

**CITY OF FT. PIERCE POLICE OFFICERS' RETIREMENT TRUST FUND
MINUTES OF MEETING HELD
FEBRUARY 28, 2007**

A quarterly meeting of the Board of Trustees was called to order on February 28, 2007 at 10:00 A.M. in the Engineering Department Conference Room located at the Fort Pierce City Hall, Fort Pierce, Florida.

TRUSTEES PRESENT Gloria Johnson
 Ken Bloomfield
 John Schramm

OTHERS PRESENT Burgess Chambers, Burgess Chambers & Associates
 Nick Schiess, Pension Resource Center
 Lloyd Stamy, C.S. McKee L.P.
 Bonni Jensen, Hanson, Perry, & Jensen P.A.
 Christine Luna, City of Ft. Pierce

PUBLIC COMMENTS

There were no public comments.

TRUSTEE ELECTION RESULTS AND APPOINTMENT OF FIFTH TRUSTEE

Nick Schiess announced that an election had been conducted for the office of Trustee for the position currently held by John Schramm. He reported that only Mr. Schramm received nominations for the position and therefore was re-elected by default for another two-year term commencing January 1, 2007. Mr. Schiess provided the Board with the original election nomination forms for inspection and Ken Bloomfield made a motion to certify the election results. Gloria Johnson seconded the motion, approved by the Trustees 3-0.

The Board noted that a sufficient number of Trustees were not present at the meeting to appoint a fifth Trustee and Gloria Johnson made a motion to table the matter until the next meeting. Ken Bloomfield seconded the motion, approved by the Trustees 3-0.

MINUTES

The Trustees reviewed the minutes for the meeting held November 15, 2006. Ken Bloomfield made a motion to approve the minutes for the meeting held November 15, 2006. Gloria Johnson 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 \$9,612,488.59. The income for the quarter was \$1,347,514.56 and expenses including benefit payments were the amount of \$869,261.79 including lump sum distributions of

pension benefits and refunds of contributions. The Board received and filed the financial report.

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 large cap equity, small cap equity, and bond portfolios for the calendar year ending December 31, 2006. For the year, the investment return of 13.39% for the large cap equity portfolio underperformed the index, which was attributable to premature shift of the portfolio weighting to growth equities during a period in which the market favored value equities. Mr. Stamy discussed market and economic factors including the unprecedented duration of market favor towards value equities and the long anticipated market shift favoring growth equities. He reported that for the period of January 1, 2007 until the present, the large cap portfolio's return of 3.51% outperformed the benchmark of 2.61%, which possibly was an indication of the market shift and he anticipated continued outperformance with modest growth of the portfolio. The fixed income portfolio's performance of 5.38% outperformed the benchmark of 4.96%. Mr. Stamy reported that the small cap portfolio was just recently funded fund, however, the product had yielded a return of 32.03% versus the index of 18.37% for the calendar year. Mr. Stamy further discussed market conditions and advised that recent volatility during the current quarter was attributable to a convergence of negative news and market sentiment along with suggestions of possible economic recession. Mr. Stamy was questioned regarding the position of the portfolio in the event of a recession and he responded that the portfolio was moderately positioned in a defensive manner.

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 calendar year ending December 31, 2006 the total investment return was 11.5% with the exceptional 20.9% return in international equities and 5.2% in fixed income contributing significantly to overall performance. The investment performance for the quarter ending December 31, 2006 was 4.9% ranking the Plan's return in the top quartile of investment returns with the REIT and madcap funds being the best performing asset classes. Mr. Chambers reviewed the long-term performance of the total portfolio noting that the cumulative returns after the restructuring of the portfolio exceeded the benchmark.

Mr. Chambers reviewed the asset allocation in great detail noting that the overall portfolio was well diversified and he recommended no changes to the current allocations. He reviewed the compliance checklist noting that all items were in compliance. Mr. Chambers then reviewed the performance objectives noting that all objectives were met with the exception of investment returns over a trailing three-year period ranking within the 40th percentile of all pension plans with respect to performance, however, this matter had been addressed with the recent changes in investment managers.

Mr. Chambers announced that the transfer of the international equity fund from the Preferred Group to Homestead had occurred in October 2006 pursuant to the Board's direction.

ATTORNEY REPORT

Bonnie Jensen announced that the Internal Revenue Service had increased the deduction rate for mileage from 44.5 cents to 48.5 cents per mile.

Ms. Jensen provided the Board with a memorandum regarding the recently adopted Pension Protection Act of 2006 noting that the Internal Revenue Service had published additional guidelines. The Act established for public safety personnel the reduction of the age for non-penalized lump-sum distributions from age fifty-five to age fifty and applied not only to distributions from a DROP account but also to refunds of pension contributions. In addition, retirees would be eligible commencing in the 2007 tax year for up to a \$3,000 annual tax credit for pension deductions for qualified health, accident, or long term care insurance, however, the credit only applied to benefits obtained directly from an insurer and was not applicable if the benefits were self-funded. Gloria Johnson noted that the City's health insurance benefits were indeed self-funded. Ms. Jensen advised that the Internal Revenue Service was considering additional issues regarding the Act including the possibility of expanding the qualifications to self-funded insurance benefits and she would provided updates to the Board as they became available.

Ms. Jensen announced the Division of Retirement Trustees' School in March noting that the event was an excellent educational opportunity.

ADMINISTRATIVE REPORT

As a follow up to the last meeting wherein the Board considered the tax credit provided within the Pension Protection Act of 2006 for the continuance of insurance benefits after retirement, Nick Schiess reported that a notification had been sent to the Board of the City Retirement and Benefit Plan of regarding the tax credit provision along with an inquiry into whether that Board would initiate the necessary actions required to implement the tax credit. Mr. Schiess questioned whether the notification should be retracted given the Internal Revenue Service's position that the credit was not applicable for self-funded insurance benefits and the Board decided that the notification should be retracted.

OTHER BUSINESS

There being no further business, and the next meeting scheduled for May 25, 2007, the meeting was adjourned at 10:57 A.M.

Respectfully submitted,

Secretary