

TAB 2

**DRAFT**  
**POLICE OFFICERS' PENSION**  
**BOARD OF TRUSTEES**  
**June 7, 2010 - 11:00 A.M.**

Board Members Present:

Garry Lowe, Chair  
Scott Tyler, Vice Chair  
Vince Eurice  
Mike Fuller

Others Present:

Scott Christiansen, Attorney  
Bryan Bakardjiev, Bogdahn Group  
Leta Chaney, Salem Trust  
Gregg Gosch, Sawgrass Asset Management  
Diane Ponder, Deputy Clerk-Administration

1. CALL TO ORDER

Mr. Lowe called the meeting to order at 11:05 am.



2. APPROVAL OF MINUTES

**MOTION:** Mr. Tyler moved, Mr. Eurice seconded and motion carried 4-0 to approve the March 1, 2010 minutes.



3. INVESTMENT REVIEW

- A) Sawgrass Asset Management
- B) Bogdahn Consulting

Gregg Gosch, Sawgrass Asset Management, reported the Plan's portfolio was valued at \$7,319,186 as of March 31, 2010, a gain of \$217,774 which equated to 28% vs. the index of 31%. He reported the rally continues to favor smaller, weaker growth companies.

Mr. Gosch explained how the Plan's benchmark was developed compared to other groups they manage. He confirmed that the Plan's benchmark is consistent with groups that fall under Florida Retirement System, but it is governed by the Plan's Investment Policy. Mr. Bakardjiev commented on the revised Investment Policy that was adopted in March, which will take effect after 30 days after filing with the City Clerk. The next quarterly report will reflect changes that were made in the Investment Policy, and the Russell 1000 Growth will be the new benchmark for comparison.

Bryan Bakardjiev, Bogdahn Group, discussed how the benchmark is developed. He stated that the criteria set forth in the Plan's Investment Policy factors into the benchmark computations. A copy of the Investment Policy adopted in March will be forwarded to the Board members. He reviewed his firm's report for the quarter. No rebalance was recommended.

Mr. Bakardjiev commented on the education session that was discussed at the last meeting, stating he is available to conduct the session to review all the information contained in the reports.

The factors that influenced the market over the last quarter were discussed. He confirmed that growth funds did not do as well as value funds, due to strong financials and weaker information technologies. He stated that in Fixed Income, the portfolio is staying shorter in the bond market.

Mr. Bakardjiev recommended adding a value component because of the portfolio's "growth tilt on the equity side". He discussed bringing forward a value manager search at the next quarterly meeting so the Board can look at an index option, active management option and two different product vehicles and look at both funds and independent managed strategies. He stated that he would also be prepared to make a recommendation on the percentage split, which will necessitate an amendment to the Investment Policy should the Board elect to adopt the new criteria. Mr. Fuller asked that performance date for the selected managers be available at the same meeting.

Discussion ensued on the education session. It was determined that a mini educational conference would be scheduled. The topic will be brought back at a future meeting.



#### 4. OCTOBER 1, 2009 ACTUARIAL VALUATION REPORT

Jeff Ambrose of Gabriel Roeder Smith & Co. reviewed a summary report of the 2009 Valuation Report, which determines the amount the city is required to contribute to keep the Plan sound. A copy of the summary report is attached hereto and made a part of these minutes. He explained each component of the required city contribution which amounts to \$344,565 or 19.04% vs. last year's contribution amount of \$325,642 or 16.65%.

Mr. Ambrose confirmed that the city is currently contributing on the dollar amount, not a percentage of payroll. There is a rumor of the State mandating that contributions be made on a percentage basis.

Discussion ensued on the expected rate of return and how much it would cost the Plan to decrease the rate. Historical data shows the average rate of return over a 25-year period is 7.5%. Mr. Ambrose stated that a study to amend the investment return assumption would be looking forward, not based on historical data. Mr. Ambrose further stated that this year's report focuses on updating the Plan to use the RP2000 Generational Mortality Table, which will assume benefits will be paid longer and increase liabilities, thereby less losses generated by mortality.

Mr. Ambrose called attention to the fact smoothed assets exceed the market value by \$1.4 million, which are losses that will be recognized in future years. Should the Board recognize the losses this year it would increase the contribution by an additional 7% up to 26.14% of pay.

**MOTION: Mr. Fuller moved, Mr. Tyler seconded and motion carried 4-0 to accept the October 1, 2009 Actuarial Valuation Report.**

It was consensus of the Board to direct GRS to provide the cost to restudy the cost in investment rate assumptions from the May, 2009 study and add the cost of adding the RP2000 Generational Mortality Report. Mr. Ambrose discussed exactly what the study will show.

Attorney Christiansen informed the Board that they must declare an expected rate of return. Mr. Bakardjiev stated that for the long-term, an expected rate of return of 8% is appropriate.

