

**PALM BAY POLICE AND FIREFIGHTERS' PENSION PLAN
BOARD OF TRUSTEES
Quarterly Meeting 18-06**

Held on the 4th of May, 2018 at Robert J. Conlan Professional Center, 1501 R. J. Conlan Blvd., NE, Suite 240, 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.

Timothy W. Lancaster, Chairperson, called the meeting to order at the hour of 9:08 a.m.

ROLL CALL:

PRESENT

Timothy W. Lancaster, Chairman, Police Elected
Jason Dorey, Vice Chairman, Fire Elected
James W. Brock, Secretary, Trustee, City Councilmember Appointee
Richard B. Adams, Trustee, Board Appointee
Guillermo William Capote, Sr., Trustee, City Councilmember Appointee

EXCUSED

Also in attendance was Ms. Kathy Adams, Board Administrator; Ms. Katie Taglia-Polak, Office Manager, Palm Bay Police & Firefighters' Pension Fund; Ms. Blandli, HR Benefits Analysts 1, City of Palm Bay; Ms. Mindy Johnson, CPPT, Vice President, Relationship Manager, Salem Trust; Ms. Terese Jones, CMC, City of Palm Bay; Mr. Larry Cole, Senior Consultant, and Ms. Karla Engard, Operations Manager, Burgess Chambers & Associates, arrived at 9:37 a.m.; and Mr. Blake Myton, First Vice President, Institutional Advisory Services, SunTrust Private Wealth Management, arrived at 10:30 a.m.

OATH OF OFFICE:

To be administered by Terese Jones, CMC, City of Palm Bay City to the following Trustees: Police Elected Representative Timothy W. Lancaster; Fire Elected Representative Jason Dorey; City Council Appointees Guillermo William Capote, Sr. and James W. Brock-The Oath of Office was administered by Ms. Jones to Trustees Lancaster; Dorey; Capote; and Brock. Ms. Jones left the meeting at 9:19 a.m. and did not return.

AGENDA REVISIONS:

Motion by Mr. Adams, seconded by Mr. Brock to add the number 1. to the Burgess Chambers & Associates line item; Add to Old Business, Item No. 5. Follow-up Items from Ms. Taglia-Polak, d. PensionGold Update; Add to New Business, *1 Consideration of Warrants for Payment: s. SunTrust Bank-\$73,515.89-Investment Management Fees for Quarter End 1/1-3/31/2018, Invoice No. 282981;
13. Termination Refund/Rollover/or Vested Termination, If Eligible, Firefighter Rusty Nail and Tax Issue. Motion carried with members voting as follows: Mr. Dorey, Yea; Mr. Brock, Yea; Mr. Adams, Yea; Mr. Capote, Yea; and Mr. Lancaster, Yea.

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CONSENT AGENDA:

Motion by Mr. Adams, seconded by Mr. Brock to approve the Consent Agenda.as revised. Motion carried with members voting as follows: Mr. Dorey, Yea; Mr. Brock, Yea; Mr. Adams, Yea; Mr. Capote, Yea; and Mr. Lancaster, Yea.

ADOPTION OF MINUTES:

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This item was approved under Consent Agenda as presented.

PRESENTATION AT 9:45 A.M.:

1. Ms. Mindy Johnson, CPPT, Vice President, Relationship Manager, Salem Trust-Custodial
 - a. Annual Report-Ms. Johnson presented a hand-out on Salem's Information Technology Security. She said there was nothing to report as far as the quarterly report; however, they are getting a lot of scamming and fraud emails. Our Fund's portal protects from that but other Plans utilize regular email to send information to Salem. They are implementing safeguards that will have an impact and they are verifying information they receive. They have added Cyber Insurance to their overall coverage. She provided a copy of Salem's Insurance Certificate. They go through an administrative review once a year. She looked at Palm Bay's and looked at the trading volume. US Bank charges \$3.75 per trade. The Plan had over 23,000 in trades last year, exceeding their initial cost estimate. Ms. Johnson called Ms. Engard at Burgess Chambers & Associates who then called Mr. Myton at SunTrust. There were 11,000 trades with SunTrust. They are monitoring this issue. Ceredex's trade volume is high. Salem's contracted fee review will occur in January 2019. Their fees were based on lower volume than what has occurred and the Board will most likely see a fee increase.

