

PALM BAY POLICE AND FIREFIGHTERS' PENSION PLAN
BOARD OF TRUSTEES
Quarterly Meeting 12-08

Held on the 2nd day of May 2012 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, Vice Chairperson, called the meeting to order at the hour of 9:11 a.m.

ROLL CALL:

PRESENT

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

EXCUSED

Richard B. Adams, Chairperson, Board Appointee
Guillermo William Capote, Sr., Trustee, City Councilmember Appointee

Also in attendance was Ms. Kathy Adams, Board Administrator; Ms. Deanna Robertson and Ms. Katie Taglia-Polak, Pension Assistants; and Ms. Laura Clawson, Human Resources Analyst II, 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 10:04 a.m. Mr. Heinrichs, Board Actuary, was telephoned at 11:15 a.m.

Motion by Mr. Smith, seconded by Mr. Brock to excuse Mr. Capote's absence and Mr. Adams' delay as he was on his way and would be late to the meeting. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; and Mr. Brock, Yea. Mr. Adams arrived at 9:17 a.m.

AGENDA REVISIONS:

Motion by Mr. Brock, seconded by Mr. Smith to pull *Special Minutes 12-07 from Consent as they were not ready for approval; to add under New Business: *1. Consideration of Warrants for Payment, e) JP Morgan Investment Management Inc.-\$26,002.14-Quarterly Management Fees for Period Ending 3/31/2012 for the Real Estate Strategic Property Fund (Police & Fire Funds Only); and Item No. *10. Application for Retirement & DROP-Police Officer Jeff Kraynick. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; and Mr. Brock, Yea.

CONSENT AGENDA:

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

ADOPTION OF MINUTES:

Special Minutes 12-07

The minutes were pulled from Consent under Agenda Revisions as they were not ready for approval. Discussion continued with Old Business Items 2-4 and New Business Items 1-10. After that discussion the Board addressed the Burgess Chamber Quarterly Report.

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

1. Burgess Chambers & Associates-Mr. Larry Cole, Senior Consultant

a. Quarterly Report-Mr. Cole said April was flat with Equity markets being down. For the quarter, the Fund earned \$11 Million, 8.8% net, which was ahead of the target index. For the fiscal year the Fund earned \$18.8 Million and beat the actuarial assumed rate of return. The best performing asset categories were Large-Cap Growth; Mid-Cap Value and High Quality Core Growth. The Eagle Small-Cap Growth separately managed account was funded on January 6, 2012; the Ceredex Mid-Cap Value separately managed account was funded on January 6, 2012; and the recommendation to add \$250,000.00 each to Advent and SSI Convertible portfolios was completed on January 20, 2012. The market value at 3/31/2012 was \$137,779,196.00. The funding ratios for plans have improved in just a year. Equity markets are up 20%, which threw the asset allocation out of balance, but it is still fairly valued. One year up 4.3%; a little below the benchmark. For fiscal year-end it is 16.1%. He reviewed the compliance checklist and said there are no issues. The RidgeWorth item was a minor issue and that's been taken care of. Mr. Adams asked about JP Morgan. Mr. Cole said they were aggressive about looking and valuing properties on a quarterly basis. The last two years have been the uptick. The turnaround is happening. Real estate is up 16.2% over the last couple of years. Class A properties are having more bids. They are doing outstanding in the one, two year and quarterly and in the trailing three to five years. Mr. Cole recommended rebalancing \$500,000.00 from Large Cap to Convertibles with \$250,000.00 each to Advent and SSI. Motion by Mr. Brock, seconded by Mr. Smith to authorize moving \$500,000.00 from Large Cap with \$250,000.00 each to Advent and SSI Convertibles. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea. Mr. Cole reviewed the rate of return saying the State will say it is not reasonable. Their argument is focusing on three-five years and actuaries feel this is a short term for pension funds. Mr. Cole said he talked to the State about another plan and they focused on the three-five years. His question is why is the State willing to accept 8% when they are saying the plan wasn't anywhere near that for the three-five years. Mr. Adams said there are things the Board can do. The assumption rate has changed two times since he's been on the Board. Mr. Cole said that over 50% of the time the Plan has reach its assumed rate of return. He will send the 3/31/2012 universe in ranking. The Fund is doing well against the target and peer group. The Plan is in good shape. Mr. Lancaster asked about SSI and Advent being below the benchmark. Mr. Cole said long-term they do well. They will perform between stocks and bonds. He said they are up in the absolute numbers. He is just tweaking the portfolio by moving money to Convertibles. Frontier and Eagle are up and running. The EuroPacific is beating the benchmark, but is a little below the peer group.

