

**MINUTES OF A JOINT EMPLOYEES' RETIREMENT BOARD
AND POLICE RETIREMENT BOARD MEETING
HELD IN THE CONFERENCE ROOM AT CITY HALL ON TUESDAY,
August 26, 2008 at 2:00 PM**

I. ROLL CALL: 2:03 PM

A. Employees' Retirement Board:

The meeting was called to order at 2:03 PM.

Those persons present included:

Trustees: Valerie Hurley, Chair
Robert Lepa, Vice-Chair

Mayor Jeff Clemens (2:15 PM)

Robert Kahant

Others: Ken Harrison, Sugarman & Susskind
J Scott Baur and Margie Adcock, Pension
Resource Center
Mike Welker and Tim Nash, Bogdahn
Consulting
Members of Public

B. Police Retirement Board:

The meeting was called to order at 2:03 PM.

Those persons present included:

Trustees: Lt. Kenneth White, Chair
Sgt. Randy Collier, Vice-Chair

Mayor Jeff Clemens (2:15 PM)

Karri Casper

Others: Ken Harrison, Sugarman & Susskind
J Scott Baur and Margie Adcock, Pension
Resource Center
Mike Welker and Tim Nash, Bogdahn
Consulting
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:

No additions or deletions to the Agenda were made for the Employees' and Police Retirement Boards.

III. UNFINISHED BUSINESS:

A. Employees' Retirement Board:

B. Police Retirement Board and

C. Employees' and Police Retirement Boards:

1. Recalculation of Pension Benefits

Mr. Baur provided a handout. He stated that he started with hurricane pay. He noted that six general employees requested a recalculation. He stated that he found out that very few of the calculations had anything to do with hurricane pay but there were other things that he wanted direction on how to proceed. Ms. Hurley stated that there were a few people not on the list that she thought had requested a recalculation. Mr. Baur stated that six people provided written requests to the City that was then provided to his office. Mr. Baur stated that if there were more that made such requests he could do the recalculation. He noted that the Board could not act on all of the recalculations today anyway as he needed more direction from the Board. Mr. Harrison stated that if someone else is not on the list the Board needs written documentation that they made such a request within the proper time frame. Ms. Hurley thought there were 10 or 11 people.

2. Benefit Calculation Procedure

a. Calculation of Service

Mr. Baur stated that he needed direction on the calculation of the benefits and discussed the parts of the calculation. He stated that service is one issue and asked if he was to use exact service or round up. Mr. Harrison discussed the definition of service. He noted that the Board could not give credit for one month of service if a person has less than 10 days of service. The same is true for a year. The Board cannot give credit for one year if a person has less than 9 months. He stated that the Board could make a policy decision that 12 months equals a year and 30 days equals a month. He stated that the Board has to use the most available records and fix and determine how to apply them. The Board can fix the policy but service cannot be below those numbers. There was a lengthy discussion. Mr. Harrison stated that the Board needed to approve a policy on how to handle this. It was noted that the Board should find out how the Actuary calculates for this in the Valuation.

Mr. Baur raised the issue of employee contributions owed that were not paid on hurricane pay and how the Plan should collect it. He noted that some had no loss of pay in their average final compensation based on hurricane pay so there are no employee contributions owed. He stated that he only adjusted one person for hurricane pay.

Mr. Baur stated that there was also the issue of pay regarding the highest consecutive years and how many pay periods to use in a final average compensation. Mr. Baur stated that he would typically take a fraction and prorate it into the calculation so a person has a full two-year period of time. He stated that he needed direction on how many actual pay periods or weeks to include in a final average compensation.

The Board contacted Steve Palmquist by teleconference. The Board asked Mr. Palmquist how he was calculating the minimum service time in the Valuation. Mr. Palmquist stated that he was assuming a person needed actual time. Mr. Harrison stated that the Ordinance would not need to be changed. However, he would recommend deleting the provision. For the people that already left the use of minimum provisions is

de minimus. Prospectively, the Board will calculate actual service. Mr. Harrison stated that this was the safest way to do it.

Action: A motion was made and seconded to use actual service in the calculation of the final average salary.

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

Action: A motion was made and seconded to use 104.6 weeks in the calculation of the two-year period in the final average salary.

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

Action: A motion was made and seconded to authorize the Administrator to collect pension contributions owed from the persons pension check.

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

Action: A motion was made and seconded to reorder the Agenda so that the international investment manager presentations would be next.

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

IV. NEW BUSINESS:

A. Employees' Retirement Board:

B. Police Retirement Board and

C. Employees' and Police Retirement Boards:

1. International Investment Manager Presentations

a. Hansberger Global Investors

Bev Hendry and Laretta Reeves appeared before the Board. Mr. Hendry advised that he was the Senior VP of Business Development. Ms. Reeves is the lead portfolio manager of the international fund. Mr. Hendry advised that the firm was founded in 1994 in Ft. Lauderdale. He stated that they are a local firm with a global outreach. They have offices in Toronto, Hong Kong, Moscow and Mumbai. He stated that institutional international management is all they do. They have \$9.9 billion under management. He reviewed a client list. He reviewed the value investment team and support team.

