

**PALM BAY POLICE AND FIREFIGHTERS' PENSION PLAN
BOARD OF TRUSTEES
Quarterly Meeting 14-03**

Held on the 7th of February, 2014 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 9:08 a.m.

ROLL CALL:

PRESENT

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

EXCUSED

James W. Brock, Secretary,
City Council Appointee

Also in attendance were Ms. Kathy Adams, Board Administrator; Ms. Deanna Robertson and Ms. Katie Taglia-Polak, Pension Assistants; Ms. Laura Clawson, Human Resources Analyst II, City of Palm Bay; and Mr. Blake Myton, Vice President, Investment Manager, SunTrust Institutional Investments, arrived at 9:53 a.m.; and Mr. Larry Cole, Senior Consultant, Burgess Chambers & Associates, arrived at 10:03 a.m.

Motion by Mr. Smith, seconded by Mr. Capote to excuse Mr. Brock's tardiness because he is coming to the meeting from work. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, Yea; and Mr. Adams, Yea.

AGENDA REVISIONS:

Motion by Mr. Smith, seconded by Mr. Capote to pull Special Minutes 12-18 and 14-02 from Consent Agenda as they are not ready for adoption; add to New Business, *1. Consideration of Warrants for Payment: e) JP Morgan Investment Management, Inc.-\$32,892.15-Qtr Mngt Fee for PE 12/31/2013, Invoice No. 203123-1788-A and f) SunTrust Bank-\$101,026.25-Investment Management Service 10/1-12/31/2013, Invoice No. 254584. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Smith, Yea; Mr. Capote, 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; and Mr. Adams, Yea.

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ADOPTION OF MINUTES:

Special Minutes 12-18
Special Minutes 14-02

The minutes were pulled from the Consent Agenda as they were not ready for adoption.

SUNTRUST QUARTERLY REPORT AT 10:00 A.M.:

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

a. Quarterly Report-Mr. Myton said it was a strong year in the markets. Fixed income was soft last year. He said Barclay's was under water for the quarter and off 2% for the year. 2013 was the year the Fed pulled back on the stimulus. The third quarter they did nothing; the fourth quarter they got the first clue they would be reducing the stimulus and it looks like a \$10 Million per quarter reduction. He expects a normal type of year for equity for 2014, perhaps 9 to 10%. It will not be same for the fixed income and it could be similar to 2013. Supply and demand has a huge impact and it could continue. They are trying to be more conservative and the Board has been diversified. He said anything in fixed income without a negative return will be what is expected. Mr. Adams said historically the Board has looked at fixed income to buoy up in the downturn. He doesn't see any turn around in bonds. Mr. Cole said bonds have been lowered from a peak of 6-7 years at 30-45% allocation to now being down to 20-25%. Mr. Cole said he is not comfortable lowering it below that. Mr. Cole said we've been in a three year bull market for bonds with declining interest rates. He feels the rates will start edging back up. A slow rising rate environment is not bad, it provides a little more in the economy through CD's, higher rates, etc. Mr. Myton said 60% of the total portfolio is up 6.21% for the quarter; for the year 18.18%. Investors have been looking for extra yields without regard to risk. SEIX is really focused on risk; more conservative and are struggling in this environment. The Investment Policy restricts involvement in certain risks. The Board did lower some of the policy, but not significantly. Mr. Cole said he spoke to Mr. Myton about the numbers and wanted him to spend some time on the fixed income asset. Mr. Cole is OK with SEIX, it's consistent with what he is seeing with good bond managers in the market. Mr. Myton said equity was a broad market return for 2013 and that Ceredex is doing well. The asset allocation for the SunTrust portion of the portfolio is 53.7% large cap; 37.4 fixed income; 7.3 mid-cap; and cash & equivalent 1.6%. It was a very solid year with strong performance on equity. The market value with SunTrust at 12/31/2013 was \$94,262,671.00. Mr. Myton said SunTrust sold RidgeWorth to Hedge Fund Private Equity Group Lightyear Capital and they are supposed to close the end of March. Mr. Myton will continue to monitor the accounts. Mr. Cole said it was a good thing. Silvant, SEIX is owner-owned, it takes them out from the Bank's umbrella, and the employees have a share of the ownership. The same teams are in place. The statement will remain the same. Mr. Adams asked about the fees and Mr. Myton said over the next three to four years there will be no change. He said the Fund pays SunTrust and Sun Trust pays them and there will be no change in that.

