CITY HALL

Chairman Schinder called the meeting to order at 8:35 AM.

1. Roll Call
   Barry Schinder - present
   Bruce Loucks – present
   Brad Sicari - present
   Jerry Whaley – present
   Bob King - present

   The minutes were unanimously approved as submitted by the Recording Secretary.

3. Adoption of Agenda

4. Bills and Warrants
   A. FPPTA – Sicari CPPT Re-Certification Fee (expires 03/01/12) - $100.00
   B. King, Robert – Misc. Expenses – Klausner & Kaufman Conference (March 16-17/09) - $89.51
      Mr. Loucks made the motion to approve. The motion was seconded by Mr. King and passed unanimously by voice vote.
   C. Klausner & Kaufman – Legal Services through 1/30/09 – $997.50
      Mr. Sicari made the motion to approve. The motion was seconded by Mr. Garba and passed unanimously by voice vote.
   D. Lookretis, Carol – Conversion of Disability Retirement to Disability Retirement (effective 3/1/09) - 100% J&S Annuity - $2052.12
      Mr. Sicari made the motion to approve. The motion was seconded by Mr. King and passed unanimously by voice vote.
   E. Sicari, Brad – Misc. Expenses – FPPTA Trustee School (February 1-4, 2009) - $65.62
      Mr. Garba made the motion to approve. The motion was seconded by Mr. Loucks and passed unanimously by voice vote.
   F. Ratification of payment in the interim: FMIT – Fiduciary Liability Insurance (expires 03/03/10) – $4827.80
      Mr. Loucks made the motion to approve. The motion was seconded by Mr. Sicari and passed unanimously by voice vote.
5. Presentations

A. Steve Palmquist – Gabriel, Roeder, Smith & Company

Mr. Palmquist began with a historical comparison of the returns for different asset allocations to illustrate how poor the market performance has been. The 60/40 asset allocation will seldom result in consecutive "down" years. In the past decade, the cumulative rate of return for the market has been practically zero. Referring to page 25 of the Cooper City GE Plan's Actuarial Valuation Report, Mr. Palmquist advised that 28 years of investment history demonstrates a return of market averaging 8.2% per year. Over the past 9 fiscal years, the Plan has averaged 3.9%.


Referring to page 1 of the Report, Mr. Palmquist advised that the City and BSO will experience a cost increase of approximately 3% of payroll. The total required City payment for the next fiscal year is $1,247,460. $139,000 of that total must be paid by BSO. The reason for this increase in cost is investment losses of -12% rate of return on market. The recognized return, under the "smoothing" method is 3.4%. Return on market was -12%, and the assumed rate of return is 8%. Most returns for fiscal year 07/08 are very similar to the Cooper City GE Plan. The Plan had an experience loss of $1.2 million, due to investment return, which resulted in an increase in cost. The funded ratio of the Plan is 70%, compared to 72.9% last year. Mr. Palmquist advised that a ratio in the 50% and lower range would be bad. The average among GE Plans in the State of Florida is around 80-82%. Nationwide, large mega-Plans were in the 90% range. FRS was over 100% funded, but lost $50 billion, which may bring them down to the 95% range.

In describing "Relationship to Market Value", Mr. Palmquist explained that "Market Value" is not used to determine the annual cost of the Plan. If it were, the cost of the Plan would be approximately 2% of payroll higher and the funded ratio would be about 67%. This means that the market value is lower than the actuarial value of assets.

GRS uses an asset "smoothing" method. For an explanation of the "Asset Smoothing Method", Mr. Palmquist referred to page 23. He explained that they focus on the realized and un-realized investment gains each year (the capital appreciation), spread out over 5 years. Mr. Palmquist called the Board's attention to the fact that the next report will incorporate a different smoothing method based on a new actuarial standard of practice which reduces the level of bias in the "above market" direction. This new method will not result in a significant change in cost. They will look at actual return for the year compared to the expected return and spread out the difference over 5 years. The final actuarial value of assets is $15,031,748.

The Participant Data (page 4) indicates that the number of members and payroll have only increased slightly for City employee members and has decreased slightly for BSO members. There were a higher number of new retirements so the annual rate of benefit payments increased from $657,000 to $911,000. This increase may have resulted from the Early Retirement Incentive which was offered by the City. Page 6 is a report of the actuarial value of benefits and assets. $28.1 million is the estimate of the present value of all future benefits to be paid out of the Plan, allowing for future accrual of service and future pay increases (line B.3). As a
clarification, Mr. Palmquist stated that if the Plan currently had $28.1 million, no further contributions would be required to fulfill the obligations of the fund. The actuarial accrued liability (line C, $21.4 million) is the portion of the $28 million that is attributable to past service. Line D, the actuarial value of accumulated Plan benefits ($19.5 million), indicates whether the Plan has enough money to cover benefits that have been earned if the Plan had to be terminated. There is a difference of $5 million between the actuarial value of Plan benefits and market value of Plan assets ($14.3 million). In response to a request for clarification, Mr. Palmquist explained in very general terms, that the 70% funded ratio is derived by dividing the $15 million in line E.2 by the $21 million in line C.

In reference to Plan assets (line E), Mr. Palmquist stated that actuarial value is approximately 5% higher than the market value, which is a fairly good ratio. This is critical because there is a rule that requires that the actuarial value of assets must be within 20% of market. When the actuary conducts "smoothing" calculations at the end of the fiscal year, the difference between 120% and 125% cannot be "smoothed out" over 5 years, resulting in a large increase in cost. Some of Mr. Palmquist's clients are above 115%, so they will fall outside of the 120% corridor, which will result in a large cost increase on their next valuation report. At 105%, the Cooper City GE Plan has a much better chance of falling within that corridor. The 5-year projection that the Board requested from Mr. Palmquist will show whether the Plan will run into this 20% corridor.

