

ST. LUCIE COUNTY FIRE DISTRICT FIREFIGHTERS' RETIREMENT FUND



Minutes of Meeting Held March 15, 2012

The meeting was called to order at 2:11 P.M. by Chairman, Chris Bushman.

Those persons present were:

TRUSTEES PRESENT Chris Bushman
Paul Raymond
Tony Napolitano

TRUSTEES ABSENT Ron Parrish
Buddy (George) Emerson

OTHERS PRESENT Scott Baur, Denise McNeill & Rachel Valdez; Resource Center
Bonni Jensen; Law Office of Perry & Jensen
Burgess Chambers; Burgess Chambers & Associates
Members of the Plan

MINUTES

The minutes from the November 2011 meeting were presented to the Board.

- Paul Raymond made a motion to approve the minutes as presented. The motion received a second from Tony Napolitano and was approved by the Trustees 3-0.

DISBURSEMENTS

The disbursement listing was included in the Trustee packets for review.

- Tony Napolitano made a motion to approve the disbursements as presented. The motion received a second from Paul Raymond and was approved by the Trustees 3-0.

PUBLIC COMMENTARY

Chairman, Chris Bushman invited those present to address the Board with public comments. There were no comments at this time.

INVESTMENT CONSULTANT REPORT

Burgess Chambers appeared before the Board to present the quarterly investment performance report for the period ending December 31, 2011. He explained the portfolio strategy at this time is to try and mitigate risk. He noted that company balance sheets are strong and equities are paying decent dividends. Mr. Chambers noted the transition from Aletheia to Atlanta Capital for large cap growth has been processed. Mr. Chambers noted the allocation of indexed funds has worked well for the plan in the past however from time to time, indexes can become top concentrated and currently, the top 10 holdings represent a majority of the holdings in the entire portfolio. He noted the last time he saw such tremendous risk in an index was in the late 90's. He explained that in the last three years, the bulk of the managers have underperformed relative to the index. Mr. Chambers went on to review the quarterly report noting the Plan was up 6.0% for the quarter and 10% for the fiscal year to date; ranking the plan in the top 26% of the public universe in the Mellon peer group for the quarter. He went on to review each asset class in detail noting bonds will be lucky to make 3% this year. Mr. Burgess explained they will need to be vigilant in rebalancing the portfolio. He noted Westwood has improved and is ahead of their bench for the quarter. Mr. Chambers recommended the Plan rebalance back to their allocation guidelines now instead of

waiting for the State funds at the end of the summer as has been the practice. Discussion followed regarding the international market. Mr. Chambers explained the international governments may have debt problems; however there are many good, strong companies in those European countries.

- Paul Raymond made a motion to rebalance back to the targets inclusive of the cash currently held, pending the administrator's confirmation on the current cash needs. The motion received a second from Tony Napolitano and was approved by the Trustees 3-0.

Burgess Chambers presented an international analysis. He addressed recent changes with Homestead advising that the culture of the company has changed resulting in a poor performance in 2011. He explained that he held a due diligence meeting with Homestead a couple months prior and they are putting more emphasis on banks (deep value) and Mr. Chambers is not comfortable with that approach. Mr. Chambers recommended the Board take half of the funds in Homestead and move them to William Blair. He advised that he had completed a manager search and he presented an international analysis for review. He reviewed the analysis in detail with the Trustees noting that although WHV has the most volatility in the group, he is the most comfortable with WHV. He explained their theme is to build out of middle class and he feels there is a significant need for agriculture, carbohydrates and energy, WHV has 60% in service companies that fall into those service areas. Mr. Chambers recommended taking the \$6M from Homestead and placing \$3M with William Blair and \$3M into a new investment with WHV. Discussion followed regarding the recent transition from Morgan Stanley to Vanguard. Mr. Chambers recommended not going too much higher in the emerging market allocation. He explained WHV will have some commonality with William Blair; however overall he feels they are very dissimilar since WHV focuses on agriculture, materials, and energy.

- Paul Raymond made a motion to terminate the relationship with Homestead and move \$3,000,000 to William Blair and \$3,000,000 into a new account with WHV. The motion received a second from Tony Napolitano and lengthy discussion followed regarding the transition. The motion was approved by the Trustees 3-0.

