



Employees Pension Board

Regular Board Meeting Minutes

Tuesday, August 24, 2004

Chairperson Art Rowbotham
Vice-Chairperson Laura Hawley

Chairperson Art Rowbotham called the Employees Pension Board to order for a regular meeting, Tuesday, August 24, 2004, 8:30 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, Vice-Chairperson Laura Hawley, Board Members Phil Allen, Jeff Cox, Herman Moulden, Eugene Strickland, Ronald Tomlin and Executive Director Gary Clark. Chairperson Art Rowbotham gave the invocation.

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

➤ **July 27, 2004, Employees Pension Board Minutes**

➤ **Retirement Refunds**

NAME	CONTR. DATE	CHECK DATE	REASON	AMOUNT
Coronado, Tatiana	03/23/2003	08/07/2004	RES	\$1,361.17
Heyward, Anthony J	10/07/1990	07/24/2004	RES	\$35,945.21
Jackson, David	09/16/2002	07/24/2004	RES	\$2,939.56
Jones, Michael A	12/16/2002	08/07/2004	RES	\$3,207.54
Kaspari, Donna R	07/09/2001	07/24/2004	RES	\$8,975.13
Maxon, Dawn M	05/26/1996	07/24/2004	DIS	\$13,973.17
Ramirez, David B	04/04/1993	08/07/2004	RES	\$25,438.21
Shuman, David L	05/06/2002	08/07/2004	RES	\$7,158.09
Whitehurst, Ellen M	08/30/1999	07/24/2004	RES	\$8,883.50
Total	9			\$107,881.58

➤ **Retirements**

NAME	RET. DATE	AMOUNT	JOB TITLE	CONTR. DATE
Boyer, Stephen P	07/07/2004	\$1,560.46	Police Planning & Research Spv	12/13/1992
Parnell, Gene P	07/10/2004	\$3,376.26	Employee Relations Spec III	02/15/1976
Summerford, Wheeler D	08/24/2004	Pending	Asst Mgr Of Const & Maint	08/21/1994
Wyatt, Susan E	08/21/2004	Pending	Office Associate II	07/24/1994

❖ **Money Manager Report**

- Steve Doherty and LeBaron Meyers of Loomis Sayles & Company (LS) appeared to give a portfolio review covering investment results, portfolio characteristics, market review, market outlook and appraisal report. LS has managed the core plus fixed income portion for the fund since December 2003 and has earned 1.08% versus the Lehman Aggregate Bond Index at 1.14% since inception.
- Board Members discussed risk return for lower credit quality bonds.

❖ **Consultant Report**

- Mr. Randy Kirkland of Asset Consulting Group, Inc. (ACG) appeared to give the investment performance review for the quarter ending June 30, 2004. Total fund value was \$411,197,801 representing a gain for the quarter of 0.2% and for the one year period was 13.9%.
 - Domestic Equity Composite earning 1.4% versus the S&P 500 at 0.7% for the quarter, earning 20.8% versus the S&P 500 at 19.1% for the one year period and earning 2.4% versus the S&P 500 at -2.2% for the five year period. Domestic Equity Composite has performed well as a whole and against the S&P 500.
 - Montag & Caldwell (MC) gained 2.5% for the quarter.
 - Rhumblin (RL) earned 2.0%.
 - Lord Abbett (LA) earned 1.6% for the quarter, outperforming the S&P BARRA Value index over all intervals.
 - Rice Hall James (RHJ) earned -0.6%. The best benchmark for RHJ is the Russell 2500. Over the trailing 3 years intervals for June 2004, June 2003, June 2002, June 2001 and June 2000. RHJ exceeded the benchmark for all intervals except the most recent 3 year trailing return. RHJ is being closely watched and is scheduled to review performance with the Board at the November meeting.
 - INVESCO (INV) earned 2.7% for the quarter.
 - Fidelity the newly hired intermediate fixed income manager lost 2.4% for the quarter.
 - Loomis Sayles (LS) lost 2.7% for the quarter.



