

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

Village Council Chambers
560 Crandon Blvd., Key Biscayne, Fl 33149
REGULAR MEETING OF MAY 27TH, 2010

1. Call to Order – Chairman Michael Haring called the meeting of the Key Biscayne Police Officers' & Firefighters' Retirement Plan to order at 5:35 P.M.

Roll Call – Secretary Servando Parapar, Sherry L. Reed, Chairman Michael Haring, Jose L. Montegudo (arrived at 5:50 P.M.) and Steve Liedman

OTHERS PRESENT: Burgess Chambers of Burgess Chambers & Associates, Blake Myton from SunTrust, J. Stephen Palmquist from Gabriel Roeder Smith & Company, Alison S. Bieler, Esq., from Cypen & Cypen, Attorneys for the Fund and Joan L. Wall, Administrator.

2. Additions/Deletions to Agenda. Steve Liedman requested discussion regarding the investments selected for the Share Plan and DROP Plan to be included on the agenda. Chairman Haring stated this would be added under agenda item 7.

3. Approval of Minutes. Chairman Haring presented the minutes from the previous meeting for approval. Servando Parapar moved to approve. Steve Liedman seconded the motion. The motion carried unanimously.

4. Approval of Invoices. Chairman Haring presented the invoices listed on the agenda for approval. Servando Parapar moved to approve payment of the first four items listed on the agenda, holding the invoices from Holland & Knight for discussion. Steve Liedman seconded the motion. The motion carried unanimously, authorizing payment of the following:

Gabriel Roeder Smith & Company, Invoice #111269, dated 4/12/10	\$ 6,381.00
Burgess Chambers & Associates, Inc., 3/31/10 Performance Monitoring	\$ 3,750.00
SunTrust, Invoices #215949 & 215950, 1/1 – 3/31/10, Custody/Investment Fees	\$19,948.80
Joan L. Wall, Admin., 3/18- 5/17/10; 30 ¾ hrs, plus expenses	\$ 1,479.08

Discussion followed regarding agenda item # 5, with input from Attorney Bieler. Servando Parapar moved to approve payment of the invoices from Holland & Knight.

Steve Liedman seconded the motion. The motion carried unanimously, authorizing payment of the following:

Holland & Knight, Invoices #2498657 & 2509529, dated 3/25 & 4/23/10

UNFINISHED BUSINESS

5. a) Discussion/Consider Amending Prior Motion or Motions – Holland & Knight Fees; 7/24/08 motion to cap fees for IRS Determination Letter at \$12,500, 9/24/09 motion to authorize additional fees for drafting of ordinance of \$1,500 to \$2,500. Paid to date \$14,572.65 (continued from 3/25/10). After discussion and the recommendation of Attorney Bieler, Steve Liedman moved to approve payment of an additional \$5,000 in fees. Servando Parapar seconded the motion. The motion carried unanimously.

NEW BUSINESS

6. a) J. Stephen Palmquist from Gabriel Roeder Smith

- **Presentation of October 1, 2009 Actuarial Valuation.** Mr. Palmquist reported there had been no changes in benefits, assumptions or methods since the last valuation. The Division of Retirement's letter dated May 20, 2010 advised that the October 1, 2007 and October 1, 2008 Actuarial Valuations had been determined state accepted, including all prior reports and actuarial impact statements. The letter further recommended having the actuary review the earnings assumption, salary increase assumption and updating the mortality table for the next year's report. Mr. Palmquist stated it was important to consider changing these assumptions and updating the mortality table in the immediate future. The valuation called for increasing the required employer contribution rate from 11.16% of covered payroll for FYE 9/30/10 to 12.75% for FYE 9/30/11, an increase of 1.59%. The funding ratio had gone up, which was a move in the right direction. Mr. Palmquist recommended bringing down the earnings assumption to 7 ½ % over a five year period. Reducing the assumption rate .1 percent would cost approximately 1% of payroll. To update the mortality table would cost approximately 3% of payroll. The trustees requested actual figures from Mr. Palmquist as to the assumption changes that were discussed. Sherry Reed moved to accept the October 1, 2009 Actuarial Valuation Report. Jose Monteaquedo seconded the motion. The motion carried unanimously. Mr. Palmquist stated he would provide the requested information.
- **Adoption of expected rate of return for current year, each of the next several years and the long term.** The matter was continued until the July meeting.