Mr. Burgess explained his office will help the administrator coordinate the transition. The Trustees agreed for the Chairman and Secretary to sign the agreements once approved by the attorney. Mr. Chambers noted that CALPERS has reported they are reducing their assumed rate of return (ARR) from 7.75% down to 7.5%.

ATTORNEY REPORT

SECURITIES MONITORING: Discussion followed regarding firms who monitor the portfolio for class action litigation and the process used by such firms.

- Paul Raymond made a motion to contract with Berman DeValerio for portfolio monitoring services. The motion received a second from Tony Napolitano and was approved by the Trustees 3-0.

Mrs. Jensen presented the Ceredex contract and the Foster and Foster fee addendum for signatures noting both had previously been approved by the Board. The agreements were signed accordingly.

PAID ON CALL VOLUNTEER SERVICE: Mrs. Jensen reviewed a request received from a member regarding paid on call service. She explained that she has researched the matter and determined that a "paid on call" department is a volunteer fire department and the employees are not regular, full time firefighters. She explained that there is no real way to give someone credit for a few fires and a few hours of training. She further noted the Plan specifically excludes volunteer time. Mr. Baur explained the administrator does have some plans that allow for volunteer time to be purchased. Mrs. Jensen explained that she also has a few clients who allow; however it is extremely difficult to determine how to credit such time. She explained the Plan currently excludes such service from purchase and unless the member can show proof the time was not volunteer, then the Plan cannot allow the time to be purchased. She will send a letter to the member with the explanation.

NEW BUSINESS

Denise McNeill informed the Board of recent communication from Suntrust. They transferred the \$3.1M that was supposed to come out of the Atlanta Capital account from the R&D account in error. Suntrust transferred the funds from the Atlanta Capital account into the R&D account on February 1, 2012 to correct the error. Burgess Chambers explained most of his clients have moved custody services from Suntrust due to service related matters. The Trustees requested Suntrust be invited to attend the May meeting to address the service issues with the Board.

ADMINISTRATIVE REPORT

BENEFIT APPROVALS: Denise McNeill presented benefit approvals for ratification by the Board. It was noted that Paul Raymond's was one of the DROP members listed for approval and he should not vote on his own benefit.

- Paul Raymond made a motion to approve all benefits, excluding his own. The motion received a second from Tony Napolitano and was approved by the Trustees 3-0.

Mr. Raymond's benefit approval will need to be addressed at the next meeting when additional trustees are present to vote.

FINANCIAL STATEMENTS: Denise McNeill reviewed the financial statements presented in the Trustee packets. She explained that the Trustees may inquire about the financial reports at any time should questions arise.

DEPARTMENT OF MANAGEMENT SERVICES (DMS): Scott Baur explained as per the recent requirement made by the State, Department of Management Services, a link has been added to the Resource Centers website under the Pension Fund's main page, allowing people to see the fact sheet provided by the DMS. Discussion followed regarding the new "fact sheet" being created by the State.

CLIENT SURVEY: Scott Baur reviewed the client survey results for the Resource Centers and he thanked the Trustees for their participation. He noted that on a whole, service is going well. He reviewed the negative responses and noted they were mostly related to the disruption of data flow. Mr. Baur explained that overall, the data process relies on the municipalities providing the data and sometimes delays stem from that process.

SSAE-16 AUDIT: Mr. Baur then explained the Resource Centers has completed their annual SSAE-16 audit (previously known as the SAS-70 audit) and the report has been forwarded to all Trustees. He explained the audit is costly and time consuming however it is important to the function of the administrative process. He explained the audit reviews all of the administrator's internal controls and procedures and helps to confirm the integrity of their internal processes. He explained the recent reports of data theft are a good example of how the Resource Centers takes the safety and security of all such data and processes seriously. When the matter first became an issue in 2011, even though the data was not compromised from the Resource Centers, they began making changes to further secure the information they hold in their care. Mr. Baur believes the Resource Centers is the only pension administrator of public plans undergoing such an audit.

Mrs. McNeill explained the actuary was not able to have the report completed in time for this meeting and offered to attend a special meeting in April if necessary.

There being no further business to discuss and the next regularly scheduled meeting set for May 17, 2012:

- Paul Raymond made a motion to adjourn at 3:50 PM. The motion received a second from Tony Napolitano and was approved by the Trustees 3-0.

Respectfully submitted,
Ronald Parrish, Secretary