

**PALM BAY POLICE AND FIREFIGHTERS' PENSION PLAN
BOARD OF TRUSTEES
Special Meeting 10-02**

Held on the 22nd day of January, 2010 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
Timothy W. Lancaster, Trustee, Police Elected
Douglas R. Smith, Trustee, Fire Elected
James W. Brock, Trustee, City Council Appt

EXCUSED

Also in attendance was Ms. Kathy Adams, Board Administrator and Ms. Kristin Courcier, Pension Assistant. Mr. Clements Johns, Manager, Goldstein Schechter Koch, CPA; Ms. Lark Janes, Partner and Board Accountant, Janes, Key & Dinho, CPA; Attorneys Anita Kartalopoulos; Airana Tadler; and Christopher Polaszek, Partners, Milberg LLP. Ms. Laura Clawson, Human Resources Analyst II, and Mr. Milo Zonka, Councilman, City of Palm Bay.

Motion by Mr. Lancaster, seconded by Mr. Yonce to excuse Mr. Brock and Mr. Smith as they were on there way to the meeting and delayed due to traffic. Motion carried with members voting as follows: Mr. Yonce, Yea; Mr. Lancaster, Yea; and Mr. Adams, Yea. Mr. Douglas Smith arrived at 9:10 a.m. Mr. James Brock arrived at 9:21 a.m.

AGENDA REVISIONS:

Add Mr. Christopher Polaszek, Partner, under Presentations, Item No. 2.

CONSENT AGENDA:

There were no consent items for consideration.

PRESENTATIONS AT 9:30 A.M. AND 10:30 A.M.:

1. **Mr. Clement Johns, Senior Manager, Goldstein Schechter Koch, CPA-Audit for Fiscal Year Ending 9/30/09**-Mr. Johns stated his firm performed the annual audit. He reviewed the audit noting Goldstein, Goldstein Schechter Koch was issuing an unqualified, clean opinion, fairly stated, that there was nothing wrong, the Fund was in compliance, and it was OK with their determination.

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He reviewed the Management Discussion Analysis. Plan assets exceeded its liabilities at fiscal year end by \$107,917,421. There was an increase of \$1,845,886. The bulk of the liabilities are the Deferred Retirement Option Program (DROP) funds. The Plan's funded ratio, a comparison of the actuarial value of assets to the actuarial accrued pension benefit liability, at 10/01/2008 was 91.1% and is exceptional. Mr. Johns stated it is the best he has seen, also stating it was due to the City's Pension Obligation Bond (POB). The fiscal year ended September 30, 2009, employer contributions to the Plan, excluding the payment in fiscal year 2008 of the \$36,218,574 POB, increased \$354,835. Employee contributions increased \$146,061 and are based on salaries. Actual employee contributions, including buybacks and employee purchases for additional pensionable compensation, were \$1,531,941. The net investment income increased by \$12,247,727 or 111.09% for fiscal year end 9/30/09. Administrative expenses had a slight increase. The plans he has seen have returns from -3 and +3, so a 1.1% total market return in this market is a good return at this time. The total additions of \$4,964,747 as compared to last year are due to the POB for last year. The net investment income was down \$11 million last year; this year it is up \$1,223,017. There was no change in the Plan except for membership changes; down in both the police and fire. Mr. Brock arrived at 9:21 a.m. The credit risk of the portfolio last year was AAA, this year AA and is in compliance. Mr. Johns reviewed the funding ratio page of the audit. They will issue a letter called the SAS Statement No. 114. The board will be receiving it reflecting no adjustments and stating general communication to the board. There was discussion by Mr. Adams concerning the pension software program and the audit trail features. Motion by Mr. Yonce, seconded by Mr. Lancaster to approve the independent audit conducted by Goldstein Schechter Koch, CPA. Motion carried with members voting as follows: Mr. Yonce, Yea; Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea. The board recessed at 9:32 a.m. and reconvened at 9:45 a.m. Mr. Johns and Ms. Janes did not return. Councilman Zonka returned later during the meeting.

2. Ms. Anita Kartalopoulos, Partner; Ms. Ariana Tadler, Partner; and Mr. Christopher Polaszek, Partner, Milberg LLP-Investment Monitoring Services-Mr. Polaszek thanked the board for allowing the Milberg group to meet with them. Ms. Tadler introduced the presenters and distributed three hand-outs. She stated Milberg is a law firm throughout the United States with the largest office in New York. Mr. Polaszek is in their Tampa office. They have been hiring staff over the last eighteen months and have several specialties. They will be discussing the securities arena. Their focus is in Florida. They are members of the Florida Public Pension Trustees Association. Mr. Adams said the board is currently using Pomerantz. He said the board wanted to know why it would be an advantage for them to use Milberg. Mr. Polaszek said the monitoring process they offer was started by them and other firms have tried to emulate them. They are free. Some plans use more than one monitoring firm. They consider it monitoring and asset review. Mr. Polaszek said he is in Tampa and available for attendance at meetings. They are much more than a Florida based program. They do monitoring differently. They provide greater analysis on fraud issues; honest opinions; skeptical evaluations from the actual source. They do not push litigation for the sake of it and they look at the board's fiduciary role. Councilman Zonka returned at 9:52 a.m. They give a list of holdings and deadlines for filing proofs of claims. Mr. Polaszek conducted a power point presentation and discussed various slides. They have a fulltime team of forensic consultants, in-house. They have an investigative team; one individual spent 27 years with the FBI and developed a program called the "Milberg Model." They work as a team with those individuals. Mr. Polaszek said he has worked with Board Counsel, Stephen Cypen, and is currently working with him on a multimillion dollar case that has

