

**POLICE OFFICERS' PENSION  
BOARD OF TRUSTEES  
AUGUST 29, 2011 - 11:00 A.M.**

Board Members Present:

Scott Tyler, Chair  
Ryan LaRowe, Vice Chair  
Vince Eurice  
Mike Fuller

Board Members Absent:

Larry Denyes

Staff and Others Present

Bryan Bakardjiev, Bogdahn Group  
Greg Gosh, Sawgrass Asset Management  
Scott Christiansen, Board Attorney  
Diane Ponder, Deputy Clerk-Administration

Mr. Tyler called the meeting to order at 11:05 a.m.

2. APPROVAL OF MINUTES

**MOTION: Mr. LaRowe moved, Mr. Fuller seconded and motion carried 4-0 to approve the June 6, 2011 minutes.**

3. INVESTMENT REVIEW

A) Greg Gosh, Sawgrass Asset Management, reviewed the history of certain aspects of the economy from 1972 to the present and the market's performance for the quarter ending June 30, 2011.

He reported the portfolio had a market value of just over \$8 million, a \$190,000 gain. For the quarter, the portfolio was up 2.4%; index up over 1%, equities up over 3%, fixed income up 2.2%. Since inception (1998) the portfolio is up over 5.5%, and for one year up almost 20%. He reported that stable growth companies have improved performance since the speculative stocks did not fare well during the quarter.

He reported that during the last two months, the market has been volatile. The DOW is down 1500 points since April. The equity team of Sawgrass thinks the economy will remain slow through the end of the year.

Mr. Gosh confirmed Sawgrass Asset Management has reviewed the Investment Act, which is required to be formally stated on an annual basis. The Florida Board of Administration oversees a list of companies in which investments are not permitted. Mr. Bakardjiev, Bogdahn Consulting, confirmed the review is performed on a quarterly basis. Attorney Christiansen confirmed this is a legal requirement per state statutes.

B) Bryan Bakardjiev, Bogdahn Consulting, discussed the change in his position with the firm, stating that at some point he would be transitioning the portfolio to a new consultant.

Mr. Bakardjiev confirmed that the transition of 22.5% of domestic equities to Anchor Capital, the new value manager, took place in July. Pursuant to the investment, an Addendum to the Investment Policy, specific to Anchor Capital, was presented for approval. Mr. Bakardjiev reviewed the addendum, which sets forth what investments will be permitted, the Russell 3000 as the benchmark, and how they will be measured. He explained why the Russell 3000 was chosen as the benchmark, as well as why 3-5 years will be the terms for measurement, which is considered an investment cycle.

**MOTION: Mr. Fuller moved, Mr. LaRowe seconded and motion carried 4-0 to approve the Addendum to the Statement of Investment Policy dated March 1, 2010.**

Mr. Bakardjiev reviewed their report for the quarter ending June 30, 2011. He stated that with the huge divergence between value and growth, the Plan's bias to growth helped in the rankings for the quarter, and the investment into value has occurred on a down curve.

The quarter-end allocation in equity was at 64.6%, which is not in compliance with Policy. Some of the difference is due to the transition to Anchor. He reported that as of Friday, August 26, 2011, the allocation was again in compliance.

A general discussion, with explanations provided by Mr. Bakardjiev, was held on how the ranking measurements are performed. He stated his firm is happy with the overall Plan rankings. He reiterated that Sawgrass will not strongly participate in a fast market rally, but will hold steady in a down market.

Mr. Bakardjiev referred to an international search report with actively managed search options that he had brought to the Board several meetings ago. He stated that the international option was mentioned at the last meeting regarding passive or active management. He reported the index used has done well and is cheap compared to active management, which will be more volatile and incur more fees. Bogdahn Group has been in discussion trying to develop solutions. He requested that the Board allow Joe Bogdahn to attend the November meeting to discuss a solution for international investments. The Board agreed to the request.

Discussion ensued on why the 40<sup>th</sup> percentile ranking was chosen as a benchmark vs. a 25<sup>th</sup> percentile ranking. Mr. Bakardjiev explained how one bad quarter's performance can greatly influence a ranking and why he prefers a rolling return time period vs. a specific date snapshot.

Mr. Bakardjiev opined that his firm's role is to find a manager that has consistent skills, adds alpha or excessive returns to the benchmark on a net basis. Typically that manager will be at least 50<sup>th</sup> in the peer group. He also discussed the due diligence his firm performs on managers on a quarterly basis. He discussed how managers are selected for a Board to consider hiring. He was asked to bring that process to the next meeting.