b. Custodial Services-Mr. Adams said the contract was reviewed; the jurisdiction is out of Alabama. Mr. Cypen has a standard contract. Mr. Adams said he had an issue at the meeting on the fee structure as far as the breakout for banking and custodial fees and the retiree amount as an amount and a percentage. Ms. Engard said she hasn't seen that, but Regions could break that

out. There was discussion about calling special meeting on May 11th to review the Regions contract and the Actuarial Valuation presentation. Ms. Engard will follow-up with Regions on the contract and will get a fee breakdown. Mr. Adams said he is concerned about the Morgan Keegan sell off by Regions and that they needed to more fully disclose that since it involved pension funds. There was further discussion on this issue. Mr. Cole said they are not making the change due to the changes at SunTrust and there is a lot of risk in staying with them. Mr. Myton said he wanted to clarify some items saying they have gone through changes but they are not getting out of the custody business. He said custody alone is not profitable. What they tried to do was to centralize it and make it more efficient. The economics and dynamics did not make sense with smaller relationships. The new standard fee schedule was not competitive in the smaller plan arena; with larger plans like Palm Bay it was more efficient. Mr. Myton offered the Board; Mr. Cole; and Ms. Engard to talk to Ms. Mary Benton at SunTrust. They do the work through the institutional group. Mr. Cole said on their perspective it has been a disaster from SunTrust and he's received complaints everywhere. Mr. Cole said the relationship has been bad. Ms. Engard said they looked at this prudently and felt it was fair. Mr. Smith said the Fund has a large amount with SunTrust and asked how that impacts the investment side. Mr. Myton said he will not be handling that. Mr. Cole said what if the Board wanted Mr. Myton to represent the Fund. Mr. Myton said it's a significant change as presentations will be done by a team. Mr. Cole said perhaps it could be contracted to keep Mr. Myton as Palm Bay's Fund is still a \$90 Million client with SunTrust. Mr. Brock; Mr. Lancaster; Mr. Smith and Mr. Adams agreed. Ms. Engard said it was not their intention to change the service to the Board. Motion by Mr. Lancaster, seconded by Mr. Brock to authorize a special meeting for Friday, May 11, 2012 at 11:00 a.m. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea.

c. Letter from State Actuary Regarding the Assumed Rate of Return & the Definition of Police Overtime Compensation-Mr. Heinrichs, Board Actuary, was telephoned at 11:15 a.m. There was discussion about the State letters where Mr. Heinrichs said the State wanted the assumption rate lowered to 8%. He said the deadline date was July 31, 2012. He discussed the reasonableness of keeping it at 8.50% due to the pension obligation bond that was over and above the requirement, plus the Board decided not to hold it to offset the future. The Board put it in the Fund to use it as part of the assets to go forward. He said the assumptions are looking out over seventy-five to eighty years, not three to five years. Foster & Foster has 200 accounts in the State and they have 10-12 plans that the State has rejected like Palm Bay. He said some plans are lowering their assumptions in increments over a period of time. Clients have taken this option in an attempt to compromise. Mr. Cole said from his perspective regarding the focus on three to five years is not a very long term. He discussed a previous telephone call he had with the State on another plan. Mr. Heinrichs said losing the State funding is not an option, but there is enough time to see what the Board can and cannot do. Mr. Smith asked about lowering it in increments and Mr. Heinrichs said one plan is doing that; however, Mr. Cole said they did that with one group but the State refused to allow it. Mr. Heinrichs said he is projecting these assets out until the last person dies and that some may live to be ninety years old, so you're talking about seventy-five years, not three to five years. Mr. Heinrichs said it's too early to finalize the Valuation Reports before resolving this issue. He said it could impact the 2010 as well as 2011 reports. Both Mr. Heinrichs and Mr. Cole feel that for Palm Bay's Plan 8.50% assumption rate is fine along with the

