



Employees Pension Board

Regular Board Meeting Minutes

January 15, 2008

Chairperson Laura Hawley called the Employees Pension Board to order for a regular meeting, Tuesday, January 15, 2008 at 8:30 a.m., in the City Commission Conference Room, City Hall, 228 South Massachusetts Avenue, Lakeland, Florida. Present: Vice Chairperson Ron Tomlin, Board Members Eugene Strickland, Roger Haar, Robert Bertrand, and Kerry Charlet. Retirement Services Staff: Director Kevin Torres, Annette Wieck, and Debbie Stefanski.

Election of new Chair for 2008 – Board member Haar made a motion to nominate Vice Chairperson Ron Tomlin to be the new Chairperson for 2008. Board member Strickland seconded the nomination. Motion passed unanimously. Chairperson Tomlin made a motion to nominate Board member Charlet to serve as Vice Chairperson. Board member Strickland seconded the nomination. Motion passed unanimously.

The meeting was turned over to new Chairperson Ron Tomlin.

Consent Agenda – Board member Strickland made a motion to approve the Consent agenda. Motion passed unanimously.

- a. July 24, 2007 Employees Pension Board Minutes
- b. Retirement Refunds

Employee Plan

NAME	CHECK DATE	REASON	AMOUNT
Allen, Tammy L	12/22/2007	TER	\$9,070.24
Cady, Angela J	11/24/2007	TER	\$862.37
Diaz, John M	11/24/2007	DISAB	\$30,723.53
Garcia, Jose S	12/8/2007	TER	\$28,945.88
Green, Cheryl B	1/5/2008	TER	\$14,785.44
Hartley, Brian G	12/22/2007	TER	\$788.85
Hearns, Ronnie R	1/5/2008	TWP	\$11,043.33
Hernandez, Luisa	11/24/2007	TER	\$1,237.55
Hobby, Ricky G	11/10/2007	TER	\$13,670.54
Kilborn III, Richard E	11/24/2007	TER	\$2,565.04
Lue, Rosetta C	1/5/2008	TER	\$34,235.51
McLachlan, Charlene L	11/24/2007	TER	\$4,491.22
Ott, Geoffrey D	12/8/2007	TER	\$5,835.20
Snyder Jr, Dale H	11/24/2007	TER	\$3,581.84
Taylor Jr, Guy B	12/8/2007	TER	\$5,156.67
Von Preysing, Robert H	12/22/2007	TER	\$6,959.53
Watlington, Camilla E	1/5/2008	TER	\$2,955.85
Total	17		\$176,908.59

c. Retirements

Employee

NAME	DOR	AMOUNT	JOB TITLE	CSD
DROP Employee				
Dewberry, Anthony	12/8/2007	\$5,578.04	Power Production Foreman	4 /5 /1981
Mathers, Robert Leon	12/22/2007	\$5,011.50	Power Production Supervisor	8/3/1975
Williams, Peter R	12/22/2007	\$1,095.24	Engineering Inspector	8/25/1997
DROP Retiree				
Coffee, William D	1/5/2008	\$2,982.64	Plant Welder II	7/27/1983
Delgado, Iris J	1/1/2008	\$1,987.54	Account Clerk III	12/8/1985



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Garing, Charles D	1/5/2008	\$7,155.87	Water Utilities Director	12/14/1970
Harris, Ronald S	1/5/2008	\$2,743.39	Maintenance Foreman II - Streets	9/26/1966
O'Mahony Sr, John J	12/8/2007	\$3,860.90	Power Production Foreman	2/5/1984
Smith, Larry Earl	12/8/2007	\$2,929.36	Fire Safety Inspector	2/7/1982
Retired				
Campbell, Nyla R	12/8/2007	\$1,889.97	Housing Division Manager	8 /7 /1994
Riles, Larry	12/8/2007	\$4,112.15	Fire Marshal	11/27/1983
Terry, Laura D	12/8/2007	\$2,518.89	Administrative Assistant	12/26/1982
Vested				
Cain, Nicole A	11/23/2023	\$1,143.94	Police Officer	3/9/1997
DROP Retirement Pending Final Pay				
Dickie, Ronald	1/5/2008	Pending	Water Pipefitter II	7 /22/1984
Retirement Pending Final Pay				
Goddard, John D	1/5/2008	Pending	Civ Crime Prevention Practicnr	12/24/1995
14 Retirements + 1 Vested = 15 Total				

Director Torres presented a plaque to Past Board member Robert Andrews for his service as a trustee on the Pension Board from 2005 through 2007.

