

**MEETING MINUTES  
OF THE SANIBEL BOARD OF TRUSTEES OF  
THE MUNICIPAL POLICE OFFICER'S RETIREMENT TRUST FUND  
CITY OF SANIBEL, FLORIDA – FEBRUARY 18, 2013**

**Call to order by Chairman Tomlinson.**

Chairman Tomlinson called the meeting to order at 2:05 P.M. The meeting was held in MacKenzie Hall on 800 Dunlop Road, Sanibel. Board members present were Mr. Dalton, Ms. McBee, Ms. Reiss and Chairman Tomlinson.

Motion made by Mr. Dalton to excuse Mr. Holston from the February 18<sup>th</sup> 2013 meeting; seconded by Ms. McBee, the motion carried.

Also present were Steven Spare and Michael Opre from SSI Investment Management, Burgess Chambers of Burgess Chambers Associates, Doug Lozen from Foster & Foster Actuaries & Consultants and Attorney Pedro Herrera of Sugarman & Susskind

**Review and approval of minutes of November 14, 2012 meeting.**

**Motion made by Ms. McBee to approve the minutes; seconded by Mr. Dalton, the motion was called and passed unanimously.**

**Review Fourth Quarter 2012 Investment Performance Monitoring Report from Burgess Chambers & Associates, Inc.**

Representatives from SSI Investment Steven Spare and Michael Opre who manage the convertibles for the pension were present to speak to the Board of Trustees by invitation from Burgess Chambers on the relative performance of the Plan. It was significantly below benchmark and since this is a new relationship to the plan and we are still learning about convertibles and their philosophy.

New SSI Convertible Market Strategy Update was passed out to the Board. Recapped what Convertible Bonds are and how they fit into the portfolio. Burgess Chambers asked the Board if they understood how a Convertible worked before SSI continued the presentation. Steven Spare went through the handout. Page 4 is where the performance information begins. The absolute returns for the portfolio were good at 11.1% however SSI does recognize that the pension trailed the benchmark which returned 14.9%. Page 5 shows the approach to investing in Convertibles and the hope to capture 2/3 to 3/4 of the equity market. The return of 11.1% relative to the S&P 500 Index return for 2012 actually captured surprisingly over 90% of the market. It is important to convey to the Board that SSI has not lost confidence in their process or their philosophy and still thinks they are investing in the right portion and creating the type of portfolio with the right risk return profile which will benefit the pension over the long term.

Burgess Chambers asked if there were any questions. He asked Steve Spare that when he speaks about the Index that he mentions the riskiness of the index.



Ms. McBee asked about the S&P 500 benchmark and it being downgraded and if it would affect what we are looking at what we want to do. SSI said that there are no perfect benchmarks and that this is on a risk reward perspective and not to look just like the index, it's a good question and there is no perfect answer.

Michael Opre discussed how to handle risks and the 88 securities.

Ms. Reiss asked how long we have been in the strategy of convertibles. The answer was April 20, 2011 almost 2 years. Ms. Reiss wants to know how many quarters in those 2 years have we equaled or beat the benchmark. Burgess Chambers said that they have underperformed in the majority of the 7 quarters. Ms. Reiss said the strategy makes her very nervous because it's not making any money for the pension. Burgess Chambers said that in the last 2 years out of the last 7, something has happened and that is why SSI is here. Steve Spare Addressed Ms. Reiss's question. Discussion followed.

Ms. McBee asked if other managers of Convertible Indexes showing the same type of returns then we are seeing? Burgess Chambers said that there is another firm that has a higher minimum and other firms that have closed their products and we can't invest with them.

Discussion on investment options and the timing.

Burgess Chambers suggested that we let the above unfold a bit more and watch it and wait another quarter and get into the numbers and details again. And SSI said they will provide any information we need.

Discussion on MLP, Chairman Tomlinson asked Attorney Herrera if he has looked into the MLP for the Florida Pension Market. Attorney Herrera said no he thought it was more informational from Miller Howard. Attorney Herrera said from a legal point there is nothing further needed.

Burgess Chambers Report: The system earned 200k 2% for the quarter. Which was ahead of the bench. Rideworth small cap value outperformed by 300 basis point. On a total return basis these are good returns. The portfolio was rebalanced on December 24.

Allocations on Page 6 you can see everything is in line with the target allocations.

Mr. Chambers asked to have Sylvia Edwards from Finance help him with a recommendation for the Cash flow distribution for the next meeting.

Reviewed Page 9 Gross of Fees.

Page 12, 2 year returns the program averaged 6.5% per year for two years, with 2011 being an unimpressive year. What's interesting is if you look at the distribution of peers, look at Public Fund the best performing public fund for two years averaged 12.4% per year, which is extraordinarily high.



**Motion made by Mr. Dalton to approve Burgess Chambers Report; seconded by Ms. McBee, the motion was called and passed unanimously.**

Chairman Tomlinson, relative to the conversation the board had about investments and moving forward does Burgess Chambers have any recommendations for the Board.

Burgess Chambers recommends adopting a new investment policy that would have a provision allowing for MLP's and provide for a 5% allocation to MLP's. Burgess Chambers can prepare the policy and have it ready to present at the May 8<sup>th</sup> meeting for consideration.

Ms. Reiss asked through what investment the allocation would be made.

Mr. Chambers suggests that we have the flexibility to go the ETF route or hire an active manager it would be the Boards call. The first order of business is to have language in the Investment Policy that permits MLP's. Currently there is a provision in the policy that states that limited partnerships are prohibited so we have to do a little house cleaning before we can do it. Attorney Herrera advised that we revise the Investment Policy then proceed forward. It will be put on the Agenda for the May Meeting.

#### **Report from Doug Lozen Foster and Foster**

Actuarial Valuation Report as of October 1, 2012.

1 page summary that is on the I Pads.

Discussed the report line by line.

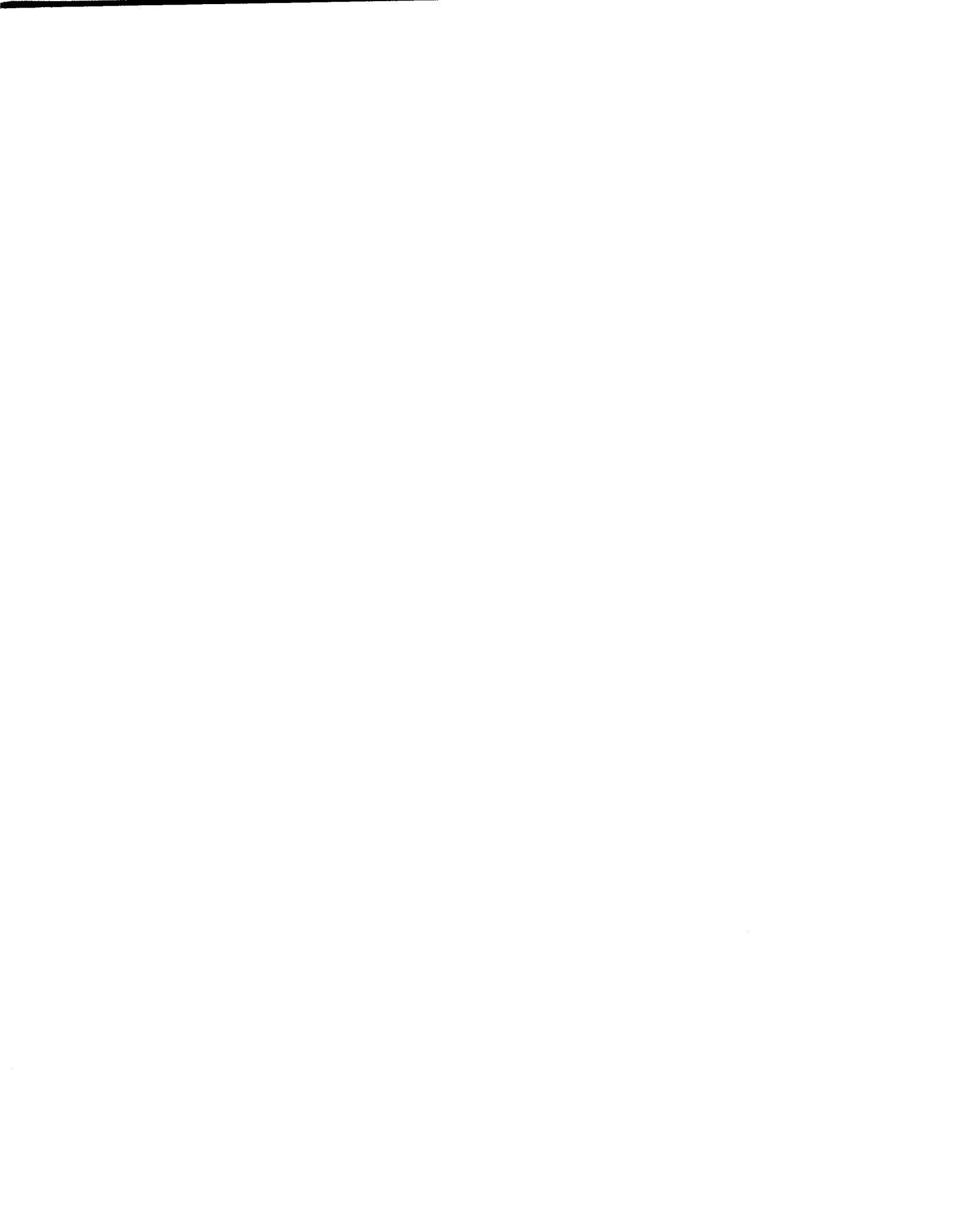
A reason for the large increase in the estimated city contribution requirements is that there are fewer employees in the plan, 2011 there were 21 active police officers accruing benefits in the plan and there are 18 now.

The 4 year smooth assets return assuming we get 8% going into the future. Our average will be 8.2. We will have a slightly favorable experience for the investment side.

Discussion on changing the assumption and revisiting some different scenarios and past exhibits and a better idea based on agent service when members terminate and create a different table going into the future that is more realistic.

Chairman Tomlinson would like us to come more in line with what our experiences are with that particular component. He asked if the board needed to be polled for a vote. Attorney Herrera said yes if we are going to change the assumption but the board should discuss before they make a change. Mr. Lozen made a recommendation that they could undertake a full experience study again with all of the assumptions or because one assumption is fairly clear that is causing increase in funding turnover we could target that particular assumption for a study for the next meeting and show some exhibits with past history and create a different table with different scenarios and show the funding impact. Attorney Herrera asked if this would be considered for next year. Chairman Tomlinson said yes next year we need to move in a direction were we are more consistent with our experiences.

Mayor Ruane would like to see from the City's point of view the turn over piece just



to understand it and if the city has to pay he would rather pay now and not push off to someone else's responsibility. This will be a conversation that Council will have.

Further Discussion will be at the May 8<sup>th</sup> meeting with updated information to help the board make a better decision.

Chairman Tomlinson also asked about the new Florida Statue that Foster & Foster did of the report it discloses the current liability's bases on using the 7 <sup>3</sup>/<sub>4</sub> assumption than the 8.

Chairman Tomlinson, on the Experience Study, what stood out was the return, after our smoothing we have not met our benchmark for many years so it raises the question to be looked at moving forward and to pull the board and move forward with an evaluation what it would be at 7.5 7.3/4 to see what the funding would be for the City and the cost up front for that and to have an educated discussion since we are moving in a direction in changing some of our experience.

Chairman Tomlinson recommends that we move forward with that part of the experience study as well.

**Motion made Mr. Tomlinson by to move forward to change the investment percentage seconded by Mr. Dalton the motion was called and passed unanimously.**

Mr. Lozen asked if the board would like to see the study for the turnover and the investment return also combined with dollar funding. Chairman Tomlinson said yes.

**Motion made by Mr. Dalton to accept Foster & Fosters report seconded by Mrs. Reiss the motion was called and passed unanimously.**

Attorney Herrera told the board that by accepting the report they are accepting the required contribution on the City's behalf. Asked Mayor Ruane if he would formally accept the report on behalf of the City. Mayor Ruane said that yes physically accepted to be approved at next council meeting.

Doug Lozen asked if the Actuarial Valuation Report for 2012 could be approved so he could send to the State.

**Motion Made by Mr. Dalton to approve the Report the motion was called and passed unanimously.**

**Report from Attorney Herrera of Sugarman & Susskind.**

Payroll determination letter from IRS.

Will prepare an Ordinance Amendment and will have at the May meeting.

Bills in legislator that affect the pension fund The FRS Bill, closes the defined benefit side of the plan after January 1 2014 And puts them on the investment side.

Senate Bill 458, Division of Retirement interpretation of premium tax moneys from 175 to 185 money are allocated and what they can be used for. This bill seeks to codify the division's interpretation and slightly changes it as well with new terms Extra Benefits and Special Benefits. The Bill is in second committee right now so



Attorney Herrera will keep posted on where it goes.

Bill 534 which deals with increase reporting requirements for each define benefit or local law plan in the State of Florida and severs and liability or the ties the State may have towards funding deficiencies. For the Reporting standpoint all Pension Funds will have to report on an annual basis, the long term funded ratio the dollar value of the unfunded accrued liability the number of years and or months that the market value is adequate to sustain the benefits that were promised contributions need to be expressed as a dolor value and well as a percentage of payroll, from and Actuarial standpoint the Actuary in the plan is going to need to calculate or disclose to the state what our plan would look like using the actuarial cost method which is the entry age normal which we currently use.

New Ethics Bill which amends chapter 112, primarily it affects elected officers on the congress or senate side, but it does give teeth to the financial disclosure penalty which is assessed if you're going to file your forms by July 1. It allows the state to hire collections agencies if you're late is filing.

FPTA Conference in June

Division of Retirement is having their Annual School in Tallahassee May 20 -22

**Motion made by Mr. Dalton to accept Sugarman & Susskind report seconded by Mrs. McBee the motion was called and passed unanimously.**

**Public Comments and inquiries.**

None

**Other business.**

- The next meeting will be on Wednesday, May 8th at 2 PM at Sanibel City MacKenzie Hall.

**Adjournment.**

There being no further business, the meeting was adjourned at 4:09 p.m.

Approved: William Lockman

Date: 6/27/13

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