

TAB 3

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## **STATEMENT OF INVESTMENT POLICY AND OBJECTIVES**

**For The**

***CITY OF PALMETTO GENERAL EMPLOYEES' PENSION FUND***

***October 16, 2009***

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### **I. INTRODUCTION AND BACKGROUND**

The City of Palmetto General Employees' Pension Fund is a defined employee pension benefit plan established by Ordinance of the City of Palmetto to provide retirement benefits for its employees. The City of Palmetto is the "plan sponsor". The Plan is administered by the General Employees' Pension Fund Board of Trustees. The Plan is a pension plan maintained to provide retirement, disability, termination and death benefits, as the case may be, to participants in accordance with the express provisions of the Plan.

The Plan and the benefits provided thereunder are funded by contributions by the City of Palmetto, Employees' contributions, interest income and other income in accordance with the underlying Plan documents.

The Board of Trustees is charged by Ordinance and Chapter 112, Florida Statutes with the responsibility of developing a policy for the investment of the assets of the Fund. The trustees are named fiduciaries. The investment of the assets of our retirement plan must be consistent with the written investment policy adopted by the board of trustees. The policies are structured to maximize the financial return to the retirement plan consistent with the risks incumbent in each investment and are structured to establish and maintain an appropriate diversification of the retirement system or plan's assets. To assist the Board in this function, they are authorized to engage the services of investment and actuarial consultants to provide expert assistance. The Board periodically undertakes studies to evaluate the potential consequence of alternative investment strategies on the long term well being of the Plan. In the view of its consultants and the Board, the investment program defined in this Statement will produce a result over the long term consistent with the Plan's primary objective of preserving and enhancing the purchasing power of assets.

In the implementation of the investment program, the Plan will employ investment managers who have demonstrated expertise with particular asset classes. Furthermore, the Plan's investment managers utilize a variety of investment approaches. This diversification of managers and investment approach should reduce the risk of loss and contribute to the attainment of a more consistent positive return. Nonetheless, there will

he short term periods when the fund may experience negative returns. Such periods are not inconsistent with achievement of the targeted long term objective.

## II. INVESTMENT POLICY AND OBJECTIVES

Based on analysis of the Plan assets and expected investment returns and risks associated with alternative asset mix strategies, the Board adopted the following asset class targets, based on market value:

<b><u>TRADITIONAL ASSET CLASSES</u></b>	<b><u>% Range</u></b>	<b><u>% Target</u></b>
<b>EQUITY</b>		
<i>Large Capitalization Value Manager</i>	<del>17.50 – 12.50%</del> <b>20.00 – 15.00%</b>	<del>15.0%</del> <b>17.5%</b>
<i>Large Capitalization Growth Manager</i>	<del>22.50 – 17.50%</del> <b>20.00 – 15.00%</b>	<del>20.0%</del> <b>17.5%</b>
<i>Mid Capitalization Growth Manager</i>	<del>12.50 – 7.50%</del> <b>10.00 – 5.00%</b>	<del>10.0%</del> <b>7.5%</b>
<i>Small Capitalization Core Manager</i>	<del>12.50 – 7.50%</del> <b>10.00 – 5.00%</b>	<del>10.0%</del> <b>7.5%</b>
<i>International Value Manager</i>	6.25 – 3.75%	5.0%
<i>International Growth Manager</i>	6.25 – 3.75%	5.0%
<b><i>Public Real Estate (REIT)</i></b>	<b>0.00%</b>	<b>0.0%</b>
Total Equity	<del>67.50 – 62.50%</del> <b>62.50 – 57.50%</b>	<del>65.0%</del> <b>60.0%</b>
<b>FIXED INCOME MANAGER</b>	<del>27.50 – 22.50%</del> <b>32.50 – 27.50%</b>	<del>25.0%</del> <b>30.0%</b>
<b>TOTAL TRADITIONAL ASSETS</b>		<del>100.0%</del> <b>90.0%</b>
<b><u>ALTERNATIVE ASSET CLASSES</u></b>		
<b>PRIVATE REAL ESTATE</b>	<b>0.00%</b>	<b>0.0%</b>
<b>FUNDS OF HEDGE FUNDS</b>	<b>10.00 – 0.00%</b>	<b>10.0%</b>
<b>MANAGED FUTURES</b>	<b>0.00%</b>	<b>0.0%</b>
<b>PRIVATE EQUITY</b>	<b>0.00%</b>	<b>0.0%</b>
<b>TOTAL ALTERNATIVE ASSETS</b>		<b>10.0%</b>
<b>TOTAL TRADITIONAL &amp; ALTERNATIVE</b>		<b>100.0%</b>

These ranges and targets are established as maximum weightings in each respective asset class. If the investment manager determines that a percentage of their allocation should be invested in cash, then they are permitted that flexibility and will be evaluated by their decisions accordingly.