Ms. Johnson said they partnered with Chicago Clearing Corporation (CCC); they withhold 20% for fees on securities class action lawsuits settlements. Salem negotiated a reduction to 12% on settlements. Ms. Johnson said they are updating their website. Mr. Cole and Ms. Engard arrived at 9:37 a.m. Discussion continued to Old Business.

SUNTRUST QUARTERLY REPORT AT 10:30 A.M.: (The Board considered this item out of order as noticed for time certain)

1. SunTrust Institutional Investment Solutions-Mr. Blake Myton, First Vice President, Investment Manager
 - a. Quarterly Report-Mr. Myton discussed the trading volume in the Ceredex Mid-cap Fund. When we split the Police and Fire Fund Accounts it did impact trade volume. He said there are

other products as alternatives that have the same cost with less trading expenses. He has talked to Ceredex. Mr. Cole asked if the money could be moved "in kind." It would not need Board approval, unless there was some type of restriction. The money would be moved from one account into another (R6). Mr. Myton said we would need a fee addendum to the contract. Motion by Mr. Brock, seconded by Mr. Capote to change from a separately managed Ceredex Mid-cap Value to a R6 Mutual Fund Share Class, as determined by Mr. Myton. Motion carried with members voting as follows: Mr. Dorey, Yea; Mr. Brock, Yea; Mr. Adams, Yea; Mr. Capote, Yea; and Mr. Lancaster, Yea. Mr. Lancaster wants to look at trading the February 2019 to see the results of the change. Mr. Brock left at 11:00 a.m. and did not return.

Mr. Myton said it was not a great quarter. The Large Cap Value hurt. The market value at March 31, 2018 for the SunTrust portfolio was \$73,986,125.00. SEIX is very conservative. The Ceredex Large Cap Value portfolio has done well in the long-term. The Board recessed at 11:10 a.m. and reconvened at 11:24 a.m. Mr. Cole, Ms. Engard, Mr. Myton, and Ms. Johnson did not return. Discussion continued with New Business, Item No. 3. Board Business.

BURGESS CHAMBERS QUARTERLY REPORT AT 11:00 A.M.: (The Board considered this item out of order as noticed for time certain)

1. Burgess Chambers & Associates-Mr. Larry Cole, Consultant, and Ms. Karla Engard, Operations Manager

a. Quarterly Report-Ms. Johnson mentioned her discussion about the large volume of trading by Ceredex. Mr. Cole said it needs a solution and Mr. Myton is looking at it. Usually a higher turnover of managers equates to higher trades, but not in this case. Mr. Cole discussed the impact. One-half of the trades are out of SunTrust and Advent. Mid-cap seems excessive. They are looking at Large Cap. Mr. Cole said he does not want trade volume driving manager selection.

He said the quarter did not lose money but it did not make any either. It was a volatile quarter. The market value at March 31st was \$187,522,323.00. Everything is in compliance. He reviewed the asset allocation. He said the Fund was over weighted in domestic equity. He recommended moving \$500,000.00 from Ceredex to International. The performance was flat. The one year return was strong looking over the last twelve months. The VIRTUS Ceredex is Small Cap Value. The Fund ranking based on rate of return is 14th. The Managed Limited Partnership is volatile and was up in April, but he wants to hold tight for now. He is looking at another product that includes other infrastructure items such as roads and airports. Pipelines are expensive. Convertibles have done well. Diversification lowers overall risk. You get an equity return with a bond volatility risk. The returns have been consistent over a ten year period. The Fund is in the 75% top quartile compared to the national peer group. Mr. Myton arrived at 10:30 a.m. It is protecting in the downside. He does think the Feds are going to raise rates by ¼%. Unemployment is low and we may see some pressure on inflation due to raises. Mr. Adams said he's monitoring Puerto Rico

and asked if there was any possibility of bankruptcy that might impact our investments. Mr. Cole reviewed it and did not feel there was any exposure at all. He said Puerto Rico had issues financially before the hurricane. There could be a market impact through a domino effect. He recommended moving \$500,000.00 from Ceredex Large Cap Value to the EuroPacific. Motion by Mr. Adams, seconded by Mr. Brock to move \$500,000.00 from Ceredex Large Cap Value to the EuroPacific Fund as recommended by Mr. Cole and allocated by Ms. Janes, Board CPA, on the split for the Police and Fire Funds. Motion carried with members voting as follows: Mr. Dorey, Yea; Mr. Brock, Yea; Mr. Adams, Yea; Mr. Capote, Yea; and Mr. Lancaster, Yea.

