick Cooney and carried 6-0.**

**INVESTMENT MANAGER PRESENTATIONS:**

- **Agincourt Capital Management – Presented by: Patrick Kelly & Patrick O'Hara**

Mr. Kelly and Mr. O'Hara introduced themselves to the board and stated what position they hold at Agincourt. Agincourt is 100% employee owned and they hold over \$4B in assets. Mr. Kelly explained that the senior investors at the firm have worked together for over 15 years, and all investment decisions are team oriented. Mr. Kelly reviewed the firm's investment philosophy and objections. Their goal is to get consistent higher returns than the benchmark with low volatility.

Mr. O'Hara explained the investment process and stated that they are a very traditional manager that only buys into US bonds that are investment grade. They do both top down and bottom up research, and they always maintain a high quality, nicely diversified portfolio. When it comes to corporates they always do historic work on all industries which really helps them stay out of trouble and helps make them pick their best selection. Mr. O'Hara stated that the market is still conservative so they are being defensive and staying short. He commented that they use the same process for Mortgages as they do for corporates. Mr. O'Hara reported that everything they own is backed by the government, and that they do not currently own any asset backed securities in the portfolio. He reviewed the sector yield curve and stated that they overweight in corporates, short the intermediate bonds and underweight the treasuries.

Lastly Mr. Kelly reviewed the fee schedule which is 25 basis points on the first \$25M. Also he explained that their client service team focuses on a limited number of clients, and that it is important for them that their clients are able to contact the decisions makers of the firm directly.

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- **Garcia Hamilton & Associates (GH&A) – Presented by: Gilbert Garcia & Janna Hamilton**

Ms. Hamilton introduced herself and Mr. Garcia. Mr. Garcia is the director of the fixed income team and Ms. Hamilton is one of the firm's partners. Ms. Hamilton reviewed their firm's client list and stated that 65% of their clients are public pension plans with a majority of them based in Florida.

Mr. Garcia stated that their goal is to outperform their benchmark, net of fees, over a full market cycle using a high quality strategy with less risk and low turnover. He explained that fixed income should be the foundation of a portfolio with high quality managers. Mr. Gilbert commented that they invest in securities rated A or higher in corporates, they do not buy anything over 10 years (except for treasuries) and they only buy guaranteed mortgage backed securities at 30 years. He explained that he still has a lot of flexibility of investing in smaller markets left, and he noted that his firm is one of the biggest buyers into mortgage balloons. They are not an aggressive manager, they actively rotate their sectors and they actively manage their yield curve. Mr. Gilbert commented that a barbell portfolio is the best way to add performance right now. He reviewed the sector breakdown as of December 31, 2010 and stated that they have out yielded the portfolio.

Ms. Hamilton reported that they have a 10 person investment team and have a very strong client service team. She also mentioned that they recently won the fixed income manager award of the year, although they do offer other products besides fixed income as well. Their fee is 25 basis points as well.

- **Mutual of America Capital Management Corporation – Presented by: Patrick Sullivan & Andrew Heiskell**

Mr. Sullivan introduced himself and Mr. Heiskell and explained what they do for the firm. Mr. Sullivan explained that there are two organizations that exist under this firm; Mutual of America Life Insurance Company and the one here today. He stated that they have about \$10B in assets under management and their core fixed income product is the foundation of their firm. The average experience for an employee at this firm is 20 years and he then reviewed the organization chart.

Mr. Heiskell reviewed the investment philosophy and stated that they focus on a superior approach for investing fixed income assets. They want to exceed the index and outperform other managers without losing any principal. Mr. Heiskell explained that their investment team meets every Monday morning to discuss all investments and portfolio holdings. Also he commented that they use independent research companies that they pay cash for. Part of their philosophy is that they do not invest more than 1.5% into one company, and the maturity of their securities are 10 years and under.

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Mr. Sullivan concluded that their philosophy proves they do well, and during the down turns they are buyers not sellers. Lastly, their fee is 30 basis points.

Board Discussion –

The board discussed the presentations and compared these managers against each other and also their current manager Dana Advisors. The board concluded that GH&A was the most conservative out of the managers and thought they would be the better fit for this portfolio.

