



Employees Pension Board

Regular Board Meeting Minutes

Monday, February 24, 2003

Chairperson Art Rowbotham
Vice-Chairperson Jim Ogg

Chairperson Art Rowbotham called the Employees Pension Board to order for a regular meeting, Monday, February 24, 2003, 8:00 a.m., in the Civil Service Conference Room, Department of Civil Service and Retirement, 500 North Lake Parker Avenue, Lakeland, Florida. Present: Chairperson Art Rowbotham, Board Members Phil Allen, Art Chappell, Jeff Cox, Laura Hawley, Jim Ogg, Eugene Strickland and Executive Director Gary Clark. Board Member Jeff Cox gave the invocation.

❖ **Consent Agenda** - Consent agenda was unanimously approved.

➤ **January 28, 2003, Employees Pension Board Minutes**

➤ **Retirement Refunds**

NAME	CONTR. DATE	TERM. DATE	REASON	AMOUNT
Buckner, Sherry A	11/04/2001	07/26/2002	RES	\$749.83
Bunch, Jason L	04/01/2002	12/19/2002	RES	\$1,221.54
Burrell, Lawrence L	03/24/2002	01/12/2003	STA	\$1,307.28
Dunn, Linda S	09/03/2002	12/16/2002	DIS	\$527.23
Gormley, Kenneth R	03/21/1999	01/12/2003	RES	\$6,445.06
Gunter, Jack R	09/30/2002	01/02/2003	RES	\$521.79
Harrell, Stephen L	03/11/1990	12/25/2002	RES	\$31,333.24
Kirkland, Michael A	06/25/1995	01/10/2003	RES	\$12,431.39
Pinkerton, Gregory A	12/17/2000	12/17/2002	RES	\$3,711.22
Ramires, Nelson	12/31/2001	01/02/2003	RES	\$1,562.26
Roberts, Scott T	12/17/1989	10/11/2002	RES	\$23,841.16
Williams, Sidney B	08/09/1999	08/23/2002	DIS	\$6,623.86
Wilson, Theresa G	03/20/1994	05/16/2002	DIS	\$9,013.35
Wingo, Joseph H	10/18/2000	01/17/2003	RES	\$3,253.28
Total			14	\$102,542.49

➤ **Retirements**

NAME	RET. DATE	AMOUNT	JOB TITLE	CONTR. DATE
Boyd, Betty M	02/01/2003	Pending	Librarian	12/19/1965
Ingrassia, John G	12/28/2002	\$2,978.70	Police Lieutenant	06/22/1975
Jason, Kenneth I	02/08/2003	Pending	Operations Support Tech I	02/09/1992
Johnson, Howard G	01/01/2003	\$2,138.66	Regulatory Programs	11/11/1984
Kallman Jr., Harold E	09/14/2015	\$560.72	Operations Support Tech I	01/24/1993
Melson, William F	12/31/2002	\$2,362.84	Driver Engineer	02/11/1979
Moore, Carl G	01/01/2003	\$2,493.48	Lineman 1st Class	07/03/1988
Moscattello, Donald T	01/01/2003	\$2,599.16	Programmer II	10/17/1982
Smith, Charles S	12/28/2002	\$3,076.50	Police Sergeant	08/03/1975
Sullivan, Frances A	01/22/2003	\$1,115.16	Customer Service Coord.	09/08/1991
Wright, Phyllis A	01/01/2003	\$4,517.88	Code Enforcement Division Mgr	01/29/1968
Total Retirements		11		

❖ **Consultant Report**

- Mr. Randy Kirkland of Asset Consulting Group, Inc. (ACG) appeared to give the investment performance review for the quarter ending December 31, 2002. Total Fund performance over the past quarter was 4.6%, ranking in the 46th percentile for the quarter.
- Over the past twelve months, fund performance was -10.8% versus the median fund return of -8.7% ranking 68th. Over the past twelve months, the equity composite returned -19.9% versus -21.6%. Top performing equity sectors for the quarter were Communications and Information Technology. Communications and Information Technology sectors were also the worst performing sectors for the year. Over the past twelve months, the international composite lost -12.7%; still outperforming the median international equity fund which lost -15.0%.
- MSCI EAFE returned 6.5% for the quarter and -14.5% for the year. International holdings amount to 6% of the fund's total market value. Deutsche lost -15.3% over the past year and INVESCO lost -10.4% over the past year. Mr. Kirkland is not pleased with the numbers from Deutsche. He is content with the numbers from INVESCO. Mr. Kirkland recommends the Board consider another international manager to replace Deutsche or roll up the money with INVESCO. Board Member Gene Strickland made motion



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to terminate Deutsche and move the money to INVESCO. Board Member Jeff Cox seconded the motion. Motion passed unanimously.

