

**PALM BAY POLICE AND FIREFIGHTERS' PENSION PLAN
BOARD OF TRUSTEES
Quarterly Meeting 11-07**

Held on the 4th day of May 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.

Timothy W. Lancaster, Vice Chairman, called the meeting to order at the hour of 9:01 a.m.

ROLL CALL:

PRESENT

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

EXCUSED

Mr. Adams called to say he was on his way. He arrived at 9:05 a.m. Also in attendance was Ms. Kathy Adams, Board Administrator; and Suzanne Sherman, Risk Manager, City of Palm Bay; Mr. Blake Myton, Vice President, Investment Manager, SunTrust Bank arrived at 9:18 a.m.; and Mr. Larry Cole, Senior Consultant, Burgess Chambers & Associates arrived at 9:22 a.m. The City Council Appointee Trustee seat previously held by Mr. Mazziotti is vacant until further appointment.

AGENDA REVISIONS:

There were no agenda revisions.

CONSENT AGENDA:

Motion by Mr. Capote, seconded by Mr. Smith to approve the Consent Agenda. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; and Mr. Capote, Yea. Mr. Adams arrived at 9:05 a.m.

ADOPTION OF MINUTES:

No minutes were ready for adoption.

QUARTERLY REPORTS AT 9:30 A.M. & 10:00 A.M.:

1. **Burgess Chambers & Associates**-Mr. Larry Cole, Senior Consultant-The presentation began with Mr. Myton's presentation below. After Mr. Myton's presentation, Mr. Cole continued by stating that Ridgeworth has about 80% of the portfolio and is getting more diversified, with a recommendation to move toward convertibles, something that Ridgeworth does not offer. The investment gain is up for March 31st \$5,227,598.00 or 10.7%. For the first half of the year the fund is meeting the assumption being up 11-12%

today. The trailing 12 months it's up 14.2%, net of investment management fees, at \$16,586,917.00. The JP Morgan NCREIF is not as aggressive, but they are being more prudent than the requirement in compliance as far as approving properties more frequently than required. He said the total return for the quarter is 4.1%. The last two years the fund earned 21% annualized return. In reviewing the quarterly report, he said the returns back to 2000 have met the target and beat the benchmark, except the bad year in 2008. Out of ten periods when the fund went low, 60% of the time it beat it. Mr. Cole said he did an analysis at 8% and it went up a percent in meeting it. He said the Ridgeworth total will change to 65% equity and 40% fixed income asset allocation; it is now at 55% equity and 45% fixed income. The Euro Pacific is right in the middle of the pack. They have added 4.5% per year above the benchmark over the past five years. He reviewed the Risk Return Analysis. He said the fund is less volatile with higher return with the goal being diversification. The discussion continued with Mr. Myton under Item 2. below, second paragraph.

a. Investment Policy on Closed General Employee Defined Benefit Retirement Plan-Mr. Capote said he received an email from Mr. Feldman, City Manager, expressing concern about investment agreements they might approve. Mr. Feldman wanted approvals for those tabled until they could be reviewed by him, the City Attorney, the City's Risk Manager and the City's Purchasing Manager. Mr. Capote deferred the discussion to Suzanne Sherman, Risk Manager. Ms. Sherman said nothing had been run through the City and they wanted it done so they could make sure that insurance protection was provided. She said she could not speak for the attorney or purchasing. There was discussion about all agreements being presented in a board meeting which was subject to the Sunshine Law and a matter of public record and that anyone could comment on any agreement. Ms. Adams said she could add Ms. Sherman to the agenda distribution list. Motion by Mr. Lancaster, seconded by Mr. Smith to approve the Investment Policy on the Closed General Employee Defined Benefit Retirement Plan and the Contracts for Advent and SSI. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; and Mr. Adams, Yea.

b. Convertibles-Contract for Advent-See Item 1. a. Mr. Cole said he will bring Advent and SSI representatives in once a year rather than quarterly. They do not charge extra for travel, etc. He discussed the fee on Advent so every account is charging 80 basis points on \$5 Million in assets.

c. Convertibles-Contract for SSI-See Item 1. a.

d. Revision of SunTrust Addendum-Mr. Cole said the board should approve the revision even with the changes with SunTrust. There was discussion about it lowering the bond exposure. Motion by Mr. Smith, seconded by Mr. Capote to approve the Revision of the SunTrust Addendum. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; and Mr. Adams, Yea. Mr. Lancaster said it was a hard pill for Mr. Myton to swallow, but opens up a lot of opportunities. Mr. Smith said it opens up everything. Mr. Cole left the meeting at 11:15 a.m. Discussion continued with Old Business Item 8.