Mr. Cole discussed the assumption rate and said he still feel they can make the 7.75%. No change is recommended. Discussion continued with the SunTrust Quarterly Report above.

OLD BUSINESS:

1. Actuarial Services & Projects: Foster & Foster, Inc.
 - a. FOP Negotiations-Request for Impact Study- Motion by Mr. Brock, seconded by Mr. Adams to request an Impact Study and authorize the expenses for the same for the FOP Negotiations. Ms. Adams asked Mr. Lancaster if the additional information related to member disbursements as recommended by the Board Attorney could be included as part of the Plan Amendment. She also asked Mr. Dorey to provide the information to the Fire Union President for inclusion in any negotiations they had. Motion carried with members voting as follows: Mr. Dorey, Yea; Mr. Brock, Yea; Mr. Adams, Yea; Mr. Capote, Yea; and Mr. Lancaster, Yea.
- *2. DROP Returns for March 31, 2018--Gross returns for March 31, 2018 were 0.14% and -0.01% net of fees. This item was considered under Consent Agenda and approved as presented.
3. Annual Joint City Council/Pension Workshop-Ms. Adams said she contacted City Legislative about possible dates which include July 12th, 17th, 24th, and 26th. The Board said all dates are OK with them. Mr. Adams said he would not be available on the 26th. There was discussion about presenting the audit and the Board said not to include that presentation. They prefer Mr. Heinrichs to present the Actuarial segment.
4. Break in Service Police Officer Robert Vickers-Present Report Only-Ms. Adams said Mr. Klausner, Board Counsel, has asked for more information and is following up with interested parties.
5. Follow-up Items from Ms. Taglia-Polak
 - a. Handyman Services-Ms. Taglia-Polak said she found a company by the name of Honey Dew and is pending insurance and licensing clarification. Ms. Engard mentioned a company called "Tackle."
 - b. Upcoming Events-Educational Opportunities-Ms. Taglia-Polak reviewed upcoming events. Motion by Mr. Dorey, seconded by Mr. Capote to appointment Mr. Brock to pick up the ballot for the FPPTA Board Election. Motion carried with members voting as follows: Mr. Dorey, Yea; Mr. Brock, Yea; Mr. Adams, Yea; Mr. Capote, Yea; and Mr. Lancaster, Yea.
 - c. VISA Card Reward Credit-The reward credit of \$1,568.25 was applied to Mr. Brock's VISA Credit Card.

d. PensionGold Update-Motion by Mr. Adams, seconded by Mr. Capote to authorize the upgrade and expenses for same to implement the new 85% maximum provision for Police members that may impact Employee Benefit Statements. Motion carried with members voting as follows: Mr. Dorey, Yea; Mr. Brock, Yea; Mr. Adams, Yea; Mr. Capote, Yea; and Mr. Lancaster, Yea. Discussion moved to Burgess Chambers & Associates above.

NEW BUSINESS:

- *1. Consideration of Warrants for Payment:
 - *a. Foster & Foster, Inc.-\$19,468.00-2017 Actuarial Confirmation of Use of State Moneys, Electronic Filing of 2017 Valuation Report to Division of Retirement, and Preparation of 10/1/2017 Actuarial Valuation and Report, Invoice No. 12092 (Police Fund Only)-This item was approved under Consent Agenda as presented.
 - *b. Foster & Foster, Inc.-\$19,868.00-2017 Actuarial Confirmation of Use of State Moneys, Benefit Calculation-Yanes and Lewis, Electronic Filing of 2017 Valuation Report to Division of Retirement, and Preparation of 10/1/2017 Actuarial Valuation and Report, Invoice No. 12093 (Fire Fund Only)-This item was approved under Consent Agenda as presented.
 - *c. Foster & Foster, Inc.-\$2,227.00-2017-Electronic Filing of 2017 Valuation Report to Division of Retirement, and Preparation of 10/1/2017 Actuarial Valuation and Report, Invoice No. 12094 (General Employee Fund Only)-This item was approved under Consent Agenda as presented.
 - *d. Burgess Chambers & Associates, Inc.-\$18,752.23-Performance Monitoring & Advisory Fee for Quarter End 3/31/2018; Invoice No. 18-131-This item was approved under Consent Agenda as presented.
 - *e. J.P. Morgan Asset Management-\$26,509.65-RE JPMCB Strategic Property Fund Fee for Period Ending 3/31/2018, Invoice No. 20180331-57655-A (Fire Fund Only)-This item was approved under Consent Agenda as presented.
 - *f. J.P. Morgan Asset Management-\$26,509.65-RE JPMCB Strategic Property Fund Fee for Period Ending 3/31/2018, Invoice No. 20180331-1788-A (Police Fund Only)-This item was approved under Consent Agenda as presented.
 - *g. SSI Investment Management-\$10,727.00-Management Fee 1/1/2018-3/31/2018; Invoice No. 002018-0092 (Police Fund Only)-This item was approved under Consent Agenda as presented.
 - *h. SSI Investment Management-\$10,10,550.00-Management Fee 1/1/2018-3/31/2018; Invoice No. 002018-0093 (Fire Fund Only)-This item was approved under Consent Agenda as presented.
 - *i. Westwood Trust-\$7,114.74-Investment Management Fees for Quarter End 3/31/2018, Invoice No. 5000562 (Police Fund Only)-This item was approved under Consent Agenda as presented.
 - *j. Westwood Trust-\$7,114.74-Investment Management Fees for Quarter End 3/31/2018, Invoice No. 5000563 (Fire Fund Only)-This item was approved under Consent Agenda as presented.

