

TAB 1

DRAFT
POLICE OFFICERS' PENSION
BOARD OF TRUSTEES
February 27, 2012 - 11:00 A.M.

Board Members Present

Ryan LaRowe, Secretary
Larry Denyes
Mike Fuller

Board Members Absent

Scott Tyler, Chairman

Others Present

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

1. CALL TO ORDER

Ryan LaRowe called the meeting to order at 11:05 a.m.

2. ELECTION OF 5TH TRUSTEE

This topic deferred to the June meeting.

3. APPROVAL OF MINUTES

MOTION: Mr. Denyes moved, Mr. Fuller seconded and motion carried 3-0 to approve the November 28, 2011 minutes.

4. OCTOBER 1, 2011 ACTUARIAL VALUATION REPORT

Doug Lozen, Foster & Foster presented the results of the October 1, 2011 Actuarial Valuation Report. He reviewed the recommendation for the City's contribution of 33.59% of payroll for this fiscal year and 36.26% for fiscal year 2013. explaining the reason for the increase. The City has a prepaid contribution of \$42,027 that may be utilized for the fiscal year ending September 30, 2012.

Mr. Lozen discussed how the State contribution amount of \$101,687 is derived and how those funds can be used. He referred the Board members to the history of the State funds, back to the Plan's inception in 1998.

Mr. Lozen discussed the Plan's GASB funded ratio of 83.13%, an increase from the previous year. An ideal funded ratio is 80%. He explained that because the fund is open, and because of assumptions and investment activity, the ratio will fluctuate year-to-year. A 100% funded ratio will be necessary when the last member is paid out.

Mr. Lozen discussed another ratio that is not normally published in the report, but is now published on the Division of Retirement's website for all the plans in the State. The ratio is a comparison of the market value assets (\$7,532,771 as of October 1, 2011) vs. the total present value of accrued benefits (\$9,545,062). The ratio between these two figures amounts to 79%.

Mr. Lozen revealed that he was not aware the Board lowered the assumed rate of return to 7.9%. The report is based on a rate of 8%, so it will have to be revised and can be accepted at the next meeting in June. The Board previously approved a reduction in the assumed rate of return by .10% for five years to a rate of 7.5%. The impact to the City for the next five years may be an increase in the City's contribution amount. Mr. Lozen stated that overall, the Plan is in good shape comparatively.

5. INVESTMENT REVIEW

Chris Greco, Sawgrass Asset Management, reviewed the market's performance for the quarter ending December 31, 2011. He reported on the Large Cap Growth and Fixed Income component

of the portfolio for the quarter. He agreed on the diversification the Board is instituting for the portfolio. He discussed the firm's investment strategy going forward.

Bryant Bakardjiev reviewed the quarterly performance report. The portfolio was valued at \$7,918,678, a gain of \$436,000; Sawgrass Asset gained \$308,000 and Anchor gained almost \$128,000. The gain equates to 5.77% for the quarter. As in the past, he reiterated that the entire investment strategy is very conservative.

Pursuant to Mr. Bakardjiev's recommendation at the last meeting, he discussed his recommendation for further diversification of the portfolio by adding an international equity component of active management vs. ETFs. The fee will increase from 18 basis points to 50 basis points to one percent. He opined the increase will be offset by the net of fee returns. He also commented on giving a manager the authority to invest in emerging markets rather than losing opportunities by waiting until reallocation could be approved by the Board.

He reviewed the International Equity Investment Manager Review report, stating the two most appropriate managers for the Board's past investment strategy were EuroPacific Growth and Thornburg International Value. The fee for EuroPacific Growth would be 50 basis points and Thornburg would charge 1%. He discussed each firm's investment approach and philosophy, confirming there would be no load on the front or back end of an investment.

Mr. Bakardjiev recommended that any funds placed in this type of investment be taken out of Sawgrass and put in a separate account in Salem Trust. He also suggested that any further diversification accounts be placed in Salem Trust, so they can be monitored independently.

