

MINUTES OF A REGULAR MEETING OF THE BOARD OF TRUSTEES OF THE POLICE RETIREMENT SYSTEM HELD IN THE CONFERENCE ROOM AT CITY HALL ON WEDNESDAY, DECEMBER 4, 2002, AT 1:30 P.M.

I. ROLL CALL:

A. Employees' Retirement Board:

The Chairman called the meeting to order at 1:42 p.m.

Trustees present were Mayor Rodney Romano (Chairman), Finance Director Chuck Powers, Lt. Kenneth White, Deputy Chief Pat Hampshire (Vice Chair), and David Vespo. Also present were Kenneth Harrison, Esquire, sitting in for Board Attorney Robert Sugarman, and Recording Secretary Valerie Hurley, City Clerk's Office.

II. ADDITIONS/DELETIONS/REORDERING:

A. Employees' Retirement Board:

B. Police Retirement Board:

1. Add: Item D. Administer Oath of Office to David Vespo

C. Employees' and Police Retirement Boards:

1. Reorder New Business item C.1. from Michael Callaway, Vice President, Merrill Lynch Consulting Services, to review fund valuation for quarter ending September 30, 2002, to follow Additions/Deletions/Reordering.

Action: Motion made by Deputy Chief Pat Hampshire and seconded by Mr. Powers to adopt the agenda as modified.

Vote: Voice vote showed: AYES: Mayor Romano, Messrs. Vespo and Powers, Lt. White, and Deputy Chief Hampshire. NAYS: None.

D. Administer Oath of Office to appointed citizen member:

The Board Secretary administered the oath to David Vespo, citizen member, who was appointed to a two-year term ending July 31, 2004.

(IV. NEW BUSINESS:)

(C. Employees' and Police Retirement Boards:)

(1.) Michael Callaway, Vice President, Merrill Lynch Consulting Services, to review fund valuation for quarter ending September 30, 2002

As of September 30, 2002, the fund had a total market value of \$18,184,910 including accrued income. This represented a decrease in value from the previous quarter of \$1,543,771. The total fund earned -\$1,270,072 and paid out \$273,699 in net distributions.

As of September 30, 2002, 46.8% of the total fund was invested in equities including international and small cap equity portfolios, 52.1% in bonds, and 1.2% in cash and equivalents.

For the quarter, the total fund earned a -6.5% return, which ranked in the Top 14% of other public balanced funds in the sample.

The fund outperformed the target index by a 1.8% margin this quarter. This performance was attributed to the less than 60% overall equity allocation in a poor equity market. In addition, the domestic equity portfolio produced a -15.9% return, down less than the S&P 500 of -17.3%. The domestic equity portfolio return included the small cap equity mutual funds. The bond portfolio, managed by PIMCO, earned an above average return for the quarter, posting 4.8%.

Davis Hamilton's growth oriented equity portfolio returned -14.6% (including cash) to outperform the -17.3% return for the S&P 500 index, but was down slightly more than the -14.1% return for the S&P/BARRA Growth Index.

Lazard Asset Management's value oriented equity portfolio returned -15.2% (including cash). This return finished ahead of the S&P 500 return of -17.3%, and the S&P/BARRA Value index return of -20.5%.

The total international equity portfolio's return of -20.0% trailed the -19.7% return of the EAFE index for the quarter. The AIM International Growth Fund returned -19.2% while the Putnam International Fund returned -20.7%. The small/mid cap portfolio fared somewhat better with a -16.6% return as compared to -21.4% for the Russell 2000. The Seligman Capital Fund with a mid cap growth orientation returned -20.2% vs. -17.2% for the Russell MidCap Growth index. The Franklin Balance Sheet Fund (small cap value) was down much less with a -13.4% return.

After a period of questions and answers, the Trustees agreed to accept the Performance Monitor's Report.

Consensus was to direct Merrill Lynch to rebalance the fund.

Mr. Lepa suggested rebalancing quarterly.

III. UNFINISHED BUSINESS:

A. Pertained to Employees' Retirement Board:

B. Police Retirement Board:

1. Reconsider letter regarding notice to DROP participants of fixed rate account availability

and

Consider amending DROP rules

Mr. Harrison said based on his research, once an employee retires, the employee locks-in to whatever benefits occurred at that time. If the Board changed the DROP fixed rate, it would not affect those people who were currently in the DROP.

Discussion ensued regarding DROP account balances after an employee terminated. It was agreed that employees must transfer or cash out their DROP accounts after termination.

