

**PALM BAY POLICE AND FIREFIGHTERS' PENSION PLAN
BOARD OF TRUSTEES
Quarterly Board Meeting 06-10**

Held on the 2nd of August 2006 at Robert J. Conlan Professional Center, 1501 R. J. Conlan Blvd., NE, Suite 260, Palm Bay, Florida.

This meeting was properly noticed pursuant to law; the minutes are on file in the Office of the City Clerk, City Hall, Palm Bay, Florida.

Richard B. Adams, Chairperson, called the meeting to order at the hour of 9:07 a.m.

ROLL CALL:

PRESENT

Richard B. Adams, Chairperson, Brd Appt
William A. Yonce, Sr., Vice Chairman, City Council Appt
James M. Havener, Secretary, Fire Elected
Timothy W. Lancaster, Trustee, Police Elected

EXCUSED

Benjamin J. Kiszkiel, Trustee,
City Council Appt

*Correction -
under Excused,
was in attendance
- KA 10/14/06*

Also in attendance was Kathy Adams, Board Administrator. Ms. Joyce Dias, Human Resources Analyst II, City of Palm Bay; Trustee William Yonce arrived at 9:10 a.m.; Mr. Chad Little, Consulting Actuary, Public Pension Professional, Inc. arrived at 9:25 a.m.; Mr. Blake Myton, Investment Manager, Trusco, arrived at 9:40 a.m.; Mr. Jeff Swanson, Performance Manager, Merrill Lynch Consulting Services, arrived at 10:14 a.m.; and Mr. Robert Combs, Jr., President, Palm Bay Fraternal Order of Police, arrived at 10:20 a.m.

ADOPTION OF MINUTES:

Motion by Mr. Lancaster, seconded by Mr. Kiszkiel to excuse Mr. Yonce as he would be arriving shortly. Motion carried with members voting as follows: Mr. Kiszkiel, Yea; Mr. Havener, Yea; Mr. Lancaster, Yea; and Mr. Adams, Yea.

Motion by Mr. Lancaster, seconded by Mr. Kiszkiel to adopt the June regular minutes 06-09. Motion carried with members voting as follows: Mr. Yonce, Yea; Mr. Havener, Yea; Mr. Kiszkiel, Yea; Mr. Lancaster, Yea; and Mr. Adams, Yea.

Motion by Mr. Lancaster, seconded by Mr. Kiszkiel to add the following items to the agenda: Under Old Business, Item No. 18, Buy Back of Prior Service on Police Officers, add the names Donald Hampton and David Fowler. Under New Business, add Item No. 10. Fire Inspector Inquiry for Membership. Motion carried with members voting as follows: Mr. Yonce, Yea; Mr. Havener, Yea; Mr. Kiszkiel, Yea; Mr. Lancaster, Yea; and Mr. Adams, Yea.

QUARTERLY REPORTS AT 9:30 a.m. & 10:00 a.m.:

1. **Merrill Lynch Consulting Services-Mr. Jeff Swanson, Performance Manager**-Mr. Swanson said he did not have the quarterly report done, but distributed a preliminary report. He said there is a

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global sell off of assets. The emerging markets took a hit. Bonds are down; the regular balanced portfolio did well. The real estate portion of the portfolio provided diversification and was up considerably for the quarter. Mr. Swanson discussed the small cap management team at Trusco and was encouraged that two long-time, experienced people were appointed that retains confidence. The small cap fund represents 4.3% of Trusco's portfolio, so he is not recommending any change at this time. The total fund was only down -.09%. The real estate portfolio was at 3.9% and bonds at 0%. Mr. Swanson said more money could be added to the real estate portfolio and the board may want to rebalance it. The queues are now about six months with no minimum required. If the board took it up to 10% it would be approximately \$1.5 Million. Motion by Mr. Kiszkiel, seconded by Mr. Havener to notify JPMorgan of the board's intent to place \$1.5 Million in the investment queue for the JPMorgan Strategic Property Fund as a 50/50 split for the police and fire funds. Motion carried with members voting as follows: Mr. Yonce, Yea; Mr. Havener, Yea; Mr. Kiszkiel, Yea; Mr. Lancaster, Yea; and Mr. Adams, Yea. There was additional discussion by Mr. Yonce concerning the real estate investment. The International Fund is down -0.7%. Mr. Swanson said as the dollar weakens, stock prices do better. The fiscal year-end total portfolio return is 4.7%. He stated CIS and Citation are the recapture firms. Merrill Lynch's fees are 7 basis points on assets. It is now 65 cents on the dollar. He is sending a letter reference the maximum recapture of 67 cents on the dollar. Motion by Mr. Yonce, seconded by Mr. Havener to adopt the fee change from 65 cents to 67 cents on the dollar. Motion carried with members voting as follows: Mr. Yonce, Yea; Mr. Havener, Yea; Mr. Kiszkiel, Yea; Mr. Lancaster, Yea; and Mr. Adams, Yea. Mr. Swanson said invoices will be mailed this quarter and to expect an invoice for \$4,756.42. Motion by Mr. Kiszkiel, seconded by Mr. Yonce to authorize the payment of Merrill Lynch's quarterly fee invoice of \$4,756.42 upon receipt and accompanying signed warrant. Motion carried with members voting as follows: Mr. Yonce, Yea; Mr. Havener, Yea; Mr. Kiszkiel, Yea; Mr. Lancaster, Yea; and Mr. Adams, Yea. Mr. Swanson said the board will receive an advice of fee each quarter, but the fees are deducted from the investment returns, so no payment is due. The gross return for the quarter was -.93%; net of fees is -1.01%. Net of fees is the return used for member DROP accounts. Mr. Myton and Mr. Swanson left the meeting at 11:38 a.m.

