

CITY OF FT. PIERCE POLICE OFFICERS' RETIREMENT TRUST FUND
MINUTES OF MEETING HELD
November 28, 2005

Chairman Tony Hurtado called a quarterly meeting of the Board of Trustees to order on November 28, 2005 at 2:05 P.M. in the Finance Department Conference Room located at Fort Pierce City Hall, Fort Pierce, Florida.

TRUSTEES PRESENT

Antonio Hurtado
Brian Humm
Ken Bloomfield
Gloria Johnson

OTHERS PRESENT

Burgess Chambers, Burgess Chambers & Associates
Nick Schiess, Pension Resource Center
Bonni Jensen, Hanson, Perry, & Jensen P.A.
Christine Luna, City of Ft. Pierce
Steve Palmquist, Gabriel, Roeder, & Smith

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Trustees reviewed the minutes for the meetings held May 18, 2005, August 17, 2005, and September 16, 2005. Ken Bloomfield made a motion to approve the minutes for the meetings held May 18, 2005, August 17, 2005, and September 16, 2005. Gloria Johnson seconded the motion, approved by the Trustees 4-0.

FINANCIAL REPORT

Christine Luna provided a financial report to the Board. The balance of invested assets was \$7,675,636.06 and the amount of the cash balance was \$1,027,353.94 as of November 28, 2005. A discussion arose regarding the cash balance and it was noted that several lump sum retirements were pending, which would require a substantial distribution of the cash balance. Ken Bloomfield made a motion to accept the financial report. Gloria Hall seconded the motion, approved by the Trustees 4-0.

INVESTMENT CONSULTANT REPORT

Burgess Chambers provided a report on the investment performance of the portfolio on behalf of Burgess Chambers & Associates. For the quarter ending September 30, 2005, the investment return was 4.5% versus 2.6% for the index. For the fiscal year ending September 30, 2005, the investment return was 10.6% versus 9.3% for the index.

Mr. Chambers reviewed the compliance checklist and performance objectives noting that all items were within compliance and all performance objectives were met with the exception of the exceeding the benchmark over a trailing three-year period and ranking within the 40th percentile, which was attributable to the underperformance of the former investment manager Montag & Caldwell. Mr. Chambers was questioned regarding the anticipated time frame for increased investment performance given the recent changes within the portfolio and he anticipated at least a year would be required to observe a material increase in investment performance.

Mr. Chambers reviewed the asset allocation and investment performance within each asset class for the quarter ending September 30, 2005. The investment return of the C.S. McKee equity portfolio was 4.3% versus the index of 3.6%. The investment performance of the Vanguard small cap fund was 5.3% versus the index of 4.7%. The Vanguard international fund investment return of 9.8% lagged the index of 10.4%, which was attributable to an under weighting in the energy sector during a period of growth, however, Mr. Chambers anticipated the trend of the growth in the energy sector to reverse due to volatility in oil prices.

ACTUARY REPORT

Steve Palmquist appeared before the Board on behalf of Gabriel, Roeder, & Smith to discuss the adoption of a supplementary health benefit. He recapped the issues surrounding the adoption of the additional benefit reminding the Board that the Chapter 185 minimum benefits must first be met before additional benefits can be adopted. He noted the importance of meeting the minimum benefits efficiently and advised that because the minimum benefits could have been met with a lesser cost through the City's Retirement and Benefit Plan that he had brought the matter before the Board of that Plan, however, that Board had refused further consideration of the matter. Therefore, the next step was to determine whether the State would permit the meeting of the minimum benefits through a combination of the Supplemental Plan and the City's Retirement and Benefit Plan. The State had previously issued a verbal opinion that the minimum benefits could be met through a combination of both Plans and subsequently written confirmation had been requested from the State. The State had only recently provided notification that the minimum benefits could be met through a combination of both Plans. Bonni Jensen announced that she had discussed the matter with the State and confirmed that the minimum benefits could be met through a combination of both Plans. Mr. Palmquist then discussed the individual provisions of the Plan that must be amended to meet the minimum benefit requirements. He noted that he must demonstrate to the State that the value of the multipliers through both Plans is equal or greater than 3%, which he anticipated was possible without additional improvement. He explained that the funding would be required to subsidize the early retirement reduction factor of the City's Retirement and Benefit Plan, which would be less expensive to fund through the City's Retirement and Benefit Plan but could likely not occur without the support of the Board of the City's Retirement and Benefit Plan. Brian Humm noted that it was unlikely that the Board would reverse its previous position on the matter. Mr. Palmquist explained that the provisions for vesting and service related disability benefits must also be amended.

