

**TAB 1**

**DRAFT  
POLICE OFFICERS' PENSION  
BOARD OF TRUSTEES  
JUNE 6, 2011 - 11:00 A.M.**

Board Member Present

Scott Tyler,  
Larry Denyes  
Mike Fuller  
Ryan LaRowe

Board Members Absent

Vince Eurice

Staff and Others Present

Scott Christiansen, Attorney  
Rusty Creighton, Sawgrass Asset Management  
Jack Evatt, Bogdahn Group  
Diane Ponder, Deputy Clerk-Administration

1. CALL TO ORDER

Mr. Tyler called the meeting to order at 11:00 a.m.

2. APPROVAL OF MINUTES

Mr. Fuller questioned the sentence contained in the fourth paragraph of page two that reads "He suggested a manager who would be conservative with an aggressive approach".

**MOTION: Mr. Denyes moved, Mr. LaRowe seconded and motion carried 4-0 to approve the February 28, 2011 minutes with the deleted sentence.**

3. MANAGER INTERVIEWS FOR LARGE CAP VALUE STRATEGIES

Jack Evatt, Bogdahn Group, announced the companies that the Bogdahn Group had selected for interviews regarding large cap value strategies. The Board heard a presentation from the following companies:

Anchor Capital Advisors, represented by Bob Croce (fee of 75 basis points)  
Dalton, Greiner, Hartman, Maher & Co., represented by David Dusenbury (fee of 75 basis points)  
Gamco Asset Management, Inc., represented by William Gilter (fee of 100 basis points)

Mr. Evatt discussed each presentation with the Board. He discussed the due diligence his firm continues to perform on managers that are selected, including their top management teams. He stated his choice, as well as Bryan Bakardjiev, the Board's usual representative from Bogdahn Group, was Anchor Capital. The Board ranked the presentations, agreeing that Anchor Capital was their top choice.

**MOTION: Mr. Fuller moved, Mr. Tyler seconded and motion carried 4-0 to engage Anchor Capital Advisors to manage the All Cap Value portion of the portfolio, authorize Scott Christiansen to prepare a contract, and authorize the Chairman and Secretary to execute the contract.**

Discussion ensued on the need to rebalance the portfolio to allow the investment of \$2 million into the All Cap Value. Mr. Evatt stated his opinion the portfolio was over-weighted on the equity side and under-weighted on the fixed income side. He recommended that rather than a fixed dollar amount, the split should be 50/50 between the two equity managers.

**MOTION: Mr. Tyler moved, Mr. Denyes seconded and motion carried 4-0 to establish the new Large Cap Value portfolio by a rebalance of the portfolio to 22.5% in Large Cap Growth, 22.5% in All Cap Value, 15% in International and 40% in Fixed Income.**

#### 4. INVESTMENT REVIEW

##### A) Sawgrass Asset Management

Rust Creighton reviewed the portfolio's performance for the quarter ending March 31, 2011, reporting a value of \$7,858,995, which was a gain of \$309,008 for the quarter. Mr. Creighton briefly discussed the market's recovery. He reported the portfolio was up 4.1% for the quarter, 60 basis points ahead of the benchmark. Equity was up 90 basis points above the blended benchmark and fixed income slightly ahead of the benchmark. The total account was up 7.2% through May 30, 2011.

Sawgrass actively manages the fixed income portfolio. Mr. Creighton confirmed the international fund is an index fund. Mr. Fuller inquired if the international fund should remain passively managed or should it become actively managed. Mr. Fuller stated the advantage of an index fund is the portfolio will receive the market rate of return. Mr. Creighton stated that while he is not expert, he opined an index fund is a safe, conservative investment. He also stated for accounts that trade in the international exchange traded funds, Sawgrass does not charge a fee, and they just hold the investment.

##### B) Bogdahn Consulting

Mr. Fuller suggested that on the international side, Bogdahn should bring forward companies that have outperformed the index with less volatility. Mr. Evatt agreed.

Mr. Evatt confirmed the portfolio performed very well for the quarter, reporting an increase of 4.04%; 50 basis ahead of the benchmark. He reported Sawgrass is making up ground over the one bad quarter last year. Mr. Fuller discussed comparing numbers with growth managers, stating that at a minimum, managers should be compared to other managers. Mr. Evatt stated Bogdahn Group is not ready to suggest a change in managers, but agreed to bring forward information for comparison at the next meeting. Mr. Evatt also suggested that international managers should also be discussed at the next meeting.

The order of the agenda was amended to accommodate Mr. Fuller's early departure from the meeting.

#### 5. ELECTION OF OFFICERS

Mr. Fuller nominated Mr. Tyler as chair.

**MOTION: Mr. Fuller moved, Mr. LaRowe seconded and motion carried 4-0 to elect Scott Tyler as chair.**

Mr. Fuller nominated Mr. LaRowe as Secretary.

