

**PALM BAY POLICE AND FIREFIGHTERS' PENSION PLAN
BOARD OF TRUSTEES
Quarterly Board Meeting 06-07**

Held on the 10TH of May 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 9:03 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
- Benjamin J. Kiszkiel, Trustee, City Council Appt
- Timothy W. Lancaster, Trustee, Police Elected

EXCUSED

Also in attendance was Kathy Adams, Board Administrator. Ms. Joyce Dias, Human Resources Analyst II; Police Major Doug Potts; and Mr. Mark Napoli, Citizen. Ms. Karla Engard, 1st VP SunTrust, and Mr. Blake Myton, Investment Manager, Trusco, arrived at 10:18 a.m.; Deputy Police Chief Lynne Nungesser arrived at 11:34 a.m. Mr. Jeff Swanson, Performance Manager, Merrill Lynch Consulting Services was telephoned at 9:26 a.m. and call ended at 9:50 a.m.

ADOPTION OF MINUTES:

Motion by Mr. Havener, seconded by Mr. Kiszkiel to adopt the April 06-05 regular minutes. 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 Mr. Yonce, seconded by Mr. Lancaster to adopt the May 06-06 special minutes with the following changes: Page 1, Correct the spelling of Ms. Dias' name in Line 2 of Paragraph 1 under Roll Call to "Dias" not Diaz. Page 1, Correct the spelling of Mr. Cypen's name in the Second Header to read "Cypen" not Cycpen. Page 2, First Paragraph, Fourth Sentence reads "Ms. Bieler said private e-mails are private, but if used on the same computer that also houses public record. They should be kept separate." Should read "Ms. Bieler said private e-mails are private, but if used on the same computer that also houses public record, they should be kept separate." Page 2, First Paragraph, Seventh Sentence reads "He said timeliness of public records depends on the nature of the request." Should read "The time to produce public records depends on the nature of the request." Page 2, Second Paragraph, Third Sentence reads "The board cannot accept any gift or anything of value over \$100 if it influences their vote." Should read "A trustee cannot accept any gift or anything of value over \$100, if intended to influence his vote." Page 2, Third Paragraph, Eighth Sentence reads "Mr. Cypen said the Chairman could call a special meeting, or any individual trustee." Should read "Mr. Cypen said the Chairman could call a special meeting on his own, or upon the request of any individual trustee." Page 2, Fourth Paragraph, First Sentence reads "Mr. Lewis mentioned something to Mr. Lancaster and Mr. Adams asked if Mr. Lewis had something to discuss." Should read "Mr. Adams asked if Mr. Lewis had something to discuss." Page 2,

*CONNECTIONS: Page 1, 10th line bonds last year. I do was
Tried not to investment (should be investment), 2nd line change
from year by track by employee was (should be was), Kathy Adams 7/13/06*

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Fourth Paragraph, Sixth Sentence reads "All the data she needed was requested as part of the audit request back in September." Should read "All the data she needed were requested as part of the audit request back in September." Page 3, First Paragraph, Tenth Sentence reads "Mr. Cypen said technically it was part of negotiation; but you don't have to as the state funding is for the benefit of pension plan members and they can use it for whatever they want." Should read "Mr. Cypen said technically it was part of negotiation. However, the city cannot prevent use of the money for the benefit of pension plan members for the use they want." Motion carried with members voting as follows: Mr. Yonce, Yea; Mr. Havener, Yea; Mr. Lancaster, Yea; Mr. Kiszkiel, 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-By telephone conference, Mr. Swanson said it was a successful quarter. He said the asset allocation for stocks and bonds were 60/40, with real estate posted as fixed income. Bonds represented 28.6% of the fixed income portfolio. He said the June report will have NCREIF added to cover the real estate investment. The International Fund earned 15.1% for the fiscal year. The continuation of interest rate hikes is hindering the positive return for bonds. The real estate investment was a diversification for the fixed income allocation. He said there was not a performance issue with Trusco and the board reviewed differing the policy guidelines with respect to bond ratings. Mr. Havener said there is a 6% weighing factor that Trusco could use. Trusco stayed on target with the mix requirement, but could go up to 20% in small caps. Mr. Swanson said Trusco is conservative with 61% in equity and 35.2% in bonds. Small cap is at 9.1%. Mr. Swanson said they could have been more aggressive here; however, they did add the high-grade interest bonds last year. Trusco was told not to investment in the international funds, because of the state's maximum limitation of 10% and the board has that invested elsewhere. Although Trusco has beaten the target index, which is what the board wants, not being able to invest in international funds did impact returns. Trusco met the target, but others did better. Performance guidelines impacted fixed income returns over the last two years. Mr. Swanson distributed a handout on PIMCO. There are two funds that would give a broader strategy for the long haul. PIMCO is the largest bond manager in the world. Mr. Havener asked whether there would be a need to review the investment policy. Mr. Swanson said liberal guidelines would do well with PIMCO Divers. Mr. Adams said the bond market over-all is down. Mr. Swanson said PIMCO has done better than the current fixed income portfolio. The International portfolio is the best performing international equity mutual funds in the country. The board reviewed the compliance checklist and is in compliance although the fund has not exceeded the 3-5 year target long term. Mr. Swanson said we've been in a bull market for 3 1/2 years. The fund ranks 55 out of 100 Florida Municipal Police & Fire clients. Real Estate helped this quarter. Ms. Adams asked about the invoice she received. Mr. Swanson said there is a credit this quarter of \$320.82. The board discussed the bond manager issue and requested Ms. Adams provide them with copies of the previous bond manager presentation material and the board minutes related to the same by the July board meeting. The board recessed at 10:03 a.m. and reconvened at 10:18 a.m.

2. Trusco Capital Management-Mr. Blake Myton, Investment Manager-Mr. Myton said it had been a good 90 day quarter for the market. The best performance was in small and mid-cap. These markets have dominated over the last three years. Trusco feels the small and mid-cap will go out and large cap will come back. They are repositioning for this at the present. Fixed income was not good and is impacted by the Federal Reserve raising interest rates about 15 times. Mr. Myton said they expect an end to the Fed

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at 3/31/06 was \$51,519,237.02. The Grand Total of all the Funds, including International Funds & Real Estate at 3/31/06 was \$63,218,964.51.

b) Monthly Statement- American Euro Pacific, 03/31/06-The market value of the International Funds at 3/31/06 was \$6,509,905.49.

c) Monthly Statement-JPMorgan Strategic Property Fund, 3/31/06-The market value of the JPMorgan Strategic Property Fund at 3/31/06 was \$5,138,827.00.

6. Termination Refund/Rollover on Police Officer Ryan William Rouse-Motion by Mr. Yonce, seconded by Mr. Kiszkiel to approve the refund request of Officer Rouse. Motion carried with members voting as follows: Mr. Yonce, Yea; Mr. Havener, Yea; Mr. Lancaster, Yea; Mr. Kiszkiel, Yea; and Mr. Adams, Yea.

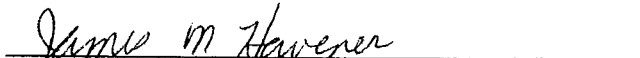
7. Police Retiree Robert Swartz-Deceased-Ms. Adams discussed letter to go to Ms. Swartz concerning survivor benefits.

ADJOURNMENT:

There being no further business, the meeting was adjourned at 12:42 p.m.


Richard B. Adams, Chairperson

ATTEST:


James M. Havener, Secretary