BURGESS CHAMBERS QUARTERLY REPORT AT 10:30 A.M.:

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

a. Quarterly Report-Mr. Cole reviewed the report stating the market value of the entire portfolio under managed investment is \$164,889,182.00 with a net return of 6.2% for the quarter and 19.7%. The unemployment numbers are down, things are improving but slowly. There is \$17 to \$20 Trillion in cash waiting on the sidelines right now. Some money has come back into the market. Mr. Cole likes the asset allocation the Fund has. The investment gain for the year is \$27,306,276.00; the net investment return for the year was 19.7%. The bond exposure over the last five years has been reduced from 32.24% to 21.41% quarter-to-date. The managed limited partnership and convertibles do not move with stocks so they do not correlate closely. Mr. Cole said the one year return for the total fund was 20.4%; for five years it was 12.5%. He said diversification has paid off for the Fund. The ranking of the Fund for the quarter was that it was in the top 21% of public pension plans across the country. He reviewed Silvant stating it was a good quarter. It has good quality names, but is concerned and it did see some improvement. Mr. Cole said he will probably recommend an index change for the EuroPacific the next time he does an Investment Policy Review. The Board recessed at 11:30 and reconvened at 11:35 a.m. Mr. Cole and Mr. Myton did not return to the meeting. Discussion moved to Old Business, Item No. 6 below.

OLD BUSINESS:

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

a. State Funding for Police Officers and Firefighters-Impact Study & Draft

Ordinance-Mr. Lancaster said the Fraternal Order of Police is looking at filing an Unfair Labor Practice against the City. He asked that Mr. Cypen put a hold on the draft Ordinance.

2. Review of the NCPERS Legislative Conference-Mr. Smith said this conference is really the next step for the trustees because of its national speakers that are economists. He talked to JP Morgan about coming in for a Board visit. Ms. Adams said she talked to Mr. Cole about it and was targeting the May meeting for the visit. He said NCPERS speakers addressed the IRS and its interpretation of DROP accounts. He said it was also discussed at the FPPTA School. Mr. Smith said Mr. Hank Kim, NCPERS, recommended attendees meet with their local representatives while in Washington and he was able to meet with Congressman Bill Posey. He said there were a lot of good speakers talking about the current legislative issues. Mr. Capote said NCPERS is the bigger picture. He said he attends the US Conference of Mayors and it gives good accessibility. Mr. Capote discussed the Orlando Airport and Port Canaveral with future opportunities for investment. Mr. Smith said the NCPERS Legislative Conference is a good educational venue.

3. Review of the FPPTA School-Mr. Smith said one of the best things about these schools is the networking with similar Florida Plans. The economist was a good speaker and said there is room to recover, but the recovery is not there yet. Mr. Adams said he attended the Retirement Planning Session and the social security speaker was good. Mr. Brock arrived at 9:42 a.m. Mr. Lancaster said the City is conducting a one-day Retirement Planning Seminar for Police and Firefighters that is on April 23rd by an individual met through the Florida Chiefs of Police. The speaker is Mr. Krause of Phillip Krause Investments out of Fort Lauderdale. It was agreed that the Pension Board, nor any trustee, is endorsing

this seminar. Mr. Lancaster said the FPPTA School was good. Mr. Paulsen's presentation on DROP and Social Security was good. The classes were excellent. Mr. Brock said he felt the GASB (Government Accounting Standards Board) presentation was not as detailed as he expected. He mentioned that it will entail another report, but the value doesn't change, it will just be a different reporting method. Mr. Myton arrived at 9:53 a.m.

***4. DROP Returns for Quarter-Ending December 31, 2013**-Gross returns for December 31, 2013 was 6.35% and net of fees was 6.20%. This item was considered under Consent Agenda and approved as presented.

5. Projects-Progress Reports:

a. Skype Premium Set Up/Web X-This item is pending.

b. Suncom Network Services-This item is pending.

c. Levi, Ray & Shoup, Inc.-Adaptive Website & Portal Redesign-Ms. Adams said the next step is working on individual page content.

d. HB 401-Effect of Divorce on Designated Beneficiaries-Ms. Adams discussed the mailings to various members in order to comply with this change. Mr. Cole arrived at 10:03 am. The Board recessed at 10:04 a.m. and reconvened at 10:15 a.m. Discussion began with the quarterly reports above.

6. Deputy Board Administrator Position-There was discussion about obtaining a third-party administration quote from Foster & Foster, Inc. Mr. Adams said he was concerned about going outside the selection process after the deadline date had passed. Mr. Capote said the Board could check with the Board attorney. There was further discussion between Mr. Adams and Mr. Lancaster about Foster & Foster's experience. The Board discussed a variety of issues. The Board asked Ms. Adams if she was willing to continue her contract for at least two years. She agreed stating her desire was to stay if Mr. Adams intention was to remain on the Board and she would do so even if he reapplied and served another two-year term. There was further discussion about whether or not there was a need for a Board and Deputy Board Administrator, along with two staff members. The Board wanted this tabled to the next meeting. Mr. Capote left the meeting at 12:20 p.m. and did not return.

7. Long Range Planning Session Projects-Ms. Adams said she will bring this back to the Board as a project list.

NEW BUSINESS:

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

***a) Goldstein, Schechter Koch, CPA-\$7,000.00-Final Bill for Audit Services Year End 9/30/2013-Invoice #111179**-This item was considered under Consent Agenda and approved as presented.

***b) Eagle Asset Management-\$11,317.05-Investment Management Fees for Billing Period 10/1-12/31/2013, Invoice No. 041004393457**-This item was considered under Consent Agenda and approved as presented.

