

TAB 1

Police Officers' Pension
Board of Trustees
July 23, 2008 9:30 a.m.

Board Members Present:

Eric Ball, Chair
Rex Hannaford, Secretary
Mike Stinson
Gerald White

Board Members Absent:

Kenny Bright

Staff and others present:

Scott Christiansen, Attorney
Rusty Creighton, Sawgrass Asset Management
Dave West, Bogdahn Consulting
Diane Ponder, Administrative Assistant

Chairman Ball called the meeting to order at 9:35 am.

1. APPROVAL OF MINUTES

MOTION: Mr. Stinson moved, Mr. Hannaford seconded and motion carried 4-0 to approve the April 23, 2008 minutes as presented.

2. INVESTMENT REVIEW

Rusty Creighton, Sawgrass Asset Management, reviewed the portfolio's performance as of June 30, 2008, with an ending value of \$7,026,852; \$3,999,073 or 57% in Equities, \$2,873,986 or 41% in Fixed Income and the 2% balance in Cash and Equivalents.

Mr. Creighton reviewed the financial market's second quarter performance; up 13% from the low point in March through the middle of May. June saw a significant loss in both the S&P and the Dow Jones large cap; Mr. Creighton discussed what he believed to be the reasons for the poor performance, as well as what helped and hurt the portfolio's return for the quarter.

Dave West, Bogdahn Consulting, commented on the bond portfolio, and his belief it may be positioned for out-performance. Discussion ensued on the anticipated performance of both the bond and stock markets.

Mr. West reviewed the investment monitor's report for the quarter, stating the calculations are net of investment fees. He stated the portfolio is exceeding policy targets on a rolling three and five year period. He commented on the growth stock environment which appears to be becoming more favorable, and reiterated his firm's position that the strategy to emphasize growth stock investment should continue for the intermediate part of the cycle. Mr. West also reviewed the long-term performance of the portfolio.

3. REVIEW OF EXPENSES

- A) Christiansen & Dehner – Billings through April 30, 2008
- B) Gabriel Roeder Smith & Co. – Billings through April and May 2008
- C) Sawgrass Asset Management – Billing through June 2008
- D) Bogdahn Group - June 2008
- E) Florida Public Pension Trustees Association

MOTION: Mr. Stinson moved, Mr. White seconded and motion carried 4-0 to approve the expenses as presented.

4. 2007 ACTUARIAL EVALUATION REPORT

Actuary Steve Palmquist was not available to review the 2007 Actuarial Evaluation. Mr. Christiansen stated that the cost to the Plan had been minimal for the year; fiscal year 2009 will see the increase in required funding of \$21,000. He suggested that the report could be approved and then, if available, Mr. Palmquist could attend a future meeting to more thoroughly review the contents.

MOTION: Mr. White moved, Mr. Hannaford seconded and motion carried 4-0 to accept the 2007 Actuarial Evaluation Report.

5. OTHER BUSINESS

Discussion ensued on the estimated cost of 2% to 5% to implement a 20 and out benefit. Mr. Stinson stated he would take the estimate to the police officers to determine any interest in them contributing a percentage to fund the benefit improvement.

Mr. Hannaford inquired if a salary rate reduction (in overtime pay) would impact retirement. Mr. Christiansen stated that the total compensation amount, not the hourly rate, determines pension amounts. Mr. Christiansen also confirmed that accrued vacation and sick time is paid as a lump sum at retirement and is figured at the current hourly wage; therefore, a salary rate reduction will have an impact on the total monthly pension amount.

6. ATTORNEY CHRISTIANSEN'S REPORT

Mr. Christiansen advised the Board that upon approval of the Valuation Report an expected rate of return must be declared for the next year, several years and over the long-term. Discussion ensued, with Mr. West declaring that 8.25% is a reasonable rate for the next several years and long-term, but is not realistic for next year. Staff left the meeting to retrieve minutes from the acceptance of the last Valuation Report to confirm the currently used expected rate of return.

Confirmed that Form 1 financial disclosure forms have been filed by the Trustees.

Pending legislation to Chapters 175 and 185 did not pass; up to an investment of 20% in international markets and the provision to allow retired officers the ability to receive a \$3,000 pre-tax benefit on medical insurance payments to private insurance companies. One change that impacts the Plan is the passage of an additional basis for forfeiture if convicted of a crime against a minor. Mr. Christiansen also stated he is in the process of updating language to keep the plan as a tax qualified plan.

A worksheet containing pension filing dates has been prepared and forwarded to staff.

A new pension forms package has been provided staff.

Staff read minutes reflecting the declared expected rate of return of 8.25%. Mr. Christiansen stated it would be appropriate to declare that while a rate of 8.25% is unrealistic for next year, it is an acceptable rate over the next several years and the long-term; Mr. West confirmed the plan is using a five-year smoothing.

MOTION: Mr. White moved, Mr. Stinson seconded and motion carried 4-0 that while the Board does not expect to get an 8.25% return over the next year, the Board does expect to get 8.25% over the next several years and over the long-term.

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Board of Trustees
July 23, 2008

Mr. Christiansen requested that Mr. West provide backup for the declared expected rate of return for inclusion in the letter to the state actuary, Mr. Slavin.

Meeting adjourned at 10:30 am.

Rex Hannaford
Secretary