

**CITY OF FT. PIERCE POLICE OFFICERS' RETIREMENT TRUST FUND
MINUTES OF MEETING HELD
SEPTEMBER 5, 2007**

A quarterly meeting of the Board of Trustees was called to order on September 5, 2007 at 1:00 P.M. in the Engineering Department Conference Room located at the Fort Pierce City Hall, Fort Pierce, Florida.

TRUSTEES PRESENT Brian Humm
 John Schramm
 Gloria Johnson
 Tara McFarland

OTHERS PRESENT Burgess Chambers, Burgess Chambers & Associates
 Nick Schiess, Pension Resource Center
 Bonni Jensen, Hanson, Perry, & Jensen P.A.
 Steve Palmquist, Gabriel, Roeder, & Smith (1:40 P.M.)
 Christine Luna, City of Ft. Pierce

PUBLIC COMMENTS

There were no public comments.

APPOINTMENT OF FIFTH TRUSTEE

John Schramm made a motion to appoint Ken Bloomfield as fifth Trustee to the Board. Gloria Johnson seconded the motion, approved by the Trustees 4-0. The Board welcomed new Trustee Tara McFarland to the meeting.

MINUTES

The Trustees reviewed the minutes for the meeting held May 25, 2007. John Schramm made a motion to approve the minutes for the meeting held May 25, 2007. Gloria Johnson seconded the motion, approved by the Trustees 4-0.

FINANCIAL REPORT

Christine Luna presented the financial report. The market value of the Plan's assets as of June 30, 2007 was the amount of \$8,645,200.65. The income for the period of May 1, 2007 through June 30, 2007 was the amount of \$188,303.38 and expenses including benefit payments were the amount of \$256,818.70 including lump sum distributions of pension benefits. Ms. Luna discussed the financial report provided to the Board at the last meeting noting that incorrect accounting adjustments had resulted in the prior reporting of investment losses.

Bonnie Jensen reported that the Chapter 185 distribution was the amount of \$345,303,380. She discussed the recently created database system established to accurately track premium tax revenues noting that the distributions were guaranteed to not decrease through the year 2008. Without this guarantee, the distribution to the Plan

would have been the reduced amount of approximately \$315,000. Ms. Jensen announced that the law requiring personal injury protection was expiring later this year and if additional legislation re-establishing the requirement was not passed the result would be a decrease of premium tax revenues resulting in less State contributions to the Plan.

INVESTMENT CONSULTANT REPORT

Burgess Chambers appeared before the Board on behalf of Burgess Chambers & Associates to provide a report on the investment performance of the portfolio for the quarter ending June 30, 2007. The total investment earnings for the quarter was the amount of \$319,291 representing a 3.7% investment return ranking the Plan's return in the top 51st percentile of investment returns. The fiscal year-to-date return was 10.7%. Mr. Chambers reviewed the performance of the individual managers noting the best performing asset classes were small cap equities with a 8.5% return, midcap equities with a 6.1% return, and large cap core equities with a 8.0% return. 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 noted the REIT allocation of 4.0% was intentionally underweighted to the 8% target allocation because of excessively high valuations of REITs in general. He reported that the domestic equity allocation slightly exceeded the target allocation, however, was still within the policy range. He advised that while low returns from the fixed income portfolio continued to detract from overall performance, the portfolio was already diversified away from fixed income as much as possible.

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.

ACTUARY REPORT

Steve Palmquist appeared before the Board on behalf of Gabriel, Roeder, & Smith to present an analysis of the funding requirements to adopt the minimum required benefits established by the State. He discussed the necessary revisions in the Plan's provisions regarding early retirement benefits, vested deferred benefits, and disability benefits noting that sufficient reserves existed to fully fund the cost of the improvements.

Mr. Palmquist reviewed a schedule of historical contributions and funding requirements noting that the funding requirements had exceeded contributions since the year 2003, which also had necessitated yearly transfers from the Plan's reserve account. Mr. Palmquist advised that in the event that the trend of funding deficiency continued prospectively, the reserve account could only support transfers for these deficiencies in contributions for the next five years unless corrective measures were implemented. He further advised that correction of the situation would require either an increase in the current 3.5% employee contribution rate, decrease in the level of benefits, or the freezing of benefits and prospective chapter funding directed into share accounts. It was noted that

that the Plan must meet the State required minimum benefits prior to the implementation of share accounts, which was the most likely solution to the funding issue as it was highly unlikely the membership would approve of increased contribution rates or decreased benefits.

Bonnie Jensen provided the Board with a draft proposed Ordinance amending the provisions necessary to meet the minimum benefits established by the State. She noted that the State just reversed policy on claims review procedure and therefore the applicable language within the draft Ordinance must be amended. Mr. Palmquist reported reviewing the proposed Ordinance Amendment in advance of the meeting and found it acceptable. A question arose whether the issuance of lump sum benefits adversely affected the funding of the Plan and contributed to the funding issue. Mr. Palmquist responded that payment of lump sum benefits reduced actuarial liability and therefore did not adversely affect the Plan.

A lengthy and careful discussion ensued regarding the various options to resolve the funding issue of the Plan and also the communication of the matter to the membership. Gloria Johnson made a motion to adopt the Ordinance Amendment that established the State minimum benefits and submit the Ordinance to the City for consideration and adoption. John Schramm seconded the motion, approved by the Trustees 4-0. The Board decided that the adoption of the State required benefits would afford the additional option of freezing benefits and establishing share accounts for prospective State distributions. The Board also decided that communication of the matter to the membership was imminent, however, the tentative meeting scheduled in conjunction with the next quarterly meeting in December was premature and the Trustees decided to schedule the presentation to the membership at a future meeting.

Ms. Jensen reported that a proposed Qualified Domestic Relations Order to establish deductions from a member's retirement benefits had been received and she advised that there were not any Plan provisions requiring that this type of Order be honored. She explained that the only type of order that the Plan was required to honor was an Income Deduction Order. Ms. Jensen recommended against honoring Qualified Domestic Relations Orders unless they have been previously honored by the Board.

Ms. Jensen discussed several Trustee educational conferences sponsored by the Florida Public Pension Trustees Association and the State Division of Retirement.

ADMINISTRATIVE REPORT

Nick Schiess reported that the term of office for Trustee Brian Humm would expire on December 31, 2007 and an election would be conducted in accordance with Board policy.

OTHER BUSINESS

Brian Humm requested the Board's consideration of professionally printing the recently revised Summary Plan Description. Gloria Johnson made a motion to authorize printing of the Summary Plan Description. John Schramm seconded the motion, approved by the Trustees 4-0.

A discussion arose regarding the allocation of the State distribution in the amount of \$345K and Burgess Chambers recommended the allocation of the funds to the fixed income account. John Schramm made a motion to allocate the \$345K State distribution to the fixed income account. Gloria Johnson seconded the motion, approved by the Trustees 4-0.

There being no further business, and the next meeting scheduled for December 5, 2007, the meeting was adjourned at 2:45 P.M.

Respectfully submitted,

Secretary