

**MINUTES OF A JOINT EMPLOYEES' RETIREMENT BOARD
AND POLICE RETIREMENT BOARD SPECIAL MEETING
HELD IN THE CONFERENCE ROOM AT CITY HALL ON TUESDAY,
May 27, 2008 at 2:00 PM**

I. ROLL CALL: 2:07 PM

A. Employees' Retirement Board:

The meeting was called to order at 2:07 PM.

Those persons present included:

Trustees: Valerie Hurley, Chair
Mayor Jeff Clemens
Robert Kahant
Robert Lepa

Others: Ken Harrison, Sugarman & Susskind
J Scott Baur, Pension Resource Center
Margie Adcock, Pension Resource Center
John Panoch, HR Director
Trevor Smallwood, Merrill Lynch
Members of Public

B. Police Retirement Board:

The workshop was called to order at 2:07 PM. The meeting commenced at 2:17 PM with the arrival of Trustee Randy Collier.

Those persons present included:

Trustees: Ken White, Chair
Sgt. Randy Collier (2:17 PM)
Mayor Jeff Clemens

Others: Ken Harrison, Sugarman & Susskind
J Scott Baur, Pension Resource Center
Margie Adcock, Pension Resource Center
John Panoch, HR Director
Trevor Smallwood, Merrill Lynch
Members of Public

II. ADDITIONS/DELETIONS/REORDERING:

A. Employees' Retirement Board:

No additions or deletions to the Agenda were made for the Employees Retirement Board.

B. Police Retirement Board:

No additions or deletions to the Agenda were made for the Police Retirement Board.

C. Employees' and Police Retirement Boards:

The Trustees re-ordered the Agenda for item IV C-1, Merrill Lynch, to precede Unfinished Business.

The Boards accepted the revisions to the Agenda by consensus.

IV. New Business:

C. Employees' and Police Retirement Boards:

Merrill Lynch: Quarterly Performance Report:

The Trustees discussed the notice of termination of the investment consulting agreement received from Merrill Lynch. Ken Harrison advised that the plans effectively agreed to the termination by moving to replace Merrill Lynch, but his office will provide an acknowledgement of the termination to Merrill Lynch. Scott Baur indicated that he requested the data from Merrill Lynch on behalf of the plans for the new investment consultant to begin producing reports for the Boards. Trevor suggested that Mr. Baur should send another request for the data by Email to Troy Brown in the Jacksonville office. Mr. Smallwood had no further update on the SEC investigation of Mike Callaway, but Merrill Lynch will officially close the Jacksonville consulting office at the end of June.

Trevor Smallwood reported that the Police Retirement System had returns of -4.4% for the quarter ending March 31, 2008, compared to returns for the benchmark of -4.6%. The returns ranked in the top 38th percentile of the Merrill Lynch public plan universe. The Police Retirement System had total assets of \$24,123,520 as of March 31, with 59.4% invested in equities, 38.9% in fixed income securities, and 1.7% in cash. The Employees' Retirement System, meanwhile, had returns of -4.4% for the quarter ending March 31, 2008, compared to returns for the benchmark of -4.6%. The returns for the Employees' Retirement System ranked in the top 35th percentile of the comparison universe. The Employees' Retirement System had total assets of \$73,289,800 as of March 31, with 59.1% of assets invested in equities, 39.1% in fixed income securities, and 1.8% in cash.

Mr. Smallwood advised that both plans experience above-average performance for longer trailing periods. Mr. Smallwood then reviewed the performance of the individual portfolio managers, noting that Alethia performed in the top 1% of managers for their asset class with returns of -2.8% for the Employees' Retirement System and -3.3% for Police. The Oakmark international portfolio, on the other hand, continued to under perform due to a higher allocation in financial issues. Mr. Smallwood recommended holding any possible manager changes for review and recommendations by the new investment consultant retained by the Boards. He did not see any significant issues with the current investment managers as of the report.

III. UNFINISHED BUSINESS:

A. Employees' Retirement Board:

The Trustees considered the recalculation of the pension benefit for retired member Margaret Johnstone. Ms. Johnstone requested a recalculation of her benefit to include longevity paid after her entry date in the DROP, although she earned her pay prior to her entry into the DROP. Scott Baur indicated that, with proper documentation, he would typically recalculate a benefit to include the additional payroll. His firm has not yet

received the payroll data necessary, however, to recalculate the benefit. Ken Harrison advised that the administration of payroll did not fall under the jurisdiction of the Board, so the member should pursue the matter with the City. At such time that a benefit has been recalculated, the Board should review and approve the new benefit.

B. Police Retirement Board:

The Police Retirement Board had no unfinished business.

C. Employees' and Police Retirement Boards:

1. Contract with Bogdahn Consulting

Mr. Baur provided the agreement for the new investment consultant, Bogdahn Consulting, for execution. The Board approved the agreement previously.

