



CITY OF LAKELAND

POLICE OFFICERS' RETIREMENT FUND (PORF)

Regular Pension Board Meeting Minutes

Tuesday, November 21, 2006

The City of Lakeland Police Officers' Retirement Fund Pension Board convened on Tuesday, November 21, 2006, at 12:08 p.m., at 500 North Lake Parker Avenue, Lakeland, Florida. Present were Chairperson Keith Albritton, Board Member Police Captain Greg Policastro, Board Member Police Lieutenant John Thomason, Board Member Police Lieutenant Jody Sisson, Larry Cole, Michael Sebesta, Brad Heinrichs, Dana Blydenburgh, Tommy Hamrick and Debbie Stefanski. Absent: Board Member Keith Deloach.

❖ Approval Of Minutes

- Motion was made to approve the minutes of the October 17, 2006 combined combined PORF and Firefighters' Supplemental Pension Plan meeting. Motion was seconded and carried.

❖ Investment Manager Report

Michael Sebesta from Trusco Capital Management provided a performance review for the quarter ending September 30, 2006 with an ending portfolio market value of \$13,664,646.97. Trusco portfolio earned 7.85% over for fiscal year to date twelve month period. Michael Sebesta outlined the key themes in the first quarter of 2006:

- ◆ Stocks and bonds cheered a steady Fed and falling energy prices: Large-Cap stocks, and Securitized bonds (risk-adjusted) outperformed.
- ◆ Fed shifted to neutral but foreign central banks remained focused on inflation: Bernanke and FOMC outlined their forecast of moderating growth leading to lower inflation. Single-mandate central bankers, however, worried about current inflation.
- ◆ Oil prices retreated from record highs: Oil prices fell sharply from record nominal highs above \$76/barrel, lowering prices for gasoline, home heating fuel and natural gas. The declines bolstered consumer confidence and could provide some support for upcoming holiday sales.
- ◆ More evidence of housing correction: Housing continued to weaken amid falling prices and record levels of unsold homes. Lumber prices fell to five year lows.
- ◆ General economic deceleration: Economic growth continued to slow in the third quarter with mediocre job gains, slower growth in new orders, and rising inventories. However, S&P 500 operating profits growth remained in double-digits for the seventeenth consecutive quarter.
- ◆ Bottom line: Investors reacted positively to relief from higher interest rates and lower energy prices amid reasonable valuations, but continued to favor assets with higher quality and sustainable growth.

❖ Investment Consultant Report

Larry Cole from Merrill Lynch Consulting Services, provided a review of the fund performance for the quarter ending September 30, 2006.

- ◆ As of September 30, 2006, the fund had a total market value of \$18,356,020. For the quarter ended September 30th, the total fund earned \$784,814 and received \$468,396 in net contributions from a net increase of \$1,253,210 from the previous quarter end.
- ◆ On September 30th, the fund was 67.8% invested in equities including international and small cap equity portfolios, 30.5% in bonds and 1.7% in cash and equivalents.
- ◆ The total fund returned 4.5% for the quarter and outperformed the target index of 4.0% partially due to your greater than 60% equity allocation in a strong equity market. The composite domestic equity



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portfolio, which included the two Trusco equity portfolios and the Sentinel small cap fund, earned a total of 5.2% and easily beat the Russell 3000 of 4.7%. This performance ranked in the top 30% of the equity portfolio sample. The international equity portfolio returned 5.0% for the quarter and exceeded the EAFE of 4.0%. The bond portfolio posted a 3.3% return and performed in line with the Merrill Lynch 1 to 10 year Government/Corporate bond index of 3.2%.

