

TAB 1

**DRAFT
GENERAL EMPLOYEES' PENSION PLAN
BOARD OF TRUSTEES
AUGUST 29, 2011 - 8:45 A.M.**

Board Members Present

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

Board Members Absent

Karen Simpson

Staff and Others Present

Scott Christiansen, Board Attorney
Charlie Mulfinger, Gray Stone Consulting
Diane Ponder, Deputy Clerk-Administration

1. Mr. Dielman called the meeting to order at 8:45 a.m.

Mr. Dielman read a letter of resignation from Jim Terry, effective August 24, 2011. The new appointment will fill the remainder of Mr. Terry's term, expiring January, 2013.

2. APPROVAL OF MINUTES

MOTION: Mr. Tusing moved, Mrs. Leonard seconded and motion carried 5-0 to approve the June 6, 2011 minutes.

3. INVESTMENT REVIEW

Mr. Mulfinger discussed the economy's performance for the quarter ending June 30, 2011, which was the third quarter in a row of expansion. Expectations were that the second half of the year would see an improvement in the economy. He stated that economic numbers have been revised lower since they posted. The reality is that slow growth continues and many economists are calling for a recession. He reported his firm has raised the probability of a recession. He reviewed a chart taken from the *Wall Street Journal* showing the GDP and consumer spending history for the past three quarters.

Mr. Mulfinger reported the portfolio value as of June 30, 2011 was \$9,300,847.65, a loss net of fees of \$16,009.75; fees amounted to \$20,374.62. A copy of the performance summary is attached hereto and made a part of these minutes.

The investments to Policy shows Equity over weighted at 61.04% vs. 60%, but within range, and Fixed at 30.67 vs. 30%. Hedge Funds are slightly under weighted because of the dollar amount committed vs. a percentage.

After reviewing the performance of each manager, Mr. Mulfinger suggested it would be a good time to rebalance Equity because as of August 26, 2011, it is at 56.55%, below the Investment Policy range of 60%. The portfolio balance as of July 31, 2011 is \$8,368,266. It was consensus of the Board to wait until the quarter ending September 30, 2011 to consider a rebalance of the portfolio.

Mr. Freeman inquired how the Policy benchmarks were established. Mr. Mulfinger discussed how the Board created the Investment Policy and how managers were selected to invest according to the Policy. Mr. Mulfinger opined that the Board following the Investment Policy is what has protected the portfolio during this volatile economic time.

Mr. Mulfinger reviewed the dollar-weighted net rate of fees compared to the actuarial assumption rate that has been added to the Breakdown of Returns report.

4. APPROVAL OF EXPENSES

- A) Christiansen & Dehner: June 30, 2011
- B) Florida Municipal Insurance Trust (Fiduciary Insurance)
- C) Smith Barney: Quarter ending June 30, 2011 (Investment Report)

MOTION: Mr. Freeman moved, Mr. Bloome seconded and motion carried 5-0 to ratify payment of the expenses as presented.

5. APPROVAL OF BENEFITS

- A) George Fountain (Disability)
- B) Van Brown
- C) Ronald J. Koper
- D) Bradley Martin

MOTION: Mr. Freeman moved, Mr. Bloome seconded and motion carried 5-0 to approve payment of retirement benefits to George Fountain (disability), Van Brown, Ron Koper and Brad Martin, as presented.

6. ATTORNEY'S REPORT

Attorney Christiansen discussed the decision of the Board in 2009 to define "actuarial equivalent" as the RP-2000 Table using a blend of 60% male and 40% female. He advised that the actuary has indicated that a gender biased definition cannot be used. He proposed an addendum to the Operating Rules and Procedures amending the "actuarial equivalent" to be based upon the RP-2000 Combine Healthy Mortality Table, with an interest rate of 7.5%.

MOTION: Mr. Freeman moved, Mr. Tusing seconded and motion carried 5-0 to approve the revised definition of actuarial equivalent.

Reported all financial disclosure forms were filed with the State.

Attorney Christiansen referred to a memo regarding Senate Bill 1128 and benefit calculations. Effective July 1, 2011 accrued unused sick or annual leave and overtime compensation exceeding 300 hours may not be used when calculating retirement benefits. He stated the Board will have to make several decisions on how to apply the new rules when calculating a lump sum payment of the accrued amounts. The topic will be placed on the November agenda for discussion and action so that an ordinance can then be prepared to implement the Board's decisions. He suggested that the City may wish to also have suggestions on how to implement the new legislation.

7. OTHER BUSINESS

Mr. Dielman referred to the Foster & Foster contract addendum.

He referred to the trustee school program agenda, which will be held in Tampa. Attorney Christiansen stated there is a legal requirement provided for in the Operating Rules that Trustees attend continuous education once each term. The Board pays the expenses for the training.

Mr. Dielman requested that the Board consider the process of issuing an RFP for contractual services. He stated there is no requirement to do so after a contract is in place, but opined that as a "standard of practice for a board member with fiduciary responsibility" the process should at least be reviewed. It was consensus of the Board to place the topic on the November meeting agenda. Attorney Christiansen reported that both the legal and investment monitor services were updated in 2010.

Attorney Christiansen stated that the Foster & Foster letter is requesting an addendum to the contract, and must be agreed to by the Board. Attorney Christiansen stated he had no financial interest in Foster & Foster. He spoke with Foster & Foster requesting an explanation of the proposed increase, explaining

the additional calculation that must be made for the Valuation Report is a result of adopted legislation. The cost will be an additional \$800 to the Plan. If the State should repeal the requirement, or if the Board lowers the assumed rate of return to 7.5%, the additional calculation will no longer be necessary.

MOTION: Mr. Freeman moved, Mr. Bloome seconded and motion carried 5-0 to authorize the attorney to draft language that will incorporate the 10% valuation fee required by state law for pension purposes

Mr. Dielman clarified that for the RFP review at the next meeting that he would like copies of the current contracts be made available to the Board. Attorney Christiansen confirmed that there is no requirement to do an RFP, or prohibition to do one; the contracts in place are continuing contracts that allow the professionals to be terminated; most of his clients do not routinely do RFP's. Mr. Mulfinger agreed with Attorney Christiansen's comments regarding RFPs, stating that if his firm is replaced it would also mean replacing the monitor, custodian, retiree pension payment administrator and investment managers.

Meeting adjourned at 9:50 a.m.

Minutes approved:

Matt Bloome
Secretary