

**CITY OF FT. PIERCE POLICE OFFICERS' RETIREMENT TRUST FUND
MINUTES OF MEETING HELD**

May 19, 2004

Brian Humm called a meeting of the Board of Trustees to order on May 19, 2004 at 2:22 P.M.

TRUSTEES PRESENT

Chairman Anthony Hurtado (2:50 PM)
Brian Humm
Bruce Perry
Gloria Johnson

OTHERS PRESENT

Burgess Chambers, Burgess Chambers & Associates
Johnathan Ferguson, Smith, Schuster & Russell, P.A.
Nick Schiess, Pension Resource Center

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Trustees reviewed the minutes for the meeting of April 7, 2004. A motion was made, seconded, and unanimously carried to approve the minutes of April 7, 2004.

FINANCIAL REPORT

The financial report was tabled until the next meeting.

INVESTMENT MONITOR REPORT

Burgess Chambers reported on the investment performance of the Plan on behalf of Burgess Chambers & Associates. Mr. Chambers noted that the Plan's investment return for the quarter ending May 31, 2004 was 2.0% versus the benchmark of 2.3%. He reported that the investment return for the fiscal year-to-date was 7.9% resulting in earnings of \$513,955. Mr. Chambers then discussed the performance of Montag & Caldwell noting that this Investment Manager had consistently poor performance relative to the benchmark. He recommended for the record that the Board restate that it has concerns over the underperformance but take no action at this time. Mr. Chambers discussed market performance relative to capitalization and quality, noting that the Montag & Caldwell equity portfolio contained only high quality stocks. He explained that the underperformance in the past year 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. However, the recent market cycle has favored high quality

stocks but Montag & Caldwell's return for the quarter ending May 31, 2004 was just 1.9% versus the benchmark of 1.7%.

Mr. Chambers then discussed the fixed income portfolio, noting that the return for the quarter ending May 31, 2004 was -2.0% versus the benchmark -2.4%. He attributed the loss to rising interest rates.

Mr. Chambers noted that at the last meeting, the Board had adopted changes in the asset allocation. Because of recent changes in market conditions due to rising interest rates, he recommended an amendment of the prior asset allocation and provided the Board with a new proposed asset allocation schedule. He discussed the revised asset allocation, which reduced the REIT allocation along with a corresponding increase in the bond allocation of 5%.

Mr. Chambers discussed the compliance checklist noting that the Plan was in compliance with all items except the annualized rolling three-year total investment return of 3.8% did not exceed the benchmark of 4.4% or the 7.5% actuarial interest rate assumption. Mr. Chambers noted 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. He noted that three of the last four quarters were below this level and the other quarter was only at the 38th percentile. A lengthy discussion on the long-term performance of Montag & Caldwell ensued. It was noted that Montag & Caldwell's performance was exceptionally good during the recent down years. Mr. Chambers discussed the management style of Montag & Caldwell, noting that there was evidence of style drift. Mr. Chambers recommended that the Board monitor the 2nd Quarter performance of Montag & Caldwell and consider their replacement if this performance is poor. The Board agreed to schedule a special meeting in July 2004 to review the 2nd Quarter 2004 performance of Montag & Caldwell and other pending issues.

Tony Hurtado entered the meeting. Mr. Burgess offered to conduct an on-site visit of Montag & Caldwell provided that performance for the 2nd Quarter 2004 was satisfactory and the Board retained the manager.

ATTORNEY REPORT

Jonathan Ferguson reported the proposed Ordinance to adopt the minimum benefits for the Plan was discussed at the last meeting of the City Retirement and Benefit System. He noted that the Board was reluctant to adopt the minimum benefits without a guarantee that the future Chapter 185 funds would be enough to consistently fund the cost of the benefit improvements.

As a legislative update, Mr. Ferguson reported that House Bill 330 passed defining the use of Chapter 185 contributions as defined in Statue 99-1. This mandates the City to use the excess monies to purchase additional benefits or risk losing future State contributions. Mr. Ferguson advised that he was examining this new law as it relates to

the adoption of the minimum benefits by the City and would report on the matter at the next meeting. He reported that the law also specifies the creation of a database to accurately track premium tax revenues, which may increase or decrease the amount of Chapter 185 revenue the Plan receives based upon the residences actually recorded within the City's jurisdiction. A lengthy discussion arose as to the impact of this upon the Plan's revenues and it was noted that due to the large amount of citizens in the local unincorporated areas, the Plan's Chapter 185 contributions would likely decrease once the new boundaries were established.