Over time, it is the Board's intention to direct cash flows toward the asset class(es) that are under-represented and away from the class(es) that are over-represented.

The General investment objectives of the Board are as follows:

1. **Establish a Prudent Investment Program**

*Although the Pension Fund is not covered by the Employee Retirement Income Security Act of 1974 (ERISA), the assets of this fund shall be invested in a manner consistent with the fiduciary standard set forth in ERISA, as though ERISA applied to the Pension Fund; namely, (1) in accordance with the safeguards and diversity to which a prudent investor would adhere (2) and all transactions undertaken on behalf of the Fund must be for the sole interest of Plan participants and their beneficiaries in order to provide benefits and pay the expenses of the Fund. The pension investment program must operate in compliance with all applicable State and Federal laws and regulations concerning the investment of pension assets.*

2. **Achieve Growth in Purchasing Power**

*Primary investment emphasis must be placed upon the consistent protection of the funds assets and growth performance, i.e., the achievement of adequate investment growth must not be at the expense of the protection of the assets over the investment horizon.*

*More specific investment objectives established by the Board include the following:*

- The Fund should earn a return over time exceeding the assumed actuarial rate of 7.50% (Net-of-Fees). In addition, the Fund should earn a return greater than inflation, as measured by the Consumer Price Index, by 4.0% per year. Meeting this objective indicates that the active management of the various portfolio components has added value over a passively managed fund. It is also consistent with the Board's objective to enhance the purchasing power of the Funds.*
- Individual investment managers will not be measured against the aggregate fund objective stated above. They will be compared to appropriate market indices, and the performance of other managers who utilize a similar investment style.*

### III. TRADITIONAL ASSET CLASSES - INVESTMENT GUIDELINES

#### A. Liquidity Requirements

*There is a requirement to maintain liquid reserves for the payment of pension benefits and expenses. The Board will review these projected cash flow requirements at least annually.*

#### B. Equities

*The investment managers are permitted to invest in equity securities (including convertible bonds) listed on the New York, American and principal regional and foreign (for foreign securities) exchanges. They may also invest in over-the-counter securities for which there is an active market maker regulated by the NASD. The equity position in any one company shall not exceed 5% of the total portfolio at market. Any investment that does not fall into a category listed above is prohibited.*

*The equity portion of each portfolio manager shall not:*

- 1. Be more than 10% invested in the securities of any one company at market.*
- 2. Make short sales.*
- 3. Use margin or leverage.*
- 4. Be invested in commodities.*
- 5. Be invested in private real estate*
- 6. Be invested in "investment art objects."*
- 7. Invest in Options, including the purchase, sale or writing of options unless options are "covered" by the corresponding security.*
- 8. Be invested in warrants, although warrants issued in connection with stocks held by the fund may be sold, held, or converted by the investment manager at its discretion.*

*The monitoring of this section (III.B) is the responsibility of the consultant and the trustees. The consultant's responsibility is to report any non-compliance to the trustees each quarter.*

a.) Large –Capitalization Value & Growth Stocks

*Large capitalization stocks are expected to have the greatest weighting in the Pension Fund. They are expected to provide more consistent returns over time than our other equity styles. The objective is to maximize investment return over a market cycle by investing in large capitalization equities having the potential to generate investment returns exceeding those of a passively managed large stock index.*

*Large-capitalization equity manager performance parameters include the following:*

- *Performance within the top half of a Universe of Large Capitalization Value or Growth Managers.*
- *Performance comparable to the Russell 1000 Value, Russell 1000 Growth, and/or Russell 3000 Growth Indexes.*
- *Performance comparable to the S&P 500 Stock Index. (Market & Equal-Weighted)*
- *The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) should not exceed that of the appropriate index without a corresponding increase in performance above the index.*
- *Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle.*

b.) Mid/Small Capitalization Growth & Core Stocks

*Mid/Small capitalization stocks are expected to improve total portfolio diversification and provide opportunities for higher incremental returns in the long run. The objective is to maximize investment return over a market cycle by investing in mid/small capitalization equities having the potential to generate investment returns exceeding those of a passively managed mid/small stock index. Mid/Small capitalization stock managers generally purchase companies with a market capitalization of greater than \$500 million.*

