

**CITY OF DAYTONA BEACH POLICE AND FIRE PENSION FUND
MINUTES OF MEETING HELD
MARCH 12, 2012**

A quarterly meeting of the Board of Trustees was called to order at 8:33 A.M. in the Council Chambers located at Daytona Beach City Hall. Those persons present were:

TRUSTEES PRESENT

Mark Eisner
Don Ruitter
Terence Henry
Lyle McCormick
Erin Masters

OTHERS PRESENT

Nick Schiess, Pension Resource Center
Bill Cottle, Milliman USA, Inc
Randall Stanley, Nyhart
Chuck Bryant, Kennedy Capital Management
Chris Greco, Greg Gosch & Martin LaPrade, Sawgrass Asset Management
Wayne Harms, City of Daytona Beach

CALL TO ORDER

Chairman Mark Eisner called the meeting to order at 8:32 A.M. Nick Schiess provided the roll call. It was noted that Attorney Lee Dehner was unable to attend the meeting due to extenuating circumstances.

PUBLIC COMMENTS

Chairman Mark Eisner invited those present to address the Board with public comments. There were no public comments.

APPROVAL OF MINUTES

The Trustees reviewed the minutes for the meetings held on November 7, 2011, December 15, 2011 and January 16, 2012. Terence Henry made a motion to approve the minutes for the meetings held on November 7, 2011, December 15, 2011 and January 16, 2012. Don Ruitter seconded the motion, approved by the Trustees 5-0.

SECURITIES MONITORING SERVICES PRESENTATIONS

BERNSTEIN LIEBHARD LLP

Stanley Bernstein and Rebecca Katz appeared before the Board on behalf of Bernstein Liebhard LLP to provide a presentation of the firm's securities monitoring services. Mr. Bernstein discussed the firm's qualifications and experience including successful case history.

SAXENA WHITE P A

Maya Saxena appeared before the Board on behalf of Saxena White PA to provide a presentation of the firm's securities monitoring services. Ms. Saxena discussed the firm's qualifications and experience.

SPECTOR ROSEMAN KODROFF AND WILLIS

Mark Willis and Pete Morin appeared before the Board on behalf of Spector Roseman Kodroff and Willis to provide a presentation of the firm's securities monitoring services. Mr. Willis discussed the firm's qualifications and experience noting that the firm specialized in international securities litigation.

The Trustees reviewed and discussed the presentations from the prospective securities monitoring/litigation firms. It was noted that their securities monitoring services were of no cost to the Plan and securities litigation was on a case-by-case contingency basis. It was further noted that the three firms specialized in different areas and it was commonplace for pension plans to retain the services of multiple securities monitoring/litigation firms. Disappointment was expressed over the services received from the current securities monitoring/litigation firm. Don Ruitter made a motion to terminate the services of the current securities monitoring/litigation firm and engage the services of Bernstein Liebhard LLP, Saxena White PA and Spector Roseman Kodroff and Willis contingent upon the successful negotiation of agreements. Lyle McCormick seconded the motion, approved by the Trustees 5-0.

INVESTMENT MANAGER REPORT: KENNEDY CAPITAL MANAGEMENT

Chuck Bryant appeared before the Board on behalf of Kennedy Capital Management to deliver a report on the investment performance as of the quarter ending December 31, 2011. Mr. Bryant discussed organizational changes, noting that several analysts had departed and would be replaced as soon as possible. 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.

INVESTMENT MANAGER REPORT: SAWGRASS ASSET MANAGEMENT

Chris Greco and portfolio manager Martin LaPrade appeared before the Board on behalf of Sawgrass Asset Management to deliver a report on the investment performance as of the quarter ending December 31, 2011. Mr. Greco reported that the return for the quarter was 10.4% versus 10.6% for the index and for the calendar year was 8.1% versus 2.6% for the index. Mr. LaPrade discussed the investment process and strategy in great detail, which was biased towards high quality equities. He explained that the prior underperformance was attributable to the market favor towards lower quality equities but the market cycle has matured and a long awaited shift in favor has recently occurred towards higher quality equities. Mr. LaPrade discussed economic and market conditions and anticipated measure growth prospectively.

INVESTMENT CONSULTANT REPORT

Bill Cottle reviewed the investment performance of the portfolio for the quarter ending December 31, 2011. The total market value of the portfolio was \$135,792,143 as of December 31, 2011, which represents an increase in the amount of \$14,212,028 from the market value of \$121,580,115 as of September 30, 2011. The investment performance for the quarter was 7.7% versus the benchmark of 7.4% and for the fiscal year was 1.5% versus 2.5% for the index. Mr. Cottle reported that the portfolio has outperformed its benchmark for all time periods three years and longer.

