WINTER PARK FIRE FIGHTERS' PENSION TRUST FUND
Quarterly Report
10 May 2012
4:00 P.M.

MEMBERS:    Eng. Gary Mitchell, Chairman
             Trey Merrick, Secretary
             Tony Gray, Trustee
             Tony Grey, Trustee

ATTENDEES:   Jeff Templeton, Pension Administrator
             Scott Christiansen, Attorney
             Larry Wilson, GRS
             Frank Wan, BCA
             Grant McMurray, ICC

The meeting was called to order at 4:05 P.M.

A motion was made by Tony Grey and seconded by Tony Gray to accept the minutes of the meeting 9 February 2012 and the quarterly financial report dated, Jan-Feb-March 2012. All were in favor.

A motion was made by Tony Grey and seconded by Tony Gray to elect Garry Mitchell as Chairman of the Board. All were in favor.

A motion was made by Tony Grey and seconded by Tony Gray to elect Trey Merrick as Vice-Chairman/Secretary. All were in favor.

Jeff announced to the Board that Tony Gray, Trustee has submitted his application to the City to be re-appointed. The re-appointment will be brought before the City Commission at their meeting next week.

A motion was made by Tony Gray and seconded by Tony Grey to elect Mike Clifford to be the 5th member of the Board. All were in favor.

Scott Christiansen, plan attorney:

Scott acknowledged the election of the officers, appointment of Mike Clifford as the 5th member and that the City will be re-appointing Tony Gray as a Trustee as stated by the Plan.

Scott reminded the Board that Form1 needed to be completed and filed properly.

Scott told the Board that nothing that had been talked about or written by this Legislature had passed.
Scott explained to the Board that two motions needed to be completed. (1) Concerning the Proposed Rule 4.5 for Jeff Templeton to have the authority to transfer money and (2) submitting the Declaration of Investment to the state.

A motion was made by Tony Grey and seconded by Tony Gray that Proposed Rule 4.5 - Operating Rules and Procedures gives Jeffrey Templeton, Pension Administrator the authority to transfer funds. All were in favor.

A motion was made by Tony Gray and seconded by Tony Grey to submit the Declaration of Investment to the State Actuarial the expected return will be 7.75% for the next year, the next several years, and the long-term. All were in favor.

Grant McMurray, ICC, gave his report. The current quarter is (12.95%), for the one-year (-1.98%), and for the five-year period (1.62%).

Frank Wan, BCA, gave his report. Frank gave a summary of the total investment fund ending 31 March 2012. For the quarter, the Fund earned $2.4 million (+7.4% net), similar to the strategic model (7.6%). Both ICC and Westwood beat their benchmarks. An expected, the convertible bonds beat straight bonds by a wide margin (+8.5% vs. +0.4%). The top three performing asset categories were: mid-cap passive (13.5%), ICC large-cap (+13.0%), and large-cap passive (+12.6%).

Fiscal YTD, the Fund earned $4.4 million (+14.1% net), similar to strategic model (+14.5%). Both ICC and Westwood were ahead of their benchmarks. The top three performing asset categories were: small-cap passive (+29.8%), mid-cap passive (+28.2%) and Westwood large-cap (+26.7%).

For the 12-month period, the Fund earned $775K (+2.4% net, trailing the benchmark (+4.6%), due to underperformance of ICC large-cap. As noted above, ICC’s large-cap has shown strong improvement since 1 October. The top three performing asset categories were: TIPS passive (+12.3%), large-cap passive (+8.4%), and fixed income passive (+7.7%).

For the three-year period, the Fund earned $10.9 million or +14.3% net per year, beating the actuarial assumption rate. While the strategic model achieved a 42nd percentile ranking, consistent with the IPS (+40th percentile), the Fund experienced a 78th percentile ranking — due to ICC and Westwood’s under-performance during the 2010 and 2011.

For the five-year period, the Fund earned +4.0% Net and ranked in the top 21st percentile.