overfunding by the City over the last couple of years. Mr. Smith said he wants to look at lowering the assumption in increments over the next five years. Mr. Adams discussed issues about forwarding dates of implementation. If the Board lowers it and the costs go up and the Fund beats the assumption, can that be applied immediately? Mr. Heinrichs said he would have to ask the State. Motion by Mr. Smith, seconded by Mr. Brock to have Mr. Heinrichs coordinate a telephone conference call with the State with Mr. Adams representing the Board and if the Board must lower the assumption rate that incremental changes be considered. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea. Mr. Heinrichs' call ended at 11:53 a.m. Mr. Lancaster asked that the State be contacted to determine what they want the Board to do on the overtime issue in Senate Bill 1128.

Mr. Cole said Burgess Chambers & Associates are looking at a fee adjustment because their responsibilities have increased. Ms. Engard put in thirty plus hours on the recent searches. They are asking for a \$2,500.00 increase in fees on a quarterly basis effective April 1, 2012. Motion by Mr. Lancaster, seconded by Mr. Brock to approve an increase for Burgess Chambers & Associates for \$2,500.00 per quarter effective April 1, 2012 for a three-year period pending Board attorney review of the Guarantee Fee Addendum. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea.

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 it was a good quarter. Stocks were good. Everyone was up double-digits for the quarter. The last six months were good as well. There is no change with the Fixed Income. It is high quality, lower interest rates. Bonds were flat. They still like stocks. The total SunTrust portfolio was 8.08%. Mr. Lancaster asked about the emerging growth bump. Mr. Myton said it is an aggressive portfolio. They did transition out of that to Eagle and Frontier. Mr. Myton said they have all the Funds in the General Employee Fund and part of this is still reflected. The total portfolio at 3/31/2012 is \$89,463,794.00 with \$51,053,888.00 (57.1%) in Equity; \$34,534,345.00 (38.6%) in Fixed Income; and \$3,875,561.00 (4.3%) in Cash. Mr. Adams asked about defense contractors having lay-offs. Mr. Myton said the analyst would be looking at those companies and at their earnings.
 - b. SunTrust Transition Invoice-Janes, Dinho & O'Keefe, LLC-**This item was not discussed. The meeting was then adjourned.

OLD BUSINESS:

- 1. Actuarial Services & Projects: Foster & Foster, Inc.**
 - a. City of Palm Bay & the Palm Bay Professional Firefighters, IAFF, Local 2446-Ordinance 2011-68 and 2011-69-**Ms. Taglia-Polak updated the Board on the implementation of the Firefighter Ordinance. Ms. Robertson said the Police Summary Plan Description was being revised.

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- b. **City of Palm Bay & the Fraternal Order of Police-Ordinance 2012-09**-Ms. Robertson said the Police Summary Plan Description was being revised.
 - c. **Required City Contributions**-Ms. Adams said the City provided documentation that the employer contributions as discussed in the April meeting were deposited.
- *2. **DROP Returns for Quarter-ending December 31, 2011**-Gross Returns for March 31, 2012 was 8.89%; Net of Fees were 8.77%. This item was considered under Consent Agenda and approved as presented.
3. **Formal Hearing on Ronald C. Giordano, Jr.-Disability Application**-Ms. Adams said the Formal Hearing was scheduled for Friday, July 20, 2012 at 9:00 a.m.
4. **Pension Office Relocation**-Mr. Adams said there were problems with the air conditioning and he was working with Mr. David Warner, Property Manager, on the issue. He discussed the server and network issues and that he had met with Bighthouse and another company. He said the warranty period for the Microsoft programs on the laptops will no longer be updated or supported after October, 2012.