Mr. Cottle reviewed the performance of the individual investment managers. He reported that he had conducted a personal discussion with Eaton Vance Management to express dissatisfaction with performance and was in the process of negotiating a performance based fee arrangement with the manager.

Mr. Cottle reported that a class action lawsuit had been filed with the Plan as one of many named defendants who had realized a gain from the holding of the Tribune Company during a period in which fraudulent matters have been alleged. It was noted that the matter was ongoing and progress reports were requested by the Trustees.

Mr. Cottle discussed changes to the sweep account used by BNY Mellon Asset Servicing, noting that the change was immaterial and no action was required by the Plan.

Mr. Cottle reported that he had reviewed the proposed agreement with Blackrock Inc. for the renewable energy product selected by the Board at the last meeting. He reported that a questionnaire had been sent to and received back from the manager with satisfactory responses. Mr. Cottle reported that a side letter agreement had been drafted and sent to the Plan's Attorney for review. It was noted that the Ordinance must be amended to permit limited partnerships. Mr. Cottle advised that the Investment Policy Statement must also be revised and would be presented to the Board at the next quarterly meeting. Lyle McCormick expressed concerns regarding limited partnerships. Mr. Cottle addressed Mr. McCormick's concerns.

PRESENTATION ACTUARIAL VALUATION - STANLEY, HOLCOMBE AND ASSOCIATES

Randall Stanley of Nyhart presented the Actuarial Valuation for the fiscal year ending September 30, 2011. Mr. Stanley reported that for the 2013 fiscal year, the City's funding requirement was 45.8% of payroll, but the recommended dollar amount was at least \$7,849,884. He reported that the finding percentage had increased by 4.9% from the level after recent reductions in the benefits for police members. The increase was attributable to investment losses and unfavorable experience due to greater disability pensions than expected. Mr. Stanley was questioned regarding the breakdown for funding on the separate police and firefighter membership and responded that the funding requirements were 41.6% and 55.7% of payroll for the police and firefighter memberships respectively. He reported that the funded ratio had increased from 70% to 71%. Don Ruiter made a motion to accept the 2011 Actuarial Valuation. Erin Masters seconded the motion, approved by the Trustees 5-0.

ADMINISTRATIVE REPORT

The Trustees reviewed the list of disbursements. Terence Henry made a motion to approve the disbursements as presented. Lyle McCormick seconded the motion, approved by the Trustees 5-0.

The Trustees reviewed the list of benefit approvals. Terence Henry made a motion to approve the benefit approvals as presented. Lyle McCormick seconded the motion, approved by the Trustees 5-0.

OTHER BUSINESS

The Board recognized that an Ordinance Amendment was required to revise the provisions of the Plan to permit investment into limited partnerships including the new proposed allocation into the Blackrock renewable power fund. Terence Henry made a motion to authorize the Plan Attorney to draft an Ordinance Amendment revising the investment restrictions to permit limited partnerships as an allowable investment. Don Ruitter seconded the motion, approved by the Trustees 4-1 with Lyle McCormick dissenting. Mr. McCormick objected to the investment into limited partnerships in general.

Erin Masters departed the meeting.

The Board considered a request from Nuveen Asset Management for permission to use the Plan as a client reference. Don Ruitter made a motion to grant permission to Nuveen Asset Management to use the Plan as a client reference. Terence Henry seconded the motion, approved by the Trustees 4-0.

The Board noted that the Summary Plan Description needed to be updated, which was postponed until after pending changes to benefits for the firefighter membership were finalized.

A discussion arose regarding the expected rate of investment return. It was noted that the State required that the Board determine the expected investment returns for the future. The Investment Consultant was questioned regarding the expected rate of investment returns. Mr. Cottle reviewed the asset allocation and advised that current assumption of a 7.5% investment return was attainable. A lengthy discussion ensued and Don Ruitter made a motion to determine that the total expected annual rate of investment return for the Plan for the next year, next several years, and long-term thereafter, shall be 7.5%, net of investment related expenses. This determination is made in accordance with Section 112.661(9) Florida Statutes. Lyle McCormick seconded the motion, approved by the Trustees 4-0.

SCHEDULE NEXT MEETING

There being no further business, the next quarterly meeting was scheduled for May 7, 2012 and will take place in the Council Chambers at Daytona Beach City Hall.

The meeting adjourned at 11:33 A.M.

Respectfully submitted,

Secretary