

CITY OF FT. PIERCE POLICE OFFICERS' RETIREMENT TRUST FUND
MINUTES OF MEETING HELD
SEPTEMBER 29, 2014

A quarterly meeting of the Board of Trustees was called to order on September 29, 2014 at 2:11 P.M. in the 1st Floor Conference Room located at the Fort Pierce City Hall, Fort Pierce, Florida.

TRUSTEES PRESENT

John Schramm
Carlos Villanueva
Daniel Flaherty
Frank Amandro

OTHERS PRESENT

Bonni Jensen, Law Office of Perry & Jensen
Nick Schiess, Pension Resource Center
Burgess Chambers, Burgess Chambers & Associates
Peter Strong, Gabriel, Roeder, Smith & Co

PUBLIC COMMENTS

There was no public comment.

APPROVAL OF MINUTES

The Trustees reviewed the minutes of the meeting held on May 25, 2014. Daniel Flaherty made a motion to approve the minutes of the meeting held on March 21, 2014. Carlos Villanueva seconded the motion, approved by the Trustees 4-0.

ACTUARY REPORT

Peter Strong appeared before the Board on behalf of Gabriel, Roeder, Smith & Co. to present an experience study comparing actuarial assumptions versus the actual experience of the Plan. Based upon actual experience, he recommended lowering the salary increase assumption, increasing the termination rate assumption, adjust retirement rates to reflect higher early retirement and lower normal retirement, lower the impact of unused leave payouts, and revise the mortality table from the 1983 Group Annuity table to the RP-2000 combined mortality table. The net overall effect of revising all the recommended changes would lower the funding requirements of the Plan by 2.02% of covered payroll. Mr. Strong also recommended the consideration of revising the investment return assumption from 7.5% to 7.0% in conjunction with lowering the salary scale assumption to fund the Plan on a more conservative basis.

A lengthy discussion arose regarding the investment return assumption. Burgess Chambers discussed historical performance of the market and discussed a recent analysis performed by his office that offered sufficient empirical evidence to support the retention of the current 7.5% assumption. He advised that even if the assumption was lowered to 7.0%, he would not suggest any changes in the construction of the portfolio in response. Mr. Chambers discussed the current market conditions and economic outlook for fixed

income, noting that increasing bonds in an effort to become more conservative would actually be counterproductive and actually result in increased and undue risk. The discussion continued and revising the assumption to 7.25% was also considered. After even more discussion, Frank Amandro made a motion to revise the investment return assumption from 7.5% to 7.25% and accept all the other revisions of the actuarial assumptions recommended by the Actuary. Carlos Villanueva seconded the motion, approved by the Trustees 4-0.

Mr. Strong then revised a cost study illustrating the impact on the funding of the Plan for several alternative scenarios including limiting the amount of overtime and accrued leave payouts that can be considered pensionable compensation, release of the excess contribution reserve and a method change to combine all current amortization bases. Bonni Jensen advised that any changes in benefits must be approved by the Union. The Board decided to present the study to the Union along with a recommendation to consider limiting overtime and perhaps phasing in a salary averaging period in order to reduce funding pressure on the Plan.

INVESTMENT CONSULTANT REPORT

Burgess Chambers provided a report on the performance of the investment portfolio for the quarter ending June 30, 2014. He reported that for the quarter, the investment return of the portfolio was 3.8% and for the fiscal year-to-date the investment return was 10.8%.

Mr. Chambers reviewed in detail the performance of the individual investment products in great detail, noting all was satisfactory with the exception of the small cap portfolio. He provided the Board of a small cap core manager search with possible replacement mutual fund products. Mr. Chambers reviewed the qualifications, experience, risk measurements and historical performance of each product and ultimately recommended replacing the C.S. McKee separate small cap account with the FMI Common Stock Fund managed by Fiduciary Management Incorporated. After a lengthy and thorough discussion, Daniel Flaherty made a motion to replace the C.S. McKee separate small cap account with the FMI Common Stock Fund based upon the recommendation of the Investment Consultant. Frank Amandro seconded the motion, approved by the Trustees 4-0.

Mr. Chambers discussed the addition of a private real estate fund to the investment portfolio. He explained that this asset class is generally uncorrelated to other asset classes, which lowers the volatility and increases diversification of the overall portfolio. He discussed the downside of this asset class, specifically illiquidity noting that generally a queue existed to redeem the investment sometimes lasting a year or even longer. Mr. Chambers recommended revisiting the matter at the next meeting and he would arrange a few presentations from a few prospective investment managers.

FINANCIAL REPORT

The Board reviewed the financial report for the quarter ending June 30, 2014.

BENEFIT APPROVALS

The Board reviewed the final retirement benefit calculation for Fred Pate. Frank Amandro made a motion to approve retirement benefits for Fred Pate. Daniel Flaherty seconded the motion, approved by the Trustees 4-0.

The Board reviewed a preliminary retirement benefit calculation for Robert Baldwin. Frank Amandro made a motion to approve the preliminary retirement benefit calculation for Robert Baldwin and commence payment contingent upon a calculation from the Plan's actuary and final ratification at the next meeting. Carlos Villanueva seconded the motion, approved by the Trustees 4-0.

ATTORNEY REPORT

Bonni Jensen announced that she had entered into full-time partnership with Klausner Kaufman Jensen & Levine, noting that there were not any changes proposed in fees or services. She requested approval for the assignment of her agreement with the Board to the firm. Frank Amandro made a motion to approve assignment of Bonni Jensen's agreement with the Board to Klausner Kaufman Jensen & Levine. Carlos Villanueva seconded the motion, approved by the Trustees 4-0.

ADMINISTRATIVE REPORT

Nick Schiess advised that there were no outstanding administrative issues to report.

OTHER BUSINESS

Nick Schiess reported that as a follow up to the last meeting, he had submitted a request to the City for consideration of payment of the costs to prepare GASB 67 and 68 disclosures. He reported that he had not received affirmation from the City for intent of payment of the disclosures. It was again noted that the disclosures were not required by the Plan, but instead by the City for its own reporting purposes. A discussion ensued and Daniel Flaherty made a motion to authorize the Actuary to prepare GASB 67 and 68 disclosures contingent upon payment for the costs of the disclosures by the City. Carlos Villanueva seconded the motion, approved by the Trustees 4-0.

The Board executed the fee addendum received from investment manager Westwood Holdings Group with the fee reduction negotiated by the Investment Consultant.

Mr. Schiess presented revised signature authorization cards for the Plan's accounts with SunTrust, Westwood Holdings Group and CS McKee, noting the Board had extended the authorization to conduct business on these accounts to the Plan Administrator. Daniel Flaherty made a motion to execute the revised signature authorization cards. Carlos Villanueva seconded the motion, approved by the Trustees 4-0.

There being no further business and the next meeting being scheduled for November 20, 2014, the meeting adjourned at 4:25 P.M.

Respectfully submitted,
