

**PALM BAY POLICE AND FIREFIGHTERS' PENSION PLAN
BOARD OF TRUSTEES
Quarterly Meeting 13-03**

Held on the 8th day of February 2013 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 9:04 a.m.

ROLL CALL:

PRESENT

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

EXCUSED

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

Also in attendance was Ms. Kathy Adams, Board Administrator; Ms. Deanna Robertson and Katie Taglia-Polak, Pension Assistants; and Ms. Laura Clawson, Human Resources Analyst II, City of Palm Bay. Mr. Blake Myton, Vice President, Investment Manager, SunTrust Institutional Investments, arrived at 9:23 a.m. Mr. Larry Cole, Senior Consultant, and Ms. Karla Engard, Operations Manager, Burgess Chambers & Associates arrived at 9:43 a.m.

Motion by Mr. Brock, seconded by Mr. Smith to excuse Mr. Capote's absence because he had a prior City Hall meeting. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Brock, Yea; Mr. Smith, Yea; and Mr. Adams, Yea.

AGENDA REVISIONS:

Motion by Mr. Smith, seconded by Mr. Brock to remove the Special Minutes 13-02 from consent as they were not ready for adoption; remove Quarterly Minute 12-16 as a consent item as corrections were to be noted; to add to Burgess Chambers Quarterly Report at 10:00 A.M.: Item c. Recapture Firms-CAPIS; to add to New Business *1 Consideration of Warrants for Payment, g) Eagle Asset Management-\$8,318.13-Investment Management Fees for Billing Period 10/01-12/31/2012; h) Advent Capital Management, LLC-\$11,391.57-Investment Management Fees for Qtr End 12/31/2012; and 7. Senate Bill 458 Chapter 175. 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. Brock, seconded by Mr. Smith to approve the Consent Agenda as revised. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Brock, Yea; Mr. Smith, Yea; and Mr. Adams, Yea.

PBP&F Pension Fund
Quarterly Minutes 13-03
February 8, 2013

ADOPTION OF MINUTES:

Quarterly Minutes 12-16
***Regular Minutes 12-17**
***Regular Minutes 13-01**
Special Minutes 13-02

Special Minutes 13-02 were removed from the Consent Agenda as they were not ready for adoption. Quarterly Minutes 12-16 was removed as a consent item. The remaining minutes were approved under Consent Agenda as revised. Motion by Mr. Brock, seconded by Mr. Smith to approve the following correction to Quarterly Board Minutes 12-16, August 1, 2012, Page 2, Burgess Chambers Quarterly Report at 10:00 A.M.: 1. b. reads "Ms. Adams asked if the policy addressed no investments in Cuba and Mr. Cole said it was covered." That sentence should read "Ms. Adams asked if the policy addressed no investments in Cuba. Mr. Cole said the policy addresses Sudan/Iran and knows of no restriction to Cuba." Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Brock, Yea; Mr. Smith, Yea; and Mr. Adams, Yea.

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 gain for the quarter was \$1.6 Million; the quarter return was 1.2% annualized. We have been in a strong bull market. The Fund is up 3 or 4%; yesterday it was \$144 Million; 4 to 5% for the fiscal year. It's still bullish in stocks. The good earnings are due to expense reductions. Corporate America has hoarded a lot of cash. The asset allocation for the Fund is as follows: Real Estate 8.10%; Fixed Income 25.835; International 11.97%; Cash .10%; Convertibles 8.29%; Domestic Equity 45.81%. Mr. Cole recommends no rebalancing. The fiscal year-end for 2008 low year will be dropping off. The Large Cap Growth is causing concern. The High Quality Core is the growth product. He wants to look at some improvement here; he's going to watch this more and will bring back recommendations. Mid-Cap is doing well. Frontier is off to a good start. The Small Cap is doing well. Eagle has had two good quarters but had a rocky start the first quarter. The Convertibles changed the fund ranking they are to protect in the down market, so Mr. Cole said to be patient with them. SSI is more defensive structured, and has not done well. The Euro Pacific is up and he still likes that group. JP Morgan Real Estate had a good year. Fixed Income is OK and he expects a 3 to 4% return this year. He reviewed the Capital Market line and said it is not exactly where we want it to be except in the five year longer term. Ms. Engard asked about Regions' transition and she's working with David Smeltzer and David Falconer, both with Regions'. She said secure email is sent encrypted and is not retained so when you open it you need to save it. The \$191.00 shortage is going to be written off by Regions. There was further discussion about the conversion process.