Due to a $629K contribution made on 03/29/12, BCA recommends reducing the cash allocation back to the two percent target.

Frank Wan explained their compliance. ICC’s large-cap product, which trails its benchmark for the one, two and three-year periods, ranks well below average. Poor performance during the first three quarters of 2011 dragged down the three and five-year averages and rankings. Problems with stock selection have plagued this program recently. This product represented 8.2% of the Plan assets on 31 March. A look back to the 12/31/10 monitoring report reveals a different program recently. This product represented 8.2% of the Plan assets on March 31. A look back to the 12/31/10 monitoring report reveals a different story. ICC’s one, three, and five-year performance was ahead of its benchmark and rankings.
were within the policy objectives. On a five-year basis, the product has delivered excess returns of +2.1% per year and ranked average. Given the firm’s strong showing over the long run, and improved relative performance since 1 October, BCA recommends no action at this time. However, the magnitude of under-performance in 2011 remains of concern.

Westwood’s large-cap product trails the benchmark for two-three-year periods, but relative performance has improved the past 12-months. As a result, it is beating the benchmark and the 12-month ranking is now above average. With improving performance and the product’s style appearing to be in favor, BCA recommends no action at this time.

At the last meeting Tony Gray asked Burgess about real estate investment. Frank Wan provided a real estate analysis comparing Direct vs. REIT. Direct real estate would serve the purpose of capital presentation and complements to bonds. The discussion that ensued with the Board ended with the Board requesting a follow-up study from BCA. They also wanted included the worst-case scenarios of this type of investing.

Larry Wilson, GRS, gave his report on the 1 October 2011 Valuation. As previously requested by the City and approved by the Board, the 1 October 2011 determines the minimum required contribution for the fiscal year ending 30 September 2013.

The minimum required contribution for the fiscal year beginning October 1, 2012 is 54% of covered payroll for fiscal year ending 30 September 2013. $2,302,381 based on projected covered annual payroll for the fiscal year ending 30 September 2013-$4,247,935.

Larry anticipates member contributions will be 6% of covered payroll for fiscal year ending 30 September 2013 ($254,876) and allowable State contributions will be 7.8% of covered payroll for the fiscal year ending 30 September 2013 ($332,249) leaving a City requirement of 40.4% of covered payroll for fiscal year ending 30 September 2013 ($1,715,256). To the extent State contributions are less that $332,249, the City will be required to make up the difference.

The net actuarial value of assets as of 1 October 2011 is $31,790,960. The net market value of assets as of 1 October 2011 is $29,296,637.

There are 59 active members and 48 inactive members (including DROPS) as of 1 October 2011. The actuarial value net investment return was 0.36% - less than the assumed rate of 7.75%. The market value rate of return was -1.28%.

The Plan expenses were 53 basis points of the mean invested market value of assets.

The System experienced an actuarial loss of $1,831,081 during fiscal year ended 30 September 2011. Investment return (smoothed actuarial value) and employee turnover were generally sources of actuarial loss – salary increases were generally an offsetting source of actuarial gain.

The City contributed in excess of the minimum required City contribution for fiscal year ending 30 September 2011. This excess City contribution resulted in an increased System Funded Ratio and a reduction in future System contribution requirements starting with fiscal year 2013.
A motion was made by Tony Gray and seconded by Tony Grey to accept the 1 October 2011 Actuarial Valuation Report. All were in favor.

Jeff Templeton, Plan Administrator, mentioned to the Board and Scott Christiansen that he had been asked by several trustees that perhaps they could host a seminar of continued education for the Board members like Scott did at Cocoa Beach sometime in the future possibly between the two pension meetings. Jeff said that they could invite other pension board members to come. The February 2013 meeting may be a good date since it is a meeting that money managers or the actuary normally do not attend to give reports. Scott said that he could do that. It will be discussed further at another meeting.

The meeting was adjourned at 5:45 P.M.

Respectfully submitted,

Trey Merrick, Secretary