*Mid/Small capitalization equity manager performance parameters include the following:*

- *Performance within the top half of a Universe of Mid/Small Capitalization Growth or Core Managers*



- *Performance comparable to the Russell Midcap Growth or Russell 2000 Indexes*
- *The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) should not exceed that of the appropriate index without a corresponding increase in performance above the index.*
- *Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle for the mid/small capitalization market.*

*c.) International Stocks*

*International Stocks are expected to improve total portfolio diversification and provide opportunities for higher incremental returns in the long run. The objective is to maximize investment return over a market cycle by investing in international securities through American Depositary Receipts (ADRs) as well as any foreign company that trades directly in a U.S. equity market. These equities should generate investment returns exceeding those of a passively managed international index.*

*International equity manager performance parameters include the following:*

- *Exceed MSCI EAFE – Net Dividend or MSCI All Country World World Ex. US Indexes.*
- *The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) should not exceed that of the appropriate index without a corresponding increase in performance above the index.*
- *Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle of the international market.*

*d.) Real Estate Investment Trusts (REITs)*

*Real Estate Investment Trust securities are expected to improve total portfolio diversification and provide opportunities for higher incremental returns in the long-term. The objective is to maximize investment return over a market cycle by investment in real estate through REITs. The investment managers are permitted to invest in real estate investment trusts (REITs) listed on the New York, American and principal regional and foreign (for foreign securities) exchanges. They may also invest in over-the-counter securities for which there is an active market*

maker regulated by the National Association of Securities Dealers (NASD). These equities should generate investment returns exceeding those of a passively managed REIT index.

REIT equity manager performance parameters include the following:

- Exceed National Association of Real Estate Investment Trusts (NAREIT) Equity REIT Index.
- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed that of the NAREIT Equity REIT Index without a corresponding increase in performance above the index.
- Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle of the REIT market.

C. Fixed Income

Fixed income securities shall be invested entirely in marketable debt securities issued or guaranteed by either (a) the United States Government or its agencies, (b) domestic corporations (including industrial and utilities) or Israel Bonds (c) domestic banks and other US financial institutions. All securities must hold a rating in one of the three highest classifications by a major rating service. Such investments shall all be in accordance with the Code of the City of Palmetto. Any investments that do not fall under the criteria listed above are prohibited from being purchased. Securities ratings reduced beneath the three highest classifications after purchase should be sold by the portfolio manager within a reasonable period of time as determined by the manager. It is the manager's responsibility to notify the board in writing immediately after a security is downgraded below the policy guidelines. The written explanation should describe the manager's intentions regarding the disposition of the security being downgraded. Any investments not described herein are prohibited. Restrictions on fixed income include the following:

1. Except for Treasury and Agency obligations, the debt portion of the Fund shall contain no more than ten percent (10%) of a given issuer irrespective of the number of differing issues. Other diversification standards should be developed and applied by the Investment Manager(s).
2. If commercial paper is used it must be only of the highest quality (A-1 or P-1).
3. Private placement debt is not permissible.



*Fixed income manager(s) performance parameters include the following:*

- *Performance comparable to the Barclays Capital Intermediate Government/Credit Bond Index (BC Int. G/C)*
- *The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed that of the Barclays Capital Intermediate Government/Credit Bond Index without a corresponding increase in performance above the index.*
- *Achieve the above objectives within a time horizon of a minimum of three to five years or a full market cycle.*

#### **IV. ALTERNATIVE ASSET CLASSES - INVESTMENT GUIDELINES**

*Alternative asset classes historically have low to moderate correlation to market indices. Alternative asset classes are expected to improve total portfolio diversification and provide opportunities for higher incremental returns over the long-term. Many of the asset categories are expected to generate absolute returns (positive returns regardless of market environment) versus relative returns (returns comparative to a given benchmark).*

*Alternative asset classes guidelines differ from traditional asset classes guidelines. Alternative asset managers may use leverage and derivatives, may short securities, generally have higher fees, typically have reduced liquidity, and performance is dependent primarily on advisor skill.*

##### **A. Private Real Estate**

*Private real estate investments are expected to improve total portfolio diversification and provide income and opportunities for higher incremental returns in the long-term. The objective is to maximize investment return over a market cycle by investment in real estate through private ownership. The investment managers are permitted to invest in private real estate. Private real estate will be purchased through an institutional vehicle. The institutional vehicle provides diversification of property type and geographical location and provides a competitive price structure. These private real estate investments should generate investment returns exceeding those of a passively managed private real estate index.*

*Private real estate investment performance parameters include the following:*

- *Exceed the National Council of Real Estate Investment Fiduciaries (NCREIF) Index.*

- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed that of the NCREIF Index without a corresponding increase in performance above the index.
- Achieve the above objectives within a time horizon of five to ten years or a full real estate market cycle.