Taken out of order, **6. c) Blake Myton from SunTrust – Market Report.** The quarter ending March 31, 2010 was a strong quarter with US corporate earnings reports largely positive with 73% of companies beating analysts' earnings expectations and

69% surprising the top-line. SunTrust continues to emphasize employment and housing as key indicators of the recovery, even though unemployment has remained high. SunTrust fixed income returns continue to underperform as we only hold high quality securities while low quality securities are currently outperforming. The rumors regarding the potential sale of Ridgeworth continue. There is nothing new to report, only speculation. SunTrust has been motivated to sell the Ridgeworth division in order to raise cash to repay the TARP funding received previously from the government.

Sherry Reed was excused at 6:45 P.M. due to a prior commitment.

6. b) Burgess Chambers from Burgess Chambers & Associates

- **Performance Report for Quarter Ending March 31, 2009** – For the quarter ending 3/31/10, the total fund earned \$437,777 (+3.6% net), but trailed the model portfolio (+4.6%). The difference was due to relative weightings in large-cap, mid-cap, and the REIT; as compared to the benchmark and international's trailing performance. The three best performing asset classes were the mid cap value (+12.4%), REIT (+10.0%) and small cap value (+9.7%). The small cap was now in compliance and any recommendation to make a change has been put on the back burner. Asset allocation as of March 31, 2010 was 53.2% domestic equity, 10.0% international, 1.2% REIT, 35.2% domestic fixed income and 0.4% cash for a total market value of \$12,604,406.
- **Search Results for International Equity and Mid Cap Core Equity** – Mr. Chambers presented the search results for both investment allocations, recommending the Frontier Mid Cap Growth to replace the Ridgeworth Mid Cap Core Equity and the American Euro-pacific R-6 Fund to replace the Ridgeworth International Equity, stating that their three and five year rankings were exceptional. Based on Mr. Chambers recommendations, Jose Monteagudo moved to make the two changes recommended by Mr. Chambers. Steve Liedman seconded the motion. The motion carried unanimously.

6. d) Schools & Conferences – FPPTA Annual Conference, June 27th – 30th, 2010, at the Naples Grande Beach Resort.

6. e) Authorize Chairman to sign Regulation 12 C.F.R. 12.5 from SunTrust. Servando Parapar moved to authorize the chairman to sign on behalf of the board. Jose Monteagudo seconded the motion. The motion carried unanimously.

7. Trustees' Concerns. Steve Liedman stated he needed to leave due to a prior commitment and requested discussion on the DROP and SHARE PLAN investments be on the September agenda as he will not be available to attend the July meeting.

8. REPORTS

- **Attorney** – Attorney Bieler reported on the status of the Internal Revenue Determination Letter process. Merrill Lynch would not agree to enter into a trolling agreement, so the matter is over, with no charges to the pension fund.
- **Administrator** – 2009 Annual Report was approved on May 10th, 2010.
- **Other** – Included in the agenda packages were the following:
 - SunTrust 2009 Addendum to Float Disclosure
 - Commission Recapture through 4/17/10
 - Receipt of Class Action funds of \$13.26 from Nortel Networks
 - Copy of Insurance Policy #U710-50382
 - Securities monitoring for 4/21 and 5/24

9. Input from Active/Retired Members – None.

10. Next Meeting Date/Adjournment. Chairman Haring announced the next meeting was scheduled for Thursday, July 22nd, 2010 at 5:30 P.M. There being no further business before the board, Servando Parapar moved to adjourn at 7:15 P.M. Jose Monteagudo seconded the motion. The motion carried unanimously.

Respectfully submitted,

Servando Parapar, Secretary