2. SunTrust Institutional Investment Solutions-Mr. Blake Myton, Vice President, Investment Manager-Mr. Myton said he has some updates to discuss with the board regarding the Plan's asset allocation. Mr. Myton gave a brief economic overview and indicated that lower quality in fixed income brought in good returns for the quarter and that he is concerned about inflation. Equities are in good shape that housing and unemployment are still issues. The concern is not if but when are rates going to kick back

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up. For the first six months, the Plan increase \$10 Million. The market value of the total SunTrust portfolio at March 31st was \$108,195,657.78. It was a solid quarter, up 4.32% and up 11.39% over the last six months. Mr. Capote asked what Mr. Myton was projecting for the next quarter and one year out. Mr. Myton said he needed to see what the Federal Reserve was going to do and timing of it as well as the unemployment issue. He does not see the Fed's taking action this year unless there are significant signs of inflation. Mr. Smith said it was a good move for the board to have reduced the ratings on the bonds to triple B's and Mr. Myton agreed. Mr. Cole said he is not hearing about any higher yield or riskier bonds in the portfolio. He said identifying the bond market a year from now rates may be higher than now. He stated they interview over 100 managers a year. The job report is lower than expected. Mr. Cole continued with his presentation under Quarterly Reports 1 above.

Mr. Myton said the internal decisions have made and continuation of the separation between Ridgeworth and SunTrust. The last step in the process is the way they are currently charging fees and will be closing a few of the current SunTrust Retirement commingled funds currently used by the Plan. He distributed and went over a handout reflecting the current process, just charging a tiered fee structure around 28 basis points. With the decision to not rebate back mutual fund fees, moving to an all mutual fund allocation would result in the total cost increasing from \$302,908.00 to \$601,573.00. As an alternative the board may consider not utilizing Ridgeworth mutual funds and have SunTrust individually manage the Large Cap Growth and the Large Cap Value Equity and Fixed Income Fund. The costs of using this approach would be 43 basis points, or \$361,460.00. Mr. Adams asked about difference between options A or B; B would eliminate small and mid-caps. Mr. Cole discussed conducting a search. He said Ridgeworth is creating commingled products in these areas. Mr. Adams said those investments have \$20 Million. Mr. Myton said there is no impact on custody fees on a 60/40 allocation. The 43 basis points include custody. Mr. Lancaster asked about the timing of the changes and Mr. Myton said the soft closing date is the end of the quarter; the hard deadline is the end of the fiscal year, September 30th. Mr. Cole expressed concern. He said this is the first time he's seen this. He said 56 basis points is average but what is not reasonable is taking it from 28 to 56 basis points in one fell swoop. Mr. Myton said they are moving to a more open architect platform. Mr. Cole said 56 basis points is average for multiple managers. This fund has had a good deal up to the point. This does away with the bundled approach. Mr. Myton said the rebating is going away, and the commingled funds are going away at September 30, 2011. Mr. Cole will get back with the board and is currently thinking of conducting a comparison for each category on a management search. Mr. Smith said he would like to see Mr. Cole or hear from him at the June 1st board meeting. Mr. Cole said he could attend by telephone if necessary. The board recessed at 10:49 a.m. and reconvened at 10:50 a.m. Mr. Myton did not return to the meeting. Discussion continued with Item 1. a. above.

OLD BUSINESS:

1. **Actuarial Services & Projects: Foster & Foster, Inc.**
 - a. **City of Palm Bay Proposed Ordinance 2010-81, Amendment Implementing Firefighter Pension Changes-Unfair Labor Hearing-**This item is pending.

