

**CITY OF DAYTONA BEACH POLICE AND FIRE PENSION FUND
MINUTES OF MEETING HELD
AUGUST 5, 2013**

A quarterly meeting of the Board of Trustees was called to order at 8:30 A.M. in the Council Chambers located at Daytona Beach City Hall. Those persons present were:

TRUSTEES PRESENT

Mark Eisner
Don Ruitter
Lyle McCormick
Erin Masters

OTHERS PRESENT

Nick Schiess, Pension Resource Center
Bill Cottle, Milliman USA
Lee Dehner, Christiansen & Dehner
James Sexton, City of Daytona Beach
Chuck Bryant & John Rackers, Kennedy Capital Management
Clint Doroff, Nuveen Asset Management

CALL TO ORDER

Chairman Mark Eisner called the meeting to order at 8:31 A.M. Nick Schiess provided the roll call.

PUBLIC COMMENTS

James Sexton appeared before the Board on behalf of the City of Daytona Beach to request authorization for actuarial consulting and cost studies for re-amortizing the Plan's unfunded liability, collective bargaining and a projection of long-term pension costs. Butch McCormick made a motion to authorize the Plan's Actuary to prepare cost studies requested by the City. Don Ruitter seconded the motion, approved by the Trustees 4-0.

Retiree Sheldon Shultz appeared before the Board for a report on the additional research into the level of his survivorship benefits. Nick Schiess provided the Board with an updated administrative report containing new information discovered through exhaustive research conducted by the City into historical documents pertaining to the Plan changes that occurred in the year 1965. Mr. Schiess reviewed the documents resulting from the search and discussed the parameters of the new design implemented in the year 1965. He advised that the records substantiate Mr. Sheldon's claim that members were afforded an option for opting out of participating in Social Security but not referenced was any provision for opting out of changes in survivorship benefits or tying the two separate matters together. Mr. Schiess reported that no records had been identified that even slightly contradicted the provision within the 1965 Ordinance that the automatic form of payment was changed to a 50% survivorship benefit for those already employed but not yet retired when the Ordinance became effective. He explained that the evidence suggests that there must have been several parallel changes that occurred in the year 1965 and opting out of the participation in Social Security still did not affect survivorship benefits. Mr. Schiess concluded that, based upon exhaustive research, the record still supports the original determination that the standard form of payment to active members employed prior

to 1965 but not yet retired was reduced to a 50% joint and survivorship benefit. The Board expressed empathy to Mr. Schultz and advised him that the survivorship benefits are dictated by Ordinance and every record discovered supports the determination that his spouse is entitled to a 50% survivorship benefit. Mr. Shultz was provided with a copy of the full administrative report and Lee Dehner advised that procedurally he could come back before the Trustees under the Board's claims procedures. The Board noted that the only remedy for Mr. Shultz and the other affected retirees was to submit an Ordinance Amendment to the City for consideration increasing the standard form of benefit. Erin Masters authorized the preparation of an actuarial cost study to increase the standard form of payment for the affected members from a 50% to a 66 2/3% survivorship benefit. Lyle McCormick seconded the motion, approved by the Trustees 4-0.

Retiree Marvin Powers appeared before the Board to request additional research into whether surviving widow Angela Zalewski was entitled to a 66 2/3% survivorship benefit. Nick Schiess agreed to research the matter and follow up with Ms. Zalewski.

APPROVAL OF MINUTES

The Trustees reviewed the minutes for the meetings held on May 6, 2013 and July 15, 2013. Erin Masters made a motion to approve the minutes for the meetings held on May 6, 2013 and July 15, 2013. Don Ruiter seconded the motion, approved by the Trustees 4-0.

INVESTMENT MANAGER REPORT: KENNEDY CAPITAL MANAGEMENT

Chuck Bryant and John Rackers appeared before the Board on behalf of Kennedy Capital Management. Mr. Bryant delivered a report on the investment performance on the small cap core commingled fund as of the quarter ending June 30, 2013. Mr. Bryant reported that there were no organizational changes. He reviewed short and long-term performance, noting significant outperformance over the index over nearly all time periods. Mr. Bryant discussed the investment process and strategy, market conditions, portfolio construction and holdings and sector allocations all in great detail.

