

**CITY OF FT. PIERCE POLICE PENSION PLAN  
MINUTES OF MEETING HELD  
February 19, 2003**

Sgt. Tony Hurtado called a meeting of the Board of Trustees to order on **February 19, 2003** at 2:10 PM.

**TRUSTEES PRESENT**

Sergeant Antonio Hurtado  
Brain Humm  
Ken Bloomfield  
Gloria Johnson

**OTHERS PRESENT**

Jonathan Ferguson, Ruden, McClosky, Smith, Schuster & Russell, P.A.  
Scott Baur and Nick Schiess, Pension Resource Center  
Burgess Chambers, Burgess Chambers & Associates  
Charles Markwalter, Montag & Caldwell

**MINUTES**

A motion was made, seconded, and unanimously approved to accept the Minutes for the meeting of November 20, 2002.

**FINANCIAL REPORT**

Gloria Johnson reviewed a financial statement for the Pension Fund, noting a balance of \$449,707.83 in the Pension Plan checking account with Harbor Federal on October 31, 2002. Brian Humm questioned the balance as being an excessively high amount that was not receiving investment earnings. Ms. Johnson noted that there were some lump sum distributions pending so there was a greater than normal portion in cash and in fact the account did earn a small amount of interest. The discussion continued regarding how quickly cash could be raised if this excess cash was invested. Charles Markwalter responded that investments could be liquidated to cash within three business days. Burgess Chambers recommended that the cash balance be kept around 200K and the balance invested. ???????Ms. Johnson questioned whether or not the amount of cash should be addressed in the investment policy and Mr. Chambers proposed changes to the investment policy.

**BENEFIT APPLICATIONS**

Submitted was an original letter from James O'Brien age 47 requesting a lump sum payout in place of his monthly annuity from his already vested pension (\$307.37/mo.). Ms. Johnson noted that James O'Brien is not eligible for to a lump sum since he was hired after 1985 and the ordinance requires him to receive only a monthly annuity. A motion was made, seconded, and unanimously approved to deny James O'Brien's

request. It was recommended that James O'Brien be mailed a copy of the ordinance and Jonathan Ferguson was directed to respond.

There were no other benefit applications.

### **INVESTMENT MONITOR REPORT**

Burgess Chambers reported on the investment performance on behalf of Burgess Chambers & Associates. Bonds boosted performance for the past three years but asset allocation hurt performance for the 4<sup>th</sup> quarter. Long-term returns have been strong as well as relative performance. No pension plan in Florida has met actuarial assumptions now for the past three years. Montag & Caldwell has outperformed benchmark in the last four of five years.

Burgess Chambers recommended changing the index and restructuring the bond portfolio. The current index is the Lehman Brother Govt./Credit Index that is appropriate when interest rates are declining. Now that interest rates are at a 40 year low, the Fund should reduce it's exposure to bonds and change the index to Lehmann Brothers Int Duration Aggregate Index. Mr. Markwalter suggested the Lehmann Brothers Int Gov Credit Index because the Aggregate would require greater exposure to mortgages that would add duration as interest rates rise. This would slightly reduce yield but would be more defensive on capital gains and losses. Mr. Markwalter believed that Montag & Caldwell would most likely need to liquidate 10% of the bond portfolio to meet this new benchmark. Mr. Chambers recommended this change moving the riskiest portion of the portfolio to a more defensive position.

A motion was made, seconded, and unanimously approved to change the index to the Lehmann Brothers Int Gov Credit Index.

??????Amendments to the investment policy...changes in the ordinance will be going to

Burgess Chambers will prepare an amendment to the investment policy with regards to the new benchmarks.

### **PRESENTATION – MERCATOR**

Mr. Chambers introduced Alwyn Taylor of Mercator as a prospective investment manager for international investments mentioning that it was a 10 year old core value firm located in Boca Raton that was a spin-off from Templeton that has done well in the area of international investment.

Ms. Taylor added that the investment firm was independently owned by it's partners, has 3.9 billion in assets with 43 clients and specializes only in international investments. Ms. Taylor described the selection process and management approach in great detail.

Mr. Chambers questioned Ms. Taylor whether or not Mercator would be an appropriate investment for a public fund, if they would sign-off as a fiduciary, and what other funds they have as clients in Florida. Ms. Taylor replied that it was an appropriate investment adding international diversification and there were great opportunities for growth in this area. She cited the cities of Bradenton and Boca Raton as clients and said that Mercator would sign-off as a fiduciary.

The Board thanked Ms. Taylor who then the meeting at 3:30.

Mr. Chambers believed it to be very positive that Mercator would sign-off as a fiduciary and they were local which would make monitoring much easier.

### **MONTAG & CALDWELL- CHARLES MARKWALTER**

Mr. Markwalter reviewed profile of Montag & Caldwell stating that it has 60 employees with the same management team since 1987, assets of 23.4 billion under management, and a historical investment return of 11.3% since inception in 1988. There was further review of holdings and sector allocation of the portfolio. Mr. Markwalter expects moderate economic improvement and investment returns.

Mr. Chambers questioned the commission recapture agreement and whether or not Montag & Caldwell was in fact trading the expected 30-40% target with Lynch, Jones, & Ryan. Mr. Markwalter believed the actual percent was 23-26% and that a minimum was never formally established. The Board directed Mr. Markwalter to write a letter to the Board stating that it would attempt to meet the 30-40% target trading with Lynch, Jones, & Ryan.

### **ATTORNEY REPORT – JONATHAN FERGUSEN**

Mr. Ferguson reported that the Ordinance was in process. There was nothing else to report at this time.

There was discussion with regards to the potential problems associated with being lumped in with the General Employees Fund. Specifically, what effect does the General Employees Fund's investment policy have on the Police Fund's investments and would non-compliance with State mandates on the General Employees part be cause for loss of Section 185 monies for the Police Fund. Mr. Chambers suggested that the Attorney investigate this issue. The General Employees Investment Guidelines should be obtained from George Bergalis.

Separately, Mr. Chambers believed it to be clear that the Police Fund can maintain separate asset allocation independent of the General Employees.

With regards to the hiring of an International Fund Manager, Mr. Chambers stated that he had researched three different companies and recommends Mercator. Their fees are 1%. A motion was made, seconded, and unanimously approved to hire Mercator as the International Fund Manager.

A subsequent discussion arose as to the amount of money to be invested with Mercator. A motion was made, seconded, and unanimously approved to invest 5% of plan assets with the Mercator Preferred International Value Fund with the money to be transferred from the checking account subject to the review of the Attorney.

### **NEW BUSINESS**

A discussion arose with regards to the overage in the fund and the purchase of additional benefits. One suggestion was to supplement those retirees who were paying for medical insurance and were not yet eligible for Medicare.

Newsletter?????

A motion was made, seconded, and unanimously approved to check eligibility for this new benefit and have the Actuary produce a study on the same.

### **OLD BUSINESS**

Mr. Bergalis with the City prefers not to have a credit card for Pension Fund use.

There being no further business and the next meeting having been previously scheduled for February 19 at 2 PM, the meeting was adjourned at 4:50 PM.

Respectfully submitted,

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Secretary

Note: These minutes are not verbatim, only important issues and motions are reproduced in writing for the benefit of the Fund and its members. The recording itself is the official record for the meeting. The meeting tape is available upon request.