## **B. Funds of Hedge Funds (FofHFs)**

FofHFs are private investment funds investing primarily in the global equity and fixed income markets typically employing sophisticated trading strategies using leverage and derivative instruments. FofHFs invests in multiple, single manager hedge funds. The strategy designs a diversified portfolio of managers with the objective of significantly lowering the risk (volatility) of investing with an individual manager. The FofHFs manager has discretion in choosing which strategy to invest in for the portfolio. A manager may allocate funds to numerous managers within a single strategy, or with numerous managers in multiples strategies. The investor has the advantage of diversification among managers and styles with significantly less capital than investing with separate managers.

### **Low Volatility Funds of Hedge Funds (LVFofHFs)**

The LVFofHFs manager selects hedge fund investment managers that invest in Relative Value Arbitrage/ Event Driven asset classes. Relative Value Arbitrage/ Event Driven asset class categories consists of hedge fund managers specializing in Convertible Arbitrage, Fixed Income Arbitrage, Distressed, Statistical Arbitrage, and Equity Market Neutral Strategies.

### **Mid to High Volatility Funds of Hedge Funds (MHVFofHFs)**

The MHVFofHFs manager selects hedges fund investment managers that invest in Long/ Short, Global Macro/ Managed Futures, and Manager Futures asset classes.

#### **a.) Low Volatility Funds of Hedge Funds (LVFofHFs)**

LVFofHFs are expected to improve total portfolio diversification and provide opportunities to achieve higher incremental returns in the long-term. The objective is to provide absolute returns over a market cycle. The standard deviation for the combination of hedge fund managers' strategies are expected to have return volatility in the range of 2-5% over a market cycle.

LVFofHFs manager performance parameters include the following:

- Exceed Hedge Fund Research, Inc. Fund of Funds Conservative Index (HFRI FOF Conservative Index).



- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed that of the HFRI FOF Conservative Index without a corresponding increase in performance above the index.
- Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle.
- Compare to the Barclays Capital US Aggregate Bond Index for return and risk over a time horizon of three to five years or a full market cycle.

b.) Mid to High Volatility Funds of Hedge Funds (MHVFofHFs)

MHVfHFs are expected to improve total portfolio diversification and provide opportunities to achieve higher incremental returns in the long-term. The objective is to provide absolute returns over a market cycle. The standard deviation for the combination of hedge fund managers strategies are expected to have return volatility in the range of 5-15% over a market cycle.

MHVfHFs manager performance parameters include the following:

- Exceed appropriate Hedge Fund Research, Inc. Fund of Funds Index.
- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed that of the appropriate HFRI FOF without a corresponding increase in performance above the index.
- Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle.

## **D V. STATE MANDATED REQUIREMENTS**

1. **EXPECTED ANNUAL RATE OF RETURN.** For each actuarial valuation, the board shall determine the total expected annual rate of return for the current year, for each of the next several years, and for the long term thereafter. This determination must be filed promptly with the Department of Management Services and with the plan's sponsor and the consulting actuary.

2. **THIRD-PARTY CUSTODIAL AGREEMENTS.** The securities should be held with a third party, and all securities purchased by, and all collateral obtained by, the board should be properly designated as an asset of the board. No withdrawal of securities, in whole or in part, shall be made from safekeeping except by an authorized member of the board or the board's designee. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs.

payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

3. *MASTER REPURCHASE AGREEMENT.* All approved institutions and dealers transacting repurchase agreements shall execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to requirements of the Master Repurchase Agreement (where applicable).

4. *BID REQUIREMENT.* The board shall determine the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investment, and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the most economically advantageous bid must be selected.

5. *INTERNAL CONTROLS.* The board shall establish a system of internal controls which shall be in writing and made a part of the board's operational procedures. The policy shall provide for review of such controls by independent certified public accountants as part of any financial audit periodically required of the board's unit of local government. The internal controls should be designed to prevent losses of funds which might arise from fraud, error, misrepresentation by third parties, or imprudent actions by the board or employees of the unit of local government.

