



City of Temple Terrace Fire Department Pension Board

Roger Chewning, Chairman; Gerald Terenzi, Vice-Chairman; Ian Kemp, Secretary; Joe Affronti, City Mayor; Kim Leinbach, City Manager

MINUTES OF THE MEETING HELD February 14, 2012

1. CALL TO ORDER

Roger Chewning called a meeting of the City of Temple Terrace Fire Department Pension Board of Trustees to order at 8:56 AM at the City Manager's Conference Room located at 11250 N. 56th Street, Temple Terrace, FL 33617.

Mr. Baur took a roll call of the Trustees present; the Board had a quorum for the quarterly meeting. Those persons present included:

TRUSTEES

Roger Chewning, Chair
Ian Kemp, Secretary
Frank Chillura, Mayor
Kim Leinbach, City Manager
Gerald Terenzi

OTHERS

Scott Baur, Pension Resource Center
Bonni Jensen, Attorney (Klausner et al.)
John Breth, Bogdahn Group
Lynn Skinner, Salem Trust
Diane Reichard, Finance Director
Alecia Latimer, HR Director
Greg Gosch, Sawgrass Capital Management

2. INVESTMENT REPORTS:

John Breth, Bogdahn Group

Jon Breth discussed alternatives to the international equity portfolio managed by ICC Capital Management. He recommended replacement of the manager, and he indicated that he would bring options to the next meeting for the Board to consider. Mr. Breth then discussed the vixed income portfolio managed by Garcia Hamilton; he indicated that the manger now had the portfolio defensively positioned for rising interest rates with only a small allocation to US Treasury Bonds. Mr. Breth provided the Board with a draft of the Investment Policy Statement, which adjusted the target allocations and the benchmark for the portfolio to reflect the recent manager change from ICC Capital Management to Eagle Capital Management. Diane Reichard questioned the target allocation range allowed by Investment Policy, compared to the actual target allocation for each manager.

Mr. Breth stated that he would provide Salem Trust, custodian for the Pension Fund, with an updated rebalance letter to reflect the recent changes to the investment managers.

Greg Gosch, Sawgrass Capital Management

Greg Gosch addressed the underperformance for the large cap growth portfolio since the inception point where the Board hired the manager in January 2009. The portfolio also performed under the benchmark for the quarter ending December 31, 2012, with a return of -3.6% compared to -1.6% for the benchmark. Mr. Gosch stated that the manager made up some

of the performance to date during the current quarter, with returns for the calendar year to date strongly ahead of the market. For the trailing three years, Sawgrass had average portfolio returns of 11.6% compared to 11.4% for the benchmark. The assets in the portfolio increased from \$3,210,980 as of September 30, 2012 to \$3,456,767 as of December 31.

Mr. Gosch attributed the periods of underperformance to the high quality holdings favored by the manager. Since 2008, the market rewarded lower quality stocks with greater returns. Sawgrass believes that a rotation in the market will ultimately reward the higher quality stocks with additional gains. Mr. Gosch also reviewed some of the top holdings in the portfolio. The portfolio complies with the investment limitations imposed by the state of Florida.

The meeting for the Police Officer Board of Trustees adjourned at 9:25 AM.

Mr. Breth noted that the plan had a slight underweight to the fixed income portion of the portfolio, resulting from the rebalance of assets when the plan funded the new portfolio for Eagle Capital Management and subsequent gains in the market. Mr. Breth reviewed the cash flow in the portfolio for the quarter. The plan had total assets of \$15,686,567 as of December 31, 2012.

Mr. Breth reported that the portfolio gained 1.36% for the quarter ending December 31, 2012, compared to 1.59% for the benchmark. For the calendar year, the assets gained 12.35% compared to 13.03% for the benchmark. Mr. Breth stated that the equities held by the plan trailed the benchmark slightly for the calendar year, as the underperformance by ICC dragged on the portfolio. ICC did, however, have very strong returns for the quarter ending December 31, with returns of 2.8% compared to gains up to the transition to Eagle Capital Management. Mr. Breth expressed concerns regarding the ADR product managed by ICC similar to the core value product. He believes that the Board can reinvest the assets in the ADR portfolio in a mutual fund alternative to bring greater diversification to the foreign equities held by the plan. He will bring options for the Board to consider to the quarterly meeting scheduled for May 9, 2013.

Mr. Breth stated that the fixed income and real estate portfolios continued to exhibit outstanding performance. Garcia Hamilton doubled the benchmark returns for the quarter, although Mr. Breth does not have strong expectations for the fixed income assets as interest rates eventually begin to rise. He noted that Intercontinental held about 20% of the real estate portfolio in opportunistic type properties, in line with the value added strategy of management. Ian Kemp observed that the strength of the real estate allocation added substantially to the overall performance of the Pension Fund assets.

