

**CITY OF PALMETTO
POLICE OFFICERS' PENSION
BOARD OF TRUSTEES
August 26, 2013 - 11:00 A.M.**

Board Members Present:

Scott Tyler, Chair
Mike Fuller, Secretary
Larry Denyes
Coby Gaulien
Mike Stinson—(Arrived at 11:05 a.m.)

Staff and Others Present:

Bryan Bakardjiev, Bogdahn Group
Nick Rowlands, Bogdahn Group
Greg Gosh, Sawgrass Asset Management
Scott Christiansen, Board Attorney
Amber Foley, Assistant City Clerk

1. Chair Scott Tyler called the meeting to order at 11:00 a.m.

2. PUBLIC COMMENT

None

3. APPROVAL OF MINUTES

Motion: Mr. Denyes moved, Mr. Gaulien seconded, and the motion carried 4-0 to approve the June 3, 2013 minutes. Mr. Stinson was absent for the vote.

4. APPROVAL OF EXPENSES

- A. Bogdahn Group – Invoice No. 9148
- B. Christiansen and Dehner—Invoices dated 5/31/2013, 6/30/2013, and 7/31/2013
- C. Sawgrass Asset Management – Diversified Large Growth Equity Invoice date 6/30/2013
- D. Sawgrass Asset Management – High Quality Core Fixed Income Invoice date 6/30/2013

Mr. Tyler informed the Board of the two additional invoices:
Florida Municipal Trust in the amount of \$3,042.04
Foster & Foster in the amount of \$1,163.00

Motion: Mr. Fuller moved, Mr. Tyler seconded, and the motion carried 4-0 to ratify the paid expenses as presented. Mr. Stinson was absent for the vote.

5. INVESTMENT REVIEW

Sawgrass Asset Management, LLC

Greg Gosch, Sawgrass Asset Management, reviewed the second quarter performance for Large Capitalization Equity. The portfolio was valued at \$2,580,904 as of June 30, 2013, a gain of \$424,923. Autozone and Johnson & Johnson were added to the portfolio this quarter; no companies were eliminated. A copy of the second quarter review is attached to and made a part of these minutes.

Mr. Gosch reviewed the second quarter performance for the Fixed Income Portfolio. The portfolio was valued at \$2,786,312, a gain of \$17,775 for the quarter. A copy of the second quarter review is attached to and made a part of these minutes.

Bogdahn Group

Mr. Bakardjiev introduced Nick Rowlands, who recently joined Bogdahn and works closely with Mr. Bakardjiev.

Mr. Bakardjiev discussed the second quarter review. As of June 30th, the Portfolio was valued at \$9,098,294, a gain of \$36,000. Net outflows for the quarter were \$52,000, which were more than the contributions made to the Plan this quarter. As a result, even though there was an investment gain of \$36,000, it was offset by \$52,000 in outflows and the plan was down \$16,000 overall. As of Friday, 8/23/2013, the Plan had over 66 percent allocated in Equity, which is over the target allocation (60% up to a maximum of 65%) for the Plan. Mr. Bakardjiev is recommending a rebalance be made. A copy of the second quarter review is attached to and made a part of these minutes.

Mr. Fuller requested that a page be added to the quarter review showing performance data for all managers. Mr. Bakardjiev will add a page to the report showing the composite returns over a long period of time for all managers.

Mr. Bakardjiev handed out a real estate review packet to the Board. He is recommending 10 percent be allocated into private real estate to rebalance the Plan. He has reviewed and is recommending that the Plan invest in Principal US Property Fund, which requires at least a \$500,000 investment. They are a mid-tier fund with a 1.1 percent fee. There is a two quarter queue with no exit fee. Discussion ensued between the Board members and Mr. Bakardjiev about investing into US Property Fund. Mr. Fuller suggested taking 5 percent from fixed income where the Plan is over-weighted, and invest it into private real estate to accomplish rebalancing the Plan and diversifying the portfolio by including a private real estate fund. Mr. Bakardjiev stated that the Plan has allocated 40 percent to fixed income. He would like to see that ratcheted down some and use some of that allocation to invest in other funds. Mr. Bakardjiev suggested approaches for the Plan in the future which include investing some of the allocation into a real estate fund and investing some into a Mid Capitalization Core Domestic Equity fund. A copy of Mr. Bakardjiev's handouts regarding Mid-Capitalization and Real Estate are attached to and made a part of these minutes. He stated that the most important thing today is for the Plan to reallocate the equity fund to rebalance the Plan, and for the Board to decide if they would like to use the funds need to reallocate and invest that into a real estate fund, specifically Principal US Property Fund. The Board continued discussing US Principal Real Estate Fund. The consensus was to invest into US Principal Real Estate Fund.

Motion: Mr. Fuller moved, Mr. Stinson seconded to reallocate the equity position back within policy and use those funds to fund a Principal Real Estate Investor Fund.

Mr. Tyler questioned what percentage was needed to make the reallocation. Mr. Bakardjiev stated that the Plan is approximately 6 percent over allocated, but that the Plan will need at least \$500,000 to purchase the Real Estate Fund. Mr. Bakardjiev would prefer the motion have the dollar amount included into it.

Mr. Christiansen informed the Board that the current Investment Policy Statement (IPS) does not allow for a Real Estate investment. Mr. Bakardjiev stated he will amend the IPS and bring it forward for approval at the next Board meeting. He would like to get approval to invest in the Real Estate Fund because there is a two quarter queue.

Mr. Fuller moved, and Mr. Tyler seconded to amend the motion on the floor to include an amendment be made to the IPS to allow for a 5 percent investment in Real Estate Fund with appropriate adjustments made to the other asset classes, and direct Attorney Christiansen to review the contract and documentation, and hire Principal for the investment of Real Estate in the amount of \$500,000 which will be taken from the Fixed Income allocation. The amended motion carried 5-0.

Mr. Bakardjiev stated that he will amend the IPS and send to Ms. Foley for signature.

Mr. Bakardjiev stated that at the next meeting he will be discussing a Fixed Core component and the S&P Mid-Capitalization component for the Plan to consider investing in.

6. ATTORNEY CHRISTIANSEN'S REPORT

Mr. Christiansen informed the Board that it has been two years since an update to the Summary Plan Description, and requested authorization to amend the document for review at the next meeting.

Motion: Mr. Denyes moved, Mr. Stinson seconded, and the motion carried 5-0 to authorize Mr. Christiansen to update the Summary Plan Description.

He noted that the ordinance amending definitions to comply with the Internal Revenue Code is on the September 9th City Commission agenda for adoption.

Attorney Christiansen discussed another reinterpretation that the Division of Retirement is making to the law regarding State money. He stated that the interpretation of the Statute was that if a City decided to move their police and fire pension into the Florida Retirement System (FRS) then that would result in the loss of that pension plan receiving State money. The Division of Retirement is claiming that they have been improperly interpreting the law, and now if a City moves their police and fire pension into the FRS they would still receive the State money.

Mr. Christiansen informed the Board that the amount of State money received this year was \$106,849. Last year the amount was approximately \$99,000.

6A. FOLLOW UP DISCUSSION ON SENATE BILL 534

Attorney Christiansen informed the Board that there has been litigation filed to challenge Senate Bill 534.

Chair Scott Tyler adjourned the meeting at 12:25 p.m.

Minutes approved: November 25, 2013

Mike Fuller

Mike Fuller
Secretary