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- Mr. Kirkland explained looking out over the next three years he expects to earn 4.5% from bonds and 8% from stocks. With the current asset allocation of 65/35 these expectations will result in a shortfall from the 7.5% assumed rate of return. Board Members questioned Mr. Kirkland about the negative performance from our newly hired bond managers. Mr. Kirkland stated Loomis has only been on for 6 months and through July LS was 6 basis points off the benchmark and Fidelity with 3 months of performance off by 4 basis points. Board Members talked about the risk exposure of the fund versus returns. Mr. Kirkland discussed fund performance over a full market cycle with regard to rising and falling markets. Concern for the present is to take a close look at RHJ. Mr. Kirkland recommends writing a letter indicating concern for performance and for RHJ to spend some time detailing underperformance at the November meeting. Board Member Tomlin made motion to for Executive Director Gary Clark to notify Rice Hall James of the Board's concern for underperformance. Board Member Phil Allen seconded the motion. Discussion ensued. Board Member Gene Strickland asked why we are concerned with RHJ performance when their rankings are in the top 50 percentile over all intervals. Aye - Chairperson Art Rowbotham, Vice-Chairperson Laura Hawley, Board Members Phil Allen, Jeff Cox, Herman Moulden and Ronald Tomlin. Nay - Board Member Gene Strickland. Motion carried.
- Executive Director Gary Clark reported fund expense run about 47 basis points

❖ Pension Plan Changes

- Executive Director Gary Clark updated the Board regarding the process of implementing the new pension options. The record keeper will be determined on Thursday. About 80 employees will become eligible for the new options on October 1. Once the Defined Contribution Plan and the DROP are enacted the Board will be responsible for overseeing investment options, insuring employee education, and conducting investment due diligence. Gary is working with Randy Kirkland due to his relationship with the League of Cities to develop an investment policy for the new defined contribution plan and DROP within the Employees Pension Plan. Board Member Laura Hawley asked how the department would be impacted with regard to the workload incurred from the new plans. Executive Director Gary Clark is concerned and expects to require additional resources. Board Member Gene Strickland asked if the Defined Contribution Plan would be available for new employees. Executive Director Gary Clark indicated only those exempted from the plan by ordinance or employees with 30 years of service or age 60 will be eligible.

❖ Consultant RFP

- Vice Chairperson Laura Hawley and Ron Tomlin held a special committee meeting on Tuesday, August 10, 2004, to review proposals for investment consulting services. Committee members want Board members to understand their role and the expectation we have of the consultant with the limitations the board imposes. Certain consultants were eliminated due to broker dealer relationships and liability insurance. Others were eliminated for not addressing all expectations stated in the RFP. Board Members would like to engage this process once every few years.
 - *Special Committee Meeting Minutes - A committee of Vice-Chairperson Laura Hawley and Board Member Ron Tomlin met at 0830 to review RFP responses from Investment Management Consultants at the Civil Service Office. Executive Director Gary Clark was also present. After much discussion of investment policy and individual responses to the RFP, it was decided to recommend to the Board that Milliman USA and Asset Consulting Group be invited to make presentations to the Board. Committee adjourned at 0935.*
- Board Member Cox made motion to accept the recommendation of the Special Committee. Board Member Allen seconded the motion. Motion passed unanimously.
- Presentations are scheduled for the October Board Meeting. Board Member Gene Strickland indicated given the priority of the RFP to cancel the Fidelity presentation scheduled for October.

❖ Executive Director's Report



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- Executive Director Gary Clark advised the Board of a letter received from the State that the Police supplemental received \$725K and the Fire supplemental plan \$376K through state premium tax monies. However, those plans are still in financial trouble and are expected to worsen. Executive Director Gary Clark is actively working with the supplemental boards to work avenues to keep those plans solvent. Board Member Gene Strickland asked is it legally necessary for Executive Director Gary Clark to act as administrator for the supplemental plans. Executive Director Gary Clark indicated it would be costly and would not benefit the Employees Pension Plan to administer them separately.
- Next regular meeting is scheduled for October 26, 2004. Board Member Ron Tomlin will be absent.
- November meeting rescheduled for November 16, 2004.
- FPPTA October 3-6, 2004

❖ Miscellaneous

- N/A

❖ Adjournment

- Upon motion meeting adjourned at 10:45 a.m.