

TAB 1

**DRAFT**  
**CITY OF PALMETTO GENERAL EMPLOYEES'**  
**PENSION PLAN BOARD OF TRUSTEES**  
**November 29, 2010 - 8:35 A.M.**

Board Members Present:

Ray Dielman, Chair  
Jim Freeman, Vice Chair/Secretary  
Matt Bloome  
Ellen Leonard  
Karen Simpson  
Allen Tusing

Board Members Absent:

Jim Terry

Other Present:

Scott Christiansen, Attorney  
Charlie Mulfinger, Graystone Consulting  
Wayne Zorger, US Trumbull Property Fund  
Diane Ponder, Deputy Clerk-Administration

1. Chair Ray Dielman called the meeting to order at 8:30 a.m.

2. DISABILITY – INITIAL HEARING FOR CARLTON RAMSEY

Scott Christian explained the procedure his office used to process the disability application of Mr. Ramsey. He then reviewed the criteria the Board must consider in awarding or denying a disability claim. Attorney Christiansen read portions of Section 22-88 Disability, of the General Employees' Pension Plan ordinance. The Board must determine if 1) the collected medical records are sufficient to support the criteria, 2) one or more of the criteria have not been established by the collected records, which can result in denial of the claim, or 3) if medical information is missing, the Board can request additional information, recess and then reopen the hearing once the information is received. If the Board denies the claim, a second, formal evidentiary hearing would be held to consider additional evidence. If a denial of the claim is the outcome from the evidentiary hearing, the claimant can request an appellate process before a circuit court judge.

The Board members confirmed they had received Mr. Ramsey's medical records. Attorney Christiansen reviewed the physicians who had provided medical records. He referred to the independent medical report of Dr. Richard Johnson, Lakeside Occupational, who reviewed all the medical records received by Attorney Christiansen's office and examined Mr. Ramsey. Dr. Johnson's independent review resulted in an opinion that Mr. Ramsey is not totally or permanently disabled.

Mr. Ramsey informed the Board that at the time he applied for disability there were no other City jobs available. He has since applied for and been awarded Social Security disability. Attorney Christiansen cautioned the Board that they must consider only the ordinance's criteria when deciding a disability claim.

During the course of the conversation with Mr. Ramsey, he indicated that he would be willing to return to work if another job is available, but he still has the same medical conditions, he is unable to drive a truck (citing FDOT standards) and driving a truck is all he has ever done. He also stated that he had begun the process for lap band surgery, but the City's new insurance carrier will not pay for the surgery.

Discussion ensued on Mr. Ramsey's ability to select an early retirement. Attorney Christiansen concurred he was eligible, but stated the topic is not germane to the consideration for a disability pension. He reiterated that the Board must consider whether or not the criteria have been met: 1) he cannot do any

job now, and 2) is the situation permanent, i.e. is there nothing that can be done non-surgically to improve Mr. Ramsey's condition.

**MOTION:** Mrs. Leonard moved, Mr. Freeman seconded and motion carried 6-0 to deny or disapprove the application benefits based upon the factor that the criteria has not been met and that the claimant has not established that he is totally and permanently disabled.

Attorney Christiansen stated that an Order will be prepared stating that the disability has denied at this level and Mr. Ramsey can request a formal evidentiary hearing and present additional evidence.

Mr. Ramsey stated he would elect to take early retirement. Attorney Christiansen informed him that if he applies for early retirement, the disability application would "go away".

### 3. APPROVAL OF MINUTES

**MOTION:** Mr. Freeman moved, Mr. Tusing seconded and motion carried 6-0 to approve the August 30, 2010 minutes.

### 4. INVESTMENT REVIEW

Mr. Mulfingher began the investment review with a discussion of the market's performance, reporting the best September since 1939. He reviewed the portfolio's performance for the quarter ending September 30, 2010, which was valued at \$8,370,391; a gain net-of-fees of \$660,386.

Mr. Mulfingher discussed the distribution of assets as they relate to the Investment Policy. He recommended a motion to rebalance the equity, which cumulatively totals 62.7%. During the discussion regarding the target ranges at the last meeting, the Board agreed to not change the range of equity from the established 62.5%. Since the end of the quarter the market has continued to improve, which will increase the amount of deviation in equity from policy.

During the discussion of managers, Mr. Mulfingher advised the Board that there is the possibility his firm will place Lord Abbot on watch because of the resignation of a senior portfolio manager. His firm will perform due diligence and if Lord Abbott is downgraded, a special meeting will be requested to review a manager search to replace them.

Also discussed was the performance of Renaissance, the large cap growth manager. He discussed his disappointment in their performance since the group was hired in 2007. He stated that while he is not recommending that they be replaced now, he has performed a manager search in anticipation of any future action he may request.

He reported the portfolio is up 8.8% for the quarter, and 8.7% for the year, above the actuarial assumption of 7.5%. He also discussed the reasons for the negatives on the compliance checklist.

Mr. Mulfingher referred to the discussion at the last meeting regarding private real estate as a compliment to fixed income. He stated that an educational presentation by UBS would be made because the firm has a que to enter, which can take up to a year. The firm also requires a minimum of \$1 million, which at present is higher than the Plan could invest.

Mr. Freeman commented on Golden's performance, which Mr. Mulfingher explained. Mr. Mulfingher did not recommend a change at this time because there has been no change in people or processes.

Wayne Zorger, representing UBS Realty, announced he also had Ronald Lanier on his cell phone to participate in the educational presentation, if necessary. Mr. Zorger discussed the history of the firm, longevity of the staff and the \$14 billion in assets under management.

