

TAB 1



DRAFT
CITY OF PALMETTO GENERAL EMPLOYEES'
PENSION BOARD OF TRUSTEES
March 1, 2010 - 8:30 A.M.

Board Members Present

Matt Bloome
Ray Dielman
Jim Freeman
Ellen Leonard
Jim Terry
Karen Simpson

Board Members Absent

Allen Tusing

Others Present

Scott Christiansen, Attorney
Mike DeGenova, Morgan Stanley Smith Barney
Charlie Mulfinger, Morgan Stanley Smith Barney
Kelly Shane, Wells Fargo
Diane Ponder, Deputy Clerk-Administration



1. CALL TO ORDER

Chair Ray Dielman called the meeting to order at 8:35 am.



2. RATIFICATION OF EMPLOYEE TRUSTEE REPRESENTATIVE ELECTION

MOTION: Mr. Freeman moved, Mr. Terry seconded and motion carried 6-0 to ratify the election of Karen Simpson and Matt Bloome as employee representative Trustees for the General Employees' Pension Plan.



3. OATH OF OFFICE

Karen Simpson and Matt Bloome were administered the Oath of Office of Trustees of the General Employees' Pension Plan. They each briefly discussed their positions with the City. Attorney Christiansen gave a brief overview of a Trustees' fiduciary responsibility.



4. APPROVAL OF MINUTES

MOTION: Mr. Freeman moved, Mrs. Leonard seconded and motion carried 6-0 to approve the November 30, 2009 minutes.



5. INVESTMENT REVIEW

Review of investment activity for the quarter ending December 30, 2009.

Kelly Shane, Wells Fargo, addressed the Board concerning her firm, referring to material distributed that described the management team, together with the philosophy and performance for two strategies the firm performs for the Board of Trustees. Investment team members have not changed since last year, but there has been additional personnel added to strengthen the

team. Ms. Shane discussed the 2009 performance of the fund and what they expect in performance for 2010.

Mike DeGenova, Morgan Stanley, discussed the economy's performance during the 4th quarter ending, citing that manufacturing is expanding and retail sales were up. Of the ten sectors monitored, nine were positive, with financials the only negative sector. Growth outperformed value.

Charles Mulfinger, Morgan Stanley, described the role Morgan Stanley serves as Investment Consultants, not the people who make the decision on what is bought and sold.

He reported the value of the portfolio as of December 31, 2009 was \$7,767,263, a gain net-of-fees of \$200,933. Total equity was at 65.87% and fixed income was at 31.98%. CD's have matured and are available for the Fixed Income fund. He recommended no rebalance at the present time. Mr. Mulfinger continued his review by discussing the performance of each manager.

Mr. Mulfinger opined it is a perfect time to pursue an allocation of investments into Hedge Funds. Good time to reduce stocks and bonds and place into hedge funds. Attorney Christiansen stated he will update the Board on the issue during his comments.



6. APPROVAL OF EXPENSES

A) Christiansen & Dehner: Nov. & Dec. 2009, Jan 2010

MOTION: Mr. Freeman moved, Mrs. Leonard seconded and motion carried 6-0 to approve item 6A.

B) Florida Municipal Insurance Trust (Fiduciary Insurance-Waiver of Recourse paid by City)

MOTION: Mr. Freeman moved, Mrs. Leonard seconded and motion carried 6-0 to approve item 6B.

C) Florida Public Pension Trustees Association (2010 Annual Membership)

MOTION: Mr. Freeman moved, Mrs. Leonard seconded and motion carried 6-0 to approve item 6C.

Attorney Christiansen informed the Board that Trustees are required to attend an educational conference or seminar once every term; new trustees within six months of joining the Board.

D) Gabriel Roeder Smith & Co: September and November, 2009

MOTION: Mr. Freeman moved, Mrs. Leonard seconded and motion carried 6-0 to approve item 6D.

Attorney Christiansen informed the new Trustees that the Board's Operating Rules allow approval of expenses after the fact because of the length of time between meetings.



7. APPROVAL OF BENEFITS

A) Robert S. Walker

MOTION: Mrs. Leonard moved, Mrs. Simpson seconded and motion carried 6-0 to approve and authorize the DROP retirement benefits for Robert S. Walker.



8. RFP FOR PROFESSIONAL ACTUARIAL SERVICES

Attorney Christiansen confirmed that the Board is solely responsible for administration of the pension plan and is not subject to City's request for proposal requirements. In response to eleven RFP's mailed to various vendors, responses were received from Gabriel Roeder Smith, Foster & Foster, Stanley Holcomb and Associates.