6. *CONTINUING EDUCATION.* The continuing education of the board members in matters relating to investments and the board's responsibilities is required.

7. *REPORTING.* Appropriate annual or more frequent periodic reports of the investment activities shall be prepared for submission to the City Commission. The reports shall include investments in the portfolio by class or type, book value, income earned, and market value as of the report date. Such reports shall be available to the public.

8. *FILING OF INVESTMENT POLICY.* Upon adoption by the board, the investment policy shall be promptly filed with the Florida Department of Management Services and the City of Palmetto and consulting actuary. The effective date of the investment policy, and any amendment thereto, shall be the 31st calendar day following the filing date with the City of Palmetto.

9. *VALUATION OF ILLIQUID INVESTMENTS.* Illiquid investments for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism shall be valued in accordance with the criteria set forth in s.215.47(6), Florida Statutes, except that submission to the Investment Advisory Council is not required. For each actuarial valuation, the board must verify the determination of the fair market value for those investments

and ascertain that the determination complies with all applicable state and federal requirements. The board shall disclose to the Department of Management Services and the City of Palmetto each such investment for which the fair market value is not provided.

#### **¶ VI. REVIEW OF INVESTMENT MANAGERS**

*The Board will meet at least semiannually with the consultants. Additionally, the Board will review investment results quarterly.*

*These reviews will focus on:*

- *the managers' adherence to the policy guidelines;*
- *comparison of managers' results against funds using similar policies (in terms of the diversification, volatility, style, etc.);*
- *the opportunities available in both equity and debt markets; and*
- *material changes in the managers' organizations, such as philosophical and personnel changes, acquisitions or losses of major accounts, etc.*

#### **¶ VII. PERFORMANCE EXPECTATIONS**

*The most important performance expectation is the achievement of investment results that are consistent with the Plan's investment policy statement. A 4.0% real return is a reasonable expectation in light of this policy. The Board recognizes that this real return objective may not be attainable during some time periods, it is a long term goal. In order to ensure that investment opportunities available over a specific time period are fairly evaluated, the Board will use comparative performance statistics to evaluate investment results. Performance of the Plan will be compared to other funds utilizing a similar investment policy.*

#### **¶ VII. Policy Review**

*Periodic reviews of the Policy Statement will be made by the Board to evaluate its appropriateness. Any modification of policy guidelines shall be approved by the Board of Trustees and acknowledged in writing by the investment managers.*

Adopted \_\_\_\_\_ Signed \_\_\_\_\_  
Date Chairman



## Investment Manager's Acknowledgment

I, the undersigned, acknowledge that I have received the policy statement for the City of Palmetto General Employees' Pension Fund, dated \_\_\_\_\_. I affirm that I have read and understand said Policy Statement, and do hereby agree to abide to the guidelines expressed in the Policy Statement.

Name of Firm \_\_\_\_\_

Signed \_\_\_\_\_

Date \_\_\_\_\_

GENERAL EMPLOYEES' PENSION PLAN  
BOARD OF TRUSTEES  
November 30, 2009

Board Members Present:

Ray Dielman, Citizen  
Jim Freeman, City Clerk  
Gracie Johnson, Employee Representative  
Jim Terry, Citizen  
Allen Tusing, Citizen

Board Members Absent:

Ellen Leonard, Citizen

Staff and Others Present:

Scott Christiansen, Christiansen and Dehner  
Diane Ponder, Deputy Clerk-Administration

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

1. APPROVAL OF MINUTES

**MOTION:** Mr. Freeman moved, Mr. Tusing seconded and motion carried 5-0 to approve the August 31 and October 16, 2009 minutes.

2. REVIEW: ORDINANCE NO. 09-1002

Mr. Freeman informed the Board that the proposed ordinance had gone to Commission as a workshop item and as a first reading. City Attorney Barnebey requested that language be added into Section 6 (b)(1) that investments would be limited to those provided for in Section 215.47, Florida Statutes. He also stated he has requested that Charlie Mulfinger review the language, but has not yet received his response.

**MOTION:** Mr. Freeman moved, Mr. Tusing seconded and motion carried 5-0 to approve Ordinance No. 09-1002.

3. REVIEW INVESTMENT POLICY AND OBJECTIVES

**MOTION:** Mr. Terry moved and Mr. Freeman seconded to approve the Investment Policy and Objectives for discussion.

Mr. Terry opined that the parameters for large and mid cap should be higher.