- ◆ The quarter's style-based performance was led by value instruments in all capitalization ranges. The value portion of the mega cap index (Russell Top 200) posted the quarter's strongest domestic market performance with an index return of 7.3% vs. 5.3% for the growth index. Thanks to the mega cap issues within the Russell 1000 Value index, this large cap index managed a return of 6.2% for the quarter vs. 3.9% for the Russell 1000 Growth index. The Russell MidCap index, which represents the smallest 800 stocks in the Russell 1000 index, posted a return of 3.5% for the Midcap Value index vs. 0.9% for the Midcap Growth index. Small cap growth issues posted one of the market's only losses for the quarter with the Russell 2000 Growth index posting a return of -1.7%. On the value side of small cap issues, the Russell 2000 Value index managed a return of 2.6%.
- ◆ The Trusco large cap growth portfolio posted a return of 7.2% for the quarter, which ranked in the top 4% of the large cap growth sample and was up more than the 3.9% return of the Russell 1000 Growth index. The individually managed growth portfolio was the fund's single largest equity segment, representing 26.0% of the total portfolio.
- ◆ Trusco's individually managed value equity portfolio posted a return of 5.3% for the quarter and ranked in the 53rd percentile of the large cap value sample. This performance trailed the 5.7% return of the S&P 500 and the 6.2% return of the Russell 1000 Value index.
- ◆ The Sentinel Small Company Fund returned just 1.2% this quarter, but outpaced the Russell 2000 of 0.4% and the Russell 2000 Growth index return of -1.8%.

Larry Cole provided a listing of alternative fund managers at the October 17, 2006 meeting for Board review. The booklet was examined by each board member and conversation ensued based on the offerings.

- ◆ The Board determined that the following Large Cap fund managers for the 4 -5M dollar assignment should be interviewed: American Funds, Edgewood and Trusco. Larry will make the arrangements to invite each of these managers to interview with the Board of Trustees on February 20, 2007.
- ◆ The Board determined that it would be wise to not replace Sentinel at this time.

❖ **Actuarial Report – Brad Heinrichs, Foster & Foster, Inc.**

- ◆ Brad Heinrichs of Foster & Foster, Inc. provided a review of the orders given by the Trustees represented at the joint meeting on November 20, 2006. The following actions were outlined: 1.) Gather data for the 10/1/2006 valuation. 2.) Coordinate with GRS on the calculation of the assets for each of the collective bargaining units in an overview of formulating a singular plan for each. 3.) Communicate with the State Department of Management Services to procure an acceptance of proposed plan changes. 4.) Develop funding requirements if singular plans are designed for each of the collective bargaining units.
- ◆ Board Member Police Lieutenant Jody Sisson motioned that an experience study should be initiated concurrently with the valuation report. Board Member Police Captain Greg Policastro seconded the motion. The motion carried unanimously.



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❖ Administrative Report

- ◆ RETIREMENTS – Board Member Police Lieutenant John Thomason made motion to approve the vesting retirement. Motion was seconded and carried.

NAME	DOR	AMOUNT	JOB TITLE	CSD
Bolton, Brian H	10/1/2018	Pending	Police Officer	3 /11/1991

1 Police Plan Retirements

- ◆ Board Member Police Lieutenant Jody Sisson made a motion to issue a Request for Proposals for legal services. Board Member Police Lieutenant John Thomason seconded the motion. The motion passed unanimously. Board Member Police Lieutenant Jody Sisson was selected to serve as a committee of one in coordination with retirement services division to craft and distribute the RFP in a timely fashion.
- ◆ Michael A. Townsend appeared before the board seeking a claim for disability retirement. It was explained that the provision for disability retirement is embedded in the Employees Plan and actions should be directly to the attention of that Board.

❖ Committee Activity

- ◆ Board Member Police Lieutenant John Thomason provided comments on the recruitment effort underway with the Employment and Compensation Committee. The Mercer Group will handle all aspects of the advertisement and background investigations for each of the candidates.

❖ Miscellaneous

- Upcoming tentative board meeting dates:
 - ◆ FPPTA Trustees School January 28–31, 2007
 - ◆ PORF Board Meeting February 20, 2007
 - ◆ FPPTA Conference June 24–27, 2007

❖ Adjournment

- Upon motion meeting was adjourned at 2:10pm.