2. Trusco Capital Management-Mr. Blake Myton, Investment Manager-Mr. Myton said the small cap team left to open their own firm called Perimeter Capital. Small caps are a higher risk and have higher returns. Trusco has a team put together that should be a good team. He feels small caps will be running out of steam as far as their performance goes and they have been minimizing investments in this area. Mr. Adams asked how many clients they took with them and Mr. Myton said they took one client at \$100 Million. Mr. Myton distributed his quarterly report and said it was a bad quarter. The first 90 days of 2006 and the second quarter had the fear of inflation and the economy was impacted by the key indicators. Large caps did better than small caps; the only positive was the international fund. He said they've been overweighed in equities for the last three years and more optimistic in fixed income with a possible slow down of rate increases by the Feds. There was a dip at the end of 2005 and the first quarter of 2006. That was when the \$5 Million was transferred from Trusco to the real estate fund with JP Morgan. The asset allocation is now closer to the target for the investment policy. Equities are 60.9%; fixed income 34.0%; and total cash at 5.1%. It is difficult for bonds to make good returns with the Fed rate increases. June had closer to 65% in total equities; but all the money has been moved from the high grade interest bonds.

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OLD BUSINESS:

1. **Revised Actuarial Valuation Report**-The board reviewed a revised draft of the actuarial valuation. Board Actuary, Chad Little, said he needed to increase the offset of 35 hours overtime which would reduce the city's cost by approximately \$40,000. He said the state funding numbers were out and the fire increased more than police. He said the state's issue on the annual state report dealt with the fire and police funding and they needed to update their figure on fire by \$3,000. He said the city contribution for police for October 1, 2006 would be \$1,187,857.00; for fire it would be \$1,103,664.00, plus the estimate used for the police fund from state revenue went down, plus the city's cost for the police buy backs that he would submit to the board at their September meeting. Motion by Mr. Yonce, seconded by Mr. Kiszkiel to accept the revised actuarial valuation report for 10/01/05. Motion carried with members voting as follows: Mr. Yonce, Yea; Mr. Havener, Yea; Mr. Kiszkiel, Yea; Mr. Lancaster, Yea; and Mr. Adams, Yea. Mr. Little said he would have original copies ready by the first part of next week. There was discussion about Mr. Little being paid on the invoice he was sending in advance for payment and upon receipt would then send the city the reports. Mr. Little would send the board an invoice for the city to pay for the city-requested aggregate reports for the actuarial valuation and the firefighter impact study and, upon payment, will prepare the reports. The invoice was estimated to be \$5,000. Mr. Little said he would send the invoice by Monday.

2. **Ordinance 2006-29:**

a. **Clarification on Definition of Police Officer for Buy Back of Prior Law Enforcement**

Service-Ms. Adams discussed verification of time with the Florida Retirement System (FRS) and was trying to determine if employees could buy that service time. Some of that time was non-contributory and others were contributory. She had made several calls to FRS with no response. She would be calling the Division of Retirement for their input.

b. **Payment Method by the City of Palm Bay for Employer Buy Back Contributions for**