In response to an inquiry from Mr. Eurice regarding any possible investment guideline limitations, Mr. Bakardjiev opined that the current 60% equity limitation prohibits securities the chance to appreciate. Attorney Christiansen explained it is the greater of 60% at cost or 60% at market. Mr. Bakardjiev recommended that the 60% cost limitation be deleted and the target range be increased to 65%.

Mr. Fuller referred to the discussion at last quarter's meeting regarding the assumed rate of return being set at 8%. Attorney Christiansen explained the setting of the rate is a legal requirement after accepting a Valuation Report. A general discussion was held on the rates of return made over the life of the Plan. Mr. Gosh stated that gross of fees since 1998, the return is 5.5%. Mr. Fuller stated his opinion that for the long term health of the Plan, the Board should look at lowering the investment rate of return used for asset valuation.

Discussion ensued on the cost of reducing the assumption rate, with Mr. Bakardjiev suggesting that the best time to lower a rate is during a positive market. Attorney Christiansen explained how the City's required contribution amount varies from year-to-year, based on the Plan's performance. Mr. Tyler also recalled the discussion regarding the intention to reduce the rate. Attorney Christiansen spoke of the one-time additional amount associated with the "truing up" of the asset amounts and the adoption of the mortality table, both of which had a financial impact to the Plan. He suggested the Board can reduce the rate in incremental rates, even one-tenth of one percent on an annual basis to reach 7.5%. He also repeated estimates that a one-tenth reduction costs approximately one percent of payroll. The City funds the Plan to actuarial soundness.

Attorney Christiansen stated that if the assumption rate is lowered it will be effective with the October 1, 2011, based on 7.9% rather than 8% and will be funded during fiscal year 2012/2013.

**MOTION: Mr. Fuller moved, Mr. LaRowe seconded and motion carried 4-0 to reduce the assumed rate of return by .1% per year over five years.**

Mr. Gosh suggested that looking at managers, the make-up of a firm should also be considered.

Referring to the discussion on investment limitations, Attorney Christiansen confirmed that the ordinance governing the General Employees' Pension Plan contains the most liberal language, allowing the Board of Trustees to make the decision as to investments, so long as there are no other restrictions in the ordinance. He also stated that international investments will still be limited to 25%. Mr. Bakardjiev further clarified that the Board will control the Investment Policy outlining criteria for managers.

**MOTION: Mr. Tyler moved, Mr. LaRowe seconded and motion carried 4-0 to amend the language [in the ordinance] to match the General Employees' language with regard to investment restrictions.**

Attorney Christiansen confirmed that one ordinance will be prepared amending the salary definition made in the recent legislation, and he will include the investment restriction language per the motion.

#### 4. REVIEW OF EXPENSES

- A) Bogdahn Group – quarter ending March, 2011
- B) Foster & Foster – August, 2011
- C) Sawgrass Asset Management – quarter ending June, 2011
- D) Salem Trust – quarter ending June, 2011
- E) Florida Municipal Insurance Trust (Fiduciary Insurance)

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

#### 5. OTHER BUSINESS

- A) 2010 Premium tax payment (information only)
- B) Foster & Foster contract addendum  
Attorney Christiansen stated the change is an additional fee associated with the new legislation requiring an additional report using the FRS 7.75% assumption.

**MOTION: Mr. Tyler moved, Mr. LaRowe seconded and motion carried 4-0 to authorize Attorney Christiansen to prepare an addendum [to the Foster & Foster contract].**

#### 6. ATTORNEY CHRISTIANSEN'S REPORT

Reported the contract with Anchor Capital has been executed.

Reported that all financial disclosure forms were completed.

Informed the Board the Summary Plan Description was last updated in November, 2009, and a new update is due.

**MOTION: Mr. Tyler moved, Mr. LaRowe seconded and motion carried 4-0 to authorize Attorney Christiansen to update the Summary Plan Description.**

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Referred to the memo distributed which discusses possible ways to accomplish the requirements in the legislation pertaining to the definition of salary. Effective July 1, 2011 or the date the collective bargaining contract is signed, lump sum payment for sick and vacation and over 300 hours of overtime can't be used for pension purposes. He requested that the topic be placed on the next meeting agenda for discussion. Should a retirement occur before this matter is considered by the Board the actuary will do any calculations using the most conservative methodology.

Meeting adjourned at 1:00 p.m.

Minutes approved: November 28, 2011

*Ryan LaRowe*

Ryan LaRowe  
Secretary