- Over the past twelve months, the fixed composite returned 7.0% underperforming the median bond fund of 9.1%. The Board recently hired new bond managers in response to this performance. Board Member Jeff Cox stated the 2% difference between our one year fund return and the median fund return equates to \$6-7 million. Board Member Jeff Cox also stated if the fund is returning less than the average fund we should re-study how we are allocating fund assets. Board Member Laura Hawley is concerned with the selection of passive management for the bond allocation with the likelihood of rising interest rates. Board Member Jeff Cox believes we should be taking a proactive approach concerning the likelihood of rising interest rates. Board Member Jim Ogg asked for some bond education from our consultant before entering a search for an active bond manager. Mr. Kirkland will conduct a bond workshop for the Board at the May meeting. Chairperson Rowbotham asked if any Board Members favored hiring an active bond manager. Chairperson Rowbotham asked Mr. Kirkland to provide alternative recommendations for bonds at the May meeting and prior to the May meeting Mr. Kirkland will send Board members reading material to further educate the Board on bonds.
- Chairperson Rowbotham asked that the Board review the investment policy at the workshop.
- Board Member Jeff Cox asked to have discussion without Mr. Kirkland present. Board Member Jeff Cox views Mr. Kirkland's position to be the manager of the managers. Comparing our returns to other funds, he believes the Board is not receiving adequate information. Board Member Jeff Cox is in favor a conducting a search for a consultant with a manager-of-managers perspective in which Mr. Kirkland will be invited to participate. The Board currently pays \$55,000 for the services Mr. Kirkland provides. Board Member Jeff Cox would not object to pay a percent or more for a more prospective consulting approach. Board Member Gene Strickland stated the fund has not performed better than the median fund over the past 5 years. Executive Director Gary Clark provided the Board with a report comparing the Employee Pension Fund return to the Fire and Police Supplemental Pension Fund. Comparing our fund to the Police and Fire fund, the real performance detractor was bonds. Board Member Jeff Cox made motion for Executive Director Gary Clark and Board Member Laura Hawley to work together to design an RPF to present at the April meeting for conducting a consultant/manager of managers search. Board Member Jim Ogg seconded the motion. Motion passed unanimously. Board Member Jeff Cox has a consultant that he would like included in the search.

❖ Executive Director's Report

- State Street Intermediate Bond Fund - Non-Lending Transfer
 - Executive Director Gary Clark reported assets have been moved to the non-lending fund for the aggregate bond portfolio. For the non-lending intermediate bond fund, SSgA has no other clients. Therefore, we would be required to pay the entire \$25,000 custody cost to participate in a non-lending intermediate bond fund. Executive Director Gary Clark suggested the Board table the discussion until the workshop. Board Member Jeff Cox made motion to allow the funds to remain in the leading intermediate bond fund until a decision is made regarding hiring an active bond manager. Board Member Laura Hawley seconded the motion. Motion passed unanimously.
- Actuary Response follow up
 - Executive Director Gary Clark provided the Board with a report.

❖ Miscellaneous

- Next Board meeting April 22, 2003.
- Executive Director Gary Clark provided the Board with a letter from City Manager Roger Haar requesting Mr. Bob Rodi be allowed to withdraw from the Employees' Pension Plan and withdraw the employee and city contributions made to the Employee Pension fund. Executive Director Gary Clark advised that only the Board of Trustees can approve withdrawals from the Trust. Further, city contributions are not identified with individual employees. Rather they are based on a total actuarially determined amount necessary to maintain plan solvency. Board Member Phil Allen made motion to only allow employee contributions to be withdrawn from the fund for Bob Rodi. Board Member Jeff



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Cox seconded the motion. Board Member Gene Strickland indicated he would vote no to the motion. Board Member Jeff Cox asked for the Board to get a legal opinion. Board Member Gene Strickland made motion to table the motion until a legal opinion is rendered at the next meeting. Board Member Jeff Cox seconded the motion. Motion passed unanimously.

- Executive Director Gary Clark provided the Board with a letter he drafted to the City Manager regarding the upcoming funding need requested by the Board. Board Member Gene Strickland made motion to accept the letter. Board Member Jeff Cox seconded the motion. Motion passed unanimously. Executive Director Gary Clark is currently working with City Management to change the benefit structure. Board Member Jeff Cox stated it is not the Board's responsibility to negotiate a benefit structure with the city; the Board's responsibility is to tell the city what is actuarially required to fund the current benefit structure.
- State report. Executive Director Gary Clark briefed the Board on the annual state reporting requirement.

❖ **Adjournment**

- Upon motion meeting adjourned at 11:05 a.m.