

Police Officers' Pension
Board of Trustees
October 21, 2009

Board Members Present:

Eric Ball, Chair
Kenny Bright
Mike Stinson
Gerald White

Absent:

Chief Garry Lowe

Staff and Others Present:

Scott Christiansen, Attorney
Gregg Gosch, Sawgrass Asset Management
Bryan Bakardjiev, Bogdahn Consulting
Deanna Roberts, Administrative Assistant

1. CALL TO ORDER

Chairman Eric Ball called the meeting to order at 9:30 a.m. He asked to discuss the meeting schedule first, especially the time change. Mr. Christiansen said the move to 11:00 a.m. was to allow him to come only once by combining this meeting with the General Employees Pension Board of Trustees meeting. Consensus was the time change was fine. Mr. Ball read the 2010 proposed dates: March 1, June 7, August 30, and November 29.

2. PROPOSED 2010 MEETING SCHEDULE

MOTION: Mr. White moved, Mr. Stinson seconded, and motion carried unanimously to approve the 2010 meeting schedule as presented.

3. APPROVAL OF MINUTES

MOTION: Mr. White moved, Mr. Stinson seconded, and motion carried unanimously to approve the July 22, 2009 minutes.

4. INVESTMENT REVIEW:

Bogdahn Consulting (Bryan Bakardjiev)

Mr. Bakardjiev gave a report of the third quarter market performance for the period ending September 30, 2009. Results for this period were better than expected, although still negative. Unemployment is at 9.8%. International stocks once again outperformed domestic.

As a result of the general stability in the markets, the lenders fear and anxiety gauges were down; a good sign for the market. Volatility is reduced and investors are again participating in the equity markets.

The City of Palmetto's fund ended the period with \$6,839,000.00, a significant gain of \$605,000 for the quarter, or a 9.57% return. This was a slight underperformance of 1.57% relative to the benchmark. All-in-all, Bogdahn Group is satisfied with the plan results.

Mr. Bakardjiev continued that the fiscal year return was 4.41%; it did not make the 8% assumption. Relative to two quarters ago however, it's good.

He presented an updated Investment Policy Statement and highlighted some of the changes. He said this is a brand new document as the last policy is several years old.

- II - Page 2 – TARGET ALLOCATIONS - Target ranges have been outlined to improve the discipline of rebalancing. If rebalancing is done at 5% it will help the plan long-term. Domestic and International Equity Benchmarks have been changed.

- III – Page 2 – INVESTMENT PERFORMANCE OBJECTIVES – A. 1. The policy proposes the total fund benchmark will be 45% Russell 3000, 15% MSCI –ACWI ex. U.S., and 40% Barclays Aggregate Bond Index.
- IV – Page 5 – INVESTMENT GUIDELINES – C. 2. The limit for foreign securities has been changed to up to 25%. D. 3. Included a section of scrutinized companies which tell the managers not to invest in these companies.

Mr. Christiansen informed Mr. Bakardjiev that Ordinance 998 had passed and that C. 1. under Limitations should read: Investments in corporate common stock and convertible bonds shall not exceed the greater of 60% at cost or 60% at market of the Plan assets or market.

- VII – Page 7 – CRITERIA FOR INVESTMENT MANAGER REVIEW – Expanded considerably adding different metrics for review; indicators for discussion with managers.

Under the Addendum to the policy on page 1, I Guidelines, F., Mr. Christiansen recommended deleting ...“unless specifically authorized by the Board and the manager is notified in writing.” Under Ordinance 998, the Board cannot authorize the use of futures and options for hedging purposes.

Mr. Bakardjiev said he will make the suggested changes. Mr. Christiansen commented that subject to the changes, the new policy statement is okay.

MOTION: Mr. White moved, Mr. Bright seconded, and motion carried unanimously to approve the Investment Policy Statement with changes.

Mr. Bakardjiev will send the amended document to the state, the City and to the actuary.