Mr. Cole distributed a handout for MLP's. Mr. Cole said MLP's are Master Limited Partnerships. It is more diversification, with separate managers, that are pipeline and storage facilities. He is looking for ways to diversify. He said they traded publicly. Ninety percent (90%) of oil and gas

must be in commodities, energy related, natural resources, pipelines and storage. They are high income products, very little correlation to other classes. He would recommend the midstream area. They are long-term contracts, 40-50 years. The market has gotten more liquid. Trades like stocks. They are a little more volatile than bonds, but not as volatile as stocks. There was discussion on the Alerian Infrastructure Index and that it is not too different from the Convertible market. He likes to separately manage these. The risks involved the government changing the tax laws. He is not talking about a large portion of the portfolio, not more than 5% of the Fund; \$6 Million, may dollar average in and he has two managers in mind. He wants to talk to Mr. Myton to see how they are going to address concerns. He wants to target the April 5th meeting. Mr. Adams asked about Keystone and the energy find in North Dakota. Motion by Mr. Smith, seconded by Mr. Brock to have Master Limited Partnership managers in for presentations. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Brock, Yea; Mr. Smith, Yea; and Mr. Adams, Yea. Ms. Engard left the meeting at 11:16 a.m. and Mr. Myton left the meeting at 11:20 a.m.

b. Required Annual Expected Rate of Return Letter-Motion by Mr. Brock, seconded by Mr. Smith to accept the Annual Expected Rate of Return letter. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Brock, Yea; Mr. Smith, Yea; and Mr. Adams, Yea.

b. Recapture Firms-CAPIS-The fee is different. Mr. Cole said it just deals with flexibility and there is no distinction to trade with them. CAPIS is still OK with the Board.

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 the quarter was flat. With the election being over, there was a mid-quarter rally to a slight negative return. The S&P was negative and the Dow was off. The International Fund was the best asset class for the quarter. Growth versus value returns are tied to China and industrials. Fixed Income was up 21 basis points for the quarter. Mr. Myton reviewed the Strategic Summary in the quarterly report. September through the election models went to a neutral stock bond weighting. The Fund is underweight in governments. Mr. Cole discussed the Fixed Income asset and wanting to look at how to protect the bond markets. He said he doesn't want a lot of risk in bond markets. Mr. Myton reviewed the performance summary that addressed the portfolio versus the benchmarks. He said the three and five year numbers are still solid. Large and Mid-Cap did well. Large Cap Growth didn't and it was due to healthcare and industrials. Some stock selections in the portfolio hurt returns; underweight healthcare and a biotech firm. The Large Cap Value had an exceptional quarter. The market value at 12/31/2012 was \$88,290,495.00. Mr. Adams asked about Dell going private and whether or not they are in the portfolio. Mr. Myton said he can get with the Large Cap Growth Fund managers. Because of the devaluing status they may not hold much of it now. The discussion continued with Mr. Cole's presentation.

OLD BUSINESS:

1. **Actuarial Services & Projects: Foster & Foster, Inc.**
 - a. **Senate Bill 1128 for Police & Fire Plans-Proposed Draft Ordinance**-This item is pending.
 - b. **State Funding for Firefighters-Excess State Money Reserves**-Mr. Smith said he hasn't heard anything on this but wants to keep it on the agenda.
 - c. **State Funding for Police Officers-Excess State Money Reserves**-Mr. Lancaster said this will be pending for the next couple of meetings.
 - d. **Fiscal Year-End Statement of Employer Annual Required Contributions**-Ms. Adams said this information was distributed to Sue Hann, Palm Bay City Manager.
 - e. **Police & Firefighters Furlough Pay Back**-Ms. Adams said employee furlough time was reduced in eight (8) hour increments or a total of nine (9) days. However, the City refunded twenty (20) hours. The pension software credits time in days. The Plan's calculation is based on years, months and days. The result is employees were refunded two and one-half days, but the pension system does not allow for that type of posting. The furlough was not discussed with the Pension Board, so no information on the furlough had been sent to the actuary and would be calculated in the upcoming valuation. If the Board applies the additional four hours it would create an unfunded liability. Mr. Lancaster said he will meet with the Fraternal Order of Police to discuss the issue. Motion by Mr. Brock, seconded by Mr. Smith to obtain an actuarial statement, one for police and one for fire, to determine the unfunded liability to add an additional four (4) hours of furlough refund. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Brock, Yea; Mr. Smith, Yea; and Mr. Adams, Yea.
 - f. **Police Annual Vacation Payout**-Mr. Lancaster said the intent was that the vacation payout listed in the police contract be pensionable. The Board directed a letter or memo be sent to the City that vacation payout only is pensionable up to September 30, 2013 and ceases thereafter.
2. **Firefighter Break in Service-Keith Grice**- Motion by Mr. Smith, seconded by Mr. Brock to send Mr. Cypen's letter to Mr. Grice and the fire union. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Brock, Yea; Mr. Smith, Yea; and Mr. Adams, Yea. Ms. Taglia-Polak asked about Mr. Grice filing for retirement. There was discussion about allowing members that were going into the DROP to apply later and their time would be retroactive once the furlough issue was resolved.
- *3. **Summary Plan Description for Firefighter Members Hired on or After March 15, 2012**-This item was considered under Consent Agenda as revised and approved as presented.
- *4. **DROP Returns for Quarter-Ending December 31, 2012**--Gross Returns for December 31, 2012 was 1.36%; Net of Fees were 1.22%. This item was considered under Consent Agenda as revised and approved as presented.
- *5. **Interfund Transfer**-The Receipt and Disbursement (R&D) Account is low so a transfer was made in the amount of \$500,000.00 from the SunTrust Equity Large Cap Value Fund to the R&D Account. An interfund transfer is also required to rebalance the Fund and this information will be provided later by Lark Janes, CPA. Approval for that transfer is included as part of the Consent Agenda item. This item was considered under Consent Agenda as revised and approved as presented.
6. **Review of Florida Public Pension Trustees' Association (FPPTA) School**-Mr. Capote passed the Intermediate Course. Mr. Smith said most individuals do not know how to invest for retirement and

cannot beat the professionals. Mr. Lancaster met with several professionals regarding the administrator's position. There was a headhunter in Palm Beach County. He obtained names and asked about references. Third party vendors did not get very good reviews on oversight. He stated he got rave reviews on Ms. Adams and one attorney said do what we could to keep her. He was impressed with the comments. Mr. Lancaster said Fort Lauderdale puts out a newsletter once a year. The Board reviewed handouts provided by Mr. Capote.

7. Review of National Conference on Public Employee Retirement Systems (NCPERS)

Legislative Conference-Mr. Adams said it was a good conference. Some states are in trouble because they failed to make contributions; some for years. There is a push to fund infrastructure. The New York teachers just lend money to the State for roads. Dallas invested in shipping. Mr. Cole said the product that was originally presented was out of China and it has not done well. Ms. Adams discussed the voting rules for the upcoming NCPERS Conference. The Board recessed at 10:04 a.m. and reconvened at 10:10 a.m. Discussion continued with Mr. Myton's presentation above.

NEW BUSINESS:

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

***a) City of Palm Bay-\$26.82-Purchase of Supplement No. 24 to the City of Palm Bay Code of Ordinance**-This item was considered under Consent Agenda as revised and approved as presented.

***b) SunTrust Bank-\$91,970.03-Investment Management Services 10/01-12/31/2012, Inv. No. 245849**-This item was considered under Consent Agenda as revised and approved as presented.

***c) Regions Bank-\$9,367.44-Account Management for 10/01-12/31/2012, Invoice No. 81379**-This item was considered under Consent Agenda as revised and approved as presented.

***d) JP Morgan Investment Management, Inc.-\$28,075.69-Quarterly Management Fee for Period Ending 12/31/2012 for Real Estate SPF, Invoice No. 20121231-1788-A**-This item was considered under Consent Agenda as revised and approved as presented.

***e) Goldstein Schechter Koch, CPA-\$5,100.00-Progress Bill for Audit Work for Period Ending 9/30/2012, Invoice #100452**-This item was considered under Consent Agenda as revised and approved as presented.

***f) SSI Management Fee-\$11,253.00-10/01-12/31/2012, Invoice No. 002013-0009**-This item was considered under Consent Agenda as revised and approved as presented.

***2. Review of Correspondence:**

***a) Market Value of the Fund-12/31/2012**-This item was considered under Consent Agenda as revised and approved as presented. The total market value of the Fund at December 31, 2012 for all investments was \$141,448,835.19.