- b. Firefighter Brian Potash Arbitration-**Ms. Adams said she spoke to Mr. Cypen and to Ms. Shoemaker at the Division of Retirement. The statute is a guideline and the board could extend it to within a reasonable time, say to the regular meeting in July. Ms. Adams said she also discussed the requirement for updated statement from the actuary with Mr. Patrick Donlan, Foster & Foster. He said the three statements could be updated for \$75.00 each. To keep cost low, he could update the statements within a two week notice of Mr. Potash's actual intent to remit payment. The outstanding invoice for the three reports previously ran is \$600.00 (\$200.00 each). The \$75.00 additional cost, per statement for three additional statements, would add \$225.00 to the \$600.00 invoice. Mr. Donlan stated that if payment extended beyond the fiscal year-end (September 30, 2011) then the cost would increase, both for the reports and for the results in each statement. Motion by Mr. Capote, seconded by Mr. Smith to extend the deadline for remittance to the July 6,, 2011 meeting. pending it is allowed by law or by the state and board counsel to include a revised impact statement with a daily rate from the actuary. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; and Mr. Adams, Yea.
- 2. Pension Website-www.pbpfpf.org**-Mr. Adams said work is still being done on the portal set-up and said it was a main topic at the PRISM conference that we are ahead in this area. Several large plans are working on portals and asked him about it. They said the way we are establishing ours is the right way and most cost-effective. He is also working on the bank-sharing project with SunTrust Bank staff.
- *3. DROP Returns for Quarter-ending March 31, 2011-**This item was considered under Agenda Revisions and approved as presented. The DROP returns for quarter-ending March 31, 2011 was 4.05%.
- 4. Payout Expense Account-**Funds are getting low in this account and it is being monitored for a possible transfer over the next couple of months.
- 5. Update on Ronald C. Giordano, Jr.-Disability Application-**Ms. Adams said Dr. Orris is requesting additional pulmonary function testing because it appears as though the most recent testing was done in 2005. It would have to been done at Rush Medical Facility at an approximate cost of \$2,000-\$2,500. There are also some additional medical records that may be required. Motion by Mr. Smith, seconded by Mr. Capote to authorize the payment for additional medical records, examination and testing for Mr. Giordano. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; and Mr. Adams, Yea. Motion by Mr. Lancaster, seconded by Mr. Capote to authorize the services of a court reporter at the Informal Hearing if needed. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; and Mr. Adams, Yea.
- 6. Economic Development Administration Revolving Loan Fund (EDA RLF)-**Mr. Capote said after the board explained it, Mr. Feldman called his contact in Washington DC and was referred to Atlanta and could not get further information from Atlanta. Mr. Capote wanted it retained as an agenda item.
- 7. City Council Appointee to the Board of Trustees-**Ms. Adams said she received a notification from Legislative that was to be an official notice of Mr. Mazziotti's resignation from the pension board. Mr. Capote said an appointment would be made after May 11th by Council. Ms. Adams said she was working with Legislative to have them copy Mr. Mazziotti's emails so she could close his email account.
- 8. Pension Office Lease-**There was discussion about having Mr. Warner and the owners at the next meeting. Mr. Capote talked about purchasing property and building a structure. Mr. Lancaster does not think buying is a viable option and was concerned about the perception. Mr. Smith felt it could be an opportunity. Mr. Capote said all options should be looked at. He will bring in three realtors to look at some

properties. Discussion continued under New Business Item 4.

NEW BUSINESS:

***1. Consideration of Warrants for Payment**

***a) First Comp-\$362.00-Annual Insurance Premium (6/5/11-6/5/12) for Workers' Compensation Insurance for P/T Employees Policy #SIC00117707-01-**This item was considered under Agenda Revisions and approved as presented.

***b) Levi, Ray & Shoup, Inc.-\$1,056.00-Monthly Web & Portal Hosting Fees \$88.00 p/mo; Billed Annually-**This item was considered under Agenda Revisions and approved as presented.

***c) Burgess Chambers & Associates, Inc.-\$11,250.00-Performance Monitoring & Advisory Fee for Quarter Ending 03/31/2011; Invoice No. 11-79-**This item was considered under Agenda Revisions and approved as presented.

***d) SunTrust Bank-\$77,231.53-Administrative Fees for Quarter Ending 03/31/2011 Invoice No. 6825583-**This item was considered under Agenda Revisions and approved as presented.

***e) SunTrust Bank-\$878.43-Services Rendered for 01/01-03/31/2011 Administrative Services for the Euro Pacific Account, Invoice No. 7926813 (Police & Fire Funds Only)-**This item was considered under Agenda Revisions and approved as presented.

***2. New Plan Member Application, Member Beneficiary Changes, Pre-Retirement Death Benefit Option Selection and Retirement Beneficiary Forms-**New member applications/beneficiary forms were accepted and approved for Police Officers Alexander Carroll; Anthony P. Farmer; and Eric S. Kennard. A member beneficiary form was accepted and approved for Firefighter Paul Davidson. Member beneficiary forms for retirement purposes were accepted and approved for Police Officer Glenn A. Garceau and Firefighter Glenn Martin. This item was considered under Agenda Revisions and approved as presented.

