

**CITY OF PALMETTO
GENERAL EMPLOYEES'
PENSION BOARD OF TRUSTEES
September 18, 2012 - 1:30 P.M.**

Board Members Present:

Ray Dielman, Chair
Jim Freeman, Vice Chair
Ellen Leonard
Patty Persson
Karen Simpson
Allen Tusing

Board Members Absent:

Matt Bloome, Secretary

Staff and Others Present:

Scott Christiansen, Board Attorney
Charlie Mulfinger, Gray Stone Consulting
Scott Owens, Gray Stone Consulting
Amber Foley, Assistant City Clerk

1. Chairman Ray Dielman called the meeting to order at 1:35 p.m.

2. APPROVAL OF MINUTES

Motion: Mr. Freeman moved, Ms. Persson seconded, and the motion carried 5-0 to approve the June 4, 2012 minutes.

3. APPROVAL OF EXPENSES

- A) Christiansen and Dehner: Invoices dated 6/30/2012 and 7/31/2012
- B) Graystone Consulting: Quarter ending June 30, 2012 (Investment Report)
- C) Florida Municipal Trust: Invoice Dated 8/3/2012

Motion: Ms. Persson moved, Mr. Tusing seconded, and the motion carried 5-0 to ratify the paid expenses as presented.

4. APPROVAL OF BENEFITS

- A) Leslie Martin
- B) Scott Martin
- C) Diane Ponder

Motion: Mr. Tusing moved, Ms. Simpson seconded, and the motion carried 5-0 to approve payment of retirement benefits to Leslie Martin, Scott Martin and Diane Ponder.

5. DISCUSSION: FUNDING METHODOLOGY FOR GENERAL EMPLOYEES' RETIREMENT SYSTEM

Motion: Ms. Simpson moved, Mr. Freeman seconded, and the motion carried 5-0 to continue funding the General Employees' Retirement System on a percentage of payroll basis as determined by the annual actuarial report for FY 2012 and subsequent years.

Discussion: Mr. Freeman explained to the Board that the State is allowing the pension plans to use either a percentage of payroll or a flat dollar amount to comply with their actuarial valuation reports. Currently the City contributes a percentage of payroll amount. Foster and Foster has provided a memo comparing the two options. The City would like to continue funding the pension using a percentage of payroll.

5. INVESTMENT REVIEW

Mr. Mulfinger discussed the investment review summary. The Plan's total portfolio was valued at \$8,933,409.49 as of June 30, 2012, a loss net-of-fees \$340,182.50. He discussed the portfolio's total weighting of the equity investment and

recommended that no rebalance was necessary at this time. A copy of the quarter summary is attached to and made a part of these minutes.

Mr. Mulfinger reviewed the performance of each manager and commented on the Compliance Check List explaining to the Board any non-compliance managers. While reviewing each manager's performance, Mr. Mulfinger informed the Board that David Polen, of Polen Investment Group passed away June 10, 2012. The firm has done a review of the management and feels comfortable in staying with Polen.

6. MID CAP VALUE MANAGER SEARCH DISCUSSION

Mr. Mulfinger explained that they have performed a manager search to replace Golden Capital (Small Capitalization Core) with a Small Capitalization Value and a Small Capitalization Growth manager and compliment Wells (Mid Capitalization Growth) with a Mid Capitalization Value manager.

Mr. Mulfinger discussed the Mid Capitalization Value manager search summary that was performed. The companies summarized in the search were Anchor, Kennedy Capital, Sterling Capital, and Systematic; Mr. Mulfinger explained the search results, comparing the companies' performances to the benchmark investment philosophies, management and size of companies purchased. Discussion ensued between the Board members and Mr. Mulfinger regarding the data in the search. A copy of this summary is attached to and made a part of these minutes.

Ms. Persson departed the meeting at 3:03 p.m.

Ms. Persson returned to the meeting at 3:05 p.m.

Mr. Mulfinger discussed the Small Capitalization Growth manager search. The companies summarized in the search were Eagle and Franklin. He explained the data in the search, comparing the performance ratios between the two companies to the Russell 2500 Value Index. Mr. Mulfinger also performed a search for Small Capitalization Value companies. These companies were Cambiar, Earnest Partners, Kayne Anderson, Neuberger Berman, and Wells Fargo. Mr. Mulfinger explained the search results, comparing the companies' performances to the benchmark, investment philosophies, management, and size of companies purchased. These searches are attached to and made a part of these minutes. Discussion ensued between the Board members and Mr. Mulfinger regarding the data in the search. Mr. Mulfinger recommended dividing the equity up from Golden Capital and splitting that evenly between a Small Capitalization Value manager and a Small Capitalization Growth manager. He also suggested taking equity from Wells and investing that into a Mid Capitalization Value manager.

Motion: Ms. Simpson moved, Mr. Tusing seconded, and the motion carried 5-0 to hire Anchor as a Mid Capitalization Value manager and Kayne Anderson as a Small Capitalization Value manager and Franklin as a Small Capitalization Growth manager to replace Golden Capital and take the 7.5% that is in the portfolio in Mid Capitalization and split that evenly between the current Mid Capitalization Growth manager, Wells, and Anchor as a Mid Capitalization Value manager and taking 7.5% that is in the portfolio in Small Capitalization and split that evenly between Kayne Anderson and Franklin.

The Board requested that Mr. Mulfinger review index companies that are available in the Large Capitalization area and discuss it at the next Board meeting.

7. ATTORNEY CHRISTIANSEN'S REPORT

He requested a copy of the signed investment policy showing the revisions that were made at the last meeting.

Mr. Mulfinger requested a motion to approve the policy changes that were just made by the Board.

Motion: Mr. Tusing moved, Ms. Persson seconded, and the motion carried 5-0 to amend the investment policy to add a Mid Capitalization Value manager and split the 7.5% in Mid Capitalization Growth to 3.75% to the Mid Capitalization Value manager and 3.75% to the Mid Capitalization Growth manager, and add a Small Capitalization Growth manager and a Small Capitalization Value manager and split the 7.5% in Small Capitalization Core to 3.75% to the Small Capitalization Growth manager and 3.75% to the Small Capitalization Value manager.

Mr. Christiansen discussed a bill the was adopted regarding beneficiaries of divorced retirees. Ex spouses will be deemed predeceased unless a new beneficiary form is completed after a divorce.

Mr. Christiansen addressed the overpayment of benefits memo that was sent from his office. He stated that the custodian, First Trust, compares a list of retirees once a quarter to the deceased list made by Social Security. To deal with stop dates and change dates, Mr. Christiansen would like to see a memo sent to the custodian that identifies all change dates and stop dates on current retirees. This would help with the overpayment issues.

8. NEW BUSINESS

Mr. Freeman discussed a letter he received from Robbins Geller Rudman & Dowd who provide cost-free securities fraud monitoring to the City. They would like to provide a short update to the Board at the next meeting.

The consensus of the Board was to have Robbins Geller Rudman & Dowd attend the next meeting to provide a brief update.

Meeting adjourned at 3:42 p.m.

Minutes approved: November 26, 2012

James R. Freeman

James R. Freeman
Vice Chair