**A motion was made by Randy Sherman to hire Garcia Hamilton & Associates as their new core fixed income manger, replacing Dana Investment Advisors fixed income account. The motion was seconded by Bill Swisher and carried 6-0.**

**INVESTMENT CONSULTANT REPORT – THE BOGDAHN GROUP  
(PRESENTED BY: MIKE WELKER)**

Mr. Welker briefly reviewed the December 31, 2010 preliminary report. For the quarter the fund was slightly behind at 6.35% versus the benchmark at 6.57%, and the same for the on year; 12.50% versus 12.77%. Mr. Welker explained that the portfolio does not hold any small or mid cap names and right now in the market the larger cap and higher quality names are outperforming, so the portfolio is in a great position for the future.

Mr. Welker reviewed the real estate and commented that he is recommending that the board should consider looking into buying in as right now is a great time. The board discussed and stated that they will table this discussion/report until the next meeting.

**MINUTES**

The Board reviewed the minutes from the regular meeting held on December 14, 2010.

**A motion was made by Randy Sherman to approve the minutes from the regular meeting held on December 14, 2010 as amended. The motion was seconded by Bob Burd and carried 6-0.**

**ADMINISTRATIVE REPORT – RESOURCE CENTERS (PRESENTED BY:  
AUDREY ROSS)**

- **DISBURSEMENTS**

The Board reviewed the disbursement list presented for the month of January 2011.

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**A motion was made by Randy Sherman to approve the disbursements for the month of January 2011 as presented. The motion was seconded by Bill Swisher and carried 6-0.**

- **FINANCIAL STATEMENTS**

Ms. Ross presented the Board with the statement of income and expense and the balance sheet through the end of December 2010.

**The Board received and filed the financial statements through the end of December 2010.**

**ATTORNEY REPORT –CITY OF WEST PALM BEACH (PRESENTED BY: CLAUDIA MCKENNA)**

The board reviewed the background of the past legal services and how the switch over to the City Attorney recently occurred. Ms. McKenna stated that she does not think we were ever going against the Ordinance, but that it was more of a cost savings factor for the board. She explained that Mr. Levinson will still be used as a back up for the board and the board will still maintain an agreement with his firm. Ms. McKenna presented the board with the revised Klausner & Kaufman agreement.

**A motion was made by Randy Sherman to accept and approve the revised Klausner & Kaufman contract as presented by the City's Attorney. The motion was seconded by Bob Burd and carried 6-0.**

Ms. McKenna updated the board on the disability case regarding Andrew Grant Jr. She commented that she would like to invite Mr. Grant to the February meeting for a formal hearing. The board's responsibility is to determine whether or not Mr. Grant is fully and permanently disabled. Ms. McKenna explained that currently Mr. Grant is a workers comp member, and in December the City sent him for an independent medical exam (IME). She passed out Mr. Grants medical records and reminded the Trustees that these are confidential records that will need to be returned. She has asked the Trustees to review his records and case so that at the February meeting they can have an open discussion about his disability. Lastly, she stated that she thinks it would be beneficial for the Trustees to have the City's risk manager come present before Mr. Grants hearing, just so they can hear what he has to say about workers comp program.

Ms. McKenna explained the COLA situation to the retirees that were present. AIG calculates the COLA increase according to their contract and does not give out a flat 2% increase each year. Ms. McKenna stated that they need to clarify the language in the Ordinance to coincide with how they are actually administering the COLA. The board discussed their options and what they are allowed to do at this point and agreed that they will continue to administer the COLA as is. Ms. McKenna concluded that she will draft the

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language to amend the Ordinance so that it is consistent with AIG's contract. She will then present this amendment to the Commission and will have an update for the board at the next meeting.

**A motion was made by Randy Sherman to administer the COLA as written in AIG's contract, and to amend the language in the Ordinance to clarify and to be consistent with the AIG contract. The motion was seconded by Bob Burd and carried 6-0.**

**OTHER BUSINESS**

N/A

**ADJOURN**

There being no other business, and the next meeting having been rescheduled for February 22, 2011 the meeting was adjourned at 5:33 PM.

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Benny Rodgers, Secretary