

**PALM BAY POLICE AND FIREFIGHTERS' PENSION PLAN
BOARD OF TRUSTEES
Special Meeting 11-02**

Held on the 21st day of January 2011 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 9:05 a.m.

ROLL CALL:

PRESENT

Richard B. Adams, Chairperson, Board Appointee
Timothy W. Lancaster, Vice Chairman, Police Elected
Douglas R. Smith, Secretary, Fire Elected
Guillermo William Capote, Sr., Trustee, City Councilmember

EXCUSED

John J. Mazziotti, Trustee,
City Councilmember

Also in attendance was Ms. Kathy Adams, Board Administrator; Mr. Clement Johns, Director, Goldstein Schechter Koch, CPA and Ms. Lark Janes, CPA, Janes, Dinho & O'Keefe, LLP. Ms. Joyce Dias, Human Resource Officer, City of Palm Bay, was in attendance.

Motion by Mr. Lancaster, seconded by Mr. Capote to excuse Mr. Mazziotti's absence due to family commitments. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; and Mr. Adams, Yea.

AGENDA REVISIONS:

Motion by Mr. Smith, seconded by Mr. Capote to add to Consent Regular Minutes 11-01 and to add under Business, Item No. 2. Firefighter Brian Potash Arbitration. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; and Mr. Adams, Yea.

CONSENT AGENDA:

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

ADOPTION OF MINUTES:

- *Regular Minutes 10-13
- *Quarterly Minutes 10-15
- *Regular Minutes 10-16
- *Regular Minutes 11-01

The minutes were considered under Consent Agenda and approved as presented.

AUDIT PRESENTATION AT 9:15 A.M.:

1. Mr. Clement Johns, Director, Goldstein Schechter Koch, CPA-Audit for Fiscal Year Ending 9/30/10-Mr. Clement stated the audit revealed a clean audit. He reviewed pages 2-6 of the Management Discussion Analysis. The first paragraph stated there was an increase in net assets of \$9,597,149 due to the improvement in the financial markets. Paragraph two came from the actuarial valuation report. He stated they audit thirty plans and this fund continues to be the highest funding ratio. This fund is 90% funded where most are in the 68-70% range. Mr. Adams said the fund was now over \$130 Million. Pages 7 & 8 are the balance sheet. Total assets at September 30, 2010 was \$122,040,631 and liabilities \$4,526,061. The increase was due to the number of retirees in the Deferred Retirement Option Program (DROP). Net assets held in trust at September 30, 2010 are \$117,514,570. Pages 9 & 10 list the changes to the plan and the income statement. There was an addition of \$14,323,864 that was attributed to the net appreciation of income; it's a reflection of the improvement in the market. Mr. Adams referred to Page 9 and deductions of \$4,357,167 that was paid to retirees that is an economic engine to the City, which is about a \$5 Million payroll. He said their firm is working up trends of other plans and will have that available the end of March. He said the net increase on Page 9 is \$9,597,149. Mr. Adams compared the contributions to the payments stating that is a return back into the local economy. Pages 11-21 are notes to the financial statements. He said there were no significant changes. He said the police dropped by three employees and the fire by sixteen. Page 15 is required Government Accounting Standards Board (GASB) information and taken from the actuarial report. Page 22 shows the trends and he reviewed that page. Mr. Johns said the Actuarial Accrued Liability (AAL) is if everyone retired today and the fund since September 30, 2010 has grown to \$130 Million. He reviewed Pages 22, referring back to Pages 16 & 17. He discussed the actuarial valuation compilation saying the State changed the method of funding where they were going to actual payroll rather than the projected payroll. On Page 19 & 20 they looked at the interest risk and the bulk of the investments are not subject to a lot of interest rate fluctuations. Mr. Johns said the returns look good. He said the J.P. Morgan investment and expense declined over 2009. He said there is another report, the SAS114, where he can issue as a letter to the board that states everything in the plan has gone according as planned. It came about because of Enron. He said the board also gives him a letter that is a standard statement letter. Ms. Adams said that was given to him prior to today's meeting. He said there is a SAS115 that would be issued if there were any deficiencies; but in this case there were no findings. If the board wants a letter he can issue it. Mr. Adams asked the board and they stated they did want him to provide it. Mr. Smith asked about Page 22 on the 2009 funding ratio and wondered about 2010. Mr. Johns said that would be in the 2010 actuarial valuation report. Ms. Janes said the audit looks good and that Mr. Johns did a good presentation. Mr. Adams thanked Ms. Janes for all her work. Mr. Johns said their firm has a financial consultant that is free of charge that could come in to meet or do a presentation with potential retirees. Mr. Capote said Page 11 referred to the Pension Obligation Bond that was issued through the City during 2008. He said if this makes the plan go over 90%, from his perspective, if it was not issued how the plan would have fared. Mr. Johns referred to Page 22 stating the fund was over 90%; it would have been in the 60% range. However, the plan would have fared well without it. The plan would have been as good as it is making the returns it needs. Mr. Johns used a mortgage scenario, stating it the bottom line is whether or not you would have equity or not, it doesn't mean you have to pay it off. In this scenario, it's if all employees retired on the same day. Mr. Johns said this

