

**CITY OF FT. PIERCE POLICE OFFICERS' RETIREMENT TRUST FUND**  
**MINUTES OF MEETING HELD**  
August 17, 2005

Sergeant Tony Hurtado called a quarterly meeting of the Board of Trustees to order on August 17, 2005 at 2:05 P.M.

**TRUSTEES PRESENT** Chairman Antonio Hurtado  
Brian Humm  
Ken Bloomfield  
Gloria Johnson

**OTHERS PRESENT** Burgess Chambers, Burgess Chambers & Associates  
Nick Schiess, Pension Resource Center  
Jonathan Ferguson, Smith, Schuster & Russell, P.A.  
Christine Luna, City of Ft. Pierce  
Helen Donahue, Montag & Caldwell

**PUBLIC COMMENTS**

There were no public comments.

**MINUTES**

The Trustees tabled the approval of the minutes for the meeting held May 18, 2005 until the next quarterly meeting.

**FINANCIAL REPORT**

Christine Luna provided a financial report to the Board. The balance of invested assets was \$7,481,004.04 and the amount of the cash balance was \$646,862.12 as of August 17, 2005. Gloria Hall made a motion to accept the financial report. Brian Humm seconded the motion, approved by the Trustees 4-0. Jonathan Ferguson reported that the pending State distribution was calculated to be the amount of \$345,071.00.

**INVESTMENT MANAGER REPORT - MONTAG & CALDWELL**

Helen Donahue appeared before the Board on behalf of Montag & Caldwell to provide an investment performance of the portfolio for the quarter ending June 30, 2005. She discussed the characteristics of the firm noting that the firm consisted of 63 employees managing over \$24B in assets with no employee turnover since the year 1987.

Ms. Donahue discussed the investment strategy of the equity portfolio noting that the portfolio consisted of thirty to forty large cap high quality growth equities. She then reviewed the sector allocations, holdings, and transactions within the portfolio in great detail. Ms. Donahue reported that the investment return for the equity portfolio was 4.4% versus 2.9% of the S&P 500 index for the fiscal year-to-date as of August 15, 2005. She reviewed the long-term performance of the equity portfolio noting that the large cap high

quality growth style had been out of market favor for an unprecedented period of time. Burgess Chambers questioned Ms. Donahue when she anticipated a market favor shift favoring the style would occur and she responded that the market conditions and indicators favored a shift in market favor in a relatively short period of time. Mr. Chambers questioned Ms. Donahue regarding the higher relative exposure to the energy allocation than in the past and Ms. Donahue explained that the sector was now believed to be able to sustain a 10% growth rate and thus considered by the firm as a more attractive sector than in the past. Ms. Donahue continued her report of economic and market factors and anticipated measured growth in the portfolio. Ms. Donahue concluded her report with a review of the fixed income portfolio noting that the investment return for the quarter ending June 30, 2005 was 1.3% versus the index of 1.2%.

### **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 June 30, 2005, the investment return was 1.8% versus 1.6% for the index with the slight outperformance attributable to growth in the small cap fund. The Montag & Caldwell equity portfolio continued to be a detractor to performance with a return of 1.1% versus 1.4% for the index. He reported that the fiscal year-to-date performance was 5.9%, which lagged the relative performance of his other clients. He reviewed the compliance checklist noting that all items were within compliance, however, the portfolio did not meet any of the performance objectives. Mr. Chambers reviewed the recent and long-term performance of the Montag & Caldwell equity portfolio noting that while the down market capture ratio was better than average, the up market capture rate was far less than average and the risk of the portfolio was similar to the index. He commented that the investment manager added little value within the last five years. Mr. Chambers advised that the Plan needed broader exposure to the equity market beyond the mega cap exposure of the Montag & Caldwell equity portfolio. He expressed concerns that Montag & Caldwell was changing investment strategy as was possibly evident with the recent increase in the energy sector allocation. Ms. Donahue reported that the investment strategy had not changed and the increase in the energy sector allocation was attributable to attractive valuations and anticipated growth rate.

Helen Donahue departed the meeting.

