

**PALM BAY POLICE AND FIREFIGHTERS' PENSION PLAN
BOARD OF TRUSTEES
Quarterly Meeting 12-03**

Held on the 1st day of February 2012 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 9:12 a.m.

ROLL CALL:

PRESENT

Richard B. Adams, Chairperson, Board Appointee
Timothy W. Lancaster, Vice Chairman, Police Elected
Douglas R. Smith, Secretary, Fire Elected
James W. Brock, Trustee, City Council Appointee

EXCUSED

Guillermo William Capote, Sr., Trustee,
City Councilmember Appointee

Also in attendance was Ms. Kathy Adams, Board Administrator; Mr. Chad Shoultz, Deputy City Manager, and Ms. Joyce Dias, Human Resource Officer, City of Palm Bay. Mr. Larry Cole, Senior Consultant, and Ms. Karla Engard, Operations Manager, Burgess Chambers & Associates; and Mr. Blake Myton, Vice President, Investment Manager, SunTrust Institutional Investments, arrived at 10:00 a.m. Mr. Heinrichs, Board Actuary, telephoned at 9:44 a.m. and 9:50 a.m.

Motion by Mr. Brock, seconded by Mr. Smith to excuse Mr. Capote's absence because he was working. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea.

AGENDA REVISIONS:

Motion by Mr. Lancaster, seconded by Mr. Brock, to add under the following Board Minutes as consent items under Adoption of Minutes: Regular Minutes 11-12; Special Minutes 11-13; Special Minutes 11-14; Special Minutes 11-16 (Closed Attorney/Client Session); Regular Minutes 12-01; and Special Minutes 12-02 with remaining minutes tabled to the next meeting as they were not ready for adoption; and to add under New Business: *1. Consideration of Warrants for Payment, b) Foster & Foster, Inc.-\$4,459.00-Professional Actuarial Services, Invoice No. 2535 (Fire Only) and c) Foster & Foster, Inc.-\$1,909.00-Professional Actuarial Services, Invoice No. 2540 (Police Only). Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea.

CONSENT AGENDA:

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

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ADOPTION OF MINUTES:

Quarterly Minutes 11-11
***Regular Minutes 11-12**
***Special Minutes 11-13**
***Special Minutes 11-14**
Regular Minutes 11-15
***Special Minutes 11-16 (Closed Attorney/Client Session)**
Special Minutes 11-17
Quarterly Minutes 11-18
Regular Minutes 11-19
***Regular Minutes 12-01**
***Special Minutes 12-02**

The minutes with asterisk were considered under Consent Agenda and approved as presented. The remaining minutes were tabled.

BURGESS CHAMBERS QUARTERLY REPORT AT 10:00 A.M.:

1. **Burgess Chambers & Associates-Mr. Larry Cole, Senior Consultant**
 - a. **Quarterly Report-**Mr. Cole said the December 31, 2011 quarter was better. He said the fund had a great fiscal year-end, but gave it all back on September 30th and then got it back December 31, 2011. The total market value at December 31, 2011 is \$126,159,181.00. For the quarter, the fund gained \$7.8 Million, ahead of the target index. The best performing asset categories were mid-cap value, small-cap growth, and large-cap value. He said Eagle Small-Cap Growth and Ceredex Mid-Cap Value were funded on January 6, 2012 and Frontier Mid-Cap Growth was funded on December 1, 2011. He said the quarter net return was 6.7%, no annualized, and that the Fund probably exceeded the assumed rate of return of 8.50%. He said he added a page in his report regarding the board management changes with the additional diversification. He reviewed the compliance checklist where most boxes were checked "yes". He said Palm Bay is his first client meeting of the quarter compared to the rest of his clients and because of that there is a one quarter lag for comparison because BNY Mellon public funds' universe comes out around the 7th of the month. He suggested no allocation changes at this time and reminded the board they just added another \$250,000.00 each to Advent and SSI convertible portfolios. Those transfers were completed on January 20, 2012. He reviewed the asset allocation and a new chart reflecting the asset distribution. The total gross returns for the quarter were 6.8%. He said the absolute number is 9.9% for the last three years and does not support reducing the 8.50% assumed rate of return. He said the City's Actuary, Mr. Tierney, put a lot of weight on forecasting models that are not accurate. The trend is to lower the assumed rate, but Mr. Cole does not agree. From a risk management perspective it does not lower the risk, but increases the cost instantly. He discussed the returns going back to September 30, 2001 on page 10 of his report. He discussed the rolling five year smoothing saying the positive amounts will begin to appear when the 2008 year drops off. There was discussion about RidgeWorth equity and fixed

