

**PALM BAY POLICE AND FIREFIGHTERS' PENSION PLAN
BOARD OF TRUSTEES
Regular Meeting 12-10**

Held on the 1st day of June 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.

Richard B. Adams, Chairperson, called the meeting to order at the hour of 9:06 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 Appointee
James W. Brock, Trustee, City Council Appointee

EXCUSED

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. Heinrichs, Board Actuary, arrived at 9:11 a.m. Mr. David Falconer, Regions Bank, was telephoned at 11:15 a.m. and a message was left for him to call the Board. He returned the call at 11:40 a.m.

AGENDA REVISIONS:

Motion by Mr. Brock, seconded by Mr. Smith to add under New Business: *1. Consideration of Warrants for Payment, g) Conlan Professional Center-\$17.24-Reimbursement for Florida Power & Light Invoice for Suite 230 Relocation; and h) Florida Power Light-\$57.67-Invoice for Suite 230 for 4/19-5/21/2012; and Item No. 10. Police Retiree Frank Ciccone-Request to Change Beneficiary. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; Mr. Brock, Yea; and Mr. Adams, Yea.

CONSENT AGENDA:

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

ADOPTION OF MINUTES:

- *Special Minutes 12-07
- *Quarterly Minutes 12-08
- *Special Minutes 12-09

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

PRESENTATION AT 9:15 A.M.:

1. **Foster & Foster, Inc.-Mr. Brad Heinrichs, Board Actuary-10/01/2011 Actuarial Valuation Reports for Police Officers, Firefighters and the Closed General Employee Funds-**Mr. Heinrichs presented the General Employee Closed Valuation Report. He commented on the change in the assumption rate from 8.50% to 8.0% effective with the 2013 valuation. All Actuarial Valuation Reports show the impact of the reduced assumption rate. He said there are four retirees and one beneficiary in this Fund with \$144,000.00 in assets. It is a very elderly group of retirees. Motion by Mr. Brock, seconded by Mr. Capote to approve the Closed General Employee Actuarial Valuation Report. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; Mr. Brock, Yea; and Mr. Adams, Yea.

Mr. Heinrichs presented the Police Actuarial Valuation Report reviewing the City's funding rate and that the requirement had increased from 12.9 to 19.66% of payroll. Payroll is non-Deferred Retirement Option Program (DROP) payroll. The change in the assumption rate resulted in an increase in funding. He said the increase was artificial and due to the State's requirement of lowering the assumption rate. The average cost for Police Plans this Plan is up 4%. The reason it went up was the difference in the investment return, which is amortized over a 30-year period. It is amortized as a level percent of payroll. It starts low and goes up because the return does not stay level. The assumption rate change caused an increase of \$5,083,499.00 in the unfunded liability. The first few years the City is not even paying interest, the expectation is that salaries are going to increase as well. The Police Actual Unfunded Accrued Liability as of October 1, 2011 is \$14,258,394.00. He said over the next twelve years the debt grows then the principal is being impacted. Mr. Heinrichs said the City may want to change this and pay more up front; however, now may not be the time to do so. Mr. Lancaster said the City put out a memo earlier about the accrued rate of payroll. Mr. Heinrichs is using 6.50%, last year it was 5.1%, which included overtime and promotions. Mr. Heinrichs said he is seeing this when Cities cut staff, but overtime is increase because less people have to do more of the work. This, however, is an actuarial gain that lowers the cost to the City. He said the actuarial value is higher than the market value. Actuarially he recognizes 25% of the loss where the market value recognizes 100%.