Attorney Christiansen voiced his concern that there is not an independent relationship between Morgan Smith Barney and the Hedge Fund Managers, as required by the ordinance; Morgan Smith Barney receives a fee for placing business with the managers. He stated he is reviewing documents for investments in hedge funds for another municipality, and has submitted a list of questions to Morgan Smith Barney's legal staff. Once the reply is received by Attorney Christiansen, he will forward the information to the Board.

Discussion ensued on the topic, and resulted in Mr. Terry withdrawing his motion and Mr. Freeman withdrawing his second.

**MOTION:** Mr. Tusing moved, Mr. Freeman seconded and motion carried 5-0 to table the Investment Policy and Objectives until the next meeting, or as soon thereafter as the item may be considered by the Board.

Attorney Christiansen stated he will review the documentation from Private Advisors, the manager chosen by the Board during the October 16, 2009 called meeting.

#### 4. ADDENDUM TO OPERATING RULES AND PROCEDURES

The addendum to the Operating Rules and Procedures is to add a definition of "actuarial equivalent". The definition was provided by the Plan's actuary.

**MOTION:** Mr. Tusing moved, Mrs. Johnson seconded and motion carried 5-0 to approve the addendum to the Operating Rules and Procedures.

#### 5. APPROVAL OF 2010 MEETING DATES

**MOTION:** Mr. Tusing moved, Mrs. Johnson seconded and motion carried 5-0 to approve the 2010 meeting dates.

#### 6. APPROVAL OF EXPENSES

A) Christiansen & Dehner: September, 2009

**MOTION:** Mr. Freeman moved, Mrs. Johnson seconded and motion carried 5-0 to ratify the expense as presented.

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

Discussion ensued on the costs being charged by Gabriel Roeder Smith & Co. for calculation of DROP statements, which is charged on an hourly fee. Also discussed was the reason for the additional charges for the revised Actuarial Valuation Report. Attorney Christiansen opined that the Board should only pay fees based on the existing contract.

Mr. Freeman inquired if it is required that the DROP statements be issued on a quarterly basis. Attorney Christiansen confirmed the ordinance does address when the statements must be provided to the DROP participants.

**MOTION:** Mr. Freeman moved, Mr. Tusing seconded and motion carried 4-0 to authorize DROP statements to be issued on an annual basis, at the end of the calendar year. Mr. Terry was absent for the vote.

**Motion on the floor carried 5-0. Mr. Terry was absent for the vote.**

#### 7. ATTORNEY'S REPORT

Attorney Christiansen reported that the annual report to the State regarding public records requests for Social Security numbers no longer has to be prepared.

An election by the employees for their representation on the Board is being held. The new Trustees will be present at the next meeting.

Staff confirmed Pension letter #2 has been provided the City.


#### 8. OTHER BUSINESS

Mr. Freeman brought up the actuarial services contract, which was executed in 2003 and renews on an annual basis unless terminated by either party. Attorney Christiansen spoke of his negotiations with the firm for the past year, and the fact that they have refused to acknowledge any fiduciary responsibility. Mr. Freeman inquired if the Board should consider an RFP for actuarial services.

**MOTION:** Mr. Freeman moved, Mr. Terry seconded and motion carried 5-0 to look at preparing an RFP for actuarial services.

Mr. Dielman discussed his opinion that an independent investment review is beneficial to the Plan. Attorney Christiansen reminded the board that Mr. Mulfinger is the consultant to the Plan and performs that review; the Board would be paying twice for the same services. Mr. Dielman opined that a third party review on an annual basis to review the investment activity is necessary. Attorney Christiansen stated he can prepare a letter and send it to some of the consulting firms he is familiar with to get a quote for a one-time analysis. Mr. Tusing stated he would not be in favor of a brokerage firm performing the analysis. It was consensus of the Board to request that Attorney Christiansen prepare the correspondence.

