CITY OF FT. PIERCE POLICE OFFICERS' RETIREMENT TRUST FUND
MINUTES OF MEETING HELD
February 16, 2005

Sergeant Tony Hurtado called a meeting of the Board of Trustees to order on February 16, 2005 at 2:11 P.M.

TRUSTEES PRESENT	Chairman Antonio Hurtado Brian Humm Ken Bloomfield Gloria Johnson
OTHERS PRESENT	Helen Donahue, Montag & Caldwell Steve Palmquist, Gabriel, Roeder, and Smith Burgess Chambers, Burgess Chambers & Associates Nick Schiess, Pension Resource Center Patrick Pinkney, 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 held November 17, 2004. A motion was made, seconded, and unanimously carried to approve the minutes of November 17, 2004.

FINANCIAL REPORT

Janey Singer provided the financial report. For the period of October 2004 through January 2005, contributions to the Plan were $85,243.57 and expenses were $23,070.09. The balance of assets custodied with Suntrust was $5,449,346.15. The amount of the Plan's cash balance was $786,994. A motion was made, seconded, and unanimously carried to approve the financial report.

ACTUARIAL VALUATION

Steve Palmquist appeared before the Board on behalf of Gabriel, Roeder, and Smith to present the Actuarial Valuation for the fiscal year ending September 30, 2004. Mr. Palmquist discussed the funding sources of the Plan, which consisted of Chapter 175 contributions, Participant contributions of 3.5% of payroll, but not funding from the City. He reported that for the fiscal year, Participant contributions were $197,000 and State contributions were $294,000 leaving a deficit in funding requirements of $224,276, which was funded from the Plan reserve leaving an ending balance of the reserve account of $1,196,137. He explained that the cost of the Plan increased as a result of an actual increase in payroll of 12% versus the actuarial assumption of 6.9%, which was attributable to additional payroll as a result of the recent hurricanes. The cost of the Plan also increased because the actuarial rate of return on assets was 2.4% versus the actuarial assumption of 7.5% due to the effect of investment losses in the years 2000 and 2001 calculated within the four-year smoothing of the Plan's investment return.

The Board noted that the actual investment return had not achieved the actuarial assumption in many years and Mr. Palmquist was questioned regarding the source of funding to replace the funding deficit as a result of the lower than expected investment earnings. Mr. Palmquist responded that the deficit might either be funded from increasing Participant contributions or from the Plan's reserve or even decreasing benefits. He noted that the Plan's reserve was a significant percentage of total Plan assets. A motion was made, seconded, and unanimously carried to approve the Actuarial Valuation.

Mr. Palmquist was questioned regarding the methodology for the costing of the purchase of service credit for prior military service and whether the benefit was cost-neutral to the Plan. He responded that Plan would have to be amended to provide the benefit and the cost to the Participant could be based either on their contributions to the Plan or the full actuarial cost to the Plan. He explained that in the event the cost was based upon only the Participants' contribution to the Plan, an actuarial loss to the Plan would occur and only the full actuarial cost method would be cost neutral to the Plan. Brian Humm noted that the intent was to design the Plan's benefits as similar as possible to the benefits provided in the City Retirement and Benefit System. A discussion arose regarding the advantages to the Participants if the cost was the full actuarial value and Mr. Palmquist noted that main advantage would to satisfy the service eligibility requirements for retirement.

It was noted that the benefit statements prepared for Participants eligible for lump sum distributions were erroneous the prior year because incorrect data was provided to Mr. Palmquist from the City. Mr. Humm noted that eligibility requirements for normal retirement were amended from age 55 to age 55 or 25 years of service and questioned whether the statements were based upon the amended criteria. Mr. Palmquist explained that the basis was age 55 because it was important not to overstate benefits and also to take into consideration that a Participant might separate from service with a vested deferred benefit and would therefore not be eligible for a distribution until age 55. He noted that the format of the statements had been revised and the amount of the benefit at age 55 or 25 years of service would both be reported, which should alleviate the confusion.

Mr. Palmquist questioned the Board regarding the proposed health care supplement benefit under consideration by the Board. Mr. Schiess noted that it was essential to first determine the funding required to meet the Chapter 175 minimum benefits to determine the amount of funding available for the proposed health care supplement benefit. Although written confirmation had not been received from the State that the Chapter 175 minimum benefits could be met through a combination of the City Retirement and Benefit System and the Police Supplemental Plan, Patrick Pinkney reported that Mr. Ferguson had deemed that the previously attained verbal confirmation received from the State was sufficient and recommended that the Board proceed with the cost study for the proposed health care supplement benefit. It was noted that the Board had authorized the

Actuary to prepare a cost study for the health care supplement benefit at the last meeting. Nick Schiess reviewed the criteria of the health care supplement benefit set forth by the Board also at the last meeting.

