

TAB 1

**CITY OF PALMETTO GENERAL EMPLOYEES'
PENSION PLAN BOARD OF TRUSTEES
June 7, 2010 - 8:30 A.M.**

Board Members Present:

Ray Dielman, Chair
Jim Freeman, Vice Chair/Secretary
Jim Terry
Allen Tusing
Karen Simpson (entered 8:38 am)
Ellen Leonard (entered at 8:39 am)
Matt Bloome (entered at 8:45 am)

Staff Present and Others Present

Scott Christiansen
Charlie Mulfinger, Graystone Consulting
Jeff Ambrose, Gabriel Roeder Smith
Diane Ponder, Deputy Clerk-Administration.

1. CALL TO ORDER

Mr. Dielman called the meeting to order at 8:32 am.

2. APPROVAL OF MINUTES

MOTION: Mr. Freeman moved, Mr. Tusing seconded and motion carried 4-0 to approve the March 1 and May 10, 2010 minutes.

3. INVESTMENT REVIEW

Mr. Mulfinger reviewed the economy for the quarter ending March 31, 2010. He reported a portfolio value of \$8,129,687, a gain of \$265,873 net of fees. He discussed the economic performance for the quarter. Mr. Mulfinger also reviewed the performance of each manager during the quarter.

As requested by the Board, Mr. Mulfinger updated the Board on the performance of Private Advisors through March 31, 2010, which showed an increase of 2.12%. He also reviewed the fund's performance over a ten year period; lower return on the up side and a lower negative on the down side for an overall positive return over time. He stated that a quantitative return from November, 2001 through March, 2010 has been higher than the S&P and the bond index.

Mr. Mulfinger discussed the current managers' performance, and recommended no changes at this time.

4. FUND OF FUNDS ALTERNATIVE INVESTMENTS

Items 4A, 4B and 4C are the contracts to implement the fund of funds investments. This topic is continued from the May 10, 2010 special meeting agenda.

A) AGREEMENT FOR INVESTMENT MONITORING AND ADVISORY SERVICES

MOTION: Mr. Terry moved to approve the item for discussion. Mr. Tusing seconded.

Discussion: Attorney Christiansen stated this contract is required by Morgan Stanley Smith Barney (MSSB) to allow for the fund of funds investment. Attorney Christiansen stated that MSSB will remain fiduciary to the Plan; language was added that regardless of listed conflicts of interest, their fiduciary responsibility is not reduced.

B) AMENDMENT TO CITIGROUP GLOBAL MARKETS INC. FIDUCIARY SERVICES UNAFFILIATED MANAGER PROGRAM AGREEMENT

Attorney Christiansen explained that the fiduciary language is also included in this amendment.

Attorney Christiansen confirmed that if item 4C is not adopted, the Board does not need to consider items 4A and 4B.

Based on Mr. Christiansen's explanation, Mr. Terry withdrew his motion and Mr. Tusing withdrew his second.

C) PA STABLE VALUE FUND, LTD.

MOTION: Mr. Tusing moved and Mrs. Leonard seconded to approve the PA Stable Value Fund, Ltd. for discussion.

Attorney Christiansen called attention to the fact that the opinion regarding MSSB being an independent consultant for the placement of funds was issued by the firm's legal staff, not an outside attorney.

Mr. Mulfinger explained that MSSB does have fund of funds, but they would never recommend them to the Plan because of the conflict. He further described the process for fund of funds from across the country for which they perform due diligence, accept the fiduciary responsibility and become a placement agent. He confirmed that the firm is not a placement agent for the Plan; it is not their intent to receive any fee for the sale of the product.

Attorney Christiansen discussed whether or not Graystone Consulting would remain an independent consult pursuant to the MSSB arrangement. He opined they (Graystone and MSSB) are all one firm and the Board would have to determine if they were satisfied with the independent language in the documents. Mr. Mulfinger explained why an outside opinion was not provided; Greenburg questioned if any consultant would meet the intent of the Statute, because the consultant provides independent advice to a Plan.

Mr. Mulfinger explained the difference between recommending managers and investing in an alternative asset such as PA Stable Fund (PA); the legal difference is Graystone is unaffiliated.