- *k. Eagle Asset Investment Management-\$2,498.23-Management Fees for Billing Period 1/1-3/31/2018, Invoice No. 041008444481 (Police Fund Only)-This item was approved under Consent Agenda as presented.
 - *l. Eagle Asset Investment Management-\$1,016.74-Management Fees for Billing Period 1/1-3/31/2018, Invoice No. 943769072232 (Fire Fund Only)-This item was approved under Consent Agenda as presented.
 - *m. Polen Capital Management-\$14,750.02-Management Fees for Quarter, 1/1-3/31/2018, (Police Fund Only)-This item was approved under Consent Agenda as presented.
 - *n. Polen Capital Management-\$7,706.13-Management Fees for Quarter, 1/1-3/31/2018, (Fire Fund Only -This item was approved under Consent Agenda as presented.
 - *o. Advent Capital Management-\$10,390.47-Management Fees for Quarter End 3/31/2018 (Police Fund Only)-This item was approved under Consent Agenda as presented.
 - *p. Advent Capital Management-\$10,235.05-Management Fees for Quarter End 3/31/2018 (Fire Fund Only)-This item was approved under Consent Agenda as presented.
 - *q. Wells Capital Management-\$12,502.22-Management Fees for Quarter End 01/01/2018-03/31/2018, Invoice No. 11701477(Police Fund Only)-This item was approved under Consent Agenda as presented.
 - *r. Wells Capital Management-\$7,200.52-Management Fees for Quarter End 01/01/2018-03/31/2018, Invoice No. 11701480 (Fire Fund Only) -This item was approved under Consent Agenda as presented.
 - *s. SunTrust Bank-\$73,515.89-Investment Management Fees for Quarter End 1/1-3/31/2018, Invoice No. 282981-This item was approved under Consent Agenda as presented.
- *2. New Plan Member Applications; Member Beneficiary Changes; Pre-Retirement Death Benefit Option Selection Forms; Member Retirement Beneficiary Forms; and DROP Beneficiary Designations-New plan member applications were accepted and approved for Police Officers Omar Forbes and Tyler Douglas; member beneficiary forms were accepted and approved for Firefighters David J. Bennett and Michael McHale; member beneficiary forms for retirement purposes was accepted and approved for Police Officer Tina Hensel and Firefighter David J. Bennett; and Deferred Retirement Option Plan (DROP) beneficiary designation forms were approved and accepted for Police Officer Tina Hensel and Firefighter David J. Bennett.
2. Board Business-Motion by Mr. Adams, seconded by Mr. Capote to approve the increase by Slug-A-Bug from \$85.00 to \$90.00 per quarter effective with the next service. Motion carried with members voting as follows: Mr. Dorey, Yea; Mr. Adams, Yea; Mr. Capote, Yea; and Mr. Lancaster, Yea. Motion by Mr. Adams, seconded by Mr. Capote to authorize the disposal of archived records in offsite storage with Adams Storage dated 2010 through 2012. Motion carried with members voting as follows: Mr. Dorey, Yea; Mr. Adams, Yea; Mr. Capote, Yea; and Mr. Lancaster, Yea. Ms. Adams said that retains the most recent five years offsite with the goal of disposing the oldest one year records annually. All member files will be retained indefinitely and are marked for non-disposal. Ms. Adams said there continues to be problems with Mr. Adams' Health First Health Plan (HFHP) Part D payments. Stop payments had to be made and then

