CITY OF FT. PIERCE POLICE OFFICERS' RETIREMENT TRUST FUND
MINUTES OF MEETING HELD
February 18, 2004

Sergeant Tony Hurtado called a meeting of the Board of Trustees to order on February 18, 2004 at 2:15 P.M.

TRUSTEES PRESENT	Sergeant Antonio Hurtado Brian Humm Ken Bloomfield Bruce Perry Gloria Johnson
OTHERS PRESENT	Johnathan Ferguson, Smith, Schuster & Russell, P.A. Scott Baur and Nick Schiess, Pension Resource Center David West, Burgess Chambers & Associates Janey Singer, City of Ft. Pierce Helen Donahue, Montag & Caldwell Steve Palmquist, Gabriel, Roeder & Smith

ELECTION OF TRUSTEE

Scott Baur reported that Brian Humm had been duly re-elected by the police membership for the position of Trustee for another three-year term commencing on October 1, 2003 and ending September 30, 2006. Mr. Baur noted that thirty-four votes had been cast for Mr. Humm while six votes were cast for William Hall. A motion was made, seconded, and unanimously carried to ratify the results of the election.

ACTUARIAL REPORT ON MINIMUM BENEFITS

Steve Palmquist appeared before the Board to discuss the Chapter 185 minimum benefits not yet provided by the Plan. He provided the Board with a document dated February 17, 2004 listing these minimum benefits and then discussed each benefit and deficiencies as compared to the statutory requirements. It was noted that the State provided funding for minimum benefits in Statute 99-1, which stipulates that State contributions in excess of those received in 1998 would accumulate into a reserve account until there is sufficient funding for minimum benefits. It was further noted that the excess must be spent first on these minimum benefits before using these funds for any other purpose. Mr. Palmquist anticipated that the current excess balance was sufficient to fund all the minimum benefits listed and agreed to perform a cost study of these benefits. A lengthy discussion ensued with regards to the implementation of these benefits, which Mr. Palmquist mentioned could be done through the City Retirement and Benefit System or the Supplemental Chapter 185 Plan. He noted that the least costly route would be to amend the City Retirement and Benefit System. The Board discussed the implementation of the benefits through the City and it was noted that the Firefighters' Supplemental Chapter 175 Plan also had similar circumstances with respect to excess State contributions and minimum benefits also not met by their Plan. After further discussion, the Board decided to schedule a special meeting along with the Board of the Firefighters' Supplemental Chapter 175 Plan to further discuss the implementation of the minimum benefits. Mr. Humm questioned whether there was a conflict of interest since he is a Trustee on both the Supplemental 185 Board and the City Retirement and Benefit System and Johnathan Ferguson advised that there was not a conflict of interest.

MINUTES

The Trustees reviewed the minutes for the meeting of November 19, 2003. A motion was made, seconded, and unanimously carried to approve the minutes of November 19, 2003.

FINANCIAL REPORT

Janey Singer reported a balance of $339,839.90 in the Plan's Harbor Federal checking account as of February 18, 2004. A motion was made, seconded, and unanimously approved to accept the Treasury Report.

MONTAG & CALDWELL INVESTMENT COUNCIL

Helen Donahue appeared before the Board on behalf of Montag & Caldwell to deliver an Investment Management report. She updated the Board on personnel changes and reviewed the history of the investment firm noting a long relationship with the Plan.

Ms. Donahue reported that the investment earnings for equities for the year ending December 31, 2003 were 18.94%. Although the portfolio performed well on an absolute basis, it did not do well compared to the benchmark return of 28.69% due to the portfolio's higher quality bias and under weight in the technology sector. Lower quality stocks and the technology components of the index delivered the highest returns. She discussed market factors and anticipated mild market growth and portfolio outperformance of the benchmark once the market cycle favors high quality equities. Ms. Donahue then discussed in great detail sector allocations, portfolio holdings, and portfolio additions and deletions.

Ms. Donahue reported that the investment earnings for fixed income for the year ending December 31, 2003 were 2.9% versus 4.3% for the benchmark. She then discussed the fixed income portfolio and explained that the underperformance of the benchmark was because the bond portfolio was defensively postured in anticipation of rising interest rates. She reviewed economic and market conditions with respect to bond performance in detail and anticipated bond returns to remain flat or negative in the near future.

