CITY OF FT. PIERCE POLICE OFFICERS' RETIREMENT TRUST FUND
MINUTES OF MEETING HELD
November 17, 2004

Sergeant Tony Hurtado called a meeting of the Board of Trustees to order on November 17, 2004 at 2:15 P.M.

TRUSTEES PRESENT	Chairman Antonio Hurtado Brian Humm Ken Bloomfield Gloria Johnson
OTHERS PRESENT	Burgess Chambers, Burgess Chambers & Associates Nick Schiess, Pension Resource Center Johnathan Ferguson, Smith, Schuster & Russell, P.A. Janey Singer, City of Ft. Pierce

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Trustees reviewed the minutes for the meeting of August 18, 2004. A motion was made, seconded, and unanimously carried to approve the minutes of August 18, 2004.

FINANCIAL REPORT

Janey Singer provided the financial report. Contributions to the Plan were $36,948 for August and September 2004. Expenses were $57,999.69 for August and September 2004 including benefit payments. The balance of assets custodied with Suntrust was $5,351,552. The amount of the Plan's cash balance was $557,488. A motion was made, seconded, and unanimously carried to approve the financial report.

INVESTMENT MONITOR REPORT

Burgess Chambers reported on the investment performance of the Plan on behalf of Burgess Chambers & Associates. Mr. Chambers reported that the investment return for the fiscal year ending September 30, 2004 was 8.1%, which exceeded the actuarial assumption for investment return. He noted that the addition of other asset classes helped boost the total investment return for the Plan. For the fiscal year ending September 30, 2004, a 2.2 % return was achieved from international equities, a 3.3% return was achieved in REIT's, and a 4.3% return was achieved from small cap in a partial quarter, and. The Montag & Caldwell bond portfolio suffered slight underperformance attributable to a conservative strategy that shortened maturity rates in the anticipation of rising interest rates. In addition, the bond portfolio contained only high quality A, AA, and AAA rated bonds, which were out of market favor in comparison to lower quality bonds. Investment earnings for the fiscal year ending September 30, 2004 were $533,999.

For the quarter ending September 30, 2004, investment performance was –0.5% versus 1.0 for the index. Montag & Caldwell performance was –4.0% versus the index of -1.9%, which was attributable to unfavorable sector allocations. Fiscal year performance for Montag & Caldwell was 9.7% versus 13.9% for the benchmark. A lengthy discussion arose regarding the performance of Montag & Caldwell and it was noted that their performance was inconsistent. It was also noted that the Investment Policy specified that the Board conduct a thorough review of an Investment Manager if their performance drops below the top 40th percentile for four consecutive quarters. Mr. Chambers anticipated that the market cycle would soon favor the high quality style of Montag & Caldwell and recommended that the manager remain on the watch list and the Board evaluate their next quarter performance before considering their replacement. The Montag & Caldwell bond portfolio performance was 2.4% versus 2.7% for the index, which Mr. Chambers considered acceptable. Mr. Chambers was questioned regarding the asset allocation for equities and he responded that the total equity allocation was 58% of which 47% was domestic equities and 11% was international equities.

Mr. Chambers reviewed the compliance checklist noting that the Plan was in compliance with all items except the annualized rolling three-year total investment return did not exceed the 7.5% actuarial interest rate assumption, the annualized rolling three-year total investment return ranked below the 40th percentile, and the REIT asset allocation. Mr. Chambers explained that there was a technical difficulty within the Investment Policy due to the existence of a provision within the Ordinance that specifies that REITs must be in the top four tiers of quality. He noted that since the REITS were in a mutual fund, there was difficulty in the monitoring of the quality ratings of the holdings within the fund. To remain compliant with the Ordinance, he recommended the liquidation of Plan's REIT mutual fund shares until the Ordinance was amended. Johnathan Ferguson noted that the Statutes did not impose a quality rating restriction upon REITs and recommended that an Ordinance Amendment lifting the quality restrictions be prepared. A discussion arose regarding which investment account to reallocate the proceeds of the liquidation of the REIT account. Mr. Chambers reported that the small-cap and international mandate was already funded at a maximum allocation and market conditions did not favor bonds and then recommended that the funds be transferred to the Montag & Caldwell equity portfolio. A motion was made, seconded, and unanimously carried to liquidate the REIT mutual fund and transfer the funds to the Montag & Caldwell equity portfolio. Nick Schiess noted that the REIT account with Vanguard was difficult to execute and questioned whether the account should be closed altogether or a small amount be retained in the account to maintain an active status. Mr. Chambers recommended that a minimal amount remain in the account to maintain an active status. A motion was made, seconded, and unanimously carried to authorize the Attorney and Investment Consultant to draft an Ordinance Amendment to remove the quality restrictions of REITs.