Approval of Attorney Contract with Sugarman and Susskind – Board member Strickland made a motion to approve the Contract for Legal Services & Representation between City of Lakeland Employee Pension Plan and Sugarman and Susskind, P.A. The motion passed unanimously.

Board Member Strickland inquired about the number of Pension Board meetings Sugarman and Susskind would be in attendance. Director Torres informed the Board that Sugarman and Susskind would attend as many meetings as requested.

Board Member Strickland made a motion that the Employee Pension Plan should not incur any cost in connection with the spin-off or any separation of funds of the Fire Department and Police Department from the Employee Pension Plan. The motion passed unanimously. Director Torres will propose and circulate a letter informing City Management of the Board's decision.

International Equity Managers Report

Julius Baer - Tim Devlin, Director of Client Service, appeared before the Board to give an update on the portfolio. Inception date between the City and Julius Baer was September 29, 2006. The Benchmark used is MSCI ACWI and the investment mandate is International Core, Large and Mid Cap, and includes Emerging Markets up to 35%. The initial contribution was \$25 million at inception and the market value at the present is approaching \$30 million. Mr. Devlin reiterated that since inception with the City, Julius Baer has achieved outperforming the benchmark. In 2007 the portfolio outperformed the benchmark by 1.63%.

Julius Baer philosophy believes in a diversified core portfolio, driven by dynamic sector and company fundamental process, that is the key to delivering consistently superior, long-term performance. Mr. Devlin made the Board aware that an organizational structure change might take place in the future and assured the Board that the culture of the organization would remain the same.

Index returns and market highlights continue to experience volatility in the Global markets. Emerging markets significantly outperformed developed markets year-to-date, while Japanese market remains the weakest of large developed countries. Continental European markets are still posting good returns. Emerging markets exposure is around 31%.



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Invesco – April Simon, Director of Invesco, and Douglas Gooding, Client Portfolio Manager, appeared before the board to give the Performance Summary as of December 31, 2007. Ms. Simon gave an update on the organizational changes that took place last year explaining the name change of their parent company from Invescap to Invesco. Invesco surpassed 500 billion dollars in assets world – wide last year. Their primary listing changed from London Stock Exchange to New or Stock Exchange.

Douglas Gooding reported on the Performance Summary. Since inception, June 30, 1999, the portfolio outperformed the MSCI EAFE index by 1.4 percent. The ending market Value as of December 31, 2007 was \$28,387,203. Invesco takes a conservative approach in investing in the foreign market. In the last 5 years, Invesco had significant protection on the downside and has captured 90% on the upside of the foreign market. The next 5 years the ride will not be as smooth and there will be a great deal of volatility, but due to the historical performance, Invesco has out performed in the negative markets.

Presentation on Cash Needs – Jeffrey Stearns, Investment Manager, City of Lakeland Finance, appeared before the Board to discuss the cash flow of the pension fund. In essence the City acts like the bank for the pension fund and Mr. Stearns informed the Board that more money is going out than coming into the fund. The fund needs an immediate fix of \$1.6 million and an additional \$500,000 every quarter.

Board member Strickland made a motion to authorize Director Torres to proceed in the process of liquidating the \$1.6 million from the fixed account. The motion was approved.

Director Torres explained that the negative cash flow is not uncommon for a mature plan and he will meet with Consultant George Tarlas to devise a plan to fund the cash flow of \$500,000 every quarter for the pension fund and present the plan at the next meeting.

Consultant Report -Mr. George Tarlas, Asset Consulting Group, Inc. appeared to give the investment performance review.

- Distributed an updated Market Report as of 12/31, 2007. Total funds is valued at approximately \$541,569,000.
- For the period ending December 31, 2007 (net of fees) the equity composite reported as follows: INTECH reported a 11.2% return which underperformed the benchmark of 11.8%. Lord Abbett reported 4.3 % return which over-performed the benchmark of 2.0%. Martingale reported a return of (14.2%) which underperformed the Russell 2000 index.
- INVESCO reported a return of 9.3% which underperformed the index and Julius Baer reported a return of 17.8% which outperformed the MSCI EAFE index.
- Fixed Income. The Intermediate Bond Fund underperformed the Lehman Intermediate Gov't/Credit Index with a return of 6.1% relative to 7.4% return for index. The Loomis Sayles portfolio also underperformed the Lehman Aggregate Index with a return of 5.2% relative to 7.0% for the period ending 12/31/2007. The total fund underperformed the allocation index by 1.3% for year ending 12/31/2007.