***3. New Plan Member Application, Member Beneficiary Changes, Pre-Retirement Death Benefit Option Selection and Retirement Beneficiary Forms**-The pre-retirement death benefit option selection form was accepted and approved for Police Officer Tim Landers; and the member beneficiary form was accepted and approved for Firefighter Matthew St. Pierre. This item was considered under Consent Agenda as revised and approved as presented.

4. Board Business-Motion by Mr. Brock, seconded by Mr. Smith to order a ream of letterhead stationery from PIP Printing using Mr. Adams' corporate credit card. Mr. Brock asked about ordering business cards. Mr. Adams discussed outlook access incompatibility with the tablets. Mr. Adams said there is an issue with the file room door and he will be changing it out with another one in the break room. He said he is moving forward with the blinds. Motion by Mr. Brock, seconded by Mr. Smith to approve ordering a new keyboard for Ms. Taglia-Polak. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Brock, Yea; Mr. Smith, Yea; and Mr. Adams, Yea. Ms. Adams said she talked to Mr. Cypen about the termination refund underpayments. Staff is going to refund the money by sending it by certified mail using the existing documentation on file. Ms. Adams said Ms. Taglia-Polak's review is due and she needs the results by February 28th. Ms. Taglia-Polak submitted the annual census report for police and fire retirement funds. There was discussion about Regions willingness to conduct an off-cycle death search on retirees for an additional fee. The Board declined at this time since annual affidavits are sent by pension staff. Ms. Adams added Ms. Robertson and Ms. Taglia-Polak's email addresses to the website. Ms. Adams discussed adding a frequently asked question section to the website that will assist members in applying for various benefits. It will also help to train employees to use the website. The State Report and actuarial data is being targeted for mailing by month-end. Motion by Mr. Lancaster, seconded by Mr. Brock to authorize Paychex to conduct Unemployment Tax Payment processing. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Brock, Yea; Mr. Smith, Yea; and Mr. Adams, Yea. Mr. Lancaster said Police Officer Scott Smith is talking to the Fraternal Order of Police about buying back prior service time with Palm Bay. Ms. Adams said Mr. Adams will not be able to attend the next meeting and wanted to know if the meeting date should be changed to March 8th. Mr. Lancaster said to keep it on the 1st.

5. Upcoming Events-Educational Opportunities-Mr. Adams expressed interest in attending the NCPERS Conference in Hawaii. The Board asked him to research flight costs and bring it back to them. Motion by Mr. Lancaster, seconded by Mr. Brock to authorize Mr. Adams' attendance to the NCPERS Conference and for payment of the airline and baggage fees through Mr. Adams' corporate credit card instead of paying mileage. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Brock, Yea; Mr. Smith, Yea; and Mr. Adams, Yea. There was discussion about an upcoming Florida Public Pension Trustees' Association "Day on the Hill." Motion by Mr. Brock, seconded by Mr. Smith to authorize four (4) trustees to attend the "Day on the Hill" with routine expenses to be covered. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Brock, Yea; Mr. Smith, Yea; and Mr. Adams, Yea. There was discussion about an upcoming Florida Public Pension Trustees' Association "Day on the Hill."

***6. Application for Retirement & DROP-Firefighter Jim A. Hamor-**This item was considered under Consent Agenda as revised and approved as presented.

7. Senate Bill 458 Chapter 175-Each Board member should review this item and get back with Mr. Ginsburg, President, Palm Bay Professional Firefighters, Local 2446. A copy will be forwarded to Mr. Cypen, Board Attorney, and Mr. Heinrichs, Board Actuary.

INPUT FROM ACTIVE AND RETIRED PLAN MEMBERS:

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


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INPUT FROM THE PUBLIC:

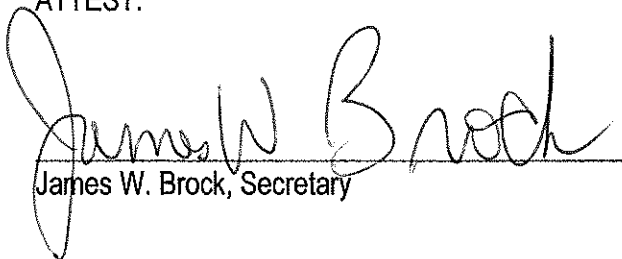
There was no input from the public at this time.

ADJOURNMENT:

There being no further business, the meeting adjourned at 12:28 p.m.


Richard B. Adams, Chairperson

ATTEST:


James W. Brock, Secretary