

**CITY OF FT. PIERCE POLICE OFFICERS' RETIREMENT TRUST FUND
MINUTES OF MEETING HELD
DECEMBER 10, 2012**

A quarterly meeting of the Board of Trustees was called to order on December 10, 2012 at 2:00 P.M. in the 1st Floor Engineering Conference Room located at the Fort Pierce City Hall, Fort Pierce, Florida.

TRUSTEES PRESENT

Brian Humm
John Schramm
Gloria Johnson
Daniel Flaherty

OTHERS PRESENT

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

PUBLIC COMMENTS

There were no public comments.

MINUTES

The Trustees reviewed the minutes of the meetings held September 20 and September 28, 2012. John Schramm made a motion to approve the minutes of the meetings held September 20 and September 28, 2012. Daniel Flaherty 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 September 30, 2012 was the amount of \$10,575,444. For the fiscal year, the income was \$2,044,440 and expenses, including benefit payments, were the amount of \$513,000.

BENEFIT APPROVALS

The Board considered the approval of retirement benefits for Sally Hurley and Hall Soloman and the application for a refund of contributions from Henry Kantorski. John Schramm made a motion to approve the lump sum retirement benefit payable to Sally Hurley as calculated by the Plan's Actuary. Daniel Flaherty seconded the motion, approved by the Trustees 4-0. John Schramm made a motion to approve the monthly retirement benefits payable to Hall Soloman as calculated by the Plan's Actuary. Daniel Flaherty seconded the motion, approved by the Trustees 4-0. John Schramm made a motion to approve the refund of contributions payable to Henry Kantorski. Daniel Flaherty seconded the motion, approved by the Trustees 4-0.

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 September 30, 2012. He reported that for the fiscal year, the performance for the large cap portfolio was 30.22% versus 30.20% for the index. The Board recognized that while the performance was nearly equal to the benchmark, the annualized performance of the prior three year and five year rolling period has lagged the benchmark. Mr. Stamy explained that the investment style contained only high quality equities and this style had been out of market favor until recently. 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 explained that the degree of underperformance was minimal and every investment manager goes through periods of underperformance. He further explained 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. Mr. Chambers recommended the retention of the investment manager despite the manager very narrowly missing the performance objectives stated with the Investment Policy Statement.

Mr. Stamy reported that the fiscal year performance for the small cap portfolio was 21.65% versus 31.91% for the index. He discussed the market and economic factors within the small cap universe and discussed the reasons for the underperformance. Mr. Stamy anticipated a rebound in relative performance. Mr. Chambers advised that while the prior year performance lagged the benchmark, the strategy's long-term performance was satisfactory and he ultimately recommended the retention of the strategy and manager. Mr. Chambers announced that he would perform an on-site due diligence visit with the manager and would report back to the Board.

Mr. Stamy reported that the fiscal year performance for the fixed income portfolio was 6.22% versus 5.16% 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.

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 September 30, 2012. 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, the investment return was 15.5% versus 17.6% for the blended index. He reviewed in detail the performance of the individual investment products, noting all was satisfactory.

Mr. Chambers reviewed the asset allocation, noting that a recent portfolio rebalancing had nearly been completed. He discussed the logistics and difficulty of conducting business with the two Vanguard mutual funds noting that rebalancing would be greatly

facilitated if the products were custodied also with SunTrust and it was well worth their 5 basis point fee. Based upon the recommendation of the Investment Consultant, John Schramm made a motion to custody the two Vanguard mutual funds with SunTrust. Gloria Johnson seconded the motion, approved by the Trustees 4-0.

ATTORNEY REPORT

Bonni Jensen provided and reviewed a proposed Statement of Policy Regarding the Processing of Applications for Disability Benefits. She explained that the Policy essentially adopted the process and procedures of the Retirement and Benefit Plan and would utilize the same medical records to avoid duplication of effort and expense. John Schramm made a motion to adopt the Statement of Policy Regarding the Processing of Applications for Disability Benefits. Gloria Johnson seconded the motion, approved by the Trustees 4-0.

Mrs. Jensen discussed the ramifications of the State's reversal of policy established in the year 1999 regarding the use and restrictions of premium tax revenues.

ADMINISTRATIVE REPORT

As a follow up to a prior meeting wherein the Board approved an increase in administrative fees from \$500 monthly to \$600 monthly, Nick Schiess reported that an increase in administrative fees to \$700 monthly plus a 4% annual cost-of-living adjustment was previously approved by the Board but never implemented. He noted that additional fees in the amount of \$200 monthly were charged for DROP administration. Mr. Schiess proposed falling back to the original agreement without retroactivity in the amount of \$700 monthly, eliminating the cost-of-living adjustment and also reducing the DROP administration fees to \$100 monthly. He explained that the net fees would total the recently approved fee increase plus the DROP administration fees but the restructuring would reduce the shared costs of the DROP participants and eliminate the cost-of-living adjustment that was not approved the last time. John Schramm made a motion to approved the increase of in administration fees to \$700 monthly and reduce the DROP administration fees to \$100 monthly. Gloria Johnson seconded the motion, approved by the Trustees 4-0.

OTHER BUSINESS

Nick Schiess reported that newly appointed Trustee Bob Burge had resigned because he also sat on another Board, which could be considered dual office holding and therefore against the State Constitution. Gloria Johnson announced that she was also resigning from the Board for the same reason.

A discussion arose regarding Daniel Flaherty accompanying Burgess Chambers in the on-site due diligence visit to CS McKee Investment Managers. Gloria Johnson made a motion to approve the travel expense of Daniel Flaherty to accompanying Burgess Chambers in the on-site due diligence visit to C.S. McKee Investment Managers. John Schramm seconded the motion, approved by the Trustees 4-0.

The meetings for next year were scheduled for the dates of March 21, July 20, September 19 and December 19, 2013.

There being no further business the meeting adjourned at 3:50 P.M.

Respectfully submitted,
