

**MEETING MINUTES
OF THE SANIBEL BOARD OF TRUSTEES OF
THE MUNICIPAL POLICE OFFICER'S RETIREMENT TRUST FUND
CITY OF SANIBEL, FLORIDA – FEBRUARY 2, 2011**

1. Call to order by Chairman Tomlinson.

Chairman Tomlinson called the meeting to order at 2:02 P.M. The meeting was held in MacKenzie Hall on 800 Dunlop Road, Sanibel. Board members present were Mr. Dalton, Mr. Holston, Mrs. McBee, and Chairman Tomlinson. Also present were City of Sanibel Mayor Kevin Ruane, Mr. Burgess Chambers of Burgess Chambers and Associates, Mr. Blake Myton of SunTrust Bank, Mr. Doug Lozen of Foster & Foster and Attorney Pedro Herrera of Sugarman & Susskind.

Chairman Tomlinson requested a motion to excuse Dale Reiss from attending due to travel difficulties.

Motion made by Mr. Dalton to excuse Trustee Dale Reiss; seconded by Mrs. McBee and the motion passed unanimously.

2. Review and approval of minutes of November 3, 2010 meeting.

Motion made by Mr. Dalton to approve the minutes; seconded by Mr. Holston and the motion passed unanimously.

3. Review First Quarter 2011 Performance Report from SunTrust.

Mr. Blake Myton presented the quarterly SunTrust Performance Report. The quarter had an ending portfolio market value of \$6,921,377 on 12/31/10. Mr. Myton stated the fund had an excellent quarter with a net gain of \$368,444. The housing market was hardest hit and is the slowest to recover. The fund took a little more risk which resulted in a larger return.

The portfolio cash is up from 3.3% to 5.1%. On behalf of Trustee Reiss, Chairman Tomlinson asked why the cash hasn't been invested. Mr. Myton explained that the cash came out of fixed income and being a bit more cautious, is looking for a better opportunity to invest. Continued research leans towards moving it to large growth.

Motion made by Mrs. McBee to accept SunTrust's Performance Report; seconded by Mr. Dalton and the motion passed unanimously.

4. Review First Quarter 2011 Investment Performance Monitoring Report from Burgess Chambers & Associates, Inc.

Mr. Burgess Chambers reported the plan had a five year return of about 6%. The fund had an ending market value of \$9,233,450 on 12/31/10 and a net investment return of 5.6% for the quarter. Both the International and REIT lagged having a negative effect on the plan.

On behalf of Trustee Reiss, Chairman Tomlinson asked why our target

performance percentile is only better than 50 percentile. Mr. Chambers pointed out on page 12 of his report, where the red and yellow borders meet is 50 percentile which is average. The plan is in the top 40th, which is better than in the 50th as we want to be a little bit above average.

Mr. Chambers provided a handout detailing convertibles. Convertible securities are an asset class that the big institutional players cannot participate in because the market is small. After much research, SSI is the chosen firm. Attorney Herrera indicated he had already reviewed the convertible proposal and approves. Mr. Holston spoke as to the convertibles adding more risk. Mayor Ruane stated that chasing yield which involves taking on more risk but agrees with Mr. Chambers' recommendation. The fee is 85 basis points. Much discussion resulted in a revision of the proposed Investment Policy Statement.

Motion made by Mrs. McBee to adopt the new Investment Policy Statement contingent on the revision of the allocations which are: Large cap growth 11.5%, Large cap value 11.5%, Convertibles 10%, Mid-cap equity 8%, Small-cap equity 7%, International equity 15%, Real Estate 5% and Fixed income (bonds) 32%; seconded by Mr. Holston and the motion passed unanimously.

Motion made by Mr. Holston to get the approved contract from the plan attorney and once an acceptable contract is negotiated with the firm, the board is authorizing the chair to sign for the reallocation and the Investment Policy Statement; seconded by Mr. Dalton and the motion passed unanimously.

Motion made by Mr. Dalton to accept Burgess Chambers and Associates quarterly report; seconded by Mr. Holston and the motion passed unanimously.

5. Review of Actuarial Valuation Report from Foster & Foster.

Mr. Doug Lozen presented the October 1, 2010 Actuarial Valuation Report. Mr. Lozen explained how we come up with funding requirements is projection of liabilities and assets. We project assets based on contributions on the 8% investment assumption and benefits necessary to come out of assets for retirees. We project liabilities based on the data we're provided each year. This year there were very low pay increases and very low turnover affecting the rate.

There was \$580,000 net loss to the plan. Three quarters of it was due to investment return on the 4 year average and one quarter of it was due to the lower than expected turnover.

The funding approved for the current year needs to be updated yearly. For the current year the city's contribution is 31%. For the year 11/12 the city's contribution is 43%. Payroll shrinking was the biggest component of the increase.

The unfunded liability started at 5.1 million and ended at 6.1 million. Thirty percent of that is due to the mandated mortality change. Sixty percent is due to investment loss and the remaining 10% is due to turnover loss and net salary gain. The funding ratio according to the Gatsby 25 scale was 62% last year to 59%

now. From 2008 to 2009 there was a 4% increase due to a change in the definition of pay.

On behalf of Trustee Reiss, Chairman Tomlinson asked, regarding the Actuarial Valuation Report, there are many numerical triggers that determine city/state funding levels. Is it correct in interpreting that the only one the board can influence is the rate of return on investment funds? Mr. Lozen replied no, the board owns all of the assumptions. The big assumption is how fast you expect assets to grow. Turnover is another example, along with disability and retirement age. The actuary may give advice on whether to make any changes to those assumptions and an experience study may want to be considered. There is 15-20 years of history that justifies changing it. Any revisions to the assumptions will be tabled today and put on the next agenda for an experience study.

Motion made by Mr. Dalton to accept Foster & Foster's report; seconded by Mrs. McBee and the motion passed unanimously.

6. Report from Attorney Pedro Herrera of Sugarman & Suskind.

Attorney Pedro Herrera explained that even though House bill 303 has been withdrawn to expect more attempts to make pension changes in the near future. Attorney Sugarman's speech regarding similar issues will be forwarded to all trustees.

Mr. Herrera reported the IRS favorable determination application has been filed and provided a copy for the record.

Motion made by Mr. Dalton to accept Sugarman and Suskind's report; seconded by Mrs. McBee and the motion passed unanimously.

7. Other business.

Mayor Ruane departed the meeting at 3 PM due to a prior commitment.

The next meeting will be on Wednesday, May 4, 2011, 2 PM at Sanibel City MacKenzie Hall.

Chairman Tomlinson expressed appreciation for Cheryl's assistance as she is retiring.

8. Public Comments and inquiries.

There was no public present.

9. Adjournment.

There being no further business, the meeting was adjourned at 3:34 PM.

Approved: _____

Date: _____