Police Officers-There was extensive discussion about the city now questioning how they were going to pay for their portion of the buy back. Mr. Lancaster said that question came up several times during negotiation and the union never got an answer. Mr. Adams said the board had inquired in writing to both the city and the union. There was discussion about the current process established by the board and it was the board's authority to make the decision and they made it. The current procedure was for the city to pay their contributions at the same time the member pays. The same procedure was established for Mr. Little's fee from the employee and the city. There was discussion about the city now wanting to change how their contributions would be made by amortizing it. Because neither the city nor the union responded, Mr. Little prepared two impact statements and the least expensive choice for the city was made by the board. Mr. Little left the meeting to call the State's Actuary, Mr. Slavin, about the issue. Mr. Little returned and said the amortized valuation would not be accepted by the state. If the board allowed the city's cost to be a loss each year, and the member buys and pays for their service, then in the next year's actuarial valuation report the employee's service jumps to eight years instead of four and a loss will occur. The loss will occur immediately and compound each year thereafter. Federal law prohibits terminal funding. (It's when you give a benefit and set the money aside for that benefit after the employee retires which cannot be done). If the employee pays for the benefit pre-retirement and the city

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does not fund the benefit for each employee before their retirement, then there would be an increase of liability over the life expectancy of the retiree. Mr. Little said in speaking with Mr. Slavin, the state will not accept that. If the benefit changes later it would cause a problem with the assumption. The cleanest method is the one adopted by the board. If people delay the purchase until retirement, it would increase the cost. Mr. Little said everyone coming in would be an immediate liability on every new employee that could buy their time later in their career. One option was the city rolling the cost into the 10/01/05 valuation; the second was pay as you go. A new procedure was discussed where the employee would purchase their time and Mr. Little would provide an addendum statement to the city's required contributions owed October 1. That report would cost the police fund approximately \$500 and would be presented to the board for approval in their September meeting. The city would then submit that additional funding as part of their annual contribution due October 1st. Employees would continue to submit a money order for Mr. Little's fee using the procedure established. The employee would receive the credit for the prior service time upon receipt of their payment. Additional administrative procedures were discussed. There was further discussion by the board if future changes occurred in the city's management as there would be concern about any unfunded liability created by the existing city management with future political implications. Motion by Mr. Lancaster, seconded by Mr. Yonce to change the process to have the city pay their cost of the employee buy back as a one time cost each October 1st; however the employee pays their cost upon receipt of the analysis from the board's actuary. The city is to pay Mr. Little's fee of \$350 when the employee's cost is paid; but the employee will continue to pay their \$150 when they submit their paperwork to the board administrator. Anyone's documents submitted to Mr. Little up to August 18th will be included in the current year's city cost; anyone after is in the following year's statement to the city. Mr. Little will submit a letter of impact for approval at the September board meeting each year. It will then be submitted to the city as an additional contribution due October 1st. The employee receives credit at the time his deposit is made to the fund. Motion carried with members voting as follows: Mr. Yonce, Yea; Mr. Havener, Yea; Mr. Kiszkiel, Yea; Mr. Lancaster, Yea; and Mr. Adams, Yea.

c. Determination of Status on Contributions for 35 Overtime Hours as Part of Pension

Compensation-Ms. Adams said the city has not deducted employee contributions for this benefit adopted in June, although it has been addressed several times. Mr. Lancaster said he discussed it with Mr. Combs and told the city they must pay it by October 1st. The board recessed at 10:33 a.m. and reconvened at 10:39 a.m. Mr. Combs left the meeting and did not return. Mr. Little left the meeting and returned at 11:14 a.m.

3. Palm Bay Professional Fire Fighters, Local 2446 Negotiations-Request for Impact Study-Mr. Adams said a conference call was made between him, Mr. Roberts, Board Attorney Stephen Cypen and Board Actuary Chad Little. The results were that Mr. Roberts was going to delete the health insurance item from the impact study request. Mr. Adams read F.S.S. 112.0801 concerning health insurance premium cost for retirees to be no greater than that of active employees and stated the city may be in violation of this statute. Cities, like Palm Bay, that are self-insured are at a greater liability. There was discussion concerning e-mails about the submission of fire salaries and data the actuary needed for the impact study. The issue is between the city and the union and the city needs to provide the data that was requested. There had been previous issues with the certification of data and data being incorrect or incomplete. The

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board, the actuary, nor the administrator was going to accept the liability in providing the data the city has in their files and certifying such data. Mr. Little said he could take the various city reports and compile the data at a cost to the fire fund; however, he would still have to send it to someone for certification of the data. If the city wants to move forward with the negotiation and impact study request then they would expeditiously provide the data in the format requested.

4. State Funding for Firefighters-Mr. Roberts had indicated they were carrying their funds over to this year.

5. Elements of Compensation for Police Officers & Firefighters-Ordinance 2005-59-The state acknowledged receipt of the revised impact statement; but has not commented further.