Brian Humm discussed the proposed minimum benefits improvements, which would raise the Plan's multiplier from 1% to 2%. He noted, however, the Plan's provisions limit the benefit to a maximum of \$1,000 per month in retirement benefits. It was noted that the predominant cost of funding the minimum benefits was for increasing the multiplier. Mr. Humm questioned the actual cost of the benefit given that increasing the multiplier would not affect the monthly benefit for most of the members due to the \$1,000 per month limitation in benefits. A question arose whether this was considered in the preparation of the cost study for the minimum benefits and Mr. Ferguson agreed to contact Steve Palmquist regarding the issue. He also agreed to contact the State regarding the legality of adopting a 2% multiplier but with the \$1,000 per month limitation.

ADMINISTRATOR'S REPORT

Nick Schiess reminded the Trustees that their financial disclosure forms were required to be filed with the Supervisor of Elections in their county of residence by July 31, 2004. He discussed an alternative procedure regarding disbursements. The Board reviewed the current disbursement procedure and deemed it sufficient.

Mr. Schiess provided the Board with information on the upcoming FPPTA Conference in Naples, FL. He submitted the Administrator's amended contract to the Board for execution, noting that it had been reviewed and approved by the Plan's Attorney. He also submitted the Application for Vanguard for the Small Cap Index Fund and REIT for ratification, which had been approved at the last meeting.

OTHER BUSINESS

Mr. Schiess noted that a revised Summary Plan Description was due by September 2004 and that he had been written by the Actuary with an offer to produce the document for the Board. He noted that a Trustee had requested through Janey Singer that the Administrator prepare the revised Summary Plan Description. Mr. Schiess advised that the Administrator usually does not prepare Summary Plan Descriptions, which are legal documents prepared by a Plan's Actuary or Attorney. However, Mr. Schiess agreed to assist in the production of the document subject to review by the Board and the Plan's Attorney. It was noted that adoption of the pending minimum benefits would necessitate the subsequent revision of the Summary Plan Description, however the Statutes specify the revision of the document every two years. Mr. Schiess then presented the Board with

a copy of the 2002 Summary Plan Description received from the City. Given the Plan's provisions had not changed since 2002, Mr. Schiess recommended reusing the language regarding the Plan provisions and updating the Plan's asset information. A discussion arose as to whether information on the 2002 Summary Plan Description provided to the Board was complete. Gloria Johnson provided Mr. Schiess with a copy of the 1998 Summary Plan Description. Mr. Schiess agreed to verify with Janey Singer whether the information on the 2002 Summary Plan Description was indeed complete and then to draft the 2004 Summary Plan Description based upon the information provided for review by the Board and the Plan's Attorney.

A discussion arose to annual benefit statements produced by the Actuary for the eleven members eligible for a lump sum pension benefit and it was noted that the information appeared to be incorrect. It was concluded that the information was derived from erroneous data provided to the Actuary by the City. Gloria Johnson agreed to research the matter and report back to the Board.

Mr. Schiess reported the member Hall Solomon had been rehired and had requested to buy back service credit for the period of August 20, 1999 through his termination date of February 3, 2004. He noted that the Actuary had confirmed that members are allowed to purchase service credit for an interest rate to be determined by the Board. The Board discussed an applicable interest rate to charge Mr. Hall. A lengthy discussion ensued regarding the Statutes and the provisions of the City Retirement and Benefit System as they relate to the buy back of prior service credit. Mr. Ferguson agreed to research the provisions of the City Retirement and Benefit System and report back to the Board. A discussion arose regarding buy backs for military service and it was noted that the provisions of the City Retirement and Benefit System allow the purchase of service credit for up to three years of service credit and the Actuary must calculate the cost of military service credit.

There being no further business and the next quarterly meeting having been previously scheduled for August 18, 2004 at 2:00 PM, the meeting was adjourned at 3:50 P.M.

Respectfully submitted,

Secretary