Mr. Breth then reviewed the revisions to the Investment Policy, with the adjusted target weightings and ranges for the various portfolio allocations. He also substituted the Russell 3000 Index for the S&P 500 Index as the benchmark for the equities held by the plan, since the Russell 3000 Index represents a broader measure of the overall stock market performance. Mr. Breth indicated that the plan already conformed to the target allocations included in the revised Investment Policy.

Ian Kemp made a motion to approve the revisions to the Investment Policy. Jerry Terenzi seconded the motion, approved by the Trustees 4-0.

3. APPROVAL MINUTES

The Trustees reviewed the Minutes for the meeting of November 8, 2012.

Ian Kemp made a motion to approve the Minutes for November 8, 2012. Jerry Terenzi seconded the motion, approved by the Trustees 4-0.

4. CUSTODIAN: Lynn Skinner, Salem Trust

Lynn Skinner reported that Salem Trust decided to go through a conversion to the trust system used by the custodian. Salem Trust will also discontinue any benefit payment by issuing checks as well, requiring all retired members to either have a direct deposit or debit card alternative. Salem Trust scheduled the transition for the custody platform for May 1, 2013.

5. ATTORNEY: Bonni Jensen

Ms. Jensen provided a memo on the IRS mileage reimbursement rate for Trustee travel. She then reviewed the "Naples" letter, a letter from the Division of Retirement to the Police Pension Fund in Naples. She stated that a bill filed in the current legislative session, Senate Bill 458, also addressed the content of the Naples letter. SB 458 creates definitions for base benefits. If a plan has a funded ratio of less than 80%, then 75% of the additional Chapter 175 premium tax receipts must go to pay down the unfunded liability. The remaining 25% of the premium tax receipts would then get allocated to member Share Accounts.

Ms. Jensen also explained that if the benefits previously funded by the premium tax receipts are reduced in any way, then 25% of the savings on contributions realized by the municipality must also go to fund any unfunded liability. SB 458 requires plan to implement Share Accounts by summer 2013 if the bill passes in its current form. Ms. Jensen believes the proposed legislation attempts to address and reduce any unfunded liabilities, rather than create a movement to defined contribution plan alternatives. A separate bill before the legislature would close the Florida Retirement System to any new members.

Ms. Jensen offered to restate the ordinance for the Pension Fund, since the City Clerk is recodifying the City ordinances.

Ian Kemp made a motion to approve Ms. Jensen to restate the ordinance, subject to review by the City. Jerry Terenzi seconded the motion, passed by the Trustees 5-0.

6. ADMINISTRATOR: Scott Baur, Pension Resource Center

Mr. Baur reported that he completed the Annual Report and forwarded the report to the City for review. Once he receives any corrections recommended by the City, he will file the report prior to March 15.

The Board briefly discussed the move toward paperless meetings, although Ian Kemp expressed his preference for printed meeting packets. The Trustees also discussed projecting the meeting items during the meeting. Mr. Baur agreed to project the meeting items for the next quarterly meeting scheduled for May 9.

7. PLAN FINANCIALS

The Trustees reviewed the Warrant for accounts payable dated February 14, 2013.

Ian Kemp made a motion to approve the Warrant dated February 14, 2013. Jerry Terenzi seconded the motion, approved by the Trustees 5-0.

Ian Kemp made a motion to approve the Benefits for the meeting. Jerry Terenzi seconded the motion, approved by the Trustees 5-0.

8. OTHER BUSINESS

The Trustees briefly considered the pending change to the Board for the new City Manager. Mayor Chillura introduced himself more formally. The Trustees welcomed Mayor Chillura to the Board. The Trustees also thanked City Manager Kim Leinbach for his service to the Pension Fund, serving as a Trustee on the Board.

Mr. Kemp summarized many of the changes to the administration of the plan and the Pension Fund assets over the past 5 years. He stated the goal to maintain the plan and the benefits for the members, while responsibly managing the cost of those benefits to the City.

9. NEXT MEETING DATE

The Trustees previously scheduled their next quarterly meeting for May 9, 2013. The meeting will begin at 9:00 AM for the Joint Investment Reports with the Police Officer Board of Trustees and 9:30 AM for the Regular Meeting.

10. ADJOURNMENT

There being no further business, Ian Kemp made a motion to adjourn the meeting at 10:12 AM, seconded by Kim Leinbach, and approved by the Board 5-0.

Respectfully submitted,

Ian Kemp, Secretary