**MOTION: Mr. Tyler moved and Mr. Eurice seconded, for discussion, to declare that based on the advice of our investment professionals and/or actuary, determine that the total expected annual rate of investment return for the next year, the next several years, and the long-term thereafter, shall be 8%, net of investment related expenses.**

Attorney Christiansen explained why the requirement to determine an expected rate of return was developed by the state actuary.

Mr. Fuller asked if GRS could include the compound rate of return for the history of the Plan. Mr. Ambrose stated confirmed he could easily provide the history.

 **5. REVIEW OF EXPENSES**

- A) Christiansen & Dehner – March & April, 2010
- B) Gabriel Roeder Smith & Company – April & May, 2010 Invoices
- C) Bogdahn Group – January – March, 2010
- D) Sawgrass Asset Management – quarter ending March 31, 2010
- E) Sales Trust – quarter ending March 31, 2010

**MOTION:** Mr. Tyler moved, Mr. Eurice seconded and motion carried 4-0 to ratify the expenses as paid.

 **6. PROPOSED ACTUARIAL SERVICES AGREEMENT**

Attorney Christiansen explained that he has been negotiating with GRS regarding the language on page 3, item 13, regarding fiduciary responsibility. He informed the Board that the Plan is not subject to Employment Income Retirement Security Act (EIRSA) but the Agreement will have GRS agree to fiduciary responsibility as described in EIRSA. GRS will not agree to EIRSA responsibility as set forth in the Agreement. In response, GRS is willing to say that if in the course of providing actuarial services that they obtain knowledge of a breach of a known duty or responsibility by a Plan professional, they will disclose such breach to the Board. Attorney Christiansen asked that the Board defer the item until the next meeting at which time he will have a final document for the Board's review.

**MOTION:** Mr. Tyler moved, Mr. Eurice seconded and motion carried 4-0 to table the item until the August meeting.

 **7. CHRISTIANSEN & DEHNER, P.A. FEE INCREASE**

Attorney Christiansen explained no increase has occurred in three years, and explained the reasons for increasing the fee. He further stated that based on the last two year's invoices, the proposed increase would have raised the billing by \$643 per year.

**MOTION:** Mr. Tyler moved, Mr. Fuller seconded and motion carried 4-0 to approve a Christiansen & Dehner, P.A. fee adjustment to \$325 per hour for legal services and \$162.50 per hour for travel time, effective July 1, 2010, plus the implementation of an annual 4% increase per year beginning July 1, 2011.

 **8. SALEM TRUST COMPANY FEE INCREASE (Continued from March 1, 2010 meeting)**

Leta Chaney, Salem Trust, presented material related to the requested fee increase at the meeting.

The current fee is a flat \$5,000; relationship started in 1998 at \$4,000. In May, 2006 Salem Trust assumed the pension's benefit payments and increased the fee by \$1,000. She explained that Sawgrass pays \$4,000 and the city pays \$1,000. She proposed to increase the fee to a flat \$7,000 per year, stating that the firm is losing money on this relationship.

The Board discussed the possible increase in sub-accounts should the recommendation from Mr. Bakardjev be adopted. They also considered the fact that if the fee went to \$8,500 to accommodate the additional accounts Mr. Bakardjev would like to see added for ease of data review, the increase would equate to approximately a 4.5% per year over the 12 year relationship.

Ms. Chaney agreed to a \$7,000 flat fee with all accounts included for one year. If at that time the relationship is not profitable, Salem Trust will return to the Board asking for an adjustment.

**MOTION:** Mr. Fuller moved, Mr. Tyler seconded and motion carried 4-0 to approve a flat \$7,000 fee; \$4,000 to be paid by Sawgrass and \$3,000 to be paid by the city, for a period of one year, and authorize Attorney Christiansen to prepare an addendum to the existing contract to memorialize the action.



**9. ATTORNEY CHRISTIANSEN'S REPORT**

Staff will confirm if Ms. Strueve is making payments as agreed.

Financial Disclosure forms are to be filed by July 1, 2010.

A change to the benefit selection form will be made to accommodate the partial lump sum option.

Confirmed the 5<sup>th</sup> Trustee is selected by the Board of Trustees. Potential candidates' names should be submitted to Board.

Mr. Freeman moved, Mr. Eurice seconded and motion carried 4-0 to adjourn the meeting at 1:00 pm.

Chairman Lowe reconvened the meeting.

Discussion ensued on the approval of any Trustee's attendance at the FPPTA Conference in Naples.

**MOTION:** Mr. Tyler moved, Mr. Freeman seconded and motion carried 3-0 to authorize up to two Board Members to attend the FPPTA Conference. Mr. Eurice was absent for the vote.

Scott Tyler  
Secretary