ATTORNEY REPORT

Johnathan Ferguson reported that the State had advised verbally agreed that the Chapter 185 minimum benefits could be met through a combination of the City Retirement and Benefit System and the Police Supplemental Plan, however, written confirmation had not been received. A discussion arose regarding additional benefits that might be purchased with Chapter 185 funds and it was noted that the membership was most interested in a health care subsidy until eligibility for Medicare to offset rising heath insurance premiums. A question arose regarding whether Participants electing a lump sum benefit were eligible for the benefit and it was noted that the Board received a prior legal opinion from the Plan's Attorney that these Participants would be eligible for the benefit. A lengthy discussion ensued regarding the eligibility requirements for the benefit and it was decided that the requirements were twenty-five years of participation in the Plan and the duration of the benefit was from normal retirement age until eligibility for Medicare. A discussion arose regarding funding of the heath care subsidy benefit and it was noted that the Plan must not overextend itself in the funding of the benefit. Mr. Ferguson was questioned whether the Plan was permitted to repeal the benefit in the event that future funding was insufficient to purchase the benefit. Mr. Ferguson advised that the Plan was permitted to repeal or reduce the amount of the benefit if necessary. The Trustees decided that a minimum of a 10% buffer was appropriate to include in the costing of the benefit. The Board discussed the continuous monitoring of the available funding for the benefit funding and it was noted that funding could be reviewed yearly and the benefit was not guaranteed to the membership in the event of insufficient funding. A motion was made, seconded, and unanimously carried to authorize the Actuary to perform a cost study to provide a heath care subsidy benefit. Nick Schiess noted that the health care subsidy was considered by the State as an additional benefit that could only be adopted after all the Chapter 185 minimum benefits had been met. He noted that the funding available for the benefit improvement was therefore contingent upon the amount available after the funding of the required minimum benefits. He questioned the Board whether it would be prudent to first attain documented confirmation from the State regarding the piggyback of the minimum benefits before the completion of a cost study received and the Board agreed to postpone the cost study until written confirmation was received from the State.

ADMINISTRATIVE REPORT

Nick Schiess, as a follow up to the last meeting, reported back to the Board on the reduction factor for early retirement. He noted that at the last meeting a discussion arose regarding whether the factor was 3% or the 5% reported in the recent Actuarial Valuation. He reported that he had discussed the matter with the Actuary who had confirmed the early reduction factor was indeed 5%. Mr. Schiess noted that the reduction factor was not defined in the Ordinance. He noted that in the event a Plan provision is not clearly defined by Ordinance, the Board might further define the provision by policy, however, the Board should seek the opinion of the Attorney. Mr. Ferguson agreed to research the matter further noting that the revision of the early reduction factor might be best resolved by the inclusion of the factor along with the Ordinance Amendment easing the quality restriction on REIT's.

Also as a follow up to the last meeting wherein a discussion arose regarding the ramifications of not achieving the actuarial assumption on investment earnings over the long-term, Mr. Schiess reported that he had discussed the matter with the Actuary who had advised that the Plan's reserves of $1,199,827 as of September 30, 2004 were available to fund benefits in the event of poor investment experience.

Nick Schiess provided the Trustees with a list of upcoming educational conferences.

NEW BUSINESS

The Board reviewed a letter dated November 16, 2004 received from Participant Jay Brown, wherein Mr. Brown reported anticipating separating from service and requested to be included in any future benefits adopted by the Plan. A discussion ensued and it was noted that retirees' benefits are determined by the Plan provisions at the date of retirement and extending a single retiree additional benefits would be unfair and most likely illegal. The Board decided that Mr. Bowen must not separate from service to participate in benefit improvements and directed Mr. Ferguson to notify Mr. Bowen that is he is eligible only for benefits in place at date of his retirement.

A discussion arose regarding the methodology for the costing for the purchase of service credit for prior military service and whether it was cost-neutral to the Plan. Nick Schiess advised that the matter should be discussed with the Actuary at the next meeting.

A question arose regarding whether the benefits received from the Plan counted towards the 90% maximum benefit limitation and Johnathan Ferguson agreed to prepare an opinion on the matter for the Board.

OTHER BUSINESS

There being no further business and the next quarterly meeting having been previously scheduled for February 16, 2005 at 2:00 PM, the meeting was adjourned at 3:36 P.M.

Respectfully submitted,

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Secretary