INVESTMENT MONITOR REPORT

David West reported on the investment performance of the Plan on behalf of Burgess Chambers & Associates. Mr. West noted that the Plan's investment earnings for the quarter ending December 31, 2003 were 5.58% versus the benchmark of 7.82%. He reported that the value of the Plan as of December 31, 2003 was $6,913,317 with investment earnings of $376,280 for the quarter. Mr. West noted that the Plan's investment earnings for the year ending December 31, 2003 were 11.60% versus the benchmark of 19.70%. Mr. West attributed the underperformance of the benchmark due to the underpermance of both the equity and fixed income portfolio managed by Montag & Caldwell noting that three of the last four quarters showed under performance of the benchmark. He then noted that Montag & Caldwell had outperformed the benchmark in volatile years and underperformed the benchmark in growth years.

Mr. West discussed in detail the components of the portfolio. He noted that the return on equities for the year ending December 31, 2003 was 19.07% versus the benchmark of 28.69%. He explained that the underperformance was due to the portfolio's high quality and large cap bias and the fact that the lower quality and small cap component of the index delivered the highest returns. He anticipated that the market cycle would soon favor the portfolio with a subsequent improvement in performance. Mr. West then discussed the fixed income portfolio in great detail, noting that the return for the fiscal year ending December 31, 2003 was 2.90% versus the benchmark of 4.11%. He discussed market conditions and anticipated very little return for bonds in the near future. He reported that the investment return for international equities was 15.8% versus the benchmark of 17.1%.

He then discussed the compliance checklist noting that the Plan was in compliance with all items except the annualized rolling three-year total investment return of -.04% did not exceed the benchmark of 1.5% or the 7.5% actuarial interest rate assumption and the Plan did not rank in the top 40th percentile.

Mr. West then discussed diversification of the Plan's portfolio to increase investment returns while diminishing risk. He provided the Board with an asset allocation study that had been previously discussed and authorized at the meeting of November 19, 2003. Mr. West reviewed the study and recommended the immediate addition of small cap and real estate mandates. He discussed asset allocation and provided the Board with recommendations on the new allocation guidelines, which included the new asset classes. Mr. West discussed strategies to implement the new asset classes noting that the amount to be invested was smaller than required to hire an individual investment manager and subsequently recommended index funds. He then recommended the Vanguard Small Cap Index Fund and the Vanguard REIT. Mr. West provided the Board with a revised Investment Policy Statement, which included the proposed additions in asset classes. He discussed in great detail the changes to the investment policy included the appropriate indexes for the new asset classes.

The Board discussed diversification and acknowledged the importance of realizing investment returns at least equal to the actuarial assumption of 7.5%. After a thorough and careful deliberation of the changes proposed by Mr. West, a motion was made, seconded, and unanimously approved to adopt the amended investment policy and funding of the Vanguard Small Cap Index Fund and the Vanguard REIT.

Mr. Baur noted that the Plan's checking account carried an unnecessarily high balance and questioned whether a portion of the cash could be used to help fund the new investment mandates. The Board discussed the operating requirements of the Plan and determined that a cash balance of $60,000 was adequate to meet short-term obligations. A motion was made, seconded, and unanimously approved to transfer $250,000 from the Plan's checking account into the new investment mandates.

ATTORNEY REPORT

Jonathan Ferguson reported that that there were not any outstanding legal issues to report to the Board.

OTHER BUSINESS

The Board discussed a prior actuarial study on providing a supplemental health insurance subsidy benefit to retirees. It was concluded that all the minimum benefits must first be provided by the Plan before offering any additional benefits.

ADMINISTRATOR'S REPORT

Scott Baur provided the Trustees with a list of upcoming educational conferences for 2004. Mr. Baur questioned the procedure regarding disbursements and it was noted that disbursements were issued by Janey Singer and subsequently presented to the Board. It was also noted that the only item presented to the Board for pre-approval were Applications for retirement. Mr. Baur thanked the Trustees for authorizing the Administrator to provide additional services to the Plan and noted that the addendum to the contract had been reviewed and approved by the Plan's Attorney and would be ready for signatures at the next meeting.

There being no further business and the next quarterly meeting having been previously scheduled for May 19, 2004 at 2:00 PM, the meeting was adjourned at 4:13 P.M.

Respectfully submitted,

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Secretary