Discussion ensued on the reasons for issuing the RFP, one of which was the unwillingness of GRS to acknowledge any fiduciary responsibility. Attorney Christiansen stated that of the clients he represents, GRS and Foster are probably the two prominent actuary firms, and Foster accepts the fiduciary responsibility, while GRS has retained a fiduciary attorney out of Washington to look at the issue. To date, the issue has not been resolved with GRS.

During the discussion it was noted that Foster & Foster performs all the work for State of Florida Chapter plans. Their fees would be guaranteed for two years, with the valuation report fee fixed for one year with a 5% escalator thereafter.

Attorney Christiansen did note that the RFP did not indicate that the City has a PLOP benefit; therefore, Foster & Foster did not quote the calculation fee for each PLOP benefit. It was suggested that a letter to Foster & Foster addressing the PLOP benefit calculations should be sent.

MOTION: Mrs. Leonard moved and Mr. Terry seconded to select Foster and Foster, for discussion.

Attorney Christiansen informed the Board the co-fiduciary responsibility mandates that when a breach of fiduciary responsibility has been identified, it must be reported to the Board of Trustees. GRS maintains that they are not involved in the every day operation of the plan and are not willing to accept the fiduciary responsibility at this time. He further stated that if a new firm is selected it would perform the valuation and issue the report effective October 1, 2010.

The Board instructed Attorney Christiansen to contact Foster & Foster on clarification of fees that will be charged for benefit calculations.

Mrs. Leonard and Mr. Terry amended the motion on the floor to also include authorization for Attorney Christiansen to prepare the appropriate contract with Foster & Foster.

Motion on the floor carried 6-0.



9. ONE-TIME CONSULTING REPORT

Attorney Christiansen stated that an informal email inquiry went out regarding a one-time consultant analysis. All the firms that responded are consulting firms, who work with some of his clients. Mr. Dielman explained the pension board school covered the importance of having a third party appraisal, but stresses that he is not looking for someone to replace the current consultant. (Messrs. Mulfinger and DeGenova departed the meeting during the discussion.) Mr. Freeman stated it was his understanding that the analysis is to give an independent opinion of the investment structure, stating he is not willing to support bringing in a firm to discuss what the market will do in the future. He opined the Board needs more information on the scope of what the Board is asking the independent consultant to do. It was discussed if this is the time for an analysis because of the change with the implementation of hedge fund managers. The item was tabled until the next meeting.

Attorney Christiansen informed the Board that the DROP benefit for Robert Walker was incorrect as approved. Mr. Walker became eligible for retirement in 2008. The current ordinance allows DROP participation for five years from the eligible normal retirement date, which was November 1, 2008 for Mr. Walker. He is only eligible to participate in the DROP until November 1, 2013 vs. 2015 as stated in the paperwork.

Mr. Freeman moved and Mrs. Leonard seconded to amend the previous motion approving the DROP benefit for Robert Walker to change the last date to an ending date five years from the date he first became eligible for normal retirement.

Motion on the floor carried 6-0.

10. ATTORNEY'S REPORT

A) Fund of fund investment status report

 Attorney Christiansen reported that because of the hedge fund's fund of funds issue, the current fiduciary services contract with Morgan Stanley had to be supplemented with an additional contract providing for consulting services in regard to the fund of funds. His review of the fund of fund contract has been completed and he is in the process of issuing his final opinion letter. An additional issue he has identified in regard to the fund of funds is whether or not Morgan Stanley continues to meet the independent consultant requirement. In response, Morgan Stanley has hired an outside attorney to give opinion regarding the independent consultant issue. To allow the Board time to review the topic before implementing the investment with Private Advisors as hedge fund manager firm, the topic was tabled to the next meeting or until a special meeting can be called. The Investment Policy statement is still pending and can be finalized at the special meeting, if called.

11. OTHER BUSINESS

A) DROP statement proposal (depending on outcome of selection of an actuarial firm – no action was taken.

B) Possible presentation by Aviance Capital Partners. Operating Rules state that outside firms presenting proposals are to be told that the Board will forward any materials to the consultant to see if there are any viable alternatives.

12. ATTORNEY CHRISTIANSEN'S REPORT

Mentioned that the two new trustees need to file their Form 1 Financial Disclosure paperwork. Staff confirmed they had been provided copies of the Board's operating documents.

Pending federal legislation will provide that in addition to police and firefighters, public employment retirees will also be provided the ability to pay health insurance premiums up to \$3,000 on pre-tax rather than after tax basis.

On a motion by Mr. Freeman, second by Mr. Terry and unanimous vote, meeting adjourned at 11:55 am.