2. Transition in Plan Administration

Mr. Baur updated the Board regarding the transition of administrative services from the City. During the prior month, the City designated staff in the Human Resources department to act as a liaison to the administrator. As a result, his firm received many data files in the past week prior to the meeting. He set up the DROP Accounts for the members in advance of the meeting, and he provided the corresponding management reports to the quarterly DROP Statements to the Board. He indicated that the members should receive their quarterly DROP Statements in the mail over the next few days.

The Trustees reviewed the reports provided by the City of the benefits recalculated by the Finance Department. Most of the changes to the monthly benefit amounts appeared relatively small. Scott Baur stated that he would like time to review the benefit calculations before making specific recommendations to the Board, but he did not yet have the ability or data to duplicate either the original or revised calculations produced by the Finance Department. The Board deferred the discussion until the administrator has the information to make recommendations to the Board.

Finally, Mr. Baur discussed the schedule for payment of pension benefits. The DROP Accounts have monthly benefit payments credited on the first day of each month, while the plans pay the members on the last day of each month following separation from service. Mr. Baur referred to the ordinance, which indicates that benefits should commence payment on the first of the month coinciding with or next following the date of retirement. Mr. Baur recommended that the Board should make the payment of benefits consistent for all retired members. The Trustees considered the impact of the members, as well as the impact to the plan, of changing the schedule for payment of benefits. Mr. Harrison recommended the Boards should pay benefits in accordance with the provisions of the ordinance, on the first day of each month.

Action: Robert Lepa made a motion on behalf of the Employees' Retirement Board to pay the monthly benefits to all retired members on the first day of each month, as opposed to the end of the month. Robert Kahant seconded the motion.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

Action: Sgt. Collier made a motion on behalf of the Police Retirement Board to pay the monthly benefits to all retired members on the first day of each month, as opposed to the end of the month. Mayor Clemens seconded the motion.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

The Trustees continued discussion of the recalculation of benefits, noting that some of the calculations had minor adjustments to service. The ordinances allow members to receive a full year of service for at least nine months in a year, and a full month of service for over 10 days. The Boards also considered whether retro payroll payments should be applied to a final average salary calculation when the member earned the pay or when the member received the payment. Scott Baur advised that, like the City, his firm typically calculates benefits when the member receives the pay unless directed otherwise by the Board. If the member has a spike in pay due to a retro payment, the high years in the final average salary calculation will typically shift to include the pay. The only exception typically involves members like Margaret Johnstone, where the member received the pay following the date of entry into the DROP due to other administrative delays.

IV. NEW BUSINESS:

A. Employees' Retirement Board:

The Trustees reviewed the benefit approvals for the Employees' Pension Fund.

Action: Mayor Clemens made a motion to accept the Benefit Approvals, seconded by Robert Kahant.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

B. Police Retirement Board:

The Trustees reviewed the benefit approvals for the Police Pension Fund.

Action: Sgt. Collier made a motion to accept the Benefit Approvals, seconded by Mayor Clemens.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

C. Employees' and Police Retirement Boards:

The Trustees asked about the status of the audits and the annual actuarial valuations, which depend on the data that the City must still provide. The Police Retirement Board also received a letter from the Division of Retirement regarding the Annual Report.

D. Attorney Report:

Ken Harrison noted that the plans received the letter of termination sent by Merrill Lynch, though he had not yet specifically responded to the notice. He stated that he agreed with the June 2 termination date, so long as Merrill Lynch provided the quarterly reports and corresponding data through the termination date. He advised that the plans could accept the notice of termination subject to these conditions.

Mr. Harrison then discussed the determination letters by the IRS for the plans. The IRS appears to be using the determination letters as a way to monitor the non-Erisa plans more closely. The IRS might begin to have such plans obtain updated determination letters more frequently in the future. The service has offered amnesty temporarily for any plan provisions not in compliance with the internal revenue code.

E. Administrator Report:

Mr. Baur stated that he covered any administrative issues under other agenda items.

V. CONSENT AGENDA:

A. Employees' Retirement Board:

Action: Mayor Clemens made a motion to approve the Consent Agenda for the Employees' Retirement Board. Robert Lepa seconded the motion.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

B. Police Retirement Board:

Action: Mayor Clemens made a motion to approve the Consent Agenda for the Police Retirement Board. Sgt. Collier seconded the motion.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

VI. ADJOURNMENT:

There being no other business and the next regular meeting having been previously scheduled for Tuesday, June 24 at 2:00 PM, the Trustees adjourned the meeting at 3:26 p.m.

MINUTES APPROVED: June 24, 2008

Valerie Hurley, Chair
Employees' Retirement Board

Kenneth White, Chairman
Police Retirement Board

J. Scott Baur, Administrator
Employees' & Police Retirement Boards