Mr. Chambers advised that while the Montag & Caldwell investment strategy was sound, he anticipated that the portfolio would continue to perform poorly in the short-term due to market and economic factors and deemed that the strategy was too narrowly focused. He recommended the engagement of a replacement investment manager with a broader market focus and multiple products. He discussed the qualifications of the firm C.S. McKee, which offered large cap growth equities and bonds with significantly better performance than Montag & Caldwell and recommended that the Board interview the firm. The Board agreed with Mr. Chambers' recommendation to interview C.S. McKee but also decided to consider other prospective investment managers as well. A concern was expressed with engaging only one firm versus the possible diversification obtained by engaging several managers. Mr. Chambers advised that high minimum account

balances would preclude obtaining separate accounts with multiple managers and therefore a multiple product single manager approach was more efficient. The Board, after considerable discussion, authorized Mr. Chambers to schedule interviews with three prospective investment managers.

### **ATTORNEY REPORT**

Jonathan Ferguson provided the Board with an Ordinance Amendment effecting the changes in Plan provisions directed by the Board at the last meeting. He noted that the Amendment had been submitted to the City for consideration and adoption. The Board reviewed the Amendment confirming the revision of the investment restrictions agreed upon at the last meeting. The Board discussed the amended language redefining the period used to determine final average salary in the determination of benefits from the highest three years to the highest five years noting that the revision would likely reduce benefits. The Board questioned Mr. Ferguson regarding the origin of this amended language and he responded that the revised definition was inserted to attain consistency with the provisions of the City Retirement Plan. The Board concluded that the redefinition was not required and directed the Attorney to remove only the language pertaining to the period defining compensation and resubmit the amended Ordinance to the City.

A discussion arose regarding the adoption of the State minimum benefits and health care subsidy. Nick Schiess reminded the Board that the minimum benefits must be adopted prior to any additional benefits and the Board was awaiting written confirmation from the State whether the minimum benefits could be met through a combination of the City Retirement Plan and Supplemental Plan. Mr. Ferguson noted that the State had previously issued a verbal opinion that the minimum benefits could be met through a combination of both Plans and written confirmation had been requested. Mr. Ferguson agreed to follow up with the State on the written confirmation.

### **ADMINISTRATIVE REPORT**

Nick Schiess reminded the Trustees of the statutory requirement to file their Financial Disclosure Statements.

As a follow up to the last meeting wherein the Board discussed the ramifications of lump sum distributions on the Plan's ability to financially support the proposed health care subsidy benefit, Mr. Schiess reported that he had discussed the matter with the Actuary and provided the Board with an opinion letter dated June 30, 2005 from the Actuary indicating that the health care subsidy was an additional benefit funded by State contributions and therefore the lump sum distributions would not have a financial impact on future funding of the proposed health care subsidy benefit.

Mr. Schiess reported that the City had contacted the Administrator regarding whether the Board had authorized specific conference expenses for the Trustees. He noted that the Administrator did not have records pertaining to a formal Travel Expense Policy and questioned whether such policy existed. The Board noted that while a formal Travel Expense Policy had not been adopted, the Board had set forth policy that afforded

reimbursement of travel and meal expenses for up to three conferences per year. Mr. Schiess recommended the consideration of a formal Travel Expense Policy and the Board agreed. A lengthy discussion ensued to the reimbursement of expenses and attendance at educational conferences and the Board decided that the attendance should be limited to three conferences per year and attendance at any conference within the State did not require pre-approval by the Board but any out of state conferences must be pre-approved by the Board. The Trustees directed the Administrator to draft a formal Travel Expense Policy for the Board's consideration.

### **OTHER BUSINESS**

The Board discussed obtaining proposals for attorney services noting the prudence of periodically reviewing service provider agreements and services. Mr. Ferguson advised that while the needs of the Plan had grown over the years, his firm did not specialize in public pension plans and therefore it would be prudent for the Trustees to consider a replacement attorney that specialized in public pension plans. The Board directed the Administrator to send out a request for proposal for attorney services. The Board then directed the Administrator to schedule a special meeting to for the review of the proposals for attorney services and interview three prospective investment managers determined by the Investment Consultant.

The Board reviewed the list of plan disbursements for the period of April 10, 2005 through July 31, 2005 totaling \$26,877.00. Gloria Hall Made a motion to approve the disbursements as presented. Brian Humm seconded the motion, approved by the Trustees 4-0.

There being no further business and the next quarterly meeting having been previously scheduled for November 16, 2005 at 2:00 PM, the meeting was adjourned at 4:28 P.M.

Respectfully submitted,

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Secretary