income and the individual reporting pages. Mid-cap Value had a bad year, but the prior years were good. The RidgeWorth (RWI) Emerging Growth did worse but there is only \$5,834.00 in that asset class. The Euro Pacific is ahead for the quarter, they are making moves that will help in a couple of years. J.P. Morgan is up 15% over the last two years. The best decision by the board was that they didn't take the money out of that fund when others were. It is at a little less volatility, but higher than the benchmark. Mr. Cole said he and Ms. Engard would be coming back at the next meeting because Burgess Chambers & Associates' contract expired June 2011. They will be proposing an amendment with a fee increase. He said there will be no invoicing for his attendance at the pension workshop.

SUNTRUST QUARTERLY REPORT AT 10:30 A.M.:

1. SunTrust Institutional Investment Solutions-Mr. Blake Myton, Vice President, Investment Manager

a. Quarterly Report-Mr. Myton said small and mid-cap were negative and the large cap was choppy. They are encouraged by the Fed's news as far as equities and fixed incomes are concerned. They have a clash with forecasts equity guys that they are positive and fixed income guys have a negative view. He is seeing a repeat of the last year where it is a volatile market with concerns about Europe. He sees a moderate growth environment. Higher quality stocks should return and feels the fundamentals do matter. They like growth more than value and the board has reallocated in small and mid-cap to Eagle and Frontier. They now have value on the domestic side. He feels 2012 should be a positive year with 4-5% yields out of fixed income and on the equity side he feels 8-10% should be doable. The total SunTrust portfolio return was 6.83% for the quarter. He said there were a lot of changes switching out of comingled into separately managed accounts on September 28, 2011. They have had the Emerging Growth for about three years and it is up almost 20%; diversifying had benefited the fund and that has now been switched off to Eagle Asset. The asset allocation for fixed income is 40.3%; equity 57.8%; and total cash 1.9%. The RidgeWorth Mid-cap Value Fund is now transitioning to Ceredex. Going forward the board will see separately managed funds with 25 basis points on \$5 Million, so it's a significant investment fee reduction. Most funds will be separately managed. Mr. Myton said they are reorganizing Benefit Solutions. There have been some folks laid off and they don't see a lot of changes except Ms. Hagan will not be the contact in Orlando. That contact will be transferred to Atlanta staff that will be announced at a later date. Kate Wilson will continue with Benefit Solutions through March 31, 2012. Atlanta staff that we are currently working with on disbursements will continue to be the same. There was discussion of employee payroll processing and Ms. Adams will research that information and bring it back to the board.

b. SunTrust Transition Invoice-Janes, Dinho & O'Keefe, LLC-Ms. Adams said there was a lot of extra work that had to be done at the accountant's office because of the timing of the SunTrust transition. The board could authorize payment then ask for reimbursement to the fund by SunTrust. Motion by Mr. Brock, seconded by Mr. Smith to ask for reimbursement by SunTrust for Janes, Dinho & O'Keefe, LLC transition invoice. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea. The board recessed at 11:32 a.m. and reconvened at 11:46 a.m. Mr. Myton did not return to the meeting.