**MOTION: Mr. Tyler moved, Mr. Fuller seconded and motion carried 4-0 to elect Ryan LaRowe as secretary.**

Mr. Fuller departed the meeting at 1:10 p.m.

#### 6. OCTOBER 1, 2010 ACTUARIAL VALUATION REPORT

Doug Lozen, Foster & Foster, reviewed the October 1, 2010 Actuarial Valuation Report, reporting a small gain last year due primarily to lower salary increases and the fact the rate of return assumption was exceeded on the market value basis.

He stated Foster & Foster is estimating a city contribution requirement of 18.5% of payroll for the current fiscal year. For 2012 they are recommending a substantial increase in the funding requirement to 28.59%.

One small reason for the funding increase is a change in the mortality assumption. Based on comments from the Division of Retirement regarding this assumption, Foster & Foster is recommending adopting the RP2000, with no assumptions as to mortality.

The second, larger reason for the increase is a change in asset methodology. He stated that ideally an actuarial value of assets phases in market actions over a four or five year period. The Division of Retirement will not accept the currently used method, nor will it pass the "Standard of Practice". The actuarial value must be taken into the market and it cannot be consistently above or below market. The problem is that the actuarial value of assets is consistently brought forward at an 8% assumption, which now is recognized at a value \$1.5 million greater than the market value.

Mr. Lozen stated the report currently has built into it what Foster & Foster knows the State will accept. He recommended that the Board should consider using a "fresh start" asset methodology, which would correct the valuation of assets, but the funding requirement would increase to 33.59%. An option to lessen that funding impact would be to phase in the 8% increase over a four year period of time, which he believes will be acceptable to the State. The report would be revised if the Board elects to adopt the proposal.

Mr. Lozen also discussed SB1128 legislation, which removed a lump sum payment of accrued sick and vacation hours. The Plan currently pays the accrued hours as part of retirement benefits, which will not be applicable after July 1, 2011. Mr. Lozen estimated funding requirements will ultimately reduce the City's cost by 1% of payroll. He confirmed that with the four year phase-in, the final contribution amount would be approximately 22.5% vs. 28.59%.

**MOTION: Mr. Denyes moved, Mr. Tyler seconded and motion carried 3-0 to accept the October 1, 2010 Actuarial Valuation Report with a change to the amendment to the actuarial value of asset methodology, by spreading the change over the next 4 years.**

Mr. Evatt recommended leaving the expected rate of return at 8% for the next year, the next several years, and the long-term thereafter.

**MOTION: Mr. Tyler moved, Mr. Denyes seconded and motion carried 3-0 that based on the advice of our investment professionals, to declare an expected 8% annual rate of investment return, net of investment related expenses, for the next year, the next several years, and the long-term thereafter.**

#### 7. REVIEW OF EXPENSES

- A) Christiansen & Dehner – February and March, 2011
- B) Sawgrass Asset Management – quarter ending March 31, 2011
- C) Bogdahn Group – quarter ending March 31, 2011
- D) Foster & Foster – May 31, 2011

**MOTION: Mr. Denyes moved, Mr. LaRowe seconded and motion carried 3-0 to approve the paid expenses as presented.**

Staff requested that Foster & Foster be added to the Salem Trust list of approved vendors. The ordinance allows payment of expenses between meetings, followed by ratification of payment.

**MOTION: Mr. Tyler moved, Mr. Denyes seconded and motion carried 3-0 to add Foster & Foster to the list of approved vendors to Salem Trust.**

#### 8. OTHER BUSINESS

None

#### 9. ATTORNEY CHRISTIANSEN'S REPORT

Financial Disclosure forms are due July 1, 2011.

He was told this morning during the General Employees' Pension Plan Board of Trustees meeting that Governor Scott had signed SB1128. Non-benefit changes include:

1. A task force assigned to study presumptions for in line duty disability, which is due by end of the calendar year.
2. The Department of Management Services will be required to rate all defined benefit plans in the State as to financial strength.
3. Future actuarial valuation reports will contain additional pages of recalculated information, using a 7.75% investment rather than our plan's 8% assumption. This recalculation is a reporting requirement only.

Benefit related changes include:

1. Members may vote to increase their own contributions. (This provision will allow members' benefits to remain status quo should the City vote to reduce benefits or terminate the retirement plan.)
2. As of the effective date a bargained contract is signed after July 1, 2011, retirement benefits will no longer include more than 300 hours of overtime or a lump sum payment of accrued vacation and sick hours. He stated he is not sure which date will be effective for our Plan because we are in the process of bargaining a contract. The State has issued in writing that whatever sick and vacation hours are on books as of the effective date will be available for credit upon retirement.

Meeting adjourned 1:45 p.m.

Ryan LaRowe  
Secretary