James R. Freeman
Vice Chair/Secretary

**DRAFT
SPECIAL MEETING
CITY OF PALMETTO GENERAL EMPLOYEES'
PENSION BOARD OF TRUSTEES
May 10, 2010 - 8:35 A.M.**

Board Members Present

Ray Dielman
Jim Freeman
Ellen Leonard
Jim Terry
Karen Simpson
Allen Tusing (entered at 9:40 am)

Board Members Absent

Matt Bloome

Others Present

Scott Christiansen, Attorney
Diane Ponder, Deputy Clerk-Administration

1. CALL TO ORDER

Chair Ray Dielman called the meeting to order at 8:35 am.

2. AGREEMENT FOR INVESTMENT MONITORING AND ADVISORY SERVICES and
AMENDMENT TO CITIGROUP GLOBAL MARKETS INC. FIDUCIARY SERVICES
UNAFFILIATED MANAGER PROGRAM AGREEMENT

Attorney Christiansen stated the three items on the agenda pertain to the proposed fund of funds investment alternative: 1) Agreement for Investment Monitoring and Advisory Services contract, 2) Amendment to Citigroup Global Markets Inc. Fiduciary Services Unaffiliated Manager Program Agreement, and 3) PA Stable Value Fund, Ltd. Contract. All documents are all interrelated.

The fund of funds investment program is not included in the existing Morgan Stanley contracts. Attorney Christiansen has been negotiating the proposed contracts prepared by Morgan Stanley, in which he has secured a fiduciary responsibility acknowledgement, in spite of listed conflicts of interest. The PA Stable Value Fund is for the firm selected by the Trustees to manage the fund of funds program.

Issues remaining with the contracts are:

- Morgan Stanley is the Plan's independent consultant; they advise and monitor the manager's performance. The Plan's language mandates that an independent advisor must be retained by the Board of Trustees. Chapter 187, Florida Statutes, also has the language, and states that no affiliation can exist between an independent consultant and managers.
- Question still remains how Morgan Stanley can be the placement agent for the fund of funds, yet be the Plan's independent consultant. To date, an opinion from an outside attorney hired by Morgan Stanley to address the issue has not been received by Attorney Christiansen.

MOTION: Mr. Freeman moved and Mrs. Leonard seconded to discuss topic #1, Agreement for Investment Monitoring and Advisory Services.

Attorney Christiansen advised the Board that he does not know if Morgan Stanley can provide an unaffiliated manager for the fund of funds investment.

In respect to the difference between investment managers that Morgan Stanley recommends and fund of funds managers, Attorney Christiansen explained that Morgan Stanley is not an agent for investment managers they may recommend, but will serve as a placement agent for the fund of funds manager (even though the fee will be waived).

Discussion ensued on why there are two agreements – Agreement For Investment Monitoring And Advisory Services and the Amendment To Citigroup Global Markets Inc. Fiduciary Services Unaffiliated Manager Program Agreement. Mr. Terry opined that regardless of the two contracts, Morgan Stanley would have to be responsible for their recommendations. Attorney Christiansen confirmed that is also his position.

Mr. Freeman suggested that the Board should place the item on the next agenda, to allow Morgan Stanley to respond to the Board's concerns. The Board also requested that they receive results of performance for the PA Stable Fund for the past six months.

MOTION: Mr. Freeman moved and Mr. Terry seconded to defer the three items to the next agenda for further discussion with the investment consultant.

Discussion: The maximum investment in the fund of funds is \$500,000. Mr. Terry also requested the opportunity to determine his responsibility (as an investment manager) if he invested funds in any particular fund. Attorney Christiansen explained the difference between Mr. Terry's personal job responsibility and an independent consultant's responsibility. Attorney Christiansen suggested that if the Board identifies a manager that is not known by Morgan Stanley, Morgan Stanley would assume the position that they have no fiduciary responsibility because they do not monitor the manager. If the due diligence is performed, then the agent issue does not apply.

Mr. Dielman recapped the motion to defer the item until the June 7, 2010 meeting to depose questions to the Plan's advisors concerning the relationship with the organization concerning similar funds they do have a relationship with, the performance of the fund the Board is considering, and the response from the outside attorney.

Motion on the floor carried 6-0.

It was suggested that contact with St. Pete should be made to determine how that Board has dealt with the topic.

Discussion ensued on the proper way to transition to the newly selected firm that will provide actuarial services.

Mr. Freeman moved, Mrs. Leonard seconded and motion carried 6-0 to adjourn the meeting.

Meeting adjourned at 9:15 am.

James R. Freeman
Secretary