

**CITY OF DAYTONA BEACH POLICE AND FIRE PENSION FUND  
MINUTES OF MEETING HELD  
AUGUST 2, 2010**

A meeting of the Board of Trustees was called to order at 8:32 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.  
Matt Beck, Dodge & Cox  
Clint Doroff & John Wenker, FAF Advisors

**CALL TO ORDER**

Chairman Mark Eisner called the meeting to order at 8:32 A.M. Nick Schiess provided the roll call.

**PUBLIC COMMENTS**

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

**APPROVAL OF MINUTES**

The Trustees reviewed the minutes for the meeting held on May 3, 2010. Terence Henry made a motion to approve the minutes for the meeting held on May 3, 2010. Lyle McCormick seconded the motion, approved by the Trustees 5-0.

**INVESTMENT MANAGER REPORT: DODGE & COX**

Matt Beck introduced himself as the new client relation manager for Dodge & Cox. He reported that no changes had occurred within the organization or investment process. Mr. Beck reviewed the investment strategy, which is a core bond portfolio with a focus upon attaining incremental yield from corporate and mortgage backed securities.

Mr. Beck reviewed the performance of the fund noting that the calendar year-to-date return was 4.28% versus the index of 5.33%, with the underperformance attributable to unfavorable duration speculation and a bias of the market towards treasuries. He reported that the longer term performance was favorable and the return for the trailing one-year period was 12.31% versus the

index of 9.50%. He concluded his report with a thorough and detailed review of the portfolio construction and allocations.

### **INVESTMENT MANAGER PRESENTATION – FAF ADVISORS**

Clint Doroff appeared before the Board and portfolio manager John Wenker joined the meeting via teleconference on behalf of FAF Advisors to deliver a report on the investment performance for the quarter ending June 30, 2010. Mr. Wenker discussed the details of a strategic partnership that had been formed with Nuveen Investments. He was questioned regarding the specifics of the acquisition by Nuveen Investments and he reported that the transaction involved a purchase price of \$80M for FAF Advisors along with a 10% interest in the parent company. Mr. Wenker discussed the benefits for both firms and advised that neither the investment process nor returns should be affected. Bill Cottle announced that he will be performing a due diligence visit and would provide a report back to the Board.

Mr. Doroff reviewed the performance of the REIT portfolio noting that the performance for the calendar year-to-date was 6.80% versus 5.56% for the index and for the trailing one-year period was 54.94% versus 53.90% for the index. He was questioned regarding the basis for this considerable return and Mr. Doroff explained that capital was very limited until the year 2009 and after the capital markets opened, many of the firms within the industry used this capital to reduce debt and improve the financial health of their firms, which resulted in the growth of their market values.

Mr. Wenker concluded the report with a detailed review of the investment process, holdings and allocations.

### **INVESTMENT MONITOR REPORT**

Bill Cottle appeared before the Board to review the investment performance of the portfolio for the quarter ending June 30, 2010. The total market value of the portfolio was \$115,889,624 as of June 30, 2010, which represents a decrease in the amount of \$9,656,436 from the market value of \$125,546,060 as of March 31, 2010. The investment performance for the quarter was -5.7% versus the benchmark of -6.4%.

Mr. Cottle reviewed the performance of the individual investment managers in great detail. He reported that Grantham, Mayo & Otterloo had hired a new Chief Executive Officer who was highly regarded. The performance for Eaton Vance Management was -13.0% versus -11.1% for the index, with the underperformance attributable to sector allocation and the high quality bias of the portfolio during a period in which the market favored lower quality equities.

As a follow up to the last meeting, Mr. Cottle reported that he was still researching a potential microcap allocation. He was questioned regarding the direction of the market and Mr. Cottle discussed market and economic factors concluding that real estate and microcap allocations were anticipated to be the top performers prospectively.

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 June 30, 2010 noting that the managers were trading efficiently.