Ms. Engard expressed concerns about the changes at SunTrust and that there was an impact in the Mid-Atlantic Region, Atlanta and Orlando. Ms. Engard said she previously worked for SunTrust for 23 years and with the recent layoff SunTrust had lost a lot of talent. She said Burgess Chambers & Associates (BCA) did Requests for Quotation for other clients and that SunTrust did not compete to keep the business on the custody side. SunTrust lost business from Burgess Chambers & Associates and the Boghdan Group. Mr. Cole said he had done searches and the board does have a competitive rate with SunTrust. He said pricing wise the fund could save one basis point at least. There was discussion on the separately managed funds having higher trading costs, but that is OK if there are good returns. There was further discussion on bidding and transition. Ms. Engard said if you switch custodians it does not mean you have to switch managers and with the size of the plan, the board will get some good quotes. Mr. Cole said there is no direct charge from BCA for this service; although there may be in a fee adjustment later. Motion by Mr. Brock, seconded by Mr. Smith to have Burgess Chambers & Associates move forward with a Request for Quotation (RFQ) for custodial services. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea. Mr. Cole and Ms. Engard left the meeting at 12:25 p.m. and did not return.

OLD BUSINESS:

1. **Actuarial Services & Projects: Foster & Foster, Inc.**

a. **City of Palm Bay & the Palm Bay Professional Firefighters, IAFF, Local 2446**

Revisions to the Draft Ordinances and Impact Statements-Ms. Adams said she received a letter of confirmation from Foster & Foster, Inc. that the benefits are not less than the minimums are not less than those in effect on March 12, 1999. This confirmation was requested by Ms. Shoemaker, Benefits Administrator, Division of Retirement. She said although the City and the Fire Union provided a letter addressing this issue, the letter had to come from the actuary. Mr. Adams said he had some concerns about the ordinance language that he wanted clarified regarding the three percent (3%) multiplier: early retirement option of 45 & 20; and the definition of average final compensation at 1998 listed as the highest of the consecutive three (3) years of service definition not being in the new ordinance. There was further discussion. Mr. Shultz said the ordinance had been reviewed by the attorneys. Mr. Heinrichs, Board Actuary, was telephoned at 9:37 a.m. Mr. Adams read the ordinance in place prior to the 1999 rewrite. The page dealing with this issue in the 1999 ordinance was faxed to Mr. Heinrichs for review. The telephone call ended at 9:44 a.m. Mr. Heinrichs telephoned at 9:50 a.m. and said the average final compensation was the highest five (5) years out of the last ten (10) years on page 37 of the 1999 ordinance. The three (3) years was the Internal Revenue Service (IRS) language within the 415 guidelines. He said both components should be in the new ordinance because the IRS 415 language is a federal requirement, but he is not an attorney. On the supplement, if the individual is not vested and works three (3) years then when they do become vested they get three (3) years at the \$25.00 per month and \$12.00 per month for each year thereafter. Mr. Smith asked about the \$458.00 supplement and Mr. Heinrichs said there are no changes to that supplement. The telephone call ended at 9:58 a.m. Motion by Mr. Smith, seconded by Mr. Brock to approve the Draft Firefighter Ordinance and to send it to the Division of Retirement pending Mr. Cypen's OK on the concerns. Motion carried

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with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea.

b. City of Palm Bay & the Fraternal Order of Police-Negotiations-This is pending receipt of a letter of agreement and request from the Police Union and the City.

2. Pension Website-www.pbpfpf.org-Ms. Adams said is attempting to put the audio from the pension workshop on the website.

***3. DROP Returns for Quarter-ending December 31, 2011**-Gross Returns for December 31, 2011 was 6.85%; Net of Fees were 6.72%. DROP returns for December 31, 2011 are 6.72%. This item was considered under Consent Agenda and approved as presented.

4. Formal Hearing on Ronald C. Giordano, Jr.-Disability Application-Ms. Adams said additional documents were added to the disability binder and reminded the board the Formal Hearing is scheduled for March 16, 2012.

5. Review of January 26th Pension Workshop with the Palm Bay City Council-Mr. Smith said it was a good workshop. Mr. Lancaster said Mr. Cole did an excellent job. Mr. Adams said all the presenters did well and the board appreciated them taking their time to prepare and to be available for this workshop.

