

**CITY OF DAYTONA BEACH POLICE AND FIRE PENSION FUND
MINUTES OF MEETING HELD
MAY 2, 2011**

A meeting of the Board of Trustees was called to order at 8:31 A.M. in the Council Chambers located at Daytona Beach City Hall. Those persons present were:

TRUSTEES PRESENT

Mark Eisner
Jeff Rossi
Erin Masters
Terence Henry
Lyle McCormick

OTHERS PRESENT

Lee Dehner, Christiansen & Dehner P.A.
Nick Schiess, Pension Resource Center
Bill Cottle, Milliman USA, Inc.
Lydia Cotrell & Tom Rosalanko, Grantham, Mayo & Otterloo
Donald Corbin, Kennedy Capital Management
Jim McInerny & Michael Mach, Eaton Vance Management
Sally McCarroll, City of Daytona Beach

CALL TO ORDER

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

PUBLIC COMMENTS

Chairman Mark Eisner invited those present to address the Board with public comments. Leonard Taft provided information on structured settlements to the Board and requested consideration of the product as a potential alternative for the investment portfolio.

APPROVAL OF MINUTES

The Trustees reviewed the minutes for the meetings held on February 27, 2011 and March 21, 2011. Terence Henry made a motion to approve the minutes for the meetings held on February 27, 2011 and March 21, 2011. Jeff Rossi seconded the motion, approved by the Trustees 5-0.

INVESTMENT MANAGER REPORT: KENNEDY CAPITAL MANAGEMENT

Portfolio manager Donald Corbin appeared before the Board on behalf of Kennedy Capital Management to provide a report on the small cap commingled fund for the quarter ending March 31, 2011. Mr. Corbin reviewed in great detail the investment process, investment management team and the sector allocations and holdings within the portfolio. He reviewed the performance of the portfolio noting that the return for the quarter was 9.9% versus 7.9% for the index and for the 2010 calendar year was 29.7% versus 26.9%. The Board expressed considerable satisfaction with the product, noting that the fund had achieved consistent outperformance of the index.

INVESTMENT MANAGER REPORT: GRANTHAM, MAYO & OTTERLOO

Lydia Cotrell and portfolio manager Tom Rosalanko appeared before the Board on behalf of Grantham, Mayo & Otterloo to provide a report on the international equity portfolio for the quarter ending March 31, 2011. Ms. Cotrell advised that there were no organizational changes. She reported that the investment return for the quarter was 3.5% versus the index of 3.5% and the new International All Country Equity Allocation Strategy product had outperformed the formerly owned product by 1% for the quarter. Mr. Rosalanko discussed in great detail the investment strategy and the geographical diversification and holdings within the portfolio.

INVESTMENT MANAGER PRESENTATION: EATON VANCE MANAGEMENT

Jim McNerny and portfolio manager Michael Mach appeared before the Board on behalf of Eaton Vance Management to deliver a report on investment performance of the large cap value portfolio for the quarter ending March 31, 2011. Mr. McNerny reported that there were no organizational changes other than the addition of several analysts. The Board questioned the underperformance of the portfolio. Mr. Mach explained that the investment style contained only high quality equities and this style had historically been out of market favor immediately after a market recession. He discussed the investment process and long-term performance and advised that the style has repeatedly outperformed the index over complete market cycles. Mr. Mach concluded his report with a review of the risk/reward measurements of the portfolio and expressed optimism that relative performance would soon improve.

INVESTMENT CONSULTANT REPORT

Bill Cottle reviewed the investment performance of the portfolio for the quarter ending March 31, 2011. The total market value of the portfolio was \$141,526,993 as of March 31, 2011, which represents an increase in the amount of \$4,260,723 from the market value of \$137,266,270 as of December 30, 2010. The investment performance for the quarter was 4.8% versus the benchmark of 3.8%, which ranked the Plan in the top 8th percentile of investment returns.

Mr. Cottle reviewed the performance of the individual investment managers noting that all was satisfactory with the exception of Eaton Vance Management. He discussed the performance and investment strategy of Eaton Vance Management and recommended that the firm be extended time to improve performance.

Mr. Cottle provided the Board with a transactions cost report for the transactions of separate account investment managers Eaton Vance Management, Sawgrass Asset Management, Gabelli Asset Management and FAF Advisors for the quarter ending March 31, 2011, noting that the trading costs were exceptionally low.

Mr. Cottle was questioned regarding commodity or energy funds as possible alternative investments and he advised that he was currently researching funds offered by Gabelli Asset Management, Blackrock and other firms.

