

CITY OF FT. PIERCE POLICE OFFICERS' RETIREMENT TRUST FUND
MINUTES OF MEETING HELD
AUGUST 15, 2011

A quarterly meeting of the Board of Trustees was called to order on August 15, 2011 at 9:18 A.M. in the 1st Floor Engineering Conference Room located at the Fort Pierce City Hall, Fort Pierce, Florida.

TRUSTEES PRESENT

Brian Humm
Gloria Johnson
John Schramm

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
Peter Strong, Gabriel, Roeder, Smith and Company
Daniel Gilroy, IUPA Representative
James Tedder, PBA Representative

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Trustees reviewed the minutes of the meeting held June 7, 2011. Gloria Johnson made a motion to approve the minutes for the meeting held June 7, 2011. John Schramm seconded the motion, approved by the Trustees 3-0.

FINANCIAL REPORT

Christine Luna presented the financial report. The market value of the Plan's assets as of June 30, 2011 was the amount of \$9,799,939.85. For the fiscal year-to-date, the income was \$1,397,414.13 and expenses, including benefit payments, were the amount of \$245,437.41.

BENEFIT APPROVALS

The Trustees were presented final calculations of retirement benefits for James Tedder and Christopher Newman. Gloria Johnson made a motion to approve the retirement benefits for James Tedder and Christopher Newman. John Schramm seconded the motion, approved by the Trustees 3-0.

A discussion arose regarding the implementation and crediting of accounts for new DROP entrants. Nick Schiess explained that for new DROP entrants who had selected the market rate of return, their DROP deposits and investment earnings were accounting entries because the actual funds remained comingled with the Plan's assets until their ultimate distribution at the point of the member's termination. Conversely, for those who

had selected the less volatile treasury fund earnings election option, actual purchases of the treasury fund had to be initiated. Mr. Schiess explained that a complication existed because the final amount of the new DROP entrants' pension would not be calculated until many weeks after their DROP entry date and after the very first and maybe even the second purchase of the treasury fund should have been made. A lengthy discussion arose regarding a remedy for the complication. Gloria Johnson made a motion to credit new DROP entrants with the same interest earned on the Plan's money market cash fund during the time that is required for the actuary to determine benefits for new DROP entrants who have selected the treasury fund earnings election option. John Schramm seconded the motion, approved by the Trustees 3-0.

Nick Schiess explained that another complication existed because a lag occurs from a DROP entry date until the next meeting when the Board approved the payment of benefits and therefore purchases of treasury funds would be delayed. He suggested the remedy of allowing the payment of new retirement benefits between meetings provided that the final approval be ratified at the next meeting. After further discussion, Gloria Johnson made a motion to allow pension benefit payments to new retirees after calculation by the Actuary and under the condition that the member met the eligibility requirements for retirement. John Schramm seconded the motion, approved by the Trustees 3-0.

The Board discussed the disposition of the DROP account for new DROP entrant James Tedder given that the details of DROP administration, especially the crediting of interest for those who had selected the treasury fund option, has just been resolved. It was noted that Mr. Tedder's DROP entry date was July 1, 2011 and he had selected the treasury fund earnings election option. It was the consensus of the Board that Mr. Tedder be credited with the same interest earned on the Plan's money market cash fund from his DROP entry date until the present. Mr. Tedder was present and expressed satisfaction with the resolution.

A discussion arose regarding switching between the two earnings election methods for DROP participants. Nick Schiess explained that it was uncomplicated to switch DROP participants from the treasury fund option to the market return rate. However, a complication existed in the switch from the market return rate to the treasury fund option because the investment return was calculated quarterly and then a lag existed in the reporting of the investment return for up to thirty days after the end of the quarter. Mr. Schiess further explained that therefore the amount of the treasury fund to purchase would be unknown until months after the purchases would have needed to be made. A discussion ensued regarding possible market risk from the end of the quarter until the actual purchase is made and the Board determined that quarter ending DROP balance could and would be considered as cash because more than enough cash was usually held within the Plan's money market account. John Schramm made a motion to permit DROP participants to switch between the two earning election methods up to twice per calendar year with a thirty day notice. Gloria Johnson seconded the motion, approved by the Trustees 3-0.

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 June 30, 2011. He reported that for the quarter, the investment return of the portfolio was 0.6% versus 1.2% for the index, with the underperformance attributable to relatively poor returns for the large cap and mid cap domestic equities.

Mr. Chambers discussed the market and economic conditions and anticipated that the return would be flat for fixed income securities therefore earnings must be derived from equities. He discussed the recent volatility within the market and anticipated a sluggish economic recovery.

Mr. Chambers reviewed the asset allocation, noting all was satisfactory. He concluded his report with a review of the compliance checklist and performance of the individual investment products in great detail, noting that all was satisfactory over the long-term.

ATTORNEY REPORT

Bonni Jensen reviewed recently adopted State legislation Senate Bill 1128 and the effects 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 State Division of Management Services calculated the Chapter 185 distribution to the Plan to be the amount of \$241K.

ADMINISTRATIVE REPORT

Nick Schiess provided a draft DROP Earnings Election Form. He acknowledged that additional changes were required as a result of Board direction earlier in the meeting and agreed to provide a revised Form at the next meeting.

OTHER BUSINESS

Peter Strong appeared before the Board on behalf of Gabriel, Roeder, Smith, & Co. to provide an updated report on the funding situation of the Plan. He reported that considering the recent State Chapter 185 distribution, the Plan's reserve account will be depleted down to \$20K by the date of September 30, 2011. Mr. Strong recommended the dramatic cut of the future accrual benefit rate to 0.6% or alternately an increase in the employee contribution rate by 4%. Mr. Strong announced that Chapter 185 revenues in general have decreased by 3% across the State and were not anticipated to increase back to their original levels.

A lengthy discussion regarding the funding situation of the Plan ensued and the Board noted its responsibility to ensure the financial soundness of the Plan. The Board also

noted the importance to involve the Unions in order to receive input from the members on a mutually agreeable resolution. Daniel Gilroy appeared before the Board on behalf of the International Union of Police Associations. He questioned the development of the cost of the Plan and whether the amount of funding determined by the Actuary was necessary. Mr. Strong discussed the development of the cost of the Plan noting that the current funding level was insufficient to maintain the current level of benefits. Additionally, the Plan must be funded in accordance with State guidelines or risk losing the annual Chapter 185 distributions. Mr. Gilroy questioned whether other benefits can be trimmed instead of the multiplier and he was advised that this was already researched and trimming the other benefits was not only complicated but also resulted in minimal savings.

A discussion arose regarding the implementation of share account as an alternative, and it was noted that share accounts would not be credited until the unfunded liability of the Plan was eliminated, which would take a significant amount of time.

James Tedder appeared before the Board on behalf of the Police Benevolent Association and requested that all available options be explored to resolve the funding situation. After further discussion, John Schramm made a motion to authorize an actuarial cost study for several options to reduce the cost of the Plan to be reviewed as soon as possible at the next meeting previously scheduled for September 15, 2011. Gloria Johnson seconded the motion, approved by the Trustees 3-0.

There being no further business, the meeting adjourned at 11:55 P.M.

Respectfully submitted,

Secretary