

CITY OF FT. PIERCE POLICE OFFICERS' RETIREMENT TRUST FUND
MINUTES OF MEETING HELD
FEBRUARY 15, 2006

A quarterly meeting of the Board of Trustees was called to order on February 15, 2006 at 2:05 P.M. in the Engineering Department Conference Room located at the Fort Pierce City Hall, Fort Pierce, Florida.

TRUSTEES PRESENT

Brian Humm
Ken Bloomfield
Gloria Johnson
John Schramm

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.

TRUSTEE ELECTIONS AND ELECTION OF OFFICERS

Nick Schiess reported that elections were held for two employee Trustee positions. For the position currently held by Brian Humm, Mr. Humm was the only person nominated and was therefore re-elected by default for a two-year term commencing on January 1, 2006. For the position currently held by Antonio Hurtado, nominations were received for candidates Antonio Hurtado and John Schramm, an election was held, and Mr. Schramm received a majority of votes and was therefore elected. It was noted that in order to stagger the terms of employee Trustees, Mr. Schramm's term was a single-year term commencing on January 1, 2006. Mr. Schiess provided the election ballots for review and Gloria Johnson made a motion to certify the election results. Ken Bloomfield seconded the motion, approved by the Trustees 4-0. Gloria Johnson made a motion to appoint Brian Humm as chairperson. Ken Bloomfield seconded the motion, approved by the Trustees 4-0. Gloria Johnson made a motion to appoint Ken Bloomfield as secretary. John Schramm seconded the motion, approved by the Trustees 4-0. The Board noted that a position of City appointed Trustee was still vacant. It was then noted that the City had been notified of the vacancy on three separate occasions and the Trustees agreed to personally attempt to identify potential candidates for referral to the City for consideration.

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 December 31, 2005, the investment return was 1.7% versus 1.7% for the index.

Mr. Chambers reviewed the compliance checklist noting that a single bond had fallen below an AAA rating as of December 31, 2006, however, the quality guidelines were relaxed in the revised Investment Policy Statement effective January 1, 2006 and therefore the ratings of all the bonds were within the policy guidelines. He then reviewed the performance objectives noting that all objectives were met with the exception of investment returns exceeding the benchmark over a trailing three-year period and ranking within the 40th percentile.

Mr. Chambers reviewed the investment performance of each asset class for the quarter ending December 30, 2005. The investment return of the C.S. McKee equity portfolio was 3.4% versus the index of 2.1%. The investment performance of the Vanguard small cap fund was 1.2% versus the index of 1.1%. The international equity fund investment return of 10.1% slightly outperformed the index.

Mr. Chambers then reviewed the asset allocation noting the absence of mid cap and REIT exposure in the portfolio. He discussed each asset class noting that the inclusion of the asset classes would reduce overall volatility by increasing diversification and also should increase investment returns long-term. He recommended that an allocation of 5% to the REIT and 10% to the mid cap asset class be funded immediately with a transfer from the C.S. McKee equity portfolio into a Vanguard REIT and a Vanguard mid cap mutual fund. Bonni Jensen noted that mutual funds managers do not acknowledge fiduciary responsibility to the Plan while individual managers such as C.S. McKee did accept fiduciary responsibility. Mr. Chambers advised that Burgess Chambers and Associates assumed as much fiduciary responsibility as possible and did monitor the mutual funds. Ms. Jensen noted that mutual funds were becoming more prevalent, had a favorable expense ratio, and the diversification was positive. It was noted that individual managers did have significant minimum funding requirements while smaller amounts could be invested into mutual funds.

Gloria Johnson made a motion to rebalance the portfolio to 27% domestic large cap equities, 10% mid cap equities, 10% small cap equities, 8% international equities, 5% REITs, and 40% fixed income. Ken Bloomfield seconded the motion, approved by the Trustees 4-0.

Mr. Chambers was questioned whether the actuarial assumption rate of a 7.5% investment return was appropriate and Mr. Chambers responded that a 7.5% investment return was appropriate for the short-term, long-term, and thereafter and the Board agreed.

MINUTES

The Trustees reviewed the minutes for the meeting held November 28, 2005. Ken Bloomfield made a motion to approve the minutes for the meeting held November 28, 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 \$7,866,463.79 and the amount of the cash balance was \$1,161,476.13 as of January

31, 2006. A discussion arose regarding the cash balance and the Board decided to invest exactly \$1M of the cash balance as a component of the asset reallocation. Ken Bloomfield made a motion to accept the financial report. Gloria Johnson seconded the motion, approved by the Trustees 4-0.

ACTUARY REPORT

Steve Palmquist appeared before the Board on behalf of Gabriel, Roeder, & Smith to present the 2005 Actuarial Valuation. He reviewed the smoothing technique, which averaged investment returns over a four-year period to reduce volatility of the market. He noted that the investment losses in the years of 2001 and 2002 have already been fully recognized and therefore the smoothed investment return should increase dramatically prospectively. He reported that the funding requirements were \$783,000. He anticipated member contributions in the amount of \$214,000 and State contributions in the amount of \$294,000, leaving a deficit in the amount of \$275,000, which must be deducted from the reserve account unless employee contributions were increased. He reported that the balance of the reserve account as of October 1, 2005 was \$1,051,822 and the amount of \$200,000 was transferred from the reserve account in the previous year.

Mr. Palmquist discussed the actuarial funding methodology noting that the current method was unusual and inherited from the prior actuary. He then reviewed the actuarial assumptions versus actual experience of the Plan. He recommended revising the assumptions and also the actuarial cost method, which should reduce the overall cost of the Plan and utilize more accurate assumptions for costing the Plan. Ken Bloomfield made a motion to authorize the Actuary to research and provide a recommendation for an alternate actuarial cost method. John Schramm seconded the motion, approved by the Trustees 4-0.

Mr. Palmquist provided the Board with a cost study on meeting the State minimum benefits, noting that the cost of the Plan would increase from 12.81% to 13.08% of payroll. He noted that minimum benefits could be funded with either the Plan's reserve account or anticipated increases in State contributions.

Gloria Johnson made a motion to approve the 2005 Actuarial Valuation. Ken Bloomfield seconded the motion, approved by the Trustees 4-0.

ATTORNEY REPORT

Bonni Jensen provided the Board with a draft Ordinance Amendment to increase benefits to the State minimum benefit standard. She reviewed the applicable provisions therein along with additional provisions applicable under Chapter 185 Statutes.

Ms. Jensen provided the Board with the previously adopted Trustee Travel Expense Policy for adoption.

ADMINISTRATIVE REPORT

Nick Schiess provided the Board with a list of upcoming educational seminars.

OTHER BUSINESS

There being no further business, and the next meeting scheduled for May 17, 2006, the meeting was adjourned at 4:01 P.M.

Respectfully submitted,

Secretary