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was a strong plan before the Pension Obligation Bond (POB). Mr. Adams said the POB was about the City's bond rating, not the strength of the plan. The bond was multifaceted. Motion by Mr. Smith, seconded by Mr. Capote to accept and approve the September 30, 2010 Audit. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; and Mr. Adams, Yea.

Ms. Janes was asked about her office relocation and she said it went Ok and the organizational change was the result of changing from one to two firms. Two partners moved North on Wickham closer to the Pineda Causeway, with a name change. It is working well and she's known her new partners for over twenty-five years. Ms. Adams said Ms. Janes' goal was to go paperless. Ms. Janes said she was researching setting up a portal for this purpose. Ms. Adams said the plan was a test-site for a similar process with Goldstein Schechter Koch a couple of years ago. It was used again this year and it significantly reduced the need for hard copy duplication. Ms. Adams asked Ms. Janes about accessing portfolio's with various clients. She said SunTrust keeps timing out, but she felt it was due to an internal safety feature. The board recessed at 10:06 a.m. and reconvened at 10:14 a.m.

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 2010-2015 Long Range Goals. There was a great deal of discussion about the investment and legislative issues with regard to the League of Cities legislative agenda and the use of the premium tax refund. He said the majority of the state money is already committed for previous benefits and would still need to be negotiated. He said the salary changes that were being recommended were the way it used to be and it only changed after 2003. He said the Florida Retirement System (FRS) requires an employer contribution of over 20%. There was further discussion on additional issues. Ms. Adams said she was having board minutes kicked back because of reaching the maximum limit, including those with the City that receives copies. It was causing her to have to break down the minutes, especially when the quarterly reports were included due to the color graphics. She spoke to a representative at Levi, Ray & Shoup, Inc. (LRS) and they can set up a portal for that purpose with password access. Motion by Mr. Capote, seconded by Mr. Lancaster to approve the establishment of a portal for the board agenda and minutes. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; and Mr. Adams, Yea. Mr. Capote discussed the Long Range Planning process and holding a once-a-year session. Mr. Adams stated that had been done in the past. The board's first session was held at the Palm Bay Hospital. This session is a continuation of that on-going process. Mr. Capote talked about having a facilitator and there was further discussion about the expense of using a facilitator. The board concluded that the desire was to have a once-a-year Long Range Planning session with their advisors with a special meeting perhaps in the fall. Mr. Lancaster commented on the website layout and asked whether it could be changed to be easier to access. Mr. Adams said he still has some software upgrades to load into the two office computers. Ms. Adams said she had contacted SunTrust about payroll processing and needed to obtain quotes; the postage and copier units may require upgrades and that the postage lease expires in April; and there were some on-going project with LRS that we need to get back on track with. The board reviewed communication and education and asked that the audit firm be contacted to see what their presentation