A discussion arose regarding structured settlements as an alternative investment products as proposed by Mr. Leonard Taft earlier in the meeting. Mr. Cottle expressed concerns over many aspects of this type of investment, especially the depositing of the funds within an insurance company's general fund. It was noted that the rate of return for structured settlements were generally tied to interest rates, which currently were at a historical low.

Mr. Cottle announced that he would be performing a due diligence visit to Bank of New York/Mellon and Gabelli Asset Management.

Mr. Cottle was questioned whether the Plan was in compliance with guidelines specified within the Protecting Florida's Investment Act and he responded that the Plan was in compliance.

ATTORNEY REPORT

As a legislative update, Lee Dehner reported that prospective State legislation Senate Bill 1128 was out of committee and now in reconciliation. He expected the legislation to pass, noting that it was far less detrimental to public pension plans than the original bill. Mr. Dehner discussed the proposed changes that would limit compensation used for the determination of benefits and also changes to the use of State Chapter 175/185 contributions.

Mr. Dehner reported that the initial period to conduct a disability hearing for Georgia Raines 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 Georgia Raines. Erin Masters seconded the motion, approved by the Trustees 5-0.

ADMINISTRATIVE REPORT

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

Nick Schiess reported that the increase in the supplemental firefighter benefit had been successfully implemented for the affected retirees.

OTHER BUSINESS

The Board reviewed a proposed Ordinance that would coordinate the death benefits from the Plan with those received from Worker's Compensation. Lee Dehner explained the provisions of the Plan dictate that death benefits can not be issued from the Plan until the statutory death benefits from Worker's Compensation had ceased. It was noted that the death benefits from the Plan were likely to be greater than those from Worker's Compensation and an unforeseen consequence was the financial detriment of the survivors, even if the member had passed away in the line-of-duty. The proposed Ordinance would revise the provisions of the Plan to coordinate benefits Worker's Compensation with the Plan, paying only the difference between the Worker's

Compensation and Plan benefits until the expiration of the Worker's Compensation benefits and then the full amount thereafter. It was noted that the adoption of the proposed Ordinance was the City Council's decision. The Board noted that an effective date had not been specified within the draft Ordinance and a discussion arose regarding a potential effective date given that this situation had recently occurred. Erin Masters made a motion to submit the proposed Ordinance as is to City Council for consideration. Jeff Rossi seconded the motion, approved by the Trustees 5-0. The City would determine the effective date of the proposed Ordinance. The Board authorized the preparation of an actuarial impact statement and the Plan Administrator to submit the proposed Ordinance to the City for consideration.

The Board discussed the status of the transition of custodial services to the Bank of New York/ Mellon. Lee Dehner anticipated that an acceptable Agreement will be negotiated. It was noted that a due diligence visit to Bank of New York/ Mellon had been planned by Bill Cottle and a few Trustees. Lyle McCormick made a motion to proceed with the Board's prior decision to engage the services of Bank of New York/ Mellon contingent upon the due diligence visit to the firm and Mr. Dehner's receipt of Mr. Cottle's final approval. Jeff Rossi seconded the motion, approved by the Trustees 5-0. A discussion arose regarding the transition date and Lyle McCormick made a motion to proceed with the transition as soon as administratively possible. Terence Henry seconded the motion, approved by the Trustees 5-0.

The Board reviewed an Audit Engagement Letter for the audit for the fiscal year ending September 30, 2010. It was noted that the letter omitted customary language regarding the capping of fees and the Plan Administrator was directed to request a revised Letter from Goldstein Schechter Koch for presentation at the next meeting.

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 Jeff Rossi 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 5-0.

A discussion arose regarding the use of securities litigation firms for the monitoring of class action lawsuits involving past or current holdings within the Plan's portfolio. It was noted that the monitoring services were generally of no cost and litigation services were offered on a contingency basis. It was further noted that the Plan already engaged the services of the firm Robbins Gellar Rudman & Dowd. The Board discussed utilizing additional firms, noting that their services are of no cost to the Plan. Lee Dehner and Bill Cottle were requested to collaborate on a list of potential candidates for the next meeting.

On behalf of the City, Sally McCarroll requested for a revision in the manner of the allocation of Chapter 175/185 revenues within the most recent Actuarial Valuation for collective bargaining purposes. Terence Henry made a motion to authorize the Plan's Actuary to provide the City with the requested revised information. Lyle McCormick seconded the motion, approved by the Trustees 5-0.

SCHEDULE NEXT MEETING

There being no further business, the next quarterly meeting was scheduled for August 1, 2011 and will take place in the Council Chambers at Daytona Beach City Hall.

The meeting adjourned at 10:58 P.M.

Respectfully submitted,

Secretary