6. Website Development-Mr. Adams said he is still working on the site.

7. Trustee Appointment-Fifth Member-Mr. Adams was the only individual that submitted his application to the Legislative Department. Motion by Mr. Kiszkiel, seconded by Mr. Yonce to approve Mr. Adams' appointment as the fifth member of the board of trustees. Motion carried with members voting as follows: Mr. Yonce, Yea; Mr. Havener, Yea; Mr. Kiszkiel, Yea; and Mr. Lancaster, Yea. Mr. Adams did not vote. Ms. Adams will notify the Legislative Department.

8. Firefighter Brandy L. Hall-Criminal Court Case-Ms. Adams said she spoke to Ms. Hall concerning her case and that all charges had been dropped. Her pension contributions had been withdrawn, but all accrued interest had been withheld. Accrued interest is considered a benefit and is forfeitable, pending the outcome of such cases. Ms. Adams obtained confirmation the statute of limitation on the charges run through July 2, 2008. In speaking with Mr. Cypen, the state could reopen the case up to July 2, 2008, so any accrued benefits would be held until that date. Ms. Adams said she monitor the case and will bring this item back to the board after July 2, 2008.

9. Application for Retirement-Vested Police Plan Member Danny E. Thomas-This item is pending.

10. Application for Retirement & Buy Back of Prior Service-Police Officer Frank Ciccone-This item is pending.

11. Application for Retirement & DROP-Police Officer Douglas Dechenne-This item is pending.

12. Application for Retirement & DROP & Request for Actuarial Analysis-Police Officer George Melius- This item is pending.

13. Application for Retirement-Police Officer Lynne Nungesser-Request for Retirement Date Change-Ms. Nungesser sent an e-mail saying she was terminating employment and changing her retirement date. Receipt of her official letter was pending. Mr. Lancaster said he understood she was not terminating her employment with the police department. Mr. Adams said the board's attorney recommended obtaining written verification from the city. Ms. Adams said other procedures should be established, such as audit review by the board's audit team; receipt of the appropriate FDLE records; written verification of cash payout of accrued sick and vacation time and removal of the supplement from any monthly pension disbursement upon rehire by the city. Mr. Adams said the language in the ordinance was written and agreed upon by the city and the union and if they wanted to change it, they could take it back to the table. Mr. Adams said all members should be aware of F.S.S. 185.185 False, misleading, or fraudulent statements made to obtain public retirement benefits prohibited; penalty.- and read the statute, in part, as follows: (1) It is unlawful for a person to willfully and knowingly make, or cause to be made, or to assist, conspire with, or urge another to make, or cause to be made, any false, fraudulent, or misleading

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oral or written statement or withhold or conceal material information to obtain any benefit available under a retirement plan receiving funding under this chapter.

14. Application for Retirement, Buy Back of Prior Service & DROP-Police Officer Donald Bauman-This item is pending.

15. Application for Retirement and Buy Back of Prior Service-Police Officer David Miller-This item is pending.

16. Application for Retirement & DROP-Police Officer Dante Cristofaro-This item is pending.

17. Termination Refund/Rollover-Police Officer Lance W. Fisher-Mr. Fisher sent a termination letter stating his last day is August 29th. Upon verification of this information with the city's paymaster and upon confirmation of the amount of his last contribution, his refund would be processed.

18. Buy Back of Prior Service on Police Officers Mark Gensiejewski; Tim Landers; Mark Renkens; Peter Gilbert; Robert Kenney; Joseph G. Myers Donald Hampton; and David Fowler-The board acknowledged the requests.

NEW BUSINESS:

All items of business marked with an asterisk were considered under Consent Agenda and enacted by the following motion: Motion by Mr. Yonce, seconded by Mr. Havener to approve the Consent Agenda. Motion carried with members voting as follows: Mr. Yonce, Yea; Mr. Havener, Yea; Mr. Lancaster, Yea; Mr. Kiszkiel, Yea; and Mr. Adams, Yea.

NEW BUSINESS:

***1. New Plan Member Application, Member Beneficiary Changes and Pre-Retirement Death Benefit Option Selection Forms-**New Plan Member Applications were approved and accepted on Police Officers Yousef Hafza; Jessica Siegrist; and Earl Frank Yearicks, IV. Member Beneficiary Changes were approved and accepted on Police Officer Daniel B. Fisher. A Pre-Retirement Death Benefit Option Selection Form was approved and accepted on Daniel B. Fisher.