Mr. Palmquist reported that the Chapter 185 distribution for the current year was \$345,000, the baseline was \$295,000, and the reserve account contained a balance of \$175,000. He anticipated that sufficient funds existed for the funding of the Chapter 185 minimum benefits. It was noted that the Board had previously authorized an actuarial cost study on the purchase of the minimum benefits. Mr. Palmquist advised that the cost study would be prepared based upon the 2005 Actuarial Valuation and presented along with the Valuation at the February 2006 quarterly meeting.

ATTORNEY REPORT

Bonni Jensen provided the Board for execution an Agreement for Legal Services and she reviewed the provisions therein.

Ms. Jensen provided the Board with a draft Trustee Travel Expense Policy and discussed in detail the provisions therein. A question arose whether reimbursement was possible for expenses above the limits of the Policy and Ms. Jensen advised that reimbursement was possible for additional expenses and these instances should be brought before the Board as they occurred. Brian Humm made a motion to adopt the Trustee Travel Expense Policy. Ken Bloomfield seconded the motion, approved by the Trustees 4-0.

A discussion arose regarding the authority over the Supplemental Plan and a question arose whether the City's Retirement and Benefit Plan has any authority over the Supplemental Plan. Ms. Jensen advised the while the Board of the City's Retirement and Benefit Plan does not have any legal authority over the Supplemental Plan, the City might have granted that Board authority for the staff committee review of benefit improvements. She noted that the Board of the Supplemental Plan does not have the authority to adopt benefits, which instead must be adopted by the City by Ordinance.

Ms. Jensen was questioned regarding the computation of Chapter 185 distributions and she advised that the State was in the process of creating a database to accurately track premium tax revenues. Mr. Palmquist noted that the database would be utilized to determine the distribution for the year 2006 and that the distribution statutorily cannot decrease through the year 2008.

A question arose regarding the Board's lengthy operation without one City appointed Trustee. Ms. Jensen advised that the Board cannot be liable for the City's failure to appoint a Trustee and therefore any issues that might arise as a result would be the City's responsibility.

ADMINISTRATIVE REPORT

Nick Schiess reminded the Board that an investment manager report had been provided in person from Montag & Caldwell semiannually and he questioned the scheduling of presentations for the replacement manager C.S. McKee. Burgess Chambers recommended the scheduling of one annual presentation if performance is satisfactory and more frequently if necessary and the Board agreed.

Mr. Schiess reported that the Administrator had conducted only one prior employee Trustee election for which and the term of office had been recorded as three years. He explained that previous research into policy regarding Trustee elections had yielded no information and the election that was conducted was based upon the specifications of a previous Trustee election on file prior to the engagement of the Pension Resource Center. He advised that a misfiled Resolution had been discovered in the file archives, which specified that the term of office was actually two years instead. Therefore, the terms of office had expired for Brian Humm on September 30, 2005 and Tony Hurtado on September 30, 2004 and also the term for the fifth Trustee Ken Bloom field had already expired. A lengthy discussion arose regarding rectifying the situation. It was noted that the Resolution specified the staggering of the terms of office. The Board decided that an election must be held for both employee Trustees and the appointment of a fifth Trustee with the terms of office commencing January 1, 2006. In order to implement the staggering of the terms for the employee Trustees, the Board decided to establish a one-year term for the seat currently held by Tony Hurtado and a two-year term for the position currently held by Brian Humm.

OTHER BUSINESS

Nick Schiess reported that the Summary Plan Description was due for revision. A discussion arose regarding whether to postpone revising the Summary Plan Description given the pending benefit improvements. Ms. Jensen advised that the revision of the Summary Plan Description should proceed immediately regardless and the Board agreed.

A discussion arose regarding the Statutory maximum pension limitation of 100% of final average salary and whether the combination of benefits accrued under both the Supplemental and City's Retirement and Benefit Plan could exceed this limitation. Ms. Jensen agreed to research the matter and report back to the Board.

It was noted that Ordinance Amendment K-389 had passed revising the investment provisions of the Plan. Burgess Chambers advised that the Investment Policy Statement must therefore also be revised to reflect the revised provisions. Brian Humm made a motion to revise and adopt the Investment Policy Statement based upon prior discussions and the passage of the Ordinance Amendment and grant the Chairperson the authority to execute the Statement in between meetings. Ken Bloomfield seconded the motion, approved by the Trustees 4-0. Mr. Chambers agreed to revise the Investment Policy Statement, provide the revised Statement to the Chairperson for execution, and subsequently file the revised Statement with the appropriate parties.

There being no further business, the meeting was adjourned at 4:01 P.M. The next meeting was to be scheduled by the Administrator in the month of February 2006.

Respectfully submitted,

Secretary