would consist of. Mr. Smith discussed the need for continuing board education and whether or not the investment policy could be changed to be more specific for trustees, especially new trustees coming on the board. There was discussion about the office location as the lease expires March 31st. Mr. Adams said the board used the City Manager's office several years ago and at the time paid for the telephone located in that office. They were asked to hold their meetings elsewhere by the City. The office was moved to the Rialto complex in Melbourne and eventually to the current location. There was discussion about this and the responsibility to the members and the money in the fund. Mr. Capote said he felt the City and the pension function were separate entities and should be in separate locations. Mr. Lancaster asked him about the cost that money could be saved. Mr. Capote said as a member he would feel more comfortable not going into City Hall. Mr. Adams reviewed the plans for the annex stating that what was being offered was a incubator site and they had already had experience with that; however, the anticipated growth needs would require all of the incubation space for the pension office. Mr. Adams discussed if the board wanted to go forward with looking at the New City Hall Annex, he could research having the fund purchase a bond and then the fund would become the owners of the building. Mr. Smith said he would stay away from the investment side on it. He said JP Morgan is paid to look at the best investments in any other area; not because the board would be directing them to do it. It must be the best investment for the fund. He would need more information and asked about the current location. Mr. Lancaster said he agrees with Mr. Capote that it should be a separate location from the City. Mr. Smith said he also liked the idea of keeping an off-site location. Mr. Lancaster said the membership has to have a comfort level when dealing with their personal pension issues. Ms. Adams said the board had a lot invested in keeping the membership's trust with their private information. Mr. Lancaster said the current space is a nice space, but wants RJ Conlan approached about addressing some issues. The board asked Mr. Adams to meet with Mr. Warner, RJ Conlan Building Representative to discuss various options about the current space and another space within the building. The board commented about the current leasing market and the desire to keep the lease payment the same. Mr. Smith and Mr. Lancaster both said they were against the City Hall Annex consideration as it was not in the plans or members' best interest. Mr. Lancaster made some good points about the Conlan space. Motion by Mr. Smith, seconded by Mr. Capote to obtain a commercial real estate agent to look at two to three properties as potential sites with specific parameters. Mr. Lancaster agreed to meet with Kathy about the list of parameters. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; and Mr. Adams, Yea. There was discussion about staffing and education. Mr. Adams updated the board on Ms. Courcier and the board asked for follow-up. Records retention was discussed as well as the need to scan what was on file that would reduce filing space requirements. Motion by Mr. Lancaster, seconded by Mr. Smith to approve retaining a temporary clerk through Snelling for a three month period for the scanning project and other needs as they arise. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; and Mr. Adams, Yea. Ms. Adams discussed further ways to go paperless and use of CD's to replace the current disability binders.

2. Firefighter Brian Potash Arbitration-Ms. Adams said she was informed Firefighter Potash was successful in his arbitration for wrongful termination. She discussed the various reports that would be required and what would be involved in him being made whole in the fund. One component was the need for his biweekly salary during the approximate two plus years of his unemployment. Ms. Dias was asked about that information. She said it would be based on his return to work date. Ms. Adams said she notified

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the actuary and was waiting for a quote on the cost for the analyses. Ms. Adams said the only thing she could find about a member buy back into the plan was in Florida State Statutes that required the deposit of all funds within a 90-day period. She said she advised the City about this and that she would further contact Mr. Cypen once she had the opportunity to meet with Firefighter Potash. Motion by Mr. Smith, seconded by Mr. Capote to authorize and approve the actuarial studies needed to determine what would be required to bring Mr. Potash up-to-date in the plan. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; and Mr. Adams, 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:

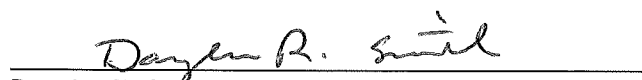
There was no input from the public at this time.

ADJOURNMENT:

There being no further business, the meeting adjourned at 12:20 p.m.


Richard B. Adams, Chairperson

ATTEST:


Douglas R. Smith, Secretary