The que is out one year to allow the portfolio management team to perform the due diligence necessary to benefit the portfolio. He confirmed that withdrawal can occur on a quarterly basis with a 60-day notice, provided there is not a withdrawal block in place. He also confirmed that appraisals are made on the properties on a quarterly basis. The revenue from the core investments is generated from private real estate lease incomes. Since 1978 there have been only two blocks, with the most recent block occurring in 2000, and lasting approximately three quarters.

After the presentation, the board requested a breakdown of the investors. Discussion ensued on the possible investment and how it could also work with the hedge funds to stabilize and remove volatility. Mr. Mulfinger stated he would recommend that any investment be taken from the bond portfolio because of the expected change in interest rates. Mr. Mulfinger confirmed a change to the Investment Policy would have to occur prior to investment of a minimum of 10% of the total portfolio.

Mr. Mulfinger commented on the recent article in the media regarding UBS being sued for \$2 billion in connection with the Madoff fraud. Mr. Zorger confirmed UBS Realty is a separate, wholly-owned subsidiary.

**MOTION: Mr. Tusing moved, Mrs. Leonard seconded and motion carried 6-0 to authorize rebalancing of the portfolio to target.**

Mr. Freeman confirmed with Mr. Mulfinger that the Board can move to initiate the process to apply to UBS, and then further discuss the investment during the application process. There is no fee to join the que, but some attorney time may be expended in necessary paperwork. Attorney Christiansen assured the Board it will not be as costly as the fund of funds investment because Mr. Mulfinger confirmed Morgan Stanely is not an investment agent.

Mr. Dielman requested more information or another opinion on this investment approach. Mr. Mulfinger confirmed he looked at other firms but the 16% leverage is the smallest he had found. He also commented on the longevity of the firm and the experience of the people, process and operations of the firm. He also reminded the Board that he is a fiduciary with the Plan, so he is going to be very comfortable with new investment proposals he brings forward for consideration.

**MOTION: Mrs. Leonard moved, Mrs. Simpson seconded and motion carried 6-0 to initiate the process to apply to UBS Trumbull Property Fund to be placed in their cue and direct Attorney Christiansen to review the documents.**

#### 5. APPROVAL OF EXPENSES

- A) Christiansen & Dehner: July (disability expense), August, September, October, 2010
- B) Foster & Foster: November 11, 2010
- C) Florida Municipal Insurance Trust

**MOTION: Mr. Tusing moved and Mrs. Simpson seconded to ratify payment of the expenses as presented.**

Discussion: Attorney Christiansen confirmed that the disability medical exam is a pass through. Mr. Freeman estimated the total expenses at \$4,000, of which \$1,500 was the medical exam.

**Motion on the floor carried 6-0.**

6. PROPOSED 2011 MEETING DATES

**MOTION:** Mr. Freeman moved, Mrs. Leonard seconded and motion carried 6-0 to approve the 2011 meeting schedule as presented.

7. APPROVAL: DROP PARTICIPATION

**MOTION:** Mr. Freeman moved, Mrs. Simpson seconded, and motion carried 6-0 to acknowledge and approve the entry of George A. David into the Plans' Deferred Retirement Option Plan.

8. DISCUSSION: IRS DETERMINATION LETTER

Attorney Christiansen reminded the Board this matter was discussed at the last meeting. He confirmed that of the 60 presentations he has made to clients, only eight agencies have decided to make application for the IRS determination letter. Any information received from those eight agencies will be shared with all his clients. He stated that he feels the Plan has all the requirements to meet the IRS tax qualification, but the timeliness of the changes to the ordinance could be an issue. If the Board does not make the determination to apply in this cycle, they can make application in 2013. If a voluntary audit is performed and issues are cited, there may be a chance of penalties levied by the IRS. Should the Plan be audited and found not to be tax qualified, taxes on employee contributions and benefit accruals would be payable plus any penalties.

**MOTION:** Mr. Freeman moved, Mrs. Leonard seconded and motion carried 6-0 to defer submittal of the IRS determination letter to a future date to be determined by this Board.

9. ATTORNEY'S REPORT

Mr. Mulfinger will supply a copy of the signed Investment Policy amended August 30, 2010.

Reported the terms of Mr. Dielman, Mrs. Leonard and Mr. Tusing are expiring in 2011.

Requested a motion to authorize the update of the Summary Plan Description, which is required every two years.

**MOTION:** Mr. Freeman moved, Mr. Tusing seconded and motion carried 6-0 to authorize counsel to update the Summary Plan Description.

Reminded staff Pension Letter #2 is due to the elected officials.

10. OTHER BUSINESS

A) DROP statement update.

Foster & Foster has suggested a one-time statement vs. a quarterly statement for DROP participants. The Board concurred that the expenses to the Plan will be reduced from \$60 per quarterly statement to a one-time fee of \$60 per participant.

B) Appointed officer's opt-out notification letter.

CRA Director Jeff Burton has noticed the Board of his option to opt-out of the Pension Plan.

Mr. Freeman inquired if the fixed rate of 6.5% for DROP participants is consistent with other plans. Attorney Christiansen confirmed FRS still has 6.5%, and there several plans that have changed or are considering changing to a lower rate.

Mr. Freeman inquired what other cities are doing regarding defined benefit vs defined contribution pension plans. Attorney Christiansen confirmed there have been cities that have done studies to look at

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other options; some have closed defined benefit and gone to defined contribution plans. Attorney Christiansen stated defined contribution plans are not nearly as good for employees at defined benefit plans.

Meeting adjourned at 11:05 am.

Minutes approved:

James R. Freeman  
City Clerk