Mr. Heinrichs discussed the May 29, 2012 memo from the Division of Retirement. He said in the 1990's cities were growing, so actuarial valuations were done on projected salaries. The State changed it to a percent of payroll and contributions went up as a percent in 2009. He said the timing was bad, so department payroll started to decline. Now the State says the Board can pick a method but must stick to it. The Plan can use a percent or a dollar amount. It is a board decision, not a City decision per Mr. Heinrichs and they can make the change effective now. The Division cares about what approach the Plan is going to use. There was further discussion about the two methods. Mr. Capote said there are always complaints and he referred to the pension workshop held with City Council earlier this year. Mr. Adams questioned the dollar amount of the City shortfall at year-end. Mr. Heinrichs discussed both methods. He said if the Board does change it, he would revise the draft reports he is presenting in today's meeting. Motion by Mr. Brock, seconded by Mr. Capote to change to a dollar amount method effective with the 10/1/2013 contributions. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; Mr. Brock, Yea; and Mr. Adams, Yea. Mr. Smith left the meeting at 10:07 a.m. prior to the vote. Mr. Heinrichs

said the current reports would remain as a percent and he would make the changes for 2013. Motion by Mr. Lancaster, seconded by Mr. Capote to approve the Police Actuarial Valuation Report. Motion carried with members voting as follows:

Mr. Lancaster, Yea
Mr. Capote, Yea
Mr. Brock, Yea
Mr. Adams, Yea

Mr. Smith returned to the meeting at 10:09 a.m. after the vote had been taken.

Mr. Heinrichs presented the Firefighters Actuarial Valuation Report. He said the cost went up from 42.06% to 51.35%. He said 6.69% was due to the assumption rate change from 8.50% to 8.0%. The ten year average payroll growth assumption reduced from 3.14% to 3.04%. This valuation includes the Stop-Restart item. The normal cost went from 24.84% to 27.87%. The City made a prepaid contribution of \$223,673.08 that may be used to offset their fiscal 2012 requirement. Additionally because they adopted a Stop-Restart during fiscal year 2012; they also have a one-time credit of \$825,324.00 that can also be used to help offset their requirement for fiscal 2012. There were four disabilities this year that impacted the cost of the Plan, meaning firefighter disabilities doubled. Administrative expenses declined. The salary increase assumption decreased from 6.50% to 5.30%. Mr. Heinrichs revised the Stop-Restart. The City utilized \$825,324.00, but did not consider 2011 \$157,840.02 excess in the account for future benefit improvements for firefighters. He did reset the frozen amount. Once the State funding exceeds \$824,324.00 then the excess may be used for extra benefits. Mr. Adams discussed the impact of the Fire Plan to raise cash to pay expenses. Motion by Mr. Smith, seconded by Mr. Brock to approve the Firefighter Actuarial Valuation Report. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; Mr. Brock, Yea; and Mr. Adams, Yea. The Board recessed at 10:35 a.m. and reconvened at 10:46 a.m. Mr. Heinrichs did not return to the meeting.

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 finished the Summary Plan Description for current Firefighters and Employee Benefit Statements should be mailed next week.
 - b. City of Palm Bay & the Fraternal Order of Police-Ordinance 2012-09-** Motion by Mr. Brock, seconded by Mr. Capote to approve a Warrant of Payment authorizing a \$47.80 charge to Mr. Adams corporate VISA to cover extra postage expenses in mailing the Police Summary Plan Descriptions and Employee Benefit Statements. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; Mr. Brock, Yea; and Mr. Adams, Yea. Ms. Robertson said she only received one back with an unknown address.
 - c. Senate Bill 1128 for Police & Fire Plans-**Ms. Adams reviewed the list of items with the Board and that sick and vacation time may be the only item to be researched.

2. Custodial Conversion-SunTrust Bank to Regions Bank-Ms. Adams gave an update on the conversion. Mr. Adams said there was an issue with the mutual fund contract regarding finders' fees and 12b-1 fees. Mr. David Falconer, Regions Bank, was telephoned at 11:15 a.m. and a message was left for him to call the Board. (See Item No. 8 below).

3. Formal Hearing on Ronald C. Giordano, Jr.-Disability Application-Ms. Adams said Mr. Giordano's attorney left the firm, but he was still taking care of the case.

4. Review of National Council on Public Employee Retirement Systems (NCPERS)-Mr. Brock said it was an excellent conference. Mr. Lancaster said he was appointed as a trustee representative for the State of Florida. Mr. Lancaster said he liked the speakers; one was the comptroller for New York and Mr. Robert Klausner. Mr. Smith said he liked the networking opportunities and it was good to see how other plans work. He liked Lawrence O'Donnell who spoke at the conference. All the trustees had issues with the popular classes filling up fast. They said the buzzword is infrastructure. Mr. Capote said he enjoyed the conference. He said the national stage is good. Mr. Adams thanked the trustees for attending and representing the plan.