**MOTION:** Mr. Tusing moved, Mr. Freeman seconded and motion carried 5-0 to adjourn the meeting at 9:40 am.



James R. Freeman  
Secretary/Vice Chair

ORDINANCE NO. 09-1002

AN ORDINANCE OF THE CITY OF PALMETTO AMENDING CHAPTER 22, PERSONNEL, ARTICLE IV, GENERAL EMPLOYEES' RETIREMENT SYSTEM, OF THE CODE OF ORDINANCES OF THE CITY OF PALMETTO; AMENDING SECTION 22-82, MEMBERSHIP; AMENDING SECTION 22-84, FINANCES AND FUND MANAGEMENT; PROVIDING FOR CODIFICATION; PROVIDING FOR SEVERABILITY OF PROVISIONS; REPEALING ALL ORDINANCES IN CONFLICT HERewith AND PROVIDING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF PALMETTO, FLORIDA, IN REGULAR SESSION ASSEMBLED:

**SECTION 1:** That Chapter 22, Personnel, Article IV, General Employees' Retirement System, of the City of Palmetto Code of Ordinances, is hereby amended by amending Section 22-82, Membership, to read as follows:

**Sec. 22-82. Membership.**

*Conditions of eligibility.*

(a) All general employees as of January 1, 1986, all those subsequently becoming members, and all future new general employees shall be members of this system as a condition of employment.

(b) If, as of January 1, 1986, a general employee elected not to become a member in the system, such member may subsequently elect to become a member of the system. He shall become a member on the date such election is submitted in writing to the board. Credited service shall be given for all periods of employment with the city provided such member pays to the fund an amount which would equal his accumulated contributions, determined as if he had participated in the system from the date he is requesting credit, plus interest at the rate of five (5) percent compounded annually. If such member does not contribute his member contributions to the fund, credited service shall be given from the date he became a member.

(c) *Opt out option.* Notwithstanding (a) above, the current city clerk, director of public works and chief of police may, within ten (10) days from the effective date of the ordinance adopting this subsection, and any future city clerk, director of public works and chief of police may, in the event he has elected to participate in another pension program, within the first 12 months of his employment as city clerk, director of public works and chief of police, notify the board and the city, in writing, of his election to not be a member of the system. In the event of any such election, the board shall refund from the fund, the full amount, without interest, withheld from the member's salary and deposited in the fund and he shall be barred from future membership in the system.

(d) Each general employee shall complete a form prescribed by the board providing for a designation of a beneficiary or beneficiaries.

(e) *Opt-in option.* Notwithstanding the provisions above, any current general employee who previously opted-out of the system pursuant to subsection (c) above, may, within sixty (60) days of the effective date of the ordinance adopting this provision, elect, in writing, to reenter the system and any such general employee may also elect to receive credited service for all or a part of his time



of employment with the city, by buying back such credited service as provided for in Section 22-107, Prior government service.

**SECTION 2:** That Chapter 22, Personnel, Article IV, General Employees' Retirement System, of the City of Palmetto Code of Ordinances, is hereby amended by amending Section 22-84, Finances and Fund Management, subsection (6), to read as follows:

- (6) The board shall have the following investment powers and authority:
- a. The board shall be vested with full legal title to said fund, subject, however, and in any event to the authority and power of the Palmetto city commission to amend or terminate this fund, provided that no amendment or fund termination shall ever result in the use of any assets of this fund except for the payment of regular expenses and benefits under this system, except as otherwise provided herein. All contributions from time to time paid into the fund, and the income thereof, without distinction between principal and income, shall be held and administered by the board or its agent in the fund and the board shall not be required to segregate or invest separately any portion of the fund.
  - b. All monies paid into or held in the fund shall be invested and reinvested by the board and the investment of all or any part of such funds shall be subject to the following:
    1. Notwithstanding any limitation in prior city ordinances to the contrary, all monies paid into or held in the fund may be invested and reinvested in such securities, investment vehicles or property wherever situated and of whatever kind, as shall be approved by the board, including but not limited to common or preferred stocks, bonds, and other evidences of indebtedness or ownership, however, the board shall per permitted to invest only in those investments set forth in Section 215.47, Florida Statutes and shall be limited to the investment restrictions provided for therein.
    2. The board shall develop and adopt a written investment policy statement setting forth permissible types of investments, goals and objectives of investments and setting quality and quantity limitations on investments in accordance with the recommendations of its investment consultants. The investment policy statement shall be reviewed by the board at least annually.
    3. In addition, the board may, upon recommendation by the board's investment consultant, make investments in group trusts meeting the requirements of Internal Revenue Service Revenue Ruling 81-100 or successor rulings or guidance of similar import, and while any portion of the assets of the fund are invested in such a group trust, such group trust is itself adopted as a part of the system or plan.
  - c. At least once every three (3) years, and more often as determined by the board, the board shall retain a professionally qualified independent consultant to evaluate the performance of all current investment managers and make recommendations regarding the retention of all such investment managers. These recommendations shall be considered by the board at its next regularly scheduled meeting.