***c) SSI Investment Management-\$14,223.00-Management Fee 10/1-12/31/2013; Inv. No. 002014-0009**-This item was considered under Consent Agenda and approved as presented.

***d) City of Palm Bay-\$25.74-Purchase of Supplement No. 25 to the City of Palm Bay Code of Ordinances**-This item was considered under Consent Agenda and approved as

presented.

***2. Review of Correspondence:**

***a) Market Value at December 31, 2013-**This item was considered under Consent Agenda as revised and approved as presented. The total market value of the Fund at December 31, 2013 for all investments was \$166,337,981.86.

***b) Fund Deductions at February 1, 2014-**This item was considered under Consent Agenda as revised and approved as presented. The Fund deductions at February 1, 2014 was \$184,552.72 and through FY-to-date \$445,295.32.

***3. New Plan Member Application, Member Beneficiary Changes, Pre-Retirement Death Benefit Option Selection and Retirement Beneficiary Forms-**New plan member applications and beneficiary forms were accepted and approved for Police Officers John R. Neal, Jr.; Jorge C. Negron; Cory Presley; Firefighter Chris Wheeler; and a member beneficiary form was accepted and approved on Firefighter Jason Dorey. This item was considered under Consent Agenda and approved as presented.

4. Board Business-Mr. Adams said the carpet in the Board room has a run and he called the carpet company that originally installed it. They said they will pay for the material if the Board pays for the labor. Mr. Lancaster asked about Mr. Kennard's disability application. Ms. Robertson said it is pending additional medical records. Mr. Lancaster said he wants Mr. Cypen, Board Attorney, to address the stipend issue in writing as it relates to a part-time police retiree working for this City. Mr. Lancaster said he wanted to know the number of Florida Plans Levi, Ray & Shoup, Inc. had as clients that were our size. Motion by Mr. Brock, seconded by Mr. Smith to donate the front office printer to St. Joseph's Catholic School in Palm Bay. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Brock, Yea; Mr. Smith, Yea; Mr. Capote, Yea; and Mr. Adams, Yea. Motion by Mr. Brock, seconded by Mr. Smith to authorize the purchase of Mr. Lancaster's replacement phone from Sprint for \$150.00. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Brock, Yea; Mr. Smith, Yea; Mr. Capote, Yea; and Mr. Adams, Yea. Motion by Mr. Brock, seconded by Mr. Smith to approve the increase of transaction fees on the Purchase Power Agreement for the postage machine for each meter refill. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Brock, Yea; Mr. Smith, Yea; Mr. Capote, Yea; and Mr. Adams, Yea. Motion by Mr. Brock, seconded by Mr. Smith to approve the Reoccurring Warrant for the purchase of air conditioning and refrigerator filters on any trustee's VISA credit card as needed. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Brock, Yea; Mr. Smith, Yea; Mr. Capote, Yea; and Mr. Adams, Yea. Ms. Adams said the new privacy security laws under the Drivers Privacy Protection Act (DPPA) prohibits them from running Motor Vehicle Records (MVR) on client's employees. They said we can use a service or run them ourselves through the local Department of Motor Vehicles. They recommended they be run annually on trustees and employees of the Board and on any new trustees or employees of the Board. This is recommended as part of the non-owned, hired automobile coverage under the insurance policy. Mr. Adams said the cost should be around \$10.00 per person. Motion by Mr. Brock, seconded by Mr. Smith for the pension office to conduct annual DMV checks on trustee and employees. Motion carried with members voting as follows: Mr. Lancaster, Yea; Mr. Brock, Yea; Mr. Smith, Yea; Mr. Capote, Yea; and Mr. Adams, Yea. Ms. Adams said postage increased from 46 to 49 cents effective January 26, 2014. Because we use a postage machine that cost is discounted to 48 cents for first class mail.

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5. Upcoming Events-Educational Opportunities-Ms. Adams said trustees wanting to sign in/out their FPPTA sign-in cards should get with Ms. Taglia-Polak. The upcoming educational events were reviewed.

6. Annual Review of Part-time Pension Assistant Katie Taglia-Polak-Ms. Adams said Ms. Taglia-Polak's annual review is due by February 24th.

7. City Council Board Appointees-Ms. Adams said Mr. Capote's and Mr. Brock's term of office expire on March 31st and if they intend to apply they need to contact the City's Legislative staff.

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:

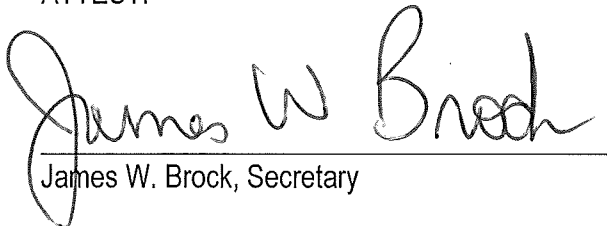
There was no input from the public at this time.

ADJOURNMENT:

There being no further business, the meeting adjourned at 1:02 p.m.


Richard B. Adams, Chairperson

ATTEST:


James W. Brock, Secretary