5. Review of the Division of Retirement School-Ms. Taglia-Polak said there was a lot of information last year. This year the focus was on Senate Bill 1128. She said she learned a lot and that Palm Bay's Plan is doing better than others. Ms. Robertson said the venue is small enough to interact with other plans. Mr. Smith said the benefit is any local or state changes that deal with our particular plan. He enjoyed the mock board meeting that Mr. & Ms. Adams participated in.

6. Interfund Transfer-Motion by Mr. Brock, seconded by Mr. Capote to approve an Interfund Transfer withdrawing \$2,771.74 from the Closed General Employee Fund; depositing \$844.88 to the Police Fund; and depositing \$1,926.86 to the Fire Fund to rebalance the Fund. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; Mr. Brock, Yea; and Mr. Adams, Yea.

7. Payout Expense Account-Motion by Mr. Brock, seconded by Mr. Capote to approve a transfer of funds to the Payout Expense Account upon determination by the Board's Accountant, Lark Janes. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; Mr. Brock, Yea; and Mr. Adams, Yea.

8. Pension Office Relocation-Mr. Adams said the air conditioner was fixed and thanked Mr. Brock for helping for two days on that while the Board was in Tallahassee. Mr. David Falconer telephoned at 11:40 a.m. (See Item No. 2 above). Mr. Adams said he had some issues with items in the agreement and wanted an explanation of the fees. Mr. Falconer said it was talking about mutual funds they collect and send it back out to services, typically to a financial company, broker, etc. It is primarily 12b-1 fees. They can push the revenue back to the trust account which is usually a bigger share. Sub-transfer fees, TA are Transfer Agent Fees or revenue sharing. They will take some of their revenue and send it back to the financial institution, usually 25 basis points. There was further discussion. It does not reduce or increase the fees. They take in "x" and give away a little and the difference is what they make. The finder's fee is if they go to a broker and they sell a mutual fund; the mutual fund will pay one-half basis points or one basis point to the individual investor. Regions has no finder's fees for institutional class shares which have zero finder's fees and zero 12b-1 fees so there is no problem with that. Mr. Falconer agreed there were issues with the finder's fees. They use this same form or contract with institutional and individual clients. They are not going to buy retail class shares. He said they are really wholesale for the Fund. He discussed the Burgess Chambers and Associates process. He will add language on the finder's fees similar to the 12b-1

fees. His call ended at 11:55 a.m. Motion by Mr. Lancaster, seconded by Mr. Brock to approve the contract with the change with Board attorney review and approval. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; Mr. Brock, Yea; and Mr. Adams, Yea.

NEW BUSINESS:

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

- *a) Foster & Foster, Inc.-\$15,434.00-AVR 10/01/2011 + Professional Services; Invoice No. 2792 (Police Fund Only)**-This item was considered under Consent Agenda and approved as presented.
- *b) Foster & Foster, Inc.-\$15,784.00-AVR 10/01/2011 + Professional Services; Invoice No. 2791 (Fire Fund Only)**-This item was considered under Consent Agenda and approved as presented.
- *c) Foster & Foster, Inc.-\$1,213.00-AVR 10/01/2011 + Professional Services; Invoice No. 2792 (General Employee Fund Only)**-This item was considered under Consent Agenda and approved as presented.
- *d) Markel Insurance Company-\$374.00-Annual Workers' Comp Ins Premium for P/T Employees (6/5/12-6/5/13) Policy No. SIC0011707-02**-This item was considered under Consent Agenda and approved as presented.
- *e) Eagle Asset Management-\$7,519.04-Investment Management Fees for Billing Period 1/9-3/31/2012**-This item was considered under Consent Agenda and approved as presented.
- *f) SunTrust Bank-\$100,988.79-Administrative Fees for Quarter Ending 03/31/2012 Invoice No. 6800117**-This item was considered under Consent Agenda and approved as presented.
- *g) Conlan Professional Center-\$17.24-Reimbursement for Florida Power & Light Invoice for Suite 230 Relocation**-This item was considered under Consent Agenda as revised and approved as presented.
- *h) Florida Power Light-\$57.67-Invoice for Suite 230 for 4/19-5/21/2012**-This item was considered under Consent Agenda as revised and approved as presented.