Mr. Harrison suggested, as per the Florida Retirement System, employees be offered the following options: lump sum payment, partial payment/partial rollover, or rollover.

Consensus was to offer three options (lump sum payment, partial payment/partial rollover, or rollover) for DROP accounts after termination of employment with the City; DROP accounts must be emptied within 90 days after termination.

Action: Motion made by Mr. Powers and seconded by Mr. Vespo to direct the Board Attorney to amend the DROP Rules and fixed rate letter as discussed.

Vote: Voice vote showed: AYES: Mayor Romano, Messrs. Vespo and Powers, Lt. White, and Deputy Chief Hampshire. NAYS: None.

At 3:03 p.m., the Board recessed for a short break at which time Mayor Romano departed.

At 3:12 p.m., Vice Chair Hampshire resumed the meeting.

2. Letter dated November 13, 2002, from J. Stephen Palmquist, Gabriel, Roeder, Smith & Company, regarding minimum benefits of Chapter 185

Action: Motion made by Mr. Powers and seconded by Lt. White to forward the proposed amendment to the Pension Code, regarding minimum benefits of Chapter 185, to the City Commission for consideration.

Vote: Voice vote showed: AYES: Messrs. Vespo and Powers, Lt. White, and Deputy Chief Hampshire. NAYS: None.

C. Employees' and Police Retirement Boards:

1. Reconsider Application for Benefits Payable form

Action: Motion made by Lt. White and seconded by Mr. Powers to approve the Application for Benefits Payable form.

Vote: Voice vote showed: AYES: Messrs. Vespo and Powers, Lt. White, and Deputy Chief Hampshire. NAYS: None.

2. Review form providing amount of final benefits for retirees

Action: Motion made by Mr. Powers and seconded by Lt. White to receive and file the form providing the amount of final benefits for retirees.

Vote: Voice vote showed: AYES: Messrs. Vespo and Powers, Lt. White, and Deputy Chief Hampshire. NAYS: None.

3. Consider amending DROP rules

This item was discussed during Unfinished Business item B-1.

4. Letter dated October 29, 2002, from Mary Contois, Gabriel, Roeder, Smith & Company regarding Summary Plan Description

Action: Motion made by Mr. Powers and seconded by Lt. White to direct Gabriel, Roeder, Smith & Company to update the Summary Plan Description.

Vote: Voice vote showed: AYES: Messrs. Vespo and Powers, Lt. White, and Deputy Chief Hampshire. NAYS: None.

IV. NEW BUSINESS:

A. Employees' Retirement Board:

B. Police Retirement Board:

None.

C. Employees' and Police Retirement Boards:

1. **Michael Callaway, Vice President, Merrill Lynch Consulting Services, to review fund valuation for quarter ending September 30, 2002.**

Considered earlier in the meeting.

V. CONSENT AGENDA:

A. Pertained to Employees' Retirement Board:

B. Police Retirement Board:

Action: Motion made by Mr. Powers and seconded by Mr. Vespo to approve Consent Agenda (B), in its entirety, as follows:

1. **Approve minutes of October 30 2002, regular meeting, as submitted**
2. **Authorize payment of invoice from Sugarman & Susskind, dated November 4, 2002, in amount of \$1,350.00 for retainer fee for month of November 2002**
3. **Authorize payment of invoice from Sugarman & Susskind, dated November 25, 2002, in amount of \$1,350.00 for retainer fee for month of December 2002**
4. **Authorize payment of invoice from Davis Hamilton Jackson, & Associates Company, dated November 7, 2002, in amount of \$3,586.81 for management fees for quarter ending September 30, 2002**

Vote: Voice vote showed: AYES: Messrs. Vespo and Mr. Powers, Lt. White, and Deputy Chief Hampshire. NAYS: None.

C. Employees' and Police Retirement Boards:

None.

Mr. Powers said the Early Retirement Program ordinance passed on December 3, 2002, on first reading and second reading was scheduled on December 17, 2002. An Executive Session was scheduled on December 9, 2002, to discuss reorganization.

VI. ADJOURNMENT:

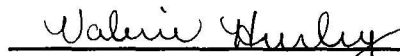
B. Police Retirement Board:

Meeting adjourned at 3:35 PM.

MINUTES APPROVED: 04-23-03



Mayor Rodney G. Romano, Chair
Police Retirement Board



Valerie Hurley, Recording Secretary
Police Retirement Board

Minutes transcribed by:
Evanna Stephenson, City Clerk's Office

A tape recording of this meeting will be available in the Office of the City Clerk for two years after approval of these minutes.