2. Board Business-Mr. Kiszkiel said he purchased a laptop computer at \$2,829.08 with taxes. He will take the router available in the pension office and the case. He is in the process of having the taxes removed. Mr. Kiszkiel stated he passed the on-line NCPERS test and gave Ms. Adams the certificate to place on file. Ms. Adams said she was still monitoring the pending federal legislation that would impact penalties associated with DROP withdrawals.

3. Upcoming Events-Educational Opportunities-Upcoming conferences the board plans to attend were reviewed.

4. Review of Correspondence:

a) Monthly Bank Statement-STI, 6/30/06-The market value of the SunTrust/Trusco Funds at 6/30/06 was \$50,796,736.99. The Grand Total of all the Funds, including International Funds & Real Estate at 6/30/06 was \$62,650,270.01.

b) Monthly Statement- American Euro Pacific, 06/30/06-The market value of the International Funds at 6/30/06 were \$6,516,415.02.

c) Monthly Statement-JPMorgan Strategic Property Fund, 6/30/06-The market value of the

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JPMorgan Strategic Property Fund at 6/30/06 was \$5,337,118.00.


d) **JPMorgan Asset Management-Advice of Charge**-This item was discussed as part of Mr. Swanson's quarterly report above.

5. **Reimbursement of Employee Contributions for Non-Certified Police Recruits Joseph Marsala, Millan V. Valdes and Crystal Starr**-Ms. Adams said the city began deducting pension contributions on these non-certified recruits upon hire due to a payroll coding error and was being corrected by the city paymaster.
6. **Approval of Annual Retiree Cost-of-Living Allowances**-Ms. Adams said all the cost-of-living allowances (COLA) were regular annual increases due October 1, 2006, except for Mr. DeCoteau. He was beginning his annual COLA this year and is owed a one-time lump sum pro-rated payment. Motion by Mr. Lancaster, seconded by Mr. Yonce to approve the one-time lump sum pro-rated payment of \$256.84 for Mr. DeCoteau. Motion carried with members voting as follows: Mr. Yonce, Yea; Mr. Havener, Yea; Mr. Lancaster, Yea; Mr. Kiszkiel, Yea; and Mr. Adams, Yea. Motion by Lancaster, seconded by Mr. Yonce to approved the annual cost-of-living allowances. Motion carried with members voting as follows: Mr. Yonce, Yea; Mr. Havener, Yea; Mr. Lancaster, Yea; Mr. Kiszkiel, Yea; and Mr. Adams, Yea.
7. **Proposed 2006-07 Budget**-The board discussed the various budget categories. The budgeted part-time position for 2005 was discussed. Ms. Adams said she would research job descriptions and discussed payroll processing options.
8. **Letter of Engagement-Koch, Reiss & Company, P.A.**-Motion by Mr. Yonce, seconded by Mr. Kiszkiel to approve the letter of engagement with Koch, Reiss & Company, P.A. to conduct the annual pension audit. Motion carried with members voting as follows: Mr. Yonce, Yea; Mr. Havener, Yea; Mr. Lancaster, Yea; Mr. Kiszkiel, Yea; and Mr. Adams, Yea.
9. **Letter of Engagement-Janes, Key & Dinho, P.A.**-Motion by Mr. Kiszkiel, seconded by Mr. Lancaster to approve the letter of engagement with Janes, Key & Dinho, P.A. to perform accounting services for the pension fund. Motion carried with members voting as follows: Mr. Yonce, Yea; Mr. Havener, Yea; Mr. Lancaster, Yea; Mr. Kiszkiel, Yea; and Mr. Adams, Yea.
10. **Fire Inspector Inquiry for Membership**-Ms. Adams received a packet from Fire Union President Ray Roberts concerning an individual fire inspector hired by the city. The employee was inquiring as to why he was not being allowed by the city to be part of the Firefighter's defined benefit pension plan. Ms. Adams discussed the definition of firefighter as provided for in statute and explained by Ms. Shoemaker, Division of Retirement. Ms. Adams stated the city attempted to remove fire inspectors from the fire department a few years ago as a budgetary issue and a similar issue came up with a previous fire inspector that was no longer employed with the city. She called Ms. Shoemaker again about this item and was waiting to hear back from her.

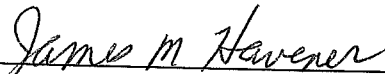
ADJOURNMENT:

There being no further business, the meeting was adjourned at 1:55 p.m.

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Richard B. Adams, Chairperson

ATTEST:


James M. Havener, Secretary