

**CITY OF DAYTONA BEACH POLICE AND FIRE PENSION FUND
MINUTES OF MEETING HELD
NOVEMBER 7, 2011**

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 (8:40 AM)

OTHERS PRESENT

Lee Dehner, Christiansen & Dehner P.A.
Nick Schiess, Pension Resource Center
Bill Cottle, Milliman USA, Inc.
Jim McInerney & Chris Sunderland, Eaton Vance Management
Tony Dote & Edward Keeting, Lazard Asset Management
Chris Greco & Martin LaPrade, Sawgrass Asset Management
Sally McCarroll, City of Daytona Beach

CALL TO ORDER

Chairman Mark Eisner called the meeting to order at 8:33 A.M. Nick Schiess provided the roll call.

PUBLIC COMMENTS

Chairman Mark Eisner invited those present to address the Board with public comments. There were no public comments. The Board honored former Trustee George Rossi for his service to the Board and Plan members.

APPROVAL OF MINUTES

The Trustees reviewed the minutes for the meeting held on August 1, 2011. Terence Henry made a motion to approve the minutes for the meeting held on August 1, 2011. Lyle McCormick seconded the motion, approved by the Trustees 4-0.

Erin Masters joined the meeting.

INVESTMENT MANAGER REPORT: EATON VANCE MANAGEMENT

Jim McInerney and Chris Sunderland appeared before the Board on behalf of Eaton Vance Management to deliver a report on the investment performance for the quarter ending September 30, 2011. Mr. Sunderland discussed the investment process and strategy, which he noted was biased towards high quality equities. He then discussed market conditions, noting that the market had not recently favored higher quality equities but he expected a shift in market favor towards higher quality equities as the market cycle matures. Mr. Sunderland reviewed historical

performance, noting that the investment strategy has outperformed the index over many complete market cycles. Mr. Sunderland concluded his report with a thorough and detailed review of the portfolio holdings and allocations.

INVESTMENT MANAGER REPORT: LAZARD ASSET MANAGEMENT

Tony Dote and portfolio manager Edward Keeting appeared before the Board on behalf of Lazard Asset Management to deliver a report on the investment performance for the quarter ending September 30, 2011. Mr. Dote reported that the performance of the infrastructure fund was 8.45% versus the index of 3.35% since the fund's inception but for the trailing one year period was -1.43% versus -1.34% for the index. Mr. Keeting discussed in great detail the investment strategy, investment process and holdings within the fund.

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 for the quarter ending September 30, 2011. Mr. Greco reviewed the long-term performance of their large cap strategy, noting significant historical outperformance of the index over many complete market cycles. He reported that while the portfolio had lagged the index for several years, relative performance has dramatically improved recently. Mr. LaPrade discussed the investment process and strategy in great detail, which was biased towards high quality equities. He explained that the underperformance was attributable to the market favor towards lower quality equities but the market cycle has matured and a very recent shift in favor has occurred towards higher quality equities. Mr. LaPrade discussed market conditions and anticipated continuing improvement of relative performance.

INVESTMENT CONSULTANT REPORT

Bill Cottle reviewed the investment performance of the portfolio for the quarter ending September 30, 2011. The total market value of the portfolio was \$121,580,115 as of September 30, 2011, which represents a decrease in the amount of \$19,199,439 from the market value of \$140,779,554 as of June 30, 2011. The investment performance for the quarter was -11.4% versus the benchmark of -9.1% and for the fiscal year was 0.5% versus 1.5% for the index, which ranked the Plan in the 56th percentile of investment returns. Mr. Cottle discussed the recent extreme market volatility, noting that it had affected every asset class except bonds.

Mr. Cottle reviewed the performance of the individual investment managers, noting that every manager except Sawgrass Asset Management, Eaton Vance Management and Nuveen Asset Management had underperformed their respective indexes. The Board acknowledged the remarkable market volatility, noting that this made it very difficult for managers to achieve outperformance of their respective benchmarks.

Mr. Cottle reviewed economic and market conditions and expected mixed performance for the short-term. He discussed ideas to smooth out market volatility including the addition of alternative investment products. The Board requested the scheduling of a special meeting to entertain presentations from managers of alternative investment products.

Mr. Cottle reviewed the asset allocation and transactions cost report, noting all was satisfactory.

ATTORNEY REPORT

As a legislative update, Lee Dehner discussed proposed State legislation.

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.

Nick Schiess requested clarification on whether the extension of Trustee term limits to four years within the recently adopted ordinance Amendment was applicable to the current Trustee terms. Lee Dehner advised that was acceptable to either extend the current terms to four years or commence the four year terms after the next election/appointment. A discussion ensued and Don Ruitter made a motion to extend the current Trustee terms another two years for a total of four years. Erin Masters seconded the motion, approved by the Trustees 5-0.

Mr. Schiess reported that the annual cost-of-living-adjustments had been successfully implemented effective October 1, 2011.

Mr. Schiess requested direction regarding the renewal of association memberships and the Board, by consensus, agreed to renew the membership with the Florida Public Trustees' Association, National Conference of Public Employee Retirement Systems and International Foundation of Employee Benefit Plans.

OTHER BUSINESS

Nick Schiess reported that a request had been received from the City to modify the proposed Ordinance modifying the service related death benefits to include the same \$5,500 cap on benefits that had been agreed upon in the last round of collective bargaining between the City and Police Union. He advised that the same cap had not yet been successfully negotiated with the Firefighters' Union. A lengthy discussion ensued and the Board urged Sally McCarroll to consider proceeding with the proposed Ordinance Amendment without this cap on benefits.

Mr. Schiess provided the Board with a schedule of retiree overpayments that arose when their scheduled reduction in benefits under the social security optional form of payment did not occur as required. He explained that under this option, retirees initially receive a higher amount of their pensions but with a prescheduled reduction in benefits at a later age. Mr. Schiess explained that the reduction information was delivered along with the other retiree information to State Street Custodial Services when the firm took over benefit payments back in the year 2003; however, the scheduled reductions in benefits were not implemