

CITY OF FT. PIERCE POLICE OFFICERS' RETIREMENT TRUST FUND
MINUTES OF MEETING HELD
MAY 17, 2006

A quarterly meeting of the Board of Trustees was called to order on May 17, 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
Gloria Johnson
John Schramm

OTHERS PRESENT

Burgess Chambers, Burgess Chambers & Associates
Lloyd Stamy, C.S. McKee L.P.
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.

INVESTMENT CONSULTANT REPORT

Burgess Chambers appeared before the Board behalf of Burgess Chambers & Associates to provide a report on the investment performance of the portfolio. For the quarter ending March 31, 2006, the total investment return was 4.2% versus 2.9% and for the trailing one-year period was 12.8% versus the benchmark of 9.1%.

Mr. Chambers reviewed the compliance checklist noting that all items were in compliance. 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 of all pension plans with respect to performance.

Mr. Chambers reviewed the investment performance of each asset class for the quarter ending March 31, 2006. The investment return of the C.S. McKee equity portfolio was 3.9% versus the index of 4.2%. The investment performance of the Vanguard small cap fund was 12.2% versus the index of 13.9%. The international equity fund investment return of 9.7% slightly outperformed the index.

A question arose regarding the status of the rebalancing of the portfolio initiated at the last meeting and Christine Luna reported that the rebalancing was in process and Gloria Johnson attributed the delay to an issue regarding a medallion signature guarantee, which had been resolved.

INVESTMENT MANAGER REPORT: C.S. MCKEE

Lloyd Stamy appeared before the Board on behalf of C.S. McKee L.P. to provide a report on the domestic equity and bond portfolio for the quarter ending March 31, 2006. For the quarter, the investment return of the equity portfolio was 3.92% versus 4.21% for the index with the underperformance attributable to an underweighting in the financial sector, which had excellent investment returns within the index. Since inception, the domestic equity portfolio performance was 11.45% versus 10.03% for the index. The fixed income portfolio since inception had excess return over the index of 73 basis points, which Mr. Stamy considered exceptional performance.

Mr. Stamy reviewed a composite performance of the firm's other products and requested the Board's consideration of the firm's small cap product. He reported that the annualized investment return of the commingled fund was 18.25% versus 12.24% for the prior five years. He noted that the usual requirement for a minimum level of funding would be waived for the Plan and also the fund would likely close within the year. Burgess Chambers advised that an index fund had been purchased for the small cap allocation because of its low expense ratio and lack of minimum funding requirements. The Board requested to be informed just before the closing of the fund.

ACTUARY REPORT

As requested by the Board at the last meeting, Steve Palmquist appeared before the Board on behalf of Gabriel, Roeder, & Smith to discuss recommendations on revising the actuarial assumptions and cost method used for funding the Plan. He provided correspondence dated March 30, 2006 summarizing the recommendations including revising the actuarial cost method to the entry age normal cost method, amortize the unfunded liability over thirty years assuming the payroll will increase 4% annually, and revise the investment return assumption to 7.5% net of investment related expenses rather than gross of expenses. He reported that the recommended changes would decrease the cost of the Plan to 10.87% of covered payroll, which still exceeded the expected revenue of the Plan long-term since the cost of the Plan has increased dramatically mostly attributable to investment losses in the years 2000 and 2001. Mr. Palmquist was questioned whether lump sum distributions adversely affected the Plan and he advised that lump sum contributions did not affect the cost of the Plan. He reported that the Plan's reserve account has decreased each of the last two years to fund the deficit between revenue and Plan costs and estimated that the Plan reserve would decrease to \$845,000 for the 2006 fiscal year. Mr. Palmquist advised that if the annual required contribution did not increase to approximately 8% of payroll before the reserve account was depleted then either benefits would have to be reduced or employee contributions must increase. Gloria Johnson made a motion to change the actuarial assumptions and cost method as recommended by the Actuary. John Schramm seconded the motion, approved by the Trustees 3-0.

ATTORNEY REPORT

Ms. Jensen reminded the Trustees that a Statement of Financial Interests must be submitted to the State by the deadline of July 1, 2006.

Ms. Jensen provided the Board with a draft Summary Plan Description for review noting that the document could be revised at a latter date in the event that the previously considered minimum benefits are adopted.

Gloria Johnson announced that she would be relocating outside the City limits and therefore might not be eligible to remain a Trustee. Ms. Jensen advised that Ms. Johnson was a City appointed Trustee and therefore her eligibility was a matter for the City to determine.

Ms. Jensen noted that the mileage reimbursement rate specified within the Trustee Travel Expense Policy was tied directly to the IRS mileage rate, which had been revised to \$.445 per mile.

A release form from the Custodian Sun Trust was presented for execution that would permit the Investment Consultant limited access to obtain account information but not provided direction on transferring funds. Gloria Johnson made a motion to authorize the execution of the form contingent upon the review and approval by the Attorney. John Schramm seconded the motion, approved by the Trustees 3-0.

Brian Humm reported that a recent retiree had been issued retroactive compensation due to a recently negotiated Union Contract for a period that had been considered in the determination of pension benefits. Ms. Jensen advised that since employee contributions were not deducted from this retroactive compensation that the compensation itself should not be considered in the determination of benefits.

ADMINISTRATIVE REPORT

Nick Schiess requested the Board's approval to permit the Administrator to authorize funds transfers within the Vanguard accounts to facilitate and expedite transfers noting the Administrator currently performed this duty for most of the Plans under it's administration. A lengthy discussion arose regarding the process of transferring funds within the investment accounts and Gloria Johnson made a motion to mirror the Retirement and Benefit Plan's process of transferring funds within the investment accounts. John Schramm seconded the motion, approved by the Trustees 3-0. Gloria Johnson made a motion to permit the Administrator and Investment Consultant to access Vanguard account information but not provide direction on transferring funds. John Schramm seconded the motion, approved by the Trustees 3-0.

MINUTES

The Trustees reviewed the minutes for the meeting held February 15, 2006. Gloria Johnson made a motion to approve the minutes for the meeting held February 15, 2006. John Schramm seconded the motion, approved by the Trustees 3-0.

FINANCIAL REPORT

Christine Luna provided a financial report to the Board. The total assets were \$8,669,994.52 and the amount of the cash balance was \$459,271.24 as of April 30, 2006. The income for the quarter was \$458,989 and expenses including several lump sum retirement distributions were \$504,519. Gloria Johnson made a motion to accept the financial report. John Schramm seconded the motion, approved by the Trustees 3-0.

OTHER BUSINESS

There being no further business, and the next meeting scheduled for August 23, 2006, the meeting was adjourned at 3:30 P.M.

Respectfully submitted,

Secretary