Board member Strickland asked Mr. Tarlas if there is a guideline in place for hiring and terminating investment managers. Mr. Tarlas responded that he would meet with Director Torres and establish a watch list for investment managers that would give guidelines for this process of review.

GRS 2007 Actuarial Presentation – Stephen Palmquist and Jeffrey Amrose appeared before the Board to present the annual actuary report for 2007. The report is a snapshot of who is in the plan and how much money is in the pension fund October 2007. This report indicates the amount of money the City needs to contribute to the Pension Fund for



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October 2008. Mr. Palmquist reviewed the participant data to show as of October 1, 2007 the number of active member was increased by 29 and annual payroll was increased by \$5,900,000. The retirees, beneficiaries, and DROP members increased by \$1,132,000. October 1, 2008 the City's portion to pay is \$1,700,000. to make the fund financial healthy.

The present values of benefits for the three funds are:

General	\$582,212,100.
Fire	\$ 61,479,718.
Police	\$93,608.671.

Total present value of benefits for all members is \$737,300,489.

There was a net actuarial loss of \$8,699,567. since the last valuation, which means that actual experience was less favorable than expected. The loss is due primarily to higher than expected salary increases which more than offset investment gains.

There was no action taken on the Actuarial Report which was carried over to the special meeting to be held on February 26, 2007.

COLAR Presentations

Director Torres appeared before the Board and presented a general over-view of the Cost of Living Adjustment for Retirees.

Types of COLAS are Fixed and Formula /CPI, AD Hoc, and COLA funded through the Plans Experience. The latter is the current method utilized by the City of Lakeland Pension Plan. The methods of funding is Direct, Direct Advance, Direct Amortization, Indirect Actuarial Gains Method (current formula in the City Plan), and Indirect Investment Gains.

Mr. Torres explained to the Board that if they wanted to grant a COLA for the retirees there would have to be a funding mechanism put in place.

Mr. Torres recommendation would be one of following:

- Direct Advance – where the employer and employee funds the COLAs in advance.
- Indirect Investment Grains –where gains above actuarial required gains would be placed in a sub account to be utilized to award COLAs.

Stephen Palmquist and Jeffrey Amrose presented their COLA presentation and estimated that the plan is many years from being able to fund a COLA with cumulative actuarial gains. There are three alternatives at this point:

- No COLA is provided
- The City can increase their contribution rate to provide a COLA
- The assumption for amortizing the UAL can be changed which will fund or help fund certain COLAs for retirees.

After much discussion between the Board, City Management, and the Actuaries, Board member Haar made a motion to change the amortization methodology to a percent of payroll effective with the current actuarial study period and the



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savings resulting therefore be transferred into a 2 percent, 1 time COLAR for the retirees. Board member Strickland seconded the motion. There was discussion on the time limit after retirement that a retiree can receive this COLAR. Board member Charlet stated that it was his opinion that we did not have sufficient information to make a decision at this time. Although certain general COLA information had been distributed in advance, there had been no recommendation for a specific COLA adjustment prior to the meeting for the Board to properly consider. Board member Haar withdrew his motion.

Miscellaneous

- ◆ Special Pension Board Meeting February 26, 2008
- ◆ Regular Pension Board Meeting March 25, 2008

Adjournment – Chairperson Tomlin adjourned the meeting at 12:50 P.M.

You are hereby notified that the regular meeting of the Employees Pension Board of Trustees will be held in the City Commission Chambers Room, 228 South Massachusetts Avenue, Lakeland, Florida on Tuesday, January 15, 2008 beginning at 8:30 a.m. The purpose of this meeting is to consider items on the above agenda. Minutes will be available upon request from Retirement Services. In accordance with the Americans with Disabilities Act and Section 286.26, Florida Statutes, persons with disabilities needing special accommodation to participate in this proceeding should contact Dana Blydenburgh no later than three (3) days prior to the proceeding at (863) 834-8797 for assistance; if hearing impaired, telephone the Florida Relay Service Numbers, (800) 955-8771 (TDD) or (800) 955-8770 (VOICE), for assistance.