Mr. Bakardjiev estimated the investment would be approximately \$1 million.

MOTION: Mr. Fuller moved, Mr. LaRowe seconded and motion carried 3-0 to move out of ETF's, setting up the account with Salem Trust at 50% of the value going into Thornburg International Value and 50% to EuroPacific Growth.

Mr. Greco confirmed that Sawgrass pays the custody fees for assets they manage. He inquired if the Board would be billed for the assets they do not manage. Leta Chaney, Salem Trust, stated the custody fee is \$7,000, of which \$3,000 is paid by Sawgrass.

Mr. Bakardjiev distributed a Non-Core Global Fixed Income report, which he suggested the Board members read so it could be discussed at the next meeting. He opined that even though the yield in this type of investment is at an historical low, the rates will rise in the future. He discussed how this investment will further diversify the portfolio and open different types of investment opportunities. He suggested that a maximum 5% of the portfolio would be the investment amount. The Board will look at this type of investment at the next meeting.

Referring to the custody fees, Leta Chaney, Salem Trust, explained that Sawgrass pays a flat \$3,000. She anticipates that going forward the custody fee will be prorated on the amount of money being invested. Mr. Greco stated Sawgrass will continue to pay the fee.

Leta Chaney informed the Board Salem Trust has developed a new program. She introduced Brad Rinsem, President of Salem Trust, who introduced the Collective Investment Trust (CIT) program to the Board members.

Mr. Rinsem explained the program will deliver more services and reduce fees to plans. The investment vehicle will allow for plans to use the same service providers, but Salem will serve as trustee of the CIT, offering higher fiduciary responsibility and an additional layer of protection at the manager level, because of compliance review to fund policy on a daily basis.

The CIT program proposes to lower the annual fee from \$7,000 to \$4,421. Services will include custodian services, including invoice and pension payments.

Mr. Fuller agreed that the topic should be placed on the next agenda so the material can be fully reviewed by the Board members. He would like to know how the program will impact the Plan cost wise and what other opportunities would be available. Mr. Bakardjiev stated he will have a complete opinion about the program at the next meeting. Mr. Greco confirmed Sawgrass will continue the same level of service they have always provided.

6. APPROVAL OF EXPENSES

- A) Bogdahn Group – 10/1/2011 – 12/31/2011
- B) Foster & Foster – 12/14/11
- C) Salem Trust – 10/1/11 – 12/31/11
- D) Sawgrass Asset Management – 12/31/2011

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

7. PROPOSED ORDINANCE

Mr. Christiansen stated the Board has already approved this ordinance and it has been sent to the city. He confirmed the interest rate of return of 8% was amended to read "to be determined by the Board". This change was made due to the Board's decision to reduce the expected rate of return by 1/10 of 1% for five years.

8. ATTORNEY CHRISTIANSEN'S REPORT

The appointment of Mike Fuller will be placed on the next agenda. The Attorney General has opined that public officers can continue in office until re-designated.

The Summary Plan Description has been distributed.

Reported on the legislature session. HB365 and SB910 provides that use of state money would permit the city and a majority of the membership, if no union, to decide what benefits they want in the pension plan, and the Plan would no longer be subject to the minimum benefits provided for in Chapter 175. State money will come into the plan for benefits agreed upon by the city and membership. HB1499 regards the funding ratio discussed earlier in the meeting. If the ratio falls below 80% it has to be reported to the Department of Management Services in Tallahassee; a plan must be developed within 90 days to raise the ratio; ultimately the State can develop a way to increase the ratio if plans do not comply.

Regarding the disability presumption in-line of duty study, the Task Force agreed that everyone should have a wellness program. The report does not carry the force of law. Provisions of the study could possibly be used in future legislation.

Meeting adjourned at 1:13 p.m.

Minutes approved:

Ryan LaRowe, Secretary