

**CITY OF FT. PIERCE POLICE OFFICERS' RETIREMENT TRUST FUND
MINUTES OF MEETING HELD
AUGUST 23, 2006**

A quarterly meeting of the Board of Trustees was called to order on August 23, 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
Nick Schiess, Pension Resource Center
Bonni Jensen, Hanson, Perry, & Jensen P.A.
Christine Luna, City of Ft. Pierce

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Trustees reviewed the minutes for the meeting held May 17, 2006 and a correction was noted. Gloria Johnson made a motion to approve the minutes for the meeting held May 17, 2006 as amended. 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 the amount of \$8,107,842.79 and the amount of the cash balance was \$79,517.88 as of July 31, 2006. The income for the quarter was -\$65,708.52 as a result of unrealized investment losses and expenses including benefit payments were the amount of \$66,411.21. It was noted that the annual State distribution was received and the amount was \$369,999.48. A discussion arose regarding the disposition of the funds and the Board decided to retain the funds as cash to fund several pending lump sum pension distributions. Gloria Johnson made a motion to accept the financial report. John Schramm seconded the motion, approved by the Trustees 3-0.

A discussion arose regarding the database used to calculate premium tax revenues, which was the basis for Chapter 185 distributions to the Plan. Brian Humm reported that he suspected that the database had not been updated to include recent annexations into the municipal city limits. Bonnie Jensen advised that the deadline for updating the database was September 3, 2006 for next year's distributions. Gloria Johnson agreed to inquire into the status of the database.

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. Mr. Chambers reported that the Caterpillar international mutual fund company announced its decision to exit the investment management business, which included divesting the Preferred Group of Mutual Funds. The Preferred International Value Fund, as part of Caterpillar's exit strategy, was acquired by the T. Rowe Price International Growth & Income Fund. The advisory firm, Mercator Asset Management, was not retained as sub-advisor for T. Rowe Price but instead contracted advisory services to the existing mutual fund company Homestead. Mr. Chambers explained that Mercator Asset Management was the firm making the stock selections all along and was credited with the excellent performance results of the Plan's international mutual fund. He recommended that the Plan transfer the mutual fund allocation to the Homestead mutual fund sub-advised by Mercator Asset Management. Bonnie Jensen questioned whether the Board was advised of the changes and Mr. Chamber s reported that Mercator Asset Management provided notification after the selection of the new platform Homestead. Mr. Chambers was requested to confirm that the new fund mutual fund was under the same management and he responded that that it was the same management through Mercator Asset Management and both Mercator Asset Management and Homestead were very reputable and credible firms. After further discussion, Gloria Johnson made a motion to transfer the mutual fund allocation to the Homestead international mutual fund. John Schramm seconded the motion, approved by the Trustees 3-0.

For the quarter ending July 31, 2006, the total investment return was -1.1%, which equaled the benchmark and was attributable to investment losses in the domestic equity market as a whole. The investment return for the trailing one-year period was 9.4%, which dramatically exceeded the benchmark of 6.2% and ranked the performance results in the top 10th percentile of all pension plans with respect to performance.

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 renewed previous discussions regarding the Board's consideration of the C.S. McKee small cap product. He compared the historical performance of the product noting that the trailing one-year return was 30.2% versus only 13.9% for the current Vanguard small cap mutual fund and ultimately recommended the replacement of the mutual fund with the C.S. McKee small cap product. Mr. Chambers was questioned whether the C.S. McKee small cap product presented additional risk and he responded that there existed greater deviation of performance results between the two products, however, no increase in risk. He added that the downside market capture ratio was more favorable with the C.S. McKee small cap product. Mr. Chambers was then questioned whether higher risk would exist by concentrating the Plan's investments with a single investment manager and he responded that the marginal increase was negligible and was

warranted given the superior performance of the small cap product. Also, another advantage existed in that the Plan had an individual management Agreement with C.S. McKee, which was not available with mutual fund companies. A lengthy and careful discussion ensued and Gloria Johnson made a motion to engage the services of C.S. McKee for the management of a small cap portfolio contingent upon the successful negotiation of an Agreement by the Plan's Attorney. John Schramm seconded the motion, approved by the Trustees 3-0. Gloria Johnson then made a motion to authorize Brian Humm to execute the Agreement between meetings. John Schramm seconded the motion, approved by the Trustees 3-0.

ATTORNEY REPORT

As a follow up to the last meeting, Bonnie Jensen reported reviewing a release form from the Custodian SunTrust permitting the Investment Consultant limited access to obtain account information and advised that the form was acceptable for execution.

Ms. Jensen, having previously provided the Board with a draft revised Summary Plan Description for review, requested that the Board approve the document. Gloria Johnson made a motion to approve the revised Summary Plan Description. John Schramm seconded the motion, approved by the Trustees 3-0. A discussion ensued regarding the distribution of the document and Christine Luna agreed to duplicate the document and provided the copies to Mr. Humm who agreed to distribute the document.

Ms. Jensen announced that under a new State statute, e-mail addresses of anyone involved with e-mail correspondence regarding the Plan become a matter of public record. She provided the Board with the appropriate disclaimer language noting that the Administrator had already posted the language upon the Plan's web page.

ADMINISTRATIVE REPORT

Nick Schiess reported that the appointment of the 5th Trustee was scheduled to occur at the next meeting. He recommended being given the permission to solicit letters of interest from interested person and providing these statements to the Trustees for consideration at the next meeting and the Board agreed.

OTHER BUSINESS

There being no further business, and the next meeting scheduled for November 15, 2006, the meeting was adjourned at 3:30 P.M.

Respectfully submitted,

Secretary