***2. Review of Correspondence:**

- a) Market Value of the Fund-4/30/2012**-This item was considered under Consent Agenda as revised and approved as presented. The total market value of the Fund at April 30, 2012 for all investments was \$137,941,593.41.

***3. New Plan Member Application, Member Beneficiary Changes, Pre-Retirement Death Benefit Option Selection and Retirement Beneficiary Forms**-The following member beneficiary form was accepted and approved for Police Officer Gregory Leonard and the following member pre-retirement death benefit option selection form was accepted and approved for Firefighter James Stables. This item was considered under Consent Agenda and approved as presented.

4. Board Business-Ms. Adams said Pomerantz Monitoring Company wanted to use the Plan as a reference and the Board stated it was OK. Motion by Mr. Smith, seconded by Mr. Brock to approve the contract with the Paychex for employee payroll processing and to set up the checking account with Regions for that purpose. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr.

Capote, Yea; Mr. Brock, Yea; and Mr. Adams, Yea. Mr. Lancaster discussed his work schedule that he had taken over the department's dive team and he would not be able to attend the first Wednesday meeting of each month. Mr. Lancaster asked Mr. Adams if he was going to run for a Board position with the Florida Public Pension Trustees Association. Mr. Adams said no because he did not feel he could contribute. Mr. Smith mentioned that Firefighter Acevedo could take Board photos for the office. Mr. Smith said Firefighter Ron Bailey at the City Hall Annex coordinates the fire inspections.

5. Review of Firefighter Summary Plan Description-Motion by Mr. Brock, seconded by Mr. Smith to approve the first Firefighter Summary Plan Description covering prior to March, 2012. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; Mr. Brock, Yea; and Mr. Adams, Yea. Ms. Adams said she will talk to Mr. Heinrichs about the stop/start issue as it relates to preparing the Summary Plan Description for the period after March, 2012.

***6. Termination Refund/Rollover/or Vested Termination, If Eligible-Firefighter Chad Heinz**-This item was considered under Consent Agenda and approved as presented.

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

8. Trustee Appointment-Fifth Member-Ms. Adams said the position is coming up for appointment.

9. Annual Review of Deanna Robertson, Part-time Pension Assistant-Ms. Adams asked that the Board complete the annual review for Ms. Robertson and have them turned in by the July meeting for review.

10. Police Retiree Frank Ciccone-Request to Change Beneficiary- Ms. Adams said Mr. Ciccone remarried and was looking at changing his beneficiary. It requires that he pay the actuary expenses and any contribution and interest due. Motion by Mr. Lancaster, seconded by Mr. Brock to approve Mr. Ciccone's decision for lump sum or readjustment of benefits necessary to change his beneficiary. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; Mr. Brock, Yea; and Mr. Adams, Yea.

INPUT FROM ACTIVE AND RETIRED PLAN MEMBERS:

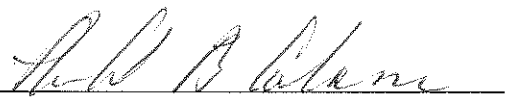
There was no input from any active or retired plan members at this time.

INPUT FROM THE PUBLIC:

There was no input from the public at this time.

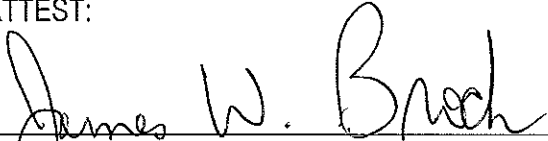
ADJOURNMENT:

There being no further business, the meeting adjourned at 12:18 p.m.


Richard B. Adams, Chairperson

PBP&F Pension Fund
Regular Minutes 12-10
June 1, 2012

ATTEST:



James W. Brock, Secretary