Police Officers' Pension
Board of Trustees
June 1, 2009

Board Members Present:
Eric Ball, Chair
Kenny Bright
Mike Stinson
Gerald White

Board Members Absent:
Garry Lowe

Staff and Others Present:
Scott Christiansen, Attorney
Gregory S. Gosch, Sawgrass Asset Management
Bryan Bakardjiev, Bogdahn Group
Diane Ponder, Deputy Clerk-Administration

Mr. Ball called the meeting to order at 11:30 a.m.

1. APPROVAL OF MINUTES

MOTION: Mr. Bright moved, Mr. Stinson seconded and motion carried 4-0 to approve the January 21, 2009 minutes.

2. INVESTMENT REVIEW
Greg Gosh, Sawgrass Asset Management, discussed the stock market performance for the quarter. He reported the recent rally is very speculative and has been termed a junk rally; the top performers are still realizing negative earnings vs. poor performers' strong earnings. He commented on some financial and automobile companies now being government agencies.

Mr. Gosh reported on the portfolio which was at $ 5,755,000 vs. almost $6,000,000 at the beginning of the quarter ending March 30, 2009, an investment loss of $180,000. For the quarter end the portfolio was down 3% vs. policy at 7%; fiscal year-to-date down 12% vs. policy at 17%; since inception, the portfolio has earned 3.1% vs. the benchmark of 1.7%. Equities down 4.7%, S&P down 11%; fixed income outperforming since inception at 7.8% vs. Barclays at 4.7%.

Bryan Bakardjiev, Bogdahn Group, informed Commission they had hired three individuals for the research group who will be performing due diligence on the money managers. In conjunction with the new hires, Bogdahn Group is going through an annual due diligence with the money managers. While the information is still being reviewed, there have been no negative comments for Sawgrass Asset Management.

Mr. Bakardjiev reviewed the quarter-end market performance. He reported that to date, March 9, 2009 was the bottom for the equity markets. From December 31, 2009 to March 9, 2009, the S&P was down 25%. From March 9 to March 31, 2009, S&P experienced an 18% gain.

Mr. Bakardjiev reviewed the performance of the portfolio for the quarter-end March 31, 2009. Every segment was negative except information technology. The financial sector has improved significantly. The compliance and guidelines were reviewed, with no negative comments other than not achieving the 8.5% actuarial assumed rate of return and the fact the actual allocation of foreign equity was 11.07% vs. the 10% foreign equity cost allocation. He reported that out of 1,300 plans, the Plan was performing very well.

Mr. Ball inquired how the Plan is doing compared to the Florida Retirement System (FRS). Mr. Bakardjiev reported that the FRS trailing one year was down 27% as of December 31, 2008; the Plan outperformed FRS.

3. REVIEW OF EXPENSES

A) Christiansen & Dehner – December 2008; January, February, March 2009 billings
B) Sawgrass Asset Management-Quarter ending December 2008 and March 31, 2009
C) Gabriel Roeder Smith & Company – February 2009
D) Salem Trust – Quarter ending December 2008 and March 31, 2009
E) Florida Municipal Insurance Trust (Fiduciary Insurance)

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

4. 2008 ACTUARIAL VALUATION REPORT

Steve Palmquist, Gabriel Roeder Smith & Company, reviewed the key components of the October 1, 2008 Actuarial Valuation Report, as follows:

- The required employer contribution for FYE 9/30/10, over and above the 5% contributed by the police officers, will increase to $383,139 vs. $180,120 last year or 19.59% of payroll, a 10% increase due mainly to investment losses of approximately $1.5 million (9.09% of the increase), with the Plan's asset smoothing method and the 15 year amortization period for gains and losses also contributing.

- The Plan's funded ratio dropped to 82.9% compared to 100.2% last year. When compared to other plans around the state, the 82.9% ration is a little higher than normal.

- The actuarial value of assets exceeds the market value of assets by $666,081. The asset smoothing method will recognize the loss over a 15 year period (many plans use a 30-year amortization, which lessens the cost of the required contribution on an annual basis).

- The state revenue the City can claim as a credit is $101,867. The reserve for benefit improvements is $13,730. Preliminary information received indicates the state revenue may be less than the $108,732 received last year.

- Present actuarial value of all projected benefits is $12,340,043 (necessary value to make the Plan self-sustaining); actuarial value of past service is $8,825,614; actuarial value of the plan should it have to be terminated is $18,037,597

- The annual payment on the experience loss of $1,499,855 amounts to $164,352 for 15 years. If the loss is paid over 30 years, the payment would be approximately $40,000 less per year, but the interest would be more over the 30 years.

- The salary assumption rate has been 8%; for the past five years the actual rate has been less. If the assumptions remain at 8% and the actual increase is lower, there will be an experience gain for next year.

- The final actuarial value of assets totals $7,313,163. If the Plan used a 20% corridor in the asset smoothing method the total would have been closer to $8,000,000. The City of Palmetto is his only client that uses a very conservative 10% corridor. Mr. Palmquist suggested that if a 20% corridor is used to also calculate the investment rate of return there will be less fluctuation, which will mitigate the costs fluctuating year-to-year.