Mr. Rackers presented the firm's small cap growth strategy noting it was a separately managed account. He discussed the investment strategy, portfolio management team, management fees and historical performance in great detail. Bill Cottle reviewed the presentation and ultimately recommended proceeding with implementing the mandate with an initial allocation of \$1.5M to be funded with a partial redemption of the small cap core commingled fund. Don Ruiter made a motion, based upon the recommendation of the investment consultant, to engage Kennedy Capital Management to manage a small cap growth separate account contingent upon the successful negotiation of an agreement to be funded with a \$1.5M partial redemption of the small cap core commingled fund. Lyle McCormick seconded the motion, approved by the Trustees 4-0.

INVESTMENT MANAGER PRESENTATION: NUVEEN ASSET MANAGEMENT

Clint Doroff appeared before the Board and portfolio manager John Wenker joined the meeting via teleconference on behalf of Nuveen Asset Management to deliver a report on the investment performance for the quarter ending June 30, 2013. Mr. Doroff discussed organizational changes. Mr. Wenker provided a detailed review of the investment process, performance, holdings and allocations.

Mr. Wenker presented the firm's Real Asset Income Strategy in great detail.

INVESTMENT MANAGER PRESENTATIONS: EMERGING MARKETS

OAKTREE CAPITAL MANAGEMENT

David Demilt and portfolio manager Frank Carrol appeared before the Board on behalf of Oaktree Capital Management to present the firm's Emerging Markets Equity Fund. Mr. Demilt discussed the firm's qualifications and experience and then discussed the investment strategy and process of the fund in great detail.

THORBURG INVESTMENT MANAGEMENT

Pete Mitchell and Tim Cunningham appeared before the Board on behalf of Thornburg Investment Management to provide a presentation of the firm's Developing World Strategy Fund. Mr. Mitchell discussed the firm's qualifications and experience and then Mr. Cunningham discussed the investment strategy and process of the fund in great detail.

Bill Cottle reviewed and discussed the presentations from the prospective managers and then reviewed a report containing a detailed analysis of the two products. He discussed the allocation to emerging markets, noting that the allocation should diversify the portfolio further thereby decreasing volatility and increasing the overall performance of the investment portfolio. He discussed the advantages and disadvantages of each product and firm and ultimately recommended the selection of the Emerging Markets Equity Fund managed by Oaktree Capital Management. After a lengthy discussion and careful consideration, Lyle McCormick made a motion to invest in the Emerging Markets Equity Fund managed by Oaktree Capital Management contingent upon the successful negotiation of an agreement. The motion died for lack of a second. The discussion of the selection for the appropriate product continued and concerns were expressed that the long only strategy of the Emerging Markets Equity Fund was less opportunistic and potentially less responsive to volatile market conditions than the long/short strategy of the Developing World Strategy Fund. It was also noted that the track record of the Developing World Strategy Fund was much longer than the two year track record of the Emerging Markets Equity Fund. Mr. Cottle expressed that his preference was based upon the team portfolio management approach of Oaktree Capital Management but both managers were excellent. Don Ruitter made a motion to invest in the Developing World Strategy Fund managed by Thornburg Investment Management contingent upon the successful negotiation of an agreement. Erin Masters seconded the motion, approved by the Trustees 4-0.

INVESTMENT CONSULTANT REPORT

Bill Cottle reviewed the investment performance of the portfolio for the quarter ending June 30, 2013. The total market value of the portfolio was \$153,529,367, which represents a decrease in the amount of \$1,882,052 from the market value of \$155,411,419 as of March 31, 2013. The investment performance for the quarter was 0.3% versus the benchmark of 0.1% and for the trailing year was 13.4% versus 12.7% for the benchmark.

Mr. Cottle reviewed the performance of the individual investment managers, noting all was satisfactory.

Mr. Cottle reviewed a memorandum requesting the revision of the benchmark for the performance evaluation of the BlackRock NTR Renewable Power Fund to the CPI + 500 basis points because the current benchmark was more volatile than desired. Erin Master made a motion to revise the performance benchmark for the BlackRock NTR Renewable Power Fund to the CPI + 500 basis points. Don Ruiter seconded the motion, approved by the Trustees 4-0.

Mr. Cottle discussed the near term outlook for fixed income, noting that there would be little or negative return for this large allocation of the portfolio for the foreseeable future. A discussion arose regarding immediate measures to mitigate the exposure including moving the allocation to cash or alternative bond strategies within the current manager Dodge & Cox. Mr. Cottle recommended the deferral of any immediate measures. He briefly discussed alternative investments including but not limited to a real asset multi-strategy opportunistic fund and agreed to research and present viable alternatives at future meetings.

Mr. Cottle reported that the Chief Executive Officer, Duncan Richardson, of Eaton Vance Management had announced his retirement.

