

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

July 21, 2004

Anthony Hurtado called a meeting of the Board of Trustees to order on July 21, 2004 at 2:02 P.M.

TRUSTEES PRESENT

Anthony Hurtado
Brian Humm
Bruce Perry
Gloria Johnson
Ken Bloomfield

OTHERS PRESENT

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

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Trustees reviewed the minutes for the meeting of May 19, 2004. A motion was made, seconded, and unanimously carried to approve the minutes of May 19, 2004.

FINANCIAL REPORT

Janey Singer provided the financial report. Contributions to the Plan were \$96,658 for January through June 2004. Total disbursements, including benefit payments, were \$98,868.19 for January through June 2004. Total Plan assets, including cash and investments, were \$7,384,125.82 as of June 31, 2004. 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 provided the Board with a preliminary quarterly report on the performance of Montag & Caldwell. Mr. Chambers reminded the Board that at the last meeting, the Board determined that the performance of Montag & Caldwell was to be analyzed for the 2nd quarter 2004 and if not in the top 40th percentile, a subsequent discussion by the Board would follow regarding their possible termination. He reported that Montag & Caldwell's performance for the quarter ending June 31, 2004 ranked the Plan in the 20th percentile for equities and 33rd percentile for fixed income.

Since Montag & Caldwell's performance was satisfactory for the quarter and ranked above the 40th percentile, Mr. Chambers recommended that the investment manager be retained but with careful monitoring of their future performance. Mr. Chamber also reminded the Board that if Montag & Caldwell was retained, he would then provide an on-site visit to the Investment Manager, which he anticipated would take place prior to the next quarterly meeting. He discussed the inconsistency of Montag & Caldwell's performance and noted that this issue would be addressed during his personal visit. The Board decided to retain Montag & Caldwell but with the understanding that their future performance would be carefully monitored. Mr. Chambers discussed the overall performance of the portfolio reporting a .8% return in the quarter ending June 31, 2004, which was a quarter in which equity performance was flat overall. He reported that the long-term performance of Montag & Caldwell, which was 3.2% for the latest 3-year rolling period. Mr. Chambers then discussed the diversification into REIT's, international equities, and small cap, which he advised should help the overall performance of the portfolio. A question arose to the REIT allocation, which Mr. Chambers replied was 5%.

Mr. Chambers discussed his current contract with the Board reporting that the Investment Consultant's fee was \$12,000 annually. He noted that this fee was inclusive of allocation studies, investment manager searches, performance reviews, and special projects. He noted that the complexity and workload has increased with the addition of three investment managers and respectfully proposed an increase of the annual fee to \$15,000 effective October 1, 2004. A question arose whether the proposed fee was comparable to those paid by his other clients. Mr. Chambers stated that the proposed fee was a reasonable and customary fee for a Plan of comparable size and the minimum fee for a new client was \$15,000 annually. Mr. Chambers was questioned regarding a rate guarantee and he offered to guarantee the fee for 3 years. A question arose as to whether the Plan was locked into the contract and Jonathan Ferguson noted that the contract specified that either party could terminate the contract at will. A discussion arose regarding the fiduciary liability of Burgess Chambers & Associates and Mr. Ferguson noted that the contract does specify that Burgess Chambers & Associates indemnified the Board for negligence, carried general liability and errors and omissions coverage of at least \$1 million, and carried fidelity insurance of at least \$500,000. Mr. Chambers discussed the growing trend towards a contractual requirement of the disclosure of conflict of interest and offered to amend the contract with this provision. After a careful and thorough discussion a motion was made, seconded, and unanimously carried to increase the fees to \$15,000 annually effective October 1, 2004. Mr. Ferguson agreed to amend the contract to include a provision for the disclosure of conflict of interest.

ATTORNEY REPORT

Jonathan Ferguson reported that as a result of a prior discussion with the State Division of Retirement, the State had indicated that the minimum benefits not yet provided by the Plan could be met through a combination of the City Retirement and Benefit System and the Police Supplemental Plan. He reported that he was awaiting written confirmation of this position from the State. Therefore, the minimum required benefits could be adopted

without the passing of an Ordinance by the City Retirement and Benefit System. He reported that the Actuary had agreed to re-cost the minimum benefits once written confirmation of the State's position was provided.

OTHER BUSINESS

The Board discussed the purchase of prior military service credit. A question arose whether the buy-back of prior military service was considered an additional benefit that could only be adopted after the State specified minimum required benefits are met. Mr. Ferguson advised that the military service buy-back would not be considered a new benefit since the City Retirement and Benefit System, which the Police Supplemental Plan is allowed to piggyback, already provided this benefit prior to the passage of Statute 99-1. It was noted that Participants Steve Seabrown and Richard Debeuick had expressed interest in the purchase of prior military service credit. It was then noted that the Actuary must perform the calculation based upon the provisions of the City Retirement and Benefit System Ordinance, which specified that the Participant had been employed for 5 years and the buy-back must be completed prior to retirement. Mr. Ferguson then discussed the purchase of prior service credit noting that the provisions of the City Retirement and Benefit System Ordinance specified that the Participant must complete the buy-back within 2 years of reemployment provided that the break in service was less than 5 years and the interest was charged at the rate of 6% from the date of separation of service. Gloria Johnson stated that this calculation had historically been performed by the Finance Department. It was noted that Participant Hall Soloman had requested to purchase prior service credit and other Participants also met the specifications to qualify for the benefit. A question arose whether the Ordinance must be amended to allow the purchase of prior service. Mr. Ferguson advised that Chapter 185 Statutes allowed the Police Supplemental Plan to provide benefits offered under the City Retirement and Benefit System Ordinance, which already provided this benefit. A motion was made to allow the buy-back of prior service credit to those Participants who met the requirements set forth in the Ordinance of the City Retirement and Benefit System and for the amount calculated by the Finance Department. Mr. Ferguson recommended that the motion be specific for each Participant requesting the benefit in order that the Board could individually review each request. The motion was amended to allow Hall Soloman to purchase prior service credit upon meeting the requirements set forth in the Ordinance of the City Retirement and Benefit System and for the amount calculated by the Finance Department.

Nick Schiess provided the Board with a revised Summary Plan Description. He noted that it was essentially a reproduction of the two prior Summary Plan Descriptions updated with current date and financial information. The Board reviewed the revised Summary Plan Description and Mr. Schiess agreed to amend the document with changes directed by the Board and forward it to the Attorney for final review. Mr. Schiess recommended that the Summary Plan Description also be reviewed by the Actuary for accuracy. A motion was made, seconded, and unanimously carried to authorize the Actuary to review the Summary Plan Description.

As a follow up to the last meeting, a discussion arose to annual benefit statements produced by the Actuary for the eleven members eligible for a lump sum pension benefit wherein the information was incorrect. Gloria Johnson reported that an error had occurred with the data provided to the Actuary. A question arose regarding the reproduction of the statements and the associated cost of doing so. Mr. Schiess agreed to research the additional cost of reproducing the statements with the Actuary.

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 3:11 P.M.

Respectfully submitted,

Secretary