6. Payout Expense Account-Motion by Mr. Brock, seconded by Mr. Lancaster to approve the transfer of funds to the Payout Expense Account upon recommendation by Ms. Janes, Board Accountant. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea.

7. Interfund Transfer-Motion by Mr. Brock, seconded by Mr. Lancaster to approve the Interfund Transfer upon recommendation by Ms. Janes, Board Accountant. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea.

8. City Council Board of Trustee Appointees-Ms. Adams said she sent a reminder to Legislative about the positions.

9. Pension Office Lease-Motion by Mr. Lancaster, seconded by Mr. Brock to approve the purchase of equipment needed for the office relocation to be debited from the Recapture/12b-1 Fees. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea. Mr. Adams said he met with Brighthouse for a work-up versus AT&T and it came in at about a \$30.00 difference per month. Motion by Mr. Brock, seconded by Mr. Smith to move forward with the transfer of service from AT&T to Brighthouse. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea.

Mr. Cole, Ms. Engard and Mr. Myton arrived at 10:13 a.m. Mr. Shultz left the meeting at 10:13 a.m. and did not return. Discussion was directed to the Quarterly Reports above.

NEW BUSINESS:

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

***a) Levi, Ray & Shoup, Inc.-\$9,900.00-Import Disbursement Info Phase II, Invoice No. 104619 (Police & Fire Only)**-This item was considered under Consent Agenda and approved as presented.

***b) Foster & Foster, Inc.-\$4,459.00-Professional Actuarial Services, Invoice No. 2535 (Fire Only)**-This item was considered under Consent Agenda and approved as presented.

- *c) Foster & Foster, Inc.-\$1,909.00-Professional Actuarial Services, Invoice No. 2540 (Police Only)**-This item was considered under Consent Agenda 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 Firefighters Sandra Durfee; Daniel L. Hubbard; Alex St. Joy; and Kevin Plunkett. A member beneficiary form for retirement purposes was accepted and approved for Firefighter Ray L. Roberts. This item was considered under Consent Agenda and approved as presented.
- 3. Board Business-**Ms. Adams said she received notice that Florida Power & Light was going to ask for an increase with the Florida Public Service Commission. Ms. Adams said the board is receiving an invoice for \$123.60 from OrangeLegal, Inc. a court reporting service. This company was scheduled by Mr. Cypen, Board Attorney, for a closed attorney/client session. Upon attending the session, Mr. Cypen discovered another legal firm had brought their own court reporter. Several attempts were made the morning of the session to contact OrangeLegal to cancel their services. A court reporter arrived after the session began. The pension office has repeatedly received invoices from them. Mr. Cypen, Board Attorney, is responding to this repeated request. Ms. Adams said because of the upcoming move and scanning project she had contacted the City Legislative Department about obtaining past board minutes from 1974 through the 1980's so that they can be on file within the pension records. There might be a charge for this request and she will bring it back to the board if it's needed.
- 4. Upcoming Events-Educational Opportunities-**Ms. Adams said there is a PensionGold Users Conference coming up but she did not have the date. This item is tabled until later. Motion by Mr. Lancaster, seconded by Mr. Brock to authorize five (5) individuals to attend the Division of Retirement School in May with routine expenses to be covered. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea.
- *5. Application for Retirement & DROP-Firefighter Ray L. Roberts)**-This item was considered under Consent Agenda and approved as presented.
- 6. Recalculation of Retirement Benefit for Firefight Edwin Borkowski-**Firefighter Borkowski's benefit calculation had been prepared and distributed to him. It was then discovered that he had some furlough time that had not been deducted from his credited service. The actuary revised his calculation and a new benefit option form was provided to Firefighter Borkowski.

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.


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ADJOURNMENT:

There being no further business, the meeting adjourned at 12:37 p.m.


Richard B. Adams, Chairperson

ATTEST:


Douglas R. Smith, Secretary