

**CITY OF FT. PIERCE POLICE OFFICERS' RETIREMENT TRUST FUND**  
**MINUTES OF MEETING HELD**  
**JUNE 7, 2011**

A quarterly meeting of the Board of Trustees was called to order on June 7, 2011 at 1:01 P.M. in the Second Floor Conference Room located at the Fort Pierce City Hall, Fort Pierce, Florida.

**TRUSTEES PRESENT**

Brian Humm  
Gloria Johnson  
Tara McFarlane

**OTHERS PRESENT**

Bonni Jensen, Law Office of Perry & Jensen  
Burgess Chambers, Burgess Chambers & Associates  
Nick Schiess, Pension Resource Center  
Christine Luna, City of Ft. Pierce  
Lloyd Stamy, CS McKee Investment Managers

**PUBLIC COMMENTS**

There were no public comments.

**FINANCIAL REPORT**

Christine Luna presented the financial report. The market value of the Plan's assets as of April 30, 2011 was the amount of \$9,896,336.67. For the fiscal year-to-date, the income was \$1,397,540.50 and expenses, including benefit payments, were the amount of \$166,630.51.

**MINUTES**

The Trustees reviewed the minutes of the meeting held March 28, 2011 and a correction was noted. Gloria Johnson made a motion to approve the minutes for the meetings held March 28, 2011 as corrected. Tara McFarlane seconded the motion, approved by the Trustees 3-0.

**BENEFIT APPROVALS**

There were no benefit approvals for consideration.

**INVESTMENT MANAGER REPORT: CS MCKEE**

Lloyd Stamy appeared before the Board on behalf of CS McKee Investment Managers to provide a report on the large cap, small cap and fixed income portfolios as of March 31, 2011. He reported that the trailing one-year performance for the large cap portfolio was 14.07% versus 16.69% for the index. Mr. Stamy explained that the investment style contained only high quality equities and this style had historically been out of market favor immediately after a market recession. He discussed the investment process and long-term performance and advised that the style has repeatedly outperformed the index

over complete market cycles. He also attributed part of the underperformance to style drift of the managers within the rankings universe into midcap equities to improve performance. Burgess Chambers advised that the Plan already had a separate mid cap exposure and therefore the portfolio was better balanced and retained diversification when managers remained true to their mandated allocations. The Board noted that while the performance was below the objective stated within the Investment Policy Statement, it was important from a risk management perspective that the manager did not deviate into mid cap equities. Mr. Chambers advised that the portfolio was well positioned for the anticipated swing in market favor to higher quality equities.

Mr. Stamy reported that the trailing one-year performance for the small cap portfolio was 32.07% versus 25.79% for the index. He reported that the trailing one-year performance for the fixed income portfolio was 4.81% versus 5.12% for the index. Mr. Stamy reviewed in great detail the investment strategy and process, portfolio construction, holdings, sector allocations, risk and reward measurements and long-term performance for each of the three investment portfolios.

A discussion arose regarding decreasing the asset allocation to fixed income given the very low expected investment returns of this asset class. Mr. Chambers advised that the current allocation was appropriate to this very important asset class, which was uncorrelated to equities and therefore provided great diversification and down market protection.

### **INVESTMENT CONSULTANT REPORT**

Burgess Chambers appeared before the Board on behalf of Burgess Chambers and Associates to provide a report on the performance of the investment portfolio for the quarter ending March 31, 2011. He reported that for the quarter, the investment return of the portfolio was 4.0% versus 4.1% for the index, and for the fiscal year was 10.2% versus 10.9% for the index. The underperformance was attributable to the underperformance of the Vanguard REIT fund and the Homestead international equity fund.

Mr. Chambers reviewed the compliance checklist and performance of the individual investment products in great detail, noting that all was satisfactory over the long-term and he anticipated improved relative performance from the two underperforming funds.

Mr. Chambers provided a corrected Investment Policy Statement that contained corrections to a few typos discovered in the Statement previously adopted by the Board at the last meeting. Gloria Johnson made a motion to adopt the corrected Investment Policy Statement. Tara McFarlane seconded the motion, approved by the Trustees 3-0.

### **ATTORNEY REPORT**

Bonni Jensen reviewed recently adopted State legislation Senate Bill 1128 and the affects on governmental pension plans. She noted that many of the provisions become effective the latter of June 1, 2011 or the date the next Collective Bargaining Agreement is ratified.

She discussed the new limitations on compensation that may be used for the determination of benefits. Ms. Jensen reported the removal of the requirement that benefits be increased before the employee contribution rate can be increased.

### **ADMINISTRATIVE REPORT**

Nick Schiess advised that there were not any administrative matters to report.

### **OTHER BUSINESS**

Gloria Johnson reported that the Ordinance implementing the increased employee contribution rate and the Deferred Option Retirement Plan had been adopted. However, the increase in employee contribution rate had been implemented one pay period past the original target date due to a clerical error. After a discussion regarding possible recovery of the contributions for that pay period, the Board agreed that the increased contributions should instead just be implemented as soon as possible.

Burgess Chambers presented a less market sensitive option for DROP participants thus providing an alternative to the market rate of return achieved by the Plan's portfolio. He reviewed the historical performance and risk measurements of several money market instruments and ultimately recommended the Vanguard Prime Money Market Fund for safety, low volatility and a low expense ratio. The Board noted the importance of providing a safe alternative to DROP participants. Gloria Johnson made a motion to select the Vanguard Prime Money Market Fund as an option for members as an alternative to the market rate of return achieved by the Plan's portfolio. Tara McFarlane seconded the motion, approved by the Trustees 3-0. Bonni Jensen and Nick Schiess were tasked to develop a DROP earnings election form.

The Board reviewed an interim report from the Actuary regarding the status of the funding of the Plan. It was noted that the recent 1% increase in employee contributions might not be sufficient to maintain the current level of benefits over the long-term. It was noted that the Plan's reserve surplus was likely disappearing this fiscal year and therefore the matter was considered a high priority. A special meeting was scheduled for August 15, 2011 at 9:00 A.M.

There being no further business, the meeting adjourned at 3:15 P.M.

Respectfully submitted,

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Secretary