Ms. Reeves reviewed their investment philosophy. She stated that returns come from two areas – price return of stock and dividends. She stated that they forecast out five years of balance sheets and income statements. They look forward not backward. They visit companies and visit about 800 companies a year. She reviewed their investment process. She reviewed the fundamental characteristics of the International Value product. She discussed the portfolio construction. She discussed the risk control on sectors and

reviewed their risk control guidelines. They want stock selection to drive the process.

Mr. Hendry reviewed performance for the time periods ending June 30, 2008. They have outperformed the index in the quarter, year to date, 1, 2, 3, 4, 5, 6, 7 and 10 year time periods. Their fee is 93 basis points. The Board and Attorney asked various questions to which Mr. Hendry and Ms. Reeves responded accordingly.

Bev Hendry and Laretta Reeves departed the meeting.

b. Manning & Napier

Chris Long and Greg Woodard appeared before the Board. Mr. Long is the client consultant and Mr. Woodard is the portfolio strategist. Mr. Long provided a firm overview. The firm was founded in 1970 and is headquartered in Rochester, New York. The Southeast regional office is in St. Petersburg, Florida. They have \$18 billion under management. They are 100% employee owned. Mr. Long stated that their investment strategies have been intact for over 35 years. They have 8600 accounts and 1600 are institutional. In the last five years they have lost only three accounts. He reviewed the typical product characteristics. They have 40-60 stocks in the portfolio. There is a 53% turnover rate. He provided a client list.

Mr. Woodard discussed the investment process. He reviewed their team management and the senior research group. He discussed their compensation structure noting that it puts the analysts interests in line with the clients interests. They have a bottom up investment process. He reviewed their strategic profile (growth), hurdle rate (cyclical value) and bankable deal (deep value). He reviewed performance. They tend to shine in bear markets. The fees for a separately managed account are 75 basis points. He noted that they also have a commingled fund for 75 basis points as well. The Board and Attorney asked various questions to which Mr. Long and Mr. Woodard responded accordingly.

Chris Long and Greg Woodard departed the meeting.

c. Voyageur

Jack Farland appeared before the Board. He is the managing director for the State of Florida. The firm has 25 years investment experience and has \$34 billion under management. They are headquartered in Minneapolis, Minnesota with offices in Chicago, Boston and Ft. Lauderdale. They opened the Ft. Lauderdale office about 7 years ago for the sole purpose of servicing the Florida clients. He discussed their investment objective and philosophy. This is a true value product. He stated that positive cash flow is the primary thing that they look at. They feel this is the most reliable measure of a company. He reviewed their investment process. They expect 6% real return plus active management premium of 2% plus a risk free premium per country. He reviewed the company valuations. He reviewed performance. He stated that for the last year performance has been awful. The product does not perform well when the market is in an unusual time. However, they have outperformed the benchmark for the 5, 7 and since inception time periods. The Board and Attorney asked various questions to which Mr. Farland responded accordingly.

Jack Farland departed the meeting.

Mike Welker and Tim Nash appeared before the Board. Mr. Welker stated that Hansberger and Voyageur are diametrically opposed. Hansberger put in guardrails for sells and buys and outperformed in 7 out of 9 calendar years. It was noted that Hansberger has had no new clients or assets in the last two years and lost two clients during that time. Manning and Napier has 68 new clients and does very good in down markets at preserving capital and keeping up when markets are doing well. It was noted that Manning is adding the best value and has the best information ratio and the lowest risk. Manning also has the most compelling return profile. There was a lengthy discussion. Mr. Welker recommended using the commingled fund if the Board goes with Manning. It would not be cost effective for Salem Trust to setting international funds. A

Action: A motion was made and seconded to negotiate a contract with Manning and Napier.

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

2. Investment Monitor Quarterly Investment Performance Report

Mr. Nash reviewed the market environment. He noted that everything was down for the quarter. The Employees' Retirement System had returns of 0.14% for the quarter compared to returns of -2.01 for the corresponding benchmark with assets of \$69,795,149 as of June 30, 2008. The quarterly returns ranked in the top 12th percentile of the peer manager universe. The Employees' Retirement System had 47.2% of assets invested in domestic equities as of June 30, 2008, 10.4% invested in international equities, 40.2% in bonds, and 2.2% in cash. The Police Retirement System had returns of 0.03% for the quarter compared to returns of -2.01% for the corresponding benchmark with assets of \$24,129,621 as of June 30, 2008. The quarterly returns ranked in the top 15th percentile of the peer manager universe. The Police Retirement System had 49.6% of assets invested in domestic equities as of June 30, 2008, 10.0% invested in international equities, 37.8% in bonds, and 2.6% in cash.

Mr. Welker stated that on the growth side they think Rigel is a good manager. However there are four managers on the growth side: Rigel, Calamos, Fayez and DHJ. He thinks the Board should consolidate DHJ and Fayez and give that money to Rigel and do a search for a complimenting manager to large cap growth. He stated that DHJ is not in the top 40% and is underperforming their peers. He noted that Calamos is listed as a mid cap growth manager but is really more of a mid to large cap manger. He would like to find a smaller manager that goes between small and mid cap. Additionally Calamos is expensive. Mr. Welker stated that on the value side he would like to liquidate the mutual fund with Franklin as they have not done well and split that money with Aletheia and MD Sass. That would save money and provide a more effective portfolio. There was a lengthy discussion.