NEW BUSINESS:

- *1. **Consideration of Warrants for Payment**
- *a) **Burgess Chambers & Associates, Inc.-\$11,250.00-Performance & Monitoring Fee for Quarter-End 3/31/2012; Invoice No. 12-80**-This item was considered under Consent Agenda and approved as presented.
 - *b) **ADVENT Capital Management, LLC-\$10,260.59-Management Fee for Quarter-End 3/31/2012 (Police & Fire Only)**-This item was considered under Consent Agenda and approved as presented.
 - *c) **SSI Investment Management-\$10,366.00-Management Fee for Quarter-End 3/31/2012, Invoice No. 002012-000335 (Police & Fire Only)**-This item was considered under Consent Agenda and approved as presented.
 - *d) **Levi, Ray & Shoup, Inc.-\$1,056.00-Annual Web Hosting Fee from 4/01/2012-03/31/2013**-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**-The following member beneficiary forms for retirement purposes were accepted and approved for Police Officers Sandra L. Birmer; David Poole; Leon Terkoski; David John Weber; and Jeff Kraynick. This item was considered under Consent Agenda and approved as presented.
3. **Board Business**-Ms. Adams advised the current Office Depot Credit Card would be closed and a new Store Purchase Account opened. Billing would be by invoice rather than on credit. Motion by Mr. Brock, seconded by Mr. Smith to approve the Office Depot Store Purchase Account and Card. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea. Ms. Adams said she received an invoice from AT&T for Suite 260 for \$1,063.50 for internet services apparently due to a change in the contract. Further research was required. Motion by Mr. Brock, seconded by Mr. Smith to authorize business cards for five trustees and two part-time pension assistants. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea.

4. Upcoming Events-Educational Opportunities-Motion by Mr. Brock, seconded by Mr. Smith to authorize five (5) trustees and two (2) pension assistants to attend the Florida Public Pension Trustees Conference in June with routine expenses included. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Brock, Yea; and Mr. Adams, Yea. The Board said to table the Harvard Business School Class. Motion by Mr. Brock, seconded by Mr. Smith to authorize remittance of the registration fees at the June FPPTA Conference so Mr. Brock and Ms. Robertson could register to attend the FPPTA CPPT New York Continuing Education Program in 2013 and if accepted, to approve attendance and routine expenses for the trip. 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-Police Officer David John Weber**-This item was considered under Consent Agenda and approved as presented.

***6. Application for Retirement & DROP-Police Officer David Poole**-This item was considered under Consent Agenda and approved as presented.

***7. Application for Retirement & DROP-Police Officer Sandra Louise Birmer**-This item was considered under Consent Agenda and approved as presented.

***8. Application for Retirement & DROP-Police Officer Leon Terkoski**-This item was considered under Consent Agenda and approved as presented.

***9. Acknowledge Application for Buy-Back of Prior Service-Police Officer David V. Coulter**-This item was considered under Consent Agenda and approved as presented.

***10. Application for Retirement & DROP-Police Officer Jeff Kraynick**-This item was considered under Consent Agenda and approved as presented. The Board recessed at 9:50 a.m. and reconvened at 10:04 a.m. Discussion continued with the Burgess Chambers Quarterly Report above.

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.

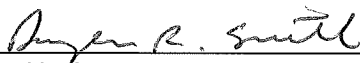
ADJOURNMENT:

There being no further business, the meeting adjourned at 12:24 p.m.


Richard B. Adams, Chairperson

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ATTEST:



Douglas R. Smith, Secretary