MONTAG & CALDWELL INVESTMENT COUNCIL

Helen Donahue appeared before the Board on behalf of Montag & Caldwell to deliver an Investment Management report. She reviewed the characteristics of the firm noting that the assets under management were $28 billion of which 94% was large cap equities. Ms. Donahue discussed the portfolio management team, investment process, holdings within the portfolio, and recent transactions. She then discussed market conditions and anticipated that the future investment return for the portfolio would be 16.5% versus 6.1% for the S&P 500 index.

Burgess Chambers discussed the long-term underformance of the Montag & Caldwell equity portfolio and questioned Ms. Donahue regarding the disparity between previous earnings forecasts versus actual performance. Ms. Donahue responded that the investment process was intact and that the management style had been out of market favor for which both the duration and degree were unusually long. She noted that the long-term performance exceeded both the S&P 500 and Russell 1000 indexes. She attributed the underperformance in the year 2004 to poor stock selection. Mr. Chambers questioned the capitalization of the holdings within the portfolio and Ms. Donahue responded that the minimum capitalization was over $10 billion. Mr. Chambers questioned Ms. Donahue when improvement in performance was expected and Ms. Donahue responded that the precursors were in place for improved performance and the catalyst would be high relative earnings for high quality equities versus lower earnings for small cap equities. Mr. Chambers questioned Ms. Donahue whether dispersion existed with the accounts managed by Montag & Caldwell and Ms. Donahue responded that dispersion did not exist.

Ms. Donahue reported that the investment return for equities for the quarter ending December 31, 2004 was 5.46% versus the benchmark of 9.23% for the S&P 500. She attributed the underperformance to an underweight in the financial sector and an overweight in the healthcare sector.

INVESTMENT MONITOR REPORT

Burgess Chambers reported on the investment performance of the Plan on behalf of Burgess Chambers & Associates. Mr. Chambers reported that diversification helped overall performance of the total portfolio. He advised that he was not confident in the projection of the performance of the Montag & Caldwell equity portfolio provided by Ms. Donahue. He also advised that he was not comfortable with the high allocation to the Montag & Caldwell equity portfolio, however, advised that it was prudent to still participate in the large cap high quality style. He recommended splitting the current 40% allocation of the Montag & Caldwell equity portfolio and engaging an additional large cap manager with a complimentary large cap management style. He noted that the cost for a manager search was included in the investment consulting fees. The Board authorized Mr. Chambers to conduct a search for an additional large cap Investment Manager.

For the quarter ending December 31, 2004, overall investment performance was 5.9% versus 6.9% for the index representing investment earnings of $420,483. The best performance was achieved by the REIT portfolio with a 15% return. The return of the small cap portfolio was 14.0% and the international portfolio was 13.6%. The return for the fixed income portfolio was 0.6% versus 0.4% for the index.

Mr. Chambers reviewed the compliance checklist noting that the Plan was in compliance with all items, however, the investment objectives were not achieved due to the underperformance of the Montag & Caldwell equity portfolio.

Mr. Chambers noted that the pending Ordinance Amendment would remove the previously discussed restriction on the quality rating of the holdings within a REIT portfolio and therefore permit reentry into the asset class.

ATTORNEY REPORT

Patrick Pinkney provided the Board with a memorandum dated February 14, 2005 from Jonathan Ferguson containing the status of various legal issues before the Board. The Ordinance Amendment containing provisions to modify the REIT investment criteria and adopt an early retirement reduction factor of 3% had been prepared and would be submitted to the City for adoption. Mr. Ferguson did not have the opportunity to complete a review of whether the 90% maximum benefit limitation applied to benefits received simultaneously from the City Retirement and Benefit System and the Police Supplemental Plan.

ADMINISTRATIVE REPORT

Nick Schiess reported that the revision of the Summary Plan Description was pending the passage of the Ordinance Amendment adopting the revised early retirement reduction factor and would be completed after the adoption of the Amendment.

Mr. Schiess reported that a replacement Trustee had not been appointed by the City for the vacancy as a result of the resignation of Bruce Perry. The Board directed Mr. Schiess to correspond with City clerk Sandra Steele regarding the matter.

OTHER BUSINESS

There being no further business and the next quarterly meeting having been previously scheduled for May 18, 2005 at 2:00 PM, the meeting was adjourned at 3:36 P.M.

Respectfully submitted,

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Secretary