Action: A motion was made and seconded to liquidate Franklin and split the money with Aletheia and MD Sass.

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

Action: A motion was made and seconded to reorder the Agenda so that the benefit approvals would be next.

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

A. Employees' Retirement Board:

1. Benefit Approvals

The Board was presented with benefit approvals for the Employees' Retirement Board.

Action: A motion was made and seconded to approve the benefit approvals listed by the Employees' Retirement Board.

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

B. Police Retirement Board:

1. Benefit Approvals

There were no benefit approvals for the Police Retirement Board.

III. UNFINISHED BUSINESS CONTINUED:

D. Employees' Retirement Board:

E. Police Retirement Board and

F. Employees' and Police Retirement Boards:

2. Benefit Calculation Procedure

b. Minimum Benefit Provisions (Police)

Mr. Harrison provided a memorandum regarding the minimum benefit provision in the Plan. There was a lengthy discussion. Mr. Harrison stated that he would talk to the Actuary. He thinks the provision should be deleted. He noted that nothing in Section 415 of the IRC guarantees a minimum benefit. Rather it sets forth a maximum benefit.

Action: A motion was made and seconded by the Police Retirement Board to authorize the Attorney to talk to the Actuary regarding the minimum benefit provision in the Police Plan and report back to the Board.

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

c. Re-employment After Retirement

This is a matter that was brought up at the last meeting. The issue involved a person who left when the multiplier was 2.75%, came back to work where the multiplier is now 3%. There was a lengthy discussion.

Action: A motion was made and seconded by the Police Retirement Board to authorize the Attorney to research and render a formal opinion at the next meeting.

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

IV. NEW BUSINESS:

B. Police Retirement Board:

2. Merger Issues

It was noted that there was a vote at the Commission meeting tonight regarding merger with the County. This would take effect on October 1, 2008. It was noted that there might be pending DROP Applications as a result of the merger. Mr. Baur stated that the Board would know at the September meeting if someone has submitted an application to enter the DROP. There is no problem with the time of the next Board meeting.

There was discussion on the payout of retained sick and vacation time. Apparently some of the employees want to take some of this time with them rather than cashing it out. Mr. Harrison stated that he thought this is a policy of the City and not a Pension Board issue. There was further discussion.

Action: A motion was made and seconded by the Police Retirement Board to authorize the Attorney to research the matter and if action needs to be taken before the next meeting to call for a special meeting.

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

There was discussion on the vote by the employees regarding the merger. Mr. Harrison stated that everyone has the right to vote. There was discussion on setting up workshops for the employees where Mr. Harrison and Ms. Jensen would address the employees.

D. Board Attorney's Report

Ken Harrison stated that the proposed Ordinance went forward to the City. There has been no action from the City as of yet.

Mr. Harrison reported on a workers' compensation issue. A claimant is working on a settlement with workers' compensation and wants a letter that the Pension Fund will not reduce his pension if he has a settlement. Mr. Harrison stated that there is no provision in the Ordinance for a workers' compensation offset. However there is an earned income provision. He has spoken with Dave Murphy in Risk Management and this is a very complicated issue. Mr. Harrison asked if the Board wanted him to respond. The Board did not authorize Mr. Harrison to respond.

Mr. Harrison provided an update on the matter regarding Richmond. They had previously contacted him to change their insurance requirement to reduce their coverage from \$10

million to \$5 million. He stated that he checked with the Investment Monitor and there is no problem from a Consultant's point of view. He stated that he has the addendum for the Board to sign.

Mr. Harrison stated that he had updated signature cards from Salem Trust for the Funds accounts that need to be executed.

E. Administrator Report

Mr. Baur presented the unaudited financial statements through July 31, 2008. He noted that the City is finishing up their CAFR. He stated that Mr. Palmquist could not finish the Valuation until he has that information. He noted that the Boards use the City's auditor and do not have a separate engagement so the auditor will not come to a meeting to present the audit. Mr. Harrison stated that he would contact them, as Chapter 185 requires it.

V. CONSENT AGENDA:

- A. Employees' Retirement Board: and**
- B. Police Retirement Board: and**
- C. Employees' and Police Retirement Boards:**

Action: A motion was made and seconded to approve Item A (warrant for accounts payable for the Employees' Retirement Board), Item B (warrant for accounts payable for the Police Retirement Board) and Item C (Minutes for July 22, 2008) of the consent agenda.

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

VI. ADJOURNMENT:

There being no other business and the next meeting having been previously scheduled for Tuesday, September 23 at 2:00 PM, the Trustees adjourned the meeting at 5:05 p.m.

MINUTES APPROVED: September 23, 2008

Valerie Hurley, Chair
Employees' Retirement Board

Kenneth White, Chairman
Police Retirement Board

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