He informed the Board that Bogdahn's fee guarantee expired in 2007. They are asking for an increase from \$10,500 to \$15,500 in the annual fee. The fee would be all inclusive. The Board wanted to compare fees charged by other companies. Mr. Bakardjiev said he could provide some information. The Board will review it at the next meeting.

Sawgrass Asset Management (Gregg Gosch)

Mr. Gosch gave an overview of the growth and history of the company. He quickly touched on the quarter's performance review, previously reported by Mr. Bakardjiev. He reported a 14.5% one year increase in Fixed Income. This type of market and underperformance marked the end of the last bear market and beginning of a five year bull. Historically they have done well in a trending market. He cautioned that if unemployment continues to run high, we will not have a sustained recovery. Moving forward, he projects that the bond market will not perform as well as in the last two years. They will be relying on Equities for growth, more so than Fixed Income.

5. REVIEW OF EXPENSES

- A) Gabriel Roeder Smith & Company – August, 2009
- B) Bogdahn Group – July-September 2009
- C) Christiansen & Dehner – July, 2009
- D) Sawgrass Asset Management – September, 2009

The Salem Trust quarterly invoice was added.

MOTION: Mr. Bright moved, Mr. White seconded, and motion carried unanimously to ratify the expenses as presented.

Due to an emergency, Mr. Ball had to leave the meeting at 10:39 a.m. Mr. White took over as chair of the meeting.

6. ATTORNEY CHRISTIANSEN'S REPORT

A) Department of Management Services (2008 Premium Tax Distribution)

The City received almost \$103,000 this year, down from almost \$109,000 last year. Statewide the monies collected in the police fund were down about 1.5%.

Reported that he sent a certified letter to Jeri Struve regarding an overpayment, and the letter came back. He will follow up.

The fiscal year-end report to Commission is due listing all assets held and an investment report for the year. Typically, a combination of the custodial report and the Bogdahn report are provided with Pension Letter #2.

Legislation requiring the City to send a letter to the President of the Senate and the Speaker of the House each year regarding the use of Social Security numbers has been repealed.

The compliance ordinance was approved this week. The Partial Lump Sum Option (PLOP) was adopted. A new provision allows retirees with their own insurance plan to get the first \$3,000.00 pre-tax, if the premium is deducted from the pension benefit. Previously, this provision was available only to retirees on the City's insurance plan.

7. SUMMARY PLAN DESCRIPTION

Mr. Christiansen went over the major changes. The "Is Your Beneficiary Form Current" was moved to page 1; the partial lump sum option (PLOP) was added to the top of page 3; under DROP on page 3, the language was changed from saying five years from the date you become eligible to five years after you decide to enter DROP; on page 4, L., Maximum Benefits, the amount was changed from \$160,000 to \$195,000 maximum annual benefits paid from the plan to any retiree; and, page 9, number 10, a procedure was added to follow regarding the payment of pension benefits in the event of a divorce.

MOTION: Mr. Stinson moved, Mr. Bright seconded, and motion carried unanimously to approve the November 1, 2009 Summary Plan Description.

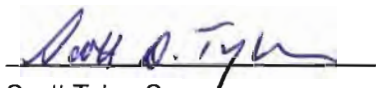
8. PROPOSED ACTUARIAL SERVICES AGREEMENT

Mr. Christiansen reported that the fee schedule has been negotiated. The annual fee will be subject to the cost of living increase each year as of October 1, 2010. A change in fees for benefit calculations is included on page 2, number 4.

The issue remaining is fiduciary responsibility. The language regarding fiduciary responsibility and co-fiduciary responsibility is included on page 3, #13. Gabriel, Roeder, Smith & Company (GRS) has indicated they will not sign the agreement with this language in it. They maintain they are not employed on a full-time basis by the City which would require them, by state statute, to be a fiduciary to the plan. Discussion ensued and it was consensus to defer the topic to the next meeting when it is hopeful there will be a full Board present. A memo will be forthcoming from Christiansen and Dehner to all their clients who have agreements with GRS outlining their position on this.

The meeting was adjourned at 11:05 a.m.

Minutes approved: March 1, 2010



Scott Tyler, Secretary