MEMBERS:  Det. Murray Daniel, Chairman
           Det. Tom Cronin, Secretary
           Sandy Modell, Trustee
           Mike Brouchart, Trustee

ATTENDEES: Chief Brett Railey, WPPD
           Larry Wilson, GRS
           Scott Christiansen, Attorney
           Jeff Templeton, Administrator
           Burgess Chambers, BCA
           Tom Childers – WP Voice

Chairman Murray Daniel called the meeting to order at 6:05 P.M.

A motion was made by Chairman Murray Daniel and seconded by Mike Brouchart to accept the minutes of the meeting dated 10 May 2012 and the quarterly financial report dated Apr-May-June 2012. All were in favor.

Burgess Chambers, BCA, gave his report:

Following the first quarter when stocks were behind the Plan’s impressive +7.4% return, macro events pushed stocks down during May, thus reversing the previous gains. As a result, the Plan experienced an investment loss of $786K (-2.2% net) in 2Q, similar too the strategic model (-1.8%). The top performing asset categories were: TIPS passive (+3.1%) and fixed income passive (+2.7%). Among the seven equity asset classes on the investment program, the Advent convertible return (-3.1%) was near the top of the pack (range: -2.7% to -6.5%).

Fiscal YTD, the Plan earned $3.6 million (+12.2% net), narrowly behind the strategic model (+12.8%). The difference is related to ICC’s under-performance (18.7% vs. +22.9%). The top three performing asset categories were small-cap passive (+25.3%), large – cap passive (+22.4%), and Westwood large-cap (+22.2%).

For the three-year period, the Plan earned $8.5 million (+10.4% net per year), beating the actuarial assumption rate. The top three performing asset categories during this period were: BNY mid-cap passive (+19.2%), BNY small-cap (+17.9%), and BNY large-cap (+16.4%). It should be noted the annual management fee of the Plan (0.3%) remained well below the average (range: 0.7% - 0.9%) for an account of
this size. Since peer ranking is based upon performance returns before management fees are deducted, the Plan’s ranking is understated.

For the Five-year period, the Fund earned +2.9% and ranked in the top 21st percentile,

COMPLIANCE:

ICC’s large cap product, which trails its benchmark for the one, two and three-year periods, ranks well below average. For the five-year period, annualized results were still ahead of the benchmark. Due to diversification, the product represents only 9.0% of the Plan’s total assets or 1/3 of the large-cap space. Large-cap includes Westwood and the S & P 500 index.

Westwood's large-cap product trails the benchmark for the one and three-year periods, but relative performance has improved during the past 12-months. FYTD, results were in line with the benchmark (+22.2% vs. +22.9%). With improving performance and the product's style appearing to be back in favor, BCA recommends no action at this time.

The American Funds Euro-pacific product out-performed its index by 1.53 bps per year over the past three years (+7.98% vs. 6.45%). The risk (beta) and value added (alpha) profile remain favorable. It ranks narrowly below average (54th) for this period, but has shown improvement in the past year. The ranking moved up to the 43rd percentile for the past 12 months and FYTD results were ahead of the benchmark by a large margin (+10.76% vs. +6.87%).

Burgess Chambers gave the report for ICC. For the current quarter the fund was (-6.4%), for the fiscal-year-to-date (18.73%), and annualized return (-1.55%). Burgess recommended ending their financial relationship with ICC since they had been underperforming for quite a few quarters.

A motion was made by Det. Murray Daniel and seconded by Sandy Modell to move all funds from ICC and place them in large-caps at BNY/Mellon and to close the ICC account. All were in favor.

The Board asked Jeff Templeton to call ICC and let them know of the changes made at this Board meeting.

Burgess Chambers will bring information concerning Westwood to the next Quarterly Meeting in November 2012. Burgess said that 70% of the WPPD program was passive.

Sandy Modell, trustee, asked Burgess Chamber to discuss how the Convertibles were performing at the one-year mark with Advent. It was suggested to add 5% to the purchase of more convertibles. The funds will come from equities or bonds.
A motion was made by Det. Tom Cronin and seconded by Sandy Modell to use $400,000.00 cash and place $200,000.00 into convertibles and $200,000.00 be placed in the account with BNY-Mellon into Large-Caps. This is to take place after the State of Florida funds arrive. The estimated time is about 45 days for the funds to come in. All were in favor.

A motion was made by Det. Murray Daniel and seconded by Sandy Modell that the Board elected to stay with percentage of pay calculations. All were in favor.

Larry Wilson, GRS, gave his report:

GRS provided an engagement letter to perform an Experience Study to ensure the actuarial assumptions are in line with System experience.

A motion was made by Det. Murray Daniel and Sandy Modell to have GRS perform an “Experience Study”. All were in favor.

Larry Wilson discussed the financial highlights of the 30-Year Actuarial Projection Study requested by the City. Assuming all assumptions are met during the projection period, City contributions are expected to increase during the next three years peaking at 48.3% of covered (non-DROP) pay as deferred investment losses are fully recognized in the smoothed Actuarial Value of Assets. The City contribution reduces to 37.2% of covered (non-DROP) pay as base (as combined and amortized as the City directed) is fully amortized in fiscal year ending September 30, 2023. The funded ratio is projected to increase each year reaching 100% in fiscal year ending September 30, 2040.

Larry went on to discuss the highlights of the soon to be released Government Accounting Standard Board (GASB) Statements No. 67 and 68 replacing GASB Statements No. 25 and 27 effective with the fiscal year ending 30 September 2015 City Comprehensive Annual Financial Report. Under GASB Statement 68: (1) while the discount rate used for funding purposes will continue to be a long-term expected rate of return on plan assets, the discount rate for accounting purposes will include a portion based on tax-exempt municipal bond yields for some plans, (2) while the asset valuation method used for funding purposes will still allow asset smoothing, the asset value required for accounting purposes will be fair (market) value of assets, (3) while the amortization periods used for funding purposes will still be relatively long, the amortization periods used for accounting purposes will be considerably shorter, (4) while any accepted actuarial cost method may be used for funding purposes, the System’s current entry age normal cost method is required for accounting and financial reporting purposes and (5) the City’s basic financial statement liability will be a measure of the employer’s unfunded pension obligation, the net pension liability (NPL). The NPL equals the total pension liability essentially the actuarial liability. (TPL) minus the plan’s fiduciary net position (PFNP) essentially the fair market value of plan assets).
Larry concluded by discussing some possible changes expected to occur with the Municipal Police Officers’ and Fire Fighters’ Retirement Trust Fund Office resulting from changes in Office Management.

Jeff Templeton, Administrator, reported that the Annual Report had been approved and hopefully by the end of the month the money will be available.

Scott Christiansen, Attorney, gave his report:

Scott reminded the board that the Ordinance (October 2011) was still on the City Managers, desk. The document was sent to the City Manager in March 2011.

Scott said that Robert Harvie was the only Board member who had not completed FORM 1. Jeff Templeton said that he had talked to Robert Harvie concerning the Form 1.

Scott reported that 2012 – Laws of Florida would have some changes in its legislation. One of the areas will be dealing with beneficiaries and divorce. He doesn’t feel that what they are trying to do is constitutional and that it will probably be repealed. This legislation will include active employees.

Jeff Templeton reminded the Board that Scott Christiansen is still willing to do a “mini training conference” between meetings of the PD and FD. A date will be set up.

The meeting was adjourned at 7:15 P.M.

Respectfully submitted,

Murray Daniel, Chairman