Earlier in the report, Mr. Palmquist addressed the experience loss of $1.2 million. Referring to page 11, the history of Plan gains and losses demonstrates that the most recent 7 years have been very tough, due to investment losses. The report on page 12 compares a history of salary increases to investment returns, with an average salary increase of 6.2% and average investment return of 7.3% (using smoothing method, not return on market). The Plan has only met or exceeded the actuarial assumption during 2 out of the past 9 years. This is the experience of the entire public pension world and is not confined to the Cooper City GE Plan. Mr. Palmquist confirmed that Cooper City's pension benefit is calculated on base pay and does not include overtime, so this number is much less volatile than with other Cities. The new retiree count (page 13) was 7, which was 3 more than anticipated. Employment terminations were also lower than anticipated.

Reviewing the Plan's income and disbursements (page 22), total investment earnings for FY07-08 are -$1.9 million, compared to $1.8 million in FY06-07, which is similar to what most Plans have experienced this year. Monthly benefit payments are quite a bit higher because there were a larger number of new retirees in 2008. Mr. Palmquist confirmed that the fund has positive cash flow, with more new contributions coming in (approximately $1.5 million from Plan members and the City), than the money going out (benefits and expenses of approximately $900,000). The cost to run the Plan is approximately $130,000. This is less than 1% of assets, which is a very good ratio, considering that the cost of running a defined benefit Plan is typically 200 basis points.

The outline of membership age and service categories (pages 32 and 33) indicates that 8 City employees are currently eligible to retire, as they are over age 55, with 6 or more years of service. Only 1 BSO employee is currently eligible to retire.
2. 5-Year Projection Report based on different rates of return.

Mr. Palmquist apologized that he was not able to bring the report that was requested by the Board and promised that he would provide the report in the next week or so. Mr. Palmquist provided a sample projection that was conducted for another client so that the Board will know how to interpret the projection for the Cooper City GEPP. Directing the Board’s attention to the last page of the report, Mr. Palmquist explained that this is a summary of 4 different scenarios of investment earnings:

a. Scenario 1: -20% 1st year and 8% in 4 following years.

b. Scenario 2: -25% 1st year, 0% 2nd year, and 8% in 3 following years.

c. Scenario 3: -10% 1st year and 8% in 4 following years.

d. Scenario 4: 0% 1st year, 20% 2nd year, and 8% in 3 following years.

The cumulative increase in the required city contribution by fiscal year ending 2015 is reported for each scenario.

B. John McCann – Thistle Asset Consulting

1. Asset Allocation Projection, including Real Estate for 1, 3, 5 and 10-years.

Mr. McCann directed the Board to the Investment Alternatives report on page 5, which outlines the Plan’s current asset allocations, compared to an asset allocation which would include 10% Real Estate, taking 5% from Large Cap Value and 5% from Large Cap Growth. The projected returns decreased from 7.71% to 7.49% when Real Estate was added. Typically, he would have anticipated a better return with Real Estate, but the markets have been beaten up so badly. Adding Real Estate did reduce risk. The economic factors used for these projections anticipate that when the market comes back, it won’t take off in Real Estate, but in Large Cap, high quality stocks. This is where the money would have been taken from if the Plan was further diversified into Real Estate, so the Plan would miss out on some of that recovery.

Mr. McCann could not recommend getting involved in this asset class at this time. In order to recover some of the recent losses, it’s important to take more risk that’s going to bring in good returns. If there were an influx of money that could be allocated to Real Estate, without taking away from current allocations, it might be something to consider, but not at this time. Mr. McCann asked the Board to consider choosing a Real Estate manager that they would like to hire in the future, so they do not have to go through the manager search process again when they do decide to enter Real Estate, but the Trustees felt that it would be better to postpone that decision until they choose to enter this asset class. Mr. McCann advised the Board that they might want to look into additional asset classes when they feel that they’re ready to diversify further. Mr. McCann will advise the Real Estate managers that the Board has not made a decision yet and he will bring some information on infrastructure investments (i.e. bridges, toll roads) to the next quarterly meeting.

Horacio Montes de Oca

Mr. Montes de Oca reported on the performance for the month of January.

Portfolio Composition

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<th>Component</th>
<th>Percentage</th>
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<td>Equities</td>
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<td>Market value</td>
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Unrealized GAIN/(LOSS) $(576,994.00)

Total Income $16,399.00

Realized GAIN/(LOSS) $(12,643.00)

Investment Income $29,042.00

Contributions $121,896.00

Employer contributions $54,282.00

Employee contributions $67,613.00

Mr. Montes de Oca reported on the performance for the month of February.

Portfolio Composition

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<td>Market value</td>
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Unrealized GAIN/(LOSS) $(594,548.00)

Total Income $16,303.00

Realized GAIN/(LOSS) $(5,965.00)

Investment Income $22,268.00

Contributions $48,216.00

Employer contributions $6,554.00

Employee contributions $41,663.00

6. Old Business
A. Broward Sheriff’s Office contributions – The Board directed Ms. Alvarez to ask the Plan Attorney to send a letter to the BSO, demanding payment of past due contributions.

7. New Business
A. ICC Capital Management Annual Disclosures – Discussed by the Board, but no action was requested.

8. Board Members Concerns
A. None

9. Adjournment

There being no further business before the Board, motion was made and seconded, and the meeting was adjourned at 10:10 AM.