HFHP discovered the original checks at their business office. Mr. Adams is looking at an alternative payment method through Social Security. He is the only retiree with this deduction. Ms. Adams said she has updated the website. The Legislative compliance items, except for budgetary items, were moved to the "News 911" page. She still has to update the Frequently Asked Questions "FAQ" and rework the location pages for it. Additionally there are 112 compliance documents that will be added next month when provided from Foster & Foster. She confirmed that the Police and Fire patches are current. Please let her know if there are any recommendations. She said the Employee Benefit Statements are being targeted for mailing in June. She is working on the Summary Plan Descriptions and Ms. Taglia-Polak is working on PensionGold updates that might impact the statements.

4. Consideration of Issuing a Request for Proposal for Professional Auditing Services-Ms. Adams said we need to move forward to select a new audit firm. She obtained sample copies of Requests for Proposals from the City accounting manager as they are issuing one as well. Motion by Mr. Capote, seconded by Mr. Adams to move forward with preparing and issuing a Request for Proposal (RFP) for professional auditing services upon review of the RFP by Mr. Klausner, Board Counsel, and Ms. Janes, Board CPA. Motion carried with members voting as follows: Mr. Dorey, Yea; Mr. Adams, Yea; Mr. Capote, Yea; and Mr. Lancaster, Yea.

*5. Application for Retirement & DROP-Police Officer Tina Hensel-This item was approved under Consent Agenda as presented.

*6. Termination Refund/Rollover/or Vested Termination, If Eligible, Police Officer Marcello Vurro-This item was approved under Consent Agenda as presented.

*7. Termination Refund/Rollover/or Vested Termination, If Eligible, Police Officer Richard Marion-This item was approved under Consent Agenda as presented.

*8. Termination from Employment; Begin Regular Monthly Retirement Distribution; Authorize DROP Distribution by Withdrawal/Rollover and/or Annual Distributions as Per Guidelines and Authorize Share Plan Distribution-Police Officer Diana Blackledge-This item was approved under Consent Agenda as presented.

*9. Reduction of Monthly Pension Supplemental Benefit Due to Age 65-Police Retiree George Melius III-This item was approved under Consent Agenda as presented.

*10. Application for Retirement & DROP-Firefighter David Bennett-This item was approved under Consent Agenda as presented.

*11. Termination Refund/Rollover/or Vested Termination, If Eligible, Firefighter James Morris-This item was approved under Consent Agenda as presented.

*12. Request to Close DROP Account-Firefighter Robert Shunk-This item was approved under Consent Agenda as presented.

13. Termination Refund/Rollover/or Vested Termination, If Eligible, Firefighter Rusty Nail and Tax Issue-Ms. Adams said Firefighter Nail bought back prior service using funds from a regular account. It was not a rollover from a retirement Plan. As such, Mr. Klausner said that portion of the money in the Fund has already been taxed and could not be rolled over. He said to inform Salem Trust to not issue a 1099 on the money used to buy back time, which included interest owed. The amount originally required was from a statement provided by Foster & Foster. Firefighter Nail may rollover any employee contributions and

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interest earned in our Plan. Ms. Adams said Ms. Lindsay and Ms. Taglia-Polak are going to check ten years' back to see if anyone purchased prior service using this payment method. It may involve non-taxed payments on retirees similar to what was done in the past. Ms. Adams said she will discuss this with Foster & Foster on the formula to be used. Firefighter Nail's disbursement will result in two payments instead of one that is allowed for termination refunds. Motion by Mr. Dorey, seconded by Mr. Adams to authorize two disbursements in the manner discussed for Firefighter Nail and to prepare procedures for such cases in the future. Motion carried with members voting as follows: Mr. Dorey, Yea; Mr. Adams, Yea; Mr. Capote, Yea; and Mr. Lancaster, Yea.

INPUT FROM ACTIVE AND RETIRED PLAN MEMBERS:

There was no input from any active or retired plan members at this time.

INPUT FROM THE PUBLIC:

There was no input from the public at this time.


ADJOURNMENT:

There being no further business, the meeting adjourned at 11:46 a.m.



Timothy W. Lancaster, Chairperson

ATTEST:



James W. Brock, Secretary