Mr. Mulfinger confirmed MSSB is not paid a fee for any investment the Plan makes with Graystone or PA. MSSB is currently being paid 95 basis points, all inclusive including retiree pension payments, on the total amount of the portfolio. Going forward, MSSB will be paid 55 basis points, with the remainder paid to the managers. The fee that will be paid to PA is 1.25%, with a one year locked period; redemption can be made only on December 31 with notice given by October 31.

Attorney Christiansen discussed his interpretation of the documents. He confirmed another municipal client he represents will remove "independent" from their ordinance. He suggested that the Board needs to determine if they understand the relationship between MSSB and Graystone and whether they are "independent". He confirmed there were items he disagreed with in the letter from Graystone, but didn't know if they pertained directly with this issue.

Motion on the floor carried 7-0 (for item C).

MOTION: Mr. Tusing moved, Mr. Freeman seconded and motion carried 7-0 to approve items 4A and 4B.

5. STATEMENT OF INVESTMENT POLICY AND OBJECTIVES

The Investment Policy was tabled at the November 30, 2009 meeting pending approval of the ordinance allowing for alternative investments, which was adopted by the City Commission on December 7, 2009. The policy is updated to accommodate the alternative investment class.

MOTION: Mr. Terry moved, Mr. Tusing seconded and motion carried 7-0 to adopt the Statement of Investment Policy and Objectives.

6. ACTUARIAL VALUATION REPORT OCTOBER 1, 2009

Jeff Ambrose, Gabriel Roeder Smith & Company, provided a summary of the report, which is attached hereto and made a part of these minutes. A general discussion was held regarding the information contained in the report.

MOTION: Mr. Tusing moved, Ms. Simpson seconded and motion carried 7-0 to accept the October 1, 2009 Actuarial Valuation Report.

MOTION: Mr. Freeman moved, Mr. Tusing seconded and motion carried 7-0 to declare that based on the advice of our investment consultant, the total expected annual rate of investment return for the next year, the next several years, and the long-term thereafter, shall be 7.5%, net of investment related expenses.

7. CHRISTIANSEN & DEHNER FEE ADJUSTMENT

Attorney Christiansen stated his firm has requested no increase for three years. All clients represented by the firm are charged the same fee. The 4% annual increase is proposed in response to feedback from clients. He stated that if the new fee structure were in place for this year, the increase would have amounted to approximately \$959.

Attorney Christiansen explained the reasons for the proposed increase vs. the increases that have occurred in the past; normally every three years. Discussion was held on the proposed increase due to the economic difficulties facing the city.

MOTION: Mrs. Leonard moved, Ms. Simpson seconded and motion carried 5-2 to approve a Christiansen & Dehner, P.A. fee adjustment to \$325 per hour for legal services and \$162.50 per hour for travel time prorated wherever possible, effective July 1, 2010, plus the implementation of an annual 4% increase per year beginning July 1, 2011, and as outlined in correspondence dated April 5, 2010. Mr. Freeman and Mr. Bloome voted no.

8. APPROVAL OF EXPENSES

A) Christiansen & Dehner: January through April, 2010

MOTION: Mr. Tusing moved, Mr. Freeman seconded and motion carried 7-0 to ratify the expense as presented.

B) Gabriel Roeder Smith & Co: January through April, 2010

MOTION: Mr. Freeman moved, Mr. Tusing seconded and motion carried 7-0 to ratify the expense as presented.

9. ATTORNEY'S REPORT

Reminded the Trustees the Financial Disclosure needs to be completed and mailed by July 1, 2010.

Reported his firm will be handling the disability application for employee Carlton William Ramsey. He described the process, which will ultimately end with the Board holding a hearing to determine the benefit award.

Reported there is nothing pending from the legislative session that directly affects general employee plans.

10. OTHER BUSINESS

Mr. Freeman reported on his discussion with Mr. Palmquist regarding the Board's change in actuaries. He thanked Mr. Ambrose for his firm's service.

In response to Mr. Dielman's inquiry, staff reported that the Board pays annual membership dues of \$600 to \$800 to Florida Public Pension Trustees Association.

Mr. Tusing moved, Mrs. Leonard seconded and motion carried 7-0 to adjourn the meeting at 10:45 am.

James R. Freeman
Secretary/Vice Chair