Referring to the supplemental information regarding the Board's request to determine the effect on the required contribution amount should the assumed rate of return be lowered, Mr. Palmquist offered the following data (contained in correspondence dated May 29, 2009):

	Increase in Annual Required Contribution for the FYE 9/30/2010	
Interest Rate Change	As a percent of pay	As a dollar amount
8.00%	1.86%	$36,375
7.75	3.77%	$73,728
7.50	5.73%	$112,059

He stated the majority of the plans he represents are at 8% and the Florida Retirement System is at 7.75%.

He also offered alternatives that could be used to further lower the contribution amount, as follows:

	Reduction in the Annual Required Contribution for the FYE 9/30/2010	
Amortization period for gains & losses beginning FYE 9/30/08	As a percent of pay	As a dollar amount
20	1.14%	$22,267
25	1.76%	$34,352
30	2.13%	$41,477

Mr. Palmquist stated that if the 20% asset smoothing method and a 25-year amortization of actuarial gains and losses is adopted the savings for next year would be approximately 4.85% of payroll, or $94,782. He informed the Board that the General Employees' Pension Plan Board of Trustees had elected to make this change at their meeting held earlier in the day. Mr. Palmquist also confirmed that if these two changes are made, together with the decrease in the assumed rate of return to 8%, the net savings to the City would be approximately 3% of payroll.

Mr. Palmquist stated he could not recommend putting in less money, but given the reality of the current economic conditions, he did not see a problem with making any of the changes presented and discussed.

MOTION: **Mr. White moved, Mr. Stinson seconded and motion carried 4-0 to change the corridor to 20%, the amortization period to 25 years and lower the assumed investment rate of return to 8%.**

MOTION: **Mr. White moved, Mr. Stinson seconded and motion carried 4-0 that based on the advice of our investment professionals, the Board of Trustees declare that the total expected annual rate of investment return for the next year may not be 8%, but do expect that for the next several years and the long-term thereafter it shall be 8%, net of investment related expenses.**

MOTION: **Mr. Stinson moved, Mr. Bright seconded and motion carried 4-0 to accept the October 1, 2008 Actuarial Valuation Report, as amended with the changes approved.**

5. ACTUARIAL SERVICES AGREEMENT
Attorney Christiansen discussed the contract approved in 2008 that prompted correspondence from GRS stating they should be not be asked to be fiduciaries to the Plan. In addition to the fiduciary responsibility language, the hourly rates need to be addressed and the cost of calculating PLOP benefits, which equates to 30 options. He anticipates the PLOP calculation will amount to $600 if all 30 options have to be figured. Attorney Christiansen will bring a new contract back to the Board at the July quarterly meeting.

6. DISCUSSION: PENSION BENEFIT OVERPAYMENT
Attorney Christiansen informed the Board that the beneficiary of a deceased pensioner has been paid since January, 2007 (when the 10-year certain benefit should have ceased) which equates to an overpayment of 24 additional payments amounting to $18,518.64. A letter was sent to the beneficiary concerning the matter, but has not responded concerning paying the funds back to the Plan. He stated that as fiduciaries of the Plan, the Board does not have the ability to forgive the overpayment, but can work to setting a contract to repay the amount. The Board directed Attorney Christiansen to again send another letter to the beneficiary regarding payment.

7. ATTORNEY CHRISTIANSEN'S REPORT
The City has received correspondence from the Division of Retirement stating the 2008 Annual Report for the Plan has been accepted and approved.

Financial Disclosure Form 1 is due July 1, 2009.

Reported on legislation just passed:

Optional: Broadened the ability for plans to allow the ability to buy back prior police service in another state or federal service so long as documentation is provided proving the requirements to serve as a police are similar to the state's requirements.

Optional: Trustee terms may be four years.

Retirees may now assign a portion of their benefit to an outside agency for medical coverage and be eligible for the pretax $3,000 credit.

Optional: Can invest up to 25% in international securities at market value.

Chapter 175/185 plans meet a requirement imposed on FRS regarding investment in companies that deal with Sudan, Iran and Darfur. The plans are required to divest themselves of companies dealing with those countries by September, 2010. The consultants are aware of the issue.

Discussed the termination language currently in the statutes regarding payment to retirees and members of Chapter 185 plans, vested or non-vested, should a plan be terminated. Legislation passed would now require cities to make up the difference between the value of the portfolio and the total payout of the plans that are terminated.

Attorney Christiansen then discussed the proposed ordinance, which will ensure the Plan's compliance with Internal Revenue Code and Regulations, as they apply to tax qualified plans. The ordinance will also adopt a Partial Lump Sum benefit; amend the investment parameters; include a requirement for the attorney to receive divorce documents to ensure any payment from the employee's pension is permitted; assignment to insurance companies will be amended to include the new legislation; and the period of participation in the DROP will be amended to allow five years participation from the date of enrollment.

MOTION: **Mr. Bright moved, Mr. Stinson seconded and motion carried 4-0 to approve the ordinance as presented, authorized Attorney Christiansen to make the additional changes as discussed, and send the ordinance to the City Commission for adoption.**

Meeting adjourned at 1:25 pm.

Mike Stinson, Secretary