***3. Review of Correspondence:**

***a) Monthly Bank Statement-STI, 03/31/2011-**The market value of the SunTrust Funds at 3/31/2011 was \$126,042,228.63. The market value of the International Funds, which are part of the SunTrust portfolio, is \$16,758,145.08. The Grand total of all the Funds at 3/31/2011 was \$135,166,497.74. This item was considered under Consent Agenda and approved as presented.

***b) Monthly Statement-JPMorgan Strategic Property Fund, 03/31/2011-**The market value for the JPMorgan Strategic Property Fund at 3/31/2011 was \$9,124,269.11. This item was considered Consent Agenda and approved as presented.

4. Board Business-Motion by Mr. Smith, seconded by Mr. Capote to extend the use of temp services through July. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; and Mr. Adams, Yea. Ms. Adams said one of police officer new hires had some medical issues that may preclude future disability retirement claims. She was attempting to document his file for this reason. Motion by Mr. Lancaster, seconded by Mr. Smith to approve the expenditure for any copies of medical or employment records needed on new police hire Eric S. Kennard. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; and Mr. Adams, Yea. Mr. Adams discussed a request from Police Retiree Douglas Farnham about setting up a Retired Police/Fire Forum linked to the pension website through a product called ProBoards. There was discussion about concerns and the fee, public record and assumed or implied liability through any such agreement. The board

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declined the request. Mr. Adams said on his old phone some of the programs do not work, but that he was going to donate it to the women's center. Ms. Adams said the office is having problems receiving payroll authorization forms on new hires and terminated individuals in a timely manner. The fund received a check for \$9.59 from Arthur J. Gallagher as an overpayment on the excess liability policy. It was sent to the bank for deposit. Ms. Robertson will be leaving early on May 25th and will be out on May 26th for vacation. Ms. Adams said she received a US Census Bureau form from Ms. Logan, Assistant Finance Director, City of Palm Bay on the Police & Fire Retirement Funds to complete. The board acknowledged the 2010 Addendum to Float Disclosure from SunTrust Bank. Ms. Adams told the board the postage machine's lease was up for renewal and she would be bringing it back as part of the budget. She reminded the board she needed an updated copy of their personal auto insurance cards. Ms. Sherman said she understood that an employee must reach medical maximum improvement (MMI) before the board could have a disability hearing and wanted to know if there was an alteration to that because the individual would not be a police officer in the end. There was a discussion about the disability process. The board cannot have a hearing until the individual is no longer receiving treatment. If they were to deny an individual there are statutory procedures for appeal that could be both costly to the fund by way of administrative expenses that the City pays, as well as to the applicant. There was a discussion about the workers' compensation offset and the need for follow-up information regarding that issue. Ms. Sherman said pay to the employee, in some instances, continues three to five years and is paid by the City biweekly.

5. Upcoming Events-Educational Opportunities-There was no upcoming events. Mr. Adams reviewed the Public Retirement Information Systems Management (PRISM) Conference he attended. He said in comparing large state plans such as New Jersey and Alabama, the Palm Bay Fund has done well. He was surprised how many state plans did not contribute what they were required to for several years and as a result are running into major problems. The conference was very informative and provides an opportunity to see how other plans deal with various technical and administrative issues. He stated the Palm Bay Police & Firefighters' Fund was the first in the state to join this group and sees it as a value-added group.

6. Annual Affidavits to Retirees-Affidavits will be mailed to retirees this week.

***7. Termination from Employment; Begin Regular Monthly Retirement Distribution; Authorize DROP Distribution; Begin Annual DROP Distribution Payment in December-Police Officer David W. Crispin-**This item was considered under Agenda Revisions and approved as presented.

***8. Application for Retirement & DROP-Police Officer Glenn A. Garceau-**This item was considered under Agenda Revisions and approved as presented.

***9. Application for Retirement & DROP-Firefighter Glenn Martin-**This item was considered under Agenda Revisions and approved as presented.

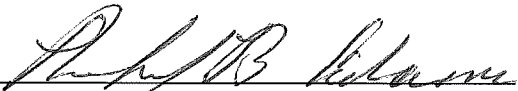
INPUT FROM ACTIVE AND RETIRED PLAN MEMBERS:

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


ADJOURNMENT:

There being no further business, the meeting adjourned at 12:19 p.m.

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Richard B. Adams, Chairperson

ATTEST:


Douglas R. Smith, Secretary