A discussion arose regarding requesting proposals for custodial services with an expectation of lowering operating costs. Butch McCormick made a motion to request proposals for custodial services. Terence Henry seconded the motion, approved by the Trustees 5-0. Bill Cottle and Nick Schiess were directed to collaborate on soliciting proposals for custodial services.

### **ATTORNEY REPORT**

As a legislative update, Lee Dehner discussed prospective federal legislation including that which would remove the requirement of deducting premiums from pension payments and dramatically simplify the claiming of the tax credit for health insurance provided for under the Pension Protection Act of 2006.

Mr. Dehner reported that the Ordinance Amendment with IRS compliance items had been submitted to the City for consideration and adoption. He discussed the advantages of filing for a favorable Tax Determination Letter from the Internal Revenue Service noting that the agency had expressed renewed interest in governmental pension plans. Mr. Dehner advised that he will provide additional information at the next meeting.

Mr. Dehner reported that Katherine Willard had withdrawn her Application for Disability Benefits.

Mr. Dehner reported that the initial period to conduct a disability hearing for David Abner would expire August 11, 2010 and he recommended that the Board approve a ninety day extension. Jeff Rossi made a motion to grant a ninety day extension for the initial hearing period for David Abner. 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.

### **OTHER BUSINESS**

The Trustees evaluated information pertaining to the periodic review of disability pensions. The Board then reviewed an independent medical exam that had been performed for disability recipient Anthony Annatone. It was noted that the physician that had performed the exam had attested that Mr. Annatone was still totally and permanently disabled. As a result of the review, the Board determined that all disability pension recipients were still disabled and eligible for the benefits.

The Board reviewed a request from retiree Richard Shiver for benefits in addition to his monthly pension benefit for medical treatments for a condition that he claimed developed while in service. Mr. Shriver appeared before the Board and discussed his medical condition. Lee Dehner explained that no provision existed within the Plan which supported the award of such benefits and the Board was only empowered to administer the provisions of the Plan so therefore the Board could not legally honor Mr. Shiver's request.

Nick Schiess provided the Board with a quote in the amount of \$14,427 for fiduciary liability insurance with the Hudson Insurance Company. He explained that the current policy period with the Travelers Insurance Company was expiring and the insurer was declined renewal because the Plan failed to meet new stricter underwriting guidelines. Mr. Schiess advised that very few insurers offered this specialty insurance. He provided the Trustees with information on the Hudson Insurance Company noting that the premium was significantly lower. The Board discussed the merit and cost of the insurance and determined that the coverage was necessary. Terence Henry made a motion to accept the quote for fiduciary liability insurance from the Hudson Insurance Company. Butch McCormick seconded the motion, approved by the Trustees 5-0.

Mr. Schiess presented for execution an Audit Engagement Letter with Goldstein Schecter Koch for the performance of the 2010 fiscal year audit and bookkeeping services. Jeff Rossi made a motion to execute the Audit Engagement Letter. Erin Masters seconded the motion, approved by the Trustees 5-0.

The Board reviewed a revised Summary Plan Description and a discussion arose regarding its duplication and distribution. Erin Masters made a motion to approve the Summary Plan Description and its duplication and distribution costs. Butch McCormick seconded the motion, approved by the Trustees 5-0.

Jeff Rossi requested the Board's approval for the revision of a previous actuarial impact study for an increase in the supplemental firefighter's benefit utilizing excess Chapter 175 State contributions. Jeff Rossi made a motion to authorize a revised actuarial impact study for increasing the supplemental firefighter's benefit. Butch McCormick seconded the motion, approved by the Trustees 5-0.

### **SCHEDULE NEXT MEETING**

There being no further business and the next meeting scheduled for August 2, 2010, the meeting adjourned at 10:35 A.M. The next meeting will take place in the Council Chambers at Daytona Beach City Hall.

Respectfully submitted,

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Jeff Rossi, Secretary