Mr. Cottle provided a report on the trading costs of the separate account managers, noted all were trading efficiently.

ATTORNEY REPORT

Lee Dehner reported on recently adopted State legislation that affected governmental pension plans, which mainly consisted of additional reporting requirements.

Mr. Dehner discussed anticipated legal challenges to new guidelines for the use of premium tax revenues issued by the Department of Management Services.

ADMINISTRATIVE REPORT

The Trustees reviewed the list of disbursements. Don Ruiter made a motion to approve the disbursements as presented. Lyle McCormick seconded the motion, approved by the Trustees 4-0.

The Trustees reviewed the list of benefit approvals. Lyle McCormick made a motion to approve the benefit approvals as presented. Don Ruiter seconded the motion, approved by the Trustees 4-0.

Nick Schiess reported that the initial period to conduct a disability hearing for Robert DeFillipo would expire prior to the anticipated hearing date and he recommended that the Board approve a ninety day extension. Lyle McCormick made a motion to grant a ninety day extension of the initial hearing period for Robert DeFillipo. Don Ruiter seconded the motion, approved by the Trustees 4-0. A discussion arose regarding amending the Board's Operating Rules and Procedures to increase time for conducting an initial hearing to 180 days. Mr. Schiess agreed to review the Operating Rules and Procedures and include this along with any other proposed changes to the Board for discussion.

SCHEDULE NEXT MEETING

There being no further business, the next quarterly meeting was scheduled for November 4, 2013 and will take place in the Council Chambers at Daytona Beach City Hall.

The meeting adjourned at 11:32 A.M.

Respectfully submitted,


Secretary

**CITY OF DAYTONA BEACH POLICE AND FIRE PENSION FUND
MINUTES OF MEETING HELD
AUGUST 5, 2013**

A special meeting of the Board of Trustees was called to order at 11:40 A.M. in the Council Chambers located at Daytona Beach City Hall. Those persons present were:

TRUSTEES PRESENT

Mark Eisner
Don Ruitter
Erin Masters
Lyle McCormick

OTHERS PRESENT

Lee Dehner, Christiansen & Dehner P.A.
Nick Schiess, Pension Resource Center
Kimberly Eastin, Claimant
Jon Benezette, Legal Counsel for Claimant

CALL TO ORDER

Chairman Mark Eisner called the meeting to order at 11:40 A.M. Nick Schiess provided the roll call.

KIMBERLY EASTIN DISABILITY APPLICATION

Lee Dehner discussed the events surrounding Ms. Eastin's application for disability benefits and her termination of employment prior to the proceedings and advised that the Board must first determine whether to conduct a hearing. Jon Benezette appeared before the Board to address the extenuating circumstances and factors behind her termination of employment. A discussion arose regarding Kim Eastin's eligibility for disability benefits and it was noted that her disability obviously occurred while employed, and her intent was clear to apply for disability benefits, which was done prior to termination of employment. Lyle McCormick made a motion to proceed with the hearing of the Application for Disability Benefits for Kim Eastin. Erin Masters seconded the motion, approved by the Trustees 4-0.

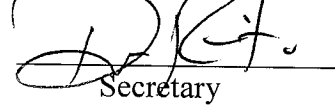
Erin Masters explained that she had a prescheduled unavoidable conflict and excused herself from the meeting.

Lee Dehner reviewed in great detail the procedures for the disability hearing proceedings, the Plan provisions, and substantive law for the Trustees. He explained the definition of total and permanent disability, as well as the provisions of the Ordinance containing the substantive provisions in the Plan pertaining to disability pensions. The Trustees, having reviewed the medical evidence individually prior to the meeting, discussed in great detail Kim Eastin's medical condition, physicians' evaluations, independent medical evaluation, and other factors regarding the Application for Disability Benefits for Kim Eastin. A discussion arose regarding the contradictions between Ms. Eastin's treating physicians and the physician who performed the independent medical examination. Mr. Benezette discussed Ms. Eastin's medical condition and treatments in great detail and explained that her specialized ailment would be very difficult to determine by a physician with only one office visit as was the case with the independent medical exam. The Trustees noted that the medical records overwhelmingly support that Ms. Eastin was disabled.

After further discussion, Butch McCormick made a motion to determine that Kimberly Eastin was totally and permanently disabled not in the line of duty. Don Ruiter seconded the motion, approved by the Trustees 3-0.

The meeting adjourned at 12:25 P.M.

Respectfully submitted,



Secretary