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been going on for five years. They have a bankruptcy case team. They work with the board attorney, they do not replace him. They also work with the board's money managers and custodian. They work Securities Exchange Commission (SEC) fraud cases. There was a discussion about the fiduciary duties of the board. They are not monitoring the Fund's investment advisor. They establish a customized plan to ensure that the fund will receive loss notifications in newly filed cases; receive calculations of estimated damages; receive 60-day notice to serve as lead plaintiff; receive timely settlement notices and claim form deadlines and opt out or object to inadequate settlements. Some examples of monitoring policies are minimum loss notification versus blanket notification and factual scenario notification (insider selling, accounting fraud/restatement, and government investigation). Ms. Kartalopoulos gave examples of SEC class cases that go over a long period of time. Ms. Tadler said they know the competitors and as litigators, are known in the courts. Ms. Kartalopoulos said they do not litigate cases they feel is not legitimate. Ms. Tadler said any fees to be received must be approved by the court. The firm reinvests the fees back into the firm. Ms. Kartalopoulos said they personally deliver the quarterly reports. Mr. Adams said the board appreciated their presentation. Councilman Zonka left the meeting at 10:37 a.m. Mr. Polaszek said having a process in place is critical that is comprehensive enough to delegate to board experts such as the board's counsel, Milberg, etc., and that helps the board to make their decision, because the final decision comes from the board. Mr. Adams said SunTrust would help facilitate the process. Mr. Adams asked if they had worked specifically with SunTrust Bank. Ms. Kartalopoulos said they have worked with a lot of banks and they usually do electronic transfers. Mr. Adams asked some additional questions. There was a discussion about staff compiling documents and data. They said they have their staff compile it on-site. There was a discussion about electronic data assistance. Motion by Mr. Yonce, seconded by Mr. Brock to obtain a retainer agreement to bring back to the board for consideration and to have Mr. Cypen's review it. Motion carried with members voting as follows: Mr. Yonce, Yea; Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea. The board recessed at 10:56 a.m. and reconvened at 11:10 a.m. Ms. Kartalopoulos, Ms. Tadler and Mr. Polaszek did not return.

BUSINESS:

1. Long Range Planning-Discussion of long range planning on all matters pertaining to the Palm Bay Police & Firefighters' Pension Fund-Mr. Adams reviewed the 2007-2010 long range planning goals. Mr. Yonce left the meeting at 11:25 a.m. and did not return. The board reviewed the 2010-2015 goals and discussed various topics and strategies for a \$250 Million Fund. There was discussion about when to proceed with a second manager or specialized investment managers. The board discussed possible boutique management changes at SunTrust. The computer programs with Levi, Ray & Shoup, Inc. (LRS) are continuing in phases. The Plan is currently using Version 1 and LRS has a Public Entity (PE) edition. There was discussion about Windows 7 and both office computers not having Power Point as it was originally a 60-day trial version that has expired. Motion by Mr. Lancaster, seconded by Mr. Brock to upgrade both computers for whatever programs were originally trial versions. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea. The board discussed Ms. McKnight's resignation. Motion by Mr. Lancaster, seconded by Mr. Brock to post for this part-time position. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea. Mr. Adams discussed the board room table. He had the original maker come in to look at possible alterations to accommodate wiring for the laptops to prevent someone from

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tripping over the wiring. The individual did not respond with a quote. Mr. Adams is working with another individual for a quote on a new table at a reasonable price. The board discussed their lease for the current office space. The board wants to begin exploration of available office space. Mr. Adams was directed to talk to the current property manager. Mr. Lancaster discussed participation in NCPERS and IFEBP educational training even if it is out-of-state. Mr. Smith discussed the appropriateness of the locations. Mr. Adams said it should not be a problem if it is value-added information and education and would be reviewed on a course by course basis. There was discussion about records retention. Mr. Brock was asked to follow-up with Milberg on their digital imaging process. Mr. Smith discussed February's agenda concerning Ms. Courcier's review. Ms. Adams said Mr. Yonce previously asked that it be placed on that agenda.

INPUT FROM ACTIVE AND RETIRED PLAN MEMBERS:

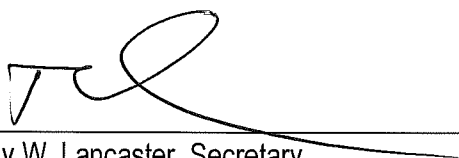
There was no input from any active or retired plan members.

ADJOURNMENT:

There being no further business, the meeting was adjourned at 12:26 p.m.


Richard B. Adams, Chairperson

ATTEST:


Timothy W. Lancaster, Secretary