- d. Neither the board nor any trustee shall be liable for the making, retention or sale of any investment or reinvestment made as herein provided, nor for any loss or diminishment of the fund, except that due to his or its own negligence, willful misconduct or lack of good faith.
- e. The board may retain in cash and keep unproductive of income such amount of the fund as it may deem advisable, having regard for the cash requirements of the system.
- f. The board may cause any investment in securities held by it to be registered in or transferred into its name as trustee or into the name of such nominee as it may direct, or it may retain them unregistered and in form permitting transferability, but the books and records shall at all times show that all investments are part of the fund.
- g. The board is empowered, but is not required, to vote upon any stocks, bonds, or securities of any corporation, association, or trust and to give general or specific proxies or powers of attorney with or without power of substitution; to participate in mergers, reorganizations, recapitalizations, consolidations, and similar transactions with respect to such securities; to deposit such stock or other securities in any voting trust or any protective or like committee with the trustees or with depositories designated thereby; to amortize or fail to amortize any part or all of the premium or discount resulting from the acquisition or disposition of assets; and generally to exercise any of the powers of an owner with respect to stocks, bonds, or other investments comprising the fund which it may deem to be the best interest of the fund to exercise.
- h. The board shall not be required to make any inventory or appraisal or report to any court, nor to secure any order of court for the exercise of any power contained herein.
- i. Where any action which the board is required to take or any duty or function which it is required to perform either under the terms herein or under the general law applicable to it as trustee under this article, can reasonably be taken or performed only after receipt by it from a member, the city, or any other entity, of specific information, certification, direction or instructions, the board shall be free of liability in failing to take such action or perform such duty or function until such information, certification, direction, or instruction has been received by it.
- j. Any overpayments or underpayments from the fund to a member, retiree or beneficiary caused by errors of computation shall be adjusted with interest at a rate per annum approved by the board in such a manner that the actuarial equivalent of the benefit to which the member, retiree or beneficiary was correctly entitled, shall be paid. Overpayments shall be charged against payments next succeeding the correction or collected in another manner if prudent. Underpayments shall be made up from the fund in a prudent manner.
- k. The board shall sustain no liability whatsoever for the sufficiency of the fund to meet the payments and benefits herein provided for.

- l. In any application to or proceeding or action in the courts, only the board shall be a necessary party, and no member or other person having an interest in the fund shall be entitled to any notice or service of process. Any judgment entered in such a proceeding or action shall be conclusive upon all persons.
- m. Any of the foregoing powers and functions reposed in the board may be performed or carried out by the board through duly authorized agents, provided that the board at all times maintains continuous supervision over the acts of any such agent; provided further, that legal title to said fund shall always remain in the board.

**SECTION 3:** Specific authority is hereby granted to codify and incorporate this Ordinance in the existing Code of Ordinances of the City of Palmetto.

**SECTION 4:** All Ordinances or parts of Ordinances in conflict herewith be and the same are hereby repealed.

**SECTION 5:** If any section, subsection, sentence, clause, phrase of this ordinance, or the particular application thereof shall be held invalid by any court, administrative agency, or other body with appropriate jurisdiction, the remaining section, subsection, sentences, clauses, or phrases under application shall not be affected thereby.

**SECTION 6:** This Ordinance shall take effect as provided for by law and by City Charter, Section 14, upon execution by the Mayor or, if disapproval occurs, upon reconsideration by the City Commission and passing of the Ordinance by at least four votes.

First Reading: November 16, 2009.

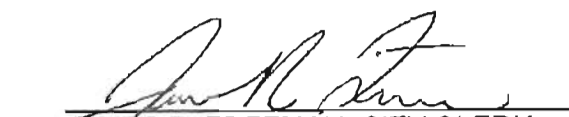
Publication: November 20, 2009.

Second Reading and Public Hearing: December 7, 2009.

**PASSED AND DULY ADOPTED BY THE CITY COMMISSION OF THE CITY OF PALMETTO, FLORIDA**, with a quorum present and voting, in regular session assembled, this 7th day of December, 2009.

  
SHIRLEY GROOVER-BRYANT, MAYOR

ATTEST:

  
JAMES R. FREEMAN, CITY CLERK

dm/pal/gen/11-16-09.ord