

**KEY BISCAYNE POLICE OFFICERS & FIREFIGHTERS
RETIREMENT PLAN**

Village Council Chambers
560 Crandon Blvd., Key Biscayne, FL 33149
REGULAR MEETING OF MAY 24TH, 2007

1. **Call to Order:** Chairman Haring called the meeting to order at 5:37 P.M.

Roll Call

Present

Michael Haring, Chairman
Servando M. Parapar, Secretary
Jose L. Monteagudo
Dr. Robert L. Maggs

Absent

Cindy Mize

OTHERS PRESENT: Councilman Steve Liedman, Blake Myton from Trusco Capital Management, Burgess Chambers from Burgess Chambers & Associates, Stephen H. Cypen, Esq., and Joan L. Wall, Administrator.

2. **PRESENTATIONS**

- A. **Blake Myton, Trusco Capital Management: Investment/Market Report for Quarter Ending March 31, 2007.** While there were a number of market changes in the last seven weeks, the first quarter economic momentum ebbed, with continued fallout from rising subprime mortgage delinquencies, inflation remained stubborn, housing weakness continued, bonds slightly outperformed stocks with a bottom line reflecting softening economic growth, lower corporate profits estimates and increased credit concerns were evident in the market.

Dr. Maggs requested a clearer monthly custody statement in the future. Mr. Myton stated he would speak with SunTrust about the issues Dr. Maggs brought up concerning the readability of the custody statements.

B. **Burgess Chambers:**

- 1) **Authorize chairman to sign contract.** Servando Parapar moved to authorize the chairman to sign the contract between the fund and Burgess Chambers & Associates as reviewed by Attorney Cypen. Jose Monteagudo seconded the motion. The motion carried unanimously.
- 2) **Authorize chairman to sign SunTrust form permitting online Portfolio View to Burgess Chambers.** Jose Monteagudo moved to

authorize the chairman sign the form as amended by Attorney Cypen. Dr. Maggs seconded the motion. The motion carried unanimously.

- 3) **Performance Report for Quarter Ending March 31, 2007.** Mr. Chambers stated he felt all managers are average over time. Asset allocation is more important, with 80 to 85% of performance the result of asset allocation. He would like to see the fund broaden asset allocation. It was his recommendation to get rid of the SunTrust Small Cap Growth fund due to the poor performance of the new team and buy an index fund that would also have a lower cost. By putting 25% of the assets into passive vehicles, fees to the fund would be lower. It would not be difficult to do this within Trusco as they have set up stand alone teams that could be eliminated. The fund is receiving a good bang for their buck with Trusco. We need to focus on their strengths and get away from weak areas, such as relative value and small cap growth. The international product has done well. Mr. Chambers reported that while Merrill Lynch was very cooperative in providing the necessary data, all of it was gross of fees. It was his feeling that all expenses should be netted out of returns. For the quarter, the total fund earned 1.4% net of fees with mid cap, international and small cap among the best performing categories. The benchmark return was 1.0%. For the one year, the total fund returned 8.8% net of fees as compared with the benchmark return of 9.5%. Net of fees returns for the three years was 8.3% and 5.4% for five years, as compared with the benchmark returns of 7.4% and 6.3% for the same time periods. Mr. Chambers distributed his recommendations as to changes in asset allocation.
- 4) Attorney Cypen requested addressing the other items on the agenda as he had another commitment to attend.

3. Reading and Approval of Minutes for March 22, 2007. Chairman Haring presented the minutes from the previous meeting for approval. Jose Monteagudo moved to approve. Dr. Maggs seconded the motion. The motion carried unanimously.

4. Approval of Invoices. Since the agenda was posted an invoice was received from Burgess Chambers & Associates for the quarter ending March 31, 2007. Chairman Haring presented the invoices listed on the agenda, including the one from Burgess Chambers & Associates for approval and payment. Servando Parapar moved to approve payment. Jose Monteagudo seconded the motion. The motion carried unanimously, authorizing payment of the following:

- o SunTrust Bank, 1/1 - 3/31/07 Custody/Investment Fees
\$ 13,951.20

- Gabriel, Roeder, Smith & Co., Invoice #100908 dated 3/31/07
\$ 2,562.00
- Joan L. Wall, Admin., 3/15 - 5/17/07; 36 ≤ hrs, plus expenses
\$ 1,384.26
- Burgess Chambers & Associates, Qtr Ending 3/31/07
\$ 3,750.00

5. Approval of Refunds of Contributions. Chairman Haring presented the refunds of pension contributions as listed on the agenda for approval and payment. Servando Parapar moved to approve payment. Jose Monteagudo seconded the motion. The motion carried unanimously, authorizing payment of the following:

- Wachovia Bank (rollover for P/O Nahyoh Toney-Bashui),
Hire Date 10/12/04, Termination Date 8/24/06
\$10,133.01
- F/F Jason Davis, Hire Date 7/6/04, Termination Date 12/3/06
Contributions \$13,004.25, less 20% WH Tax, Net payment of
\$10,403.40

6. Approve Application/Retirement Benefit. Chairman Haring presented the retirement benefit listed on the agenda that was scheduled to commence on September 1, 2007 for approval and future payment. Jose Monteagudo moved to approve. Servando Parapar seconded the motion. The motion carried unanimously, authorizing the following:

- P/O Carlos Serio, Hire Date 1/18/93, Resignation Date 9/1/98
Monthly Benefit commencing September 1, 2007
\$ 463.62

7. UNFINISHED BUSINESS ^ Approve October 1, 2006 Actuarial Valuation (continued from March 22, 2007) Communication from the actuary indicated there would be no significant changes to his report. Stephen Palmquist advised on 4/26/07

"In our 2006 annual report, we show a net rate of return of 7.6% for the year ended 9/30/06 while the Merrill Lynch report shows 8.5%. The reason for the difference is that our fund balance at the beginning and end of year included contributions that were receivable in the amount of \$477,235 and \$466,158, respectively. (See page 16 of our Report). When the receivables are removed from the calculation, the resulting rate of return is close to that of Merrill Lynch. Usually such receivables are small relative to the size of the fund balance so their inclusion in the return calculation is not material. In this case, however, the receivables are relatively large. We calculate the rate of return

in this manner for all of our clients; we did not treat the Key Biscayne Plan any differently. Page 9 of our Report shows the calculation of the \$239,897 net actuarial gain for the year from all sources. This amount will not change if the investment return figure is changed to match Merrill Lynch's figure. Line 8 would increase and line 9 would decrease, but the overall net actuarial gain in line 7 will not change. Therefore, the Village's required contribution will also not be affected by this action".

Based on this, the chairman had recommended the 10/1/06 Valuation be forwarded to the Division of Retirement. Servando Parapar moved to approve. Jose Monteagudo seconded the motion. The motion carried unanimously. Chairman Haring stated he felt Dr. Maggs, comment about the differences in the two reports was a matter of concern. Mr. Chambers stated he would review these differences and provide a more understandable explanation for the trustees review. The trustees requested this be placed on the next agenda in order to incorporate Mr. Chambers, response in the minutes.

8. NEW BUSINESS

a) April 10th, 2007 Letter from Charles Slavin, State Actuary. The trustees requested Mr. Palmquist be contacted, asking when he anticipated responding to this letter. The matter was continued.

b) Trustee Schools/Conferences: FPPTA's 23rd Annual Conference will be held from June 24th through June 27th, 2007 at Naples Grande Resort.

9. Trustees, Concerns. Dr. Maggs stated his issues were discussed previously.

Councilman Steve Liedman was excused at 7:03 P.M.

10. REPORTS

Attorney: Attorney Cypen announced the bill to increase International investments to 20% and increase trustee terms to 4 years died in the Senate.

Attorney Cypen was excused at 7:10 P.M.

Returning to the discussion on Burgess Chambers, recommendations to changes in asset allocation, the trustees reviewed the information provided which outlined the following:

Current Allocation

Proposed Allocation

Trusco HG Growth

23.9%

Trusco HG Growth

6.5%

		Passive Large Cap Growth	6.5%
Trusco Relative Value	24.6%	Trusco Equity Income	13.0%
Trusco Mid Cap Equity	7.0%	Trusco Mid Cap Equity	5.0%
		Trusco Mid Cap Value	6.0%
Trusco Small Cap Growth	1.8%	Passive Small Cap Core	8.0%
Trusco International	12.2%	Trusco International	10.0%
Trusco HG Bond	28.7%	Trusco HG Bond	35.0%
		Passive TIPS	5.0%
Cash	1.7%	Passive REIT	5.0%

Mr. Chambers reviewed with the trustees various charts, etc. supporting his recommendations. He also provided additional information regarding TIPS and REITS. While he was not as optimistic today about REITS as in the past, he felt it was still a very important asset class that will slowly add value and be a hedge against inflation. TIPS were an alternative to bonds, with coupons indexed to inflation, which made them sensitive to inflation expectations. These changes all were allowable under the current Investment Policy, but Mr. Chambers stated he would like the board to approve a revised Investment Policy at the next meeting after review by Attorney Cypen. Copies of this were distributed to the trustees. Mr. Myton stated he would need new documentation signed by the trustees in order to set up the passive investments. Mr. Chambers stated direction on the ETFs will come from his office. These items can be brought back to the next meeting. After additional discussion, Dr. Maggs moved to authorize opening of custody accounts as needed to implement the changes to the asset allocation as recommended by Burgess Chambers. Jose Monteaquedo seconded the motion. The motion carried unanimously. This will take care of the changes within the Trusco account. It was Mr. Chambers' suggestion to proceed slowly with the REITS and TIPS. Jose Monteaquedo moved to fund the REITS over a period of time to end at December 31, 2007 and to fund the TIPS over the next ninety (90) days. Servando Parapar seconded the motion. The motion carried unanimously.

Administrator

- o Status of Annual Report for 2006: Still awaiting receipt of Village CAFR for forwarding to the Division of Retirement.
- o Reminder: 2006 Financial Disclosure Forms due July 1, 2007

Other: Beneficiary Forms completed by current participants was still ongoing.

11. Input from Active/Retired Members: None

12. Next Meeting Date/Adjournment. Chairman Haring announced the next regular meeting was scheduled for Thursday, July 26th, 2007 at 5:30 P.M.

There being no further business before the board, the meeting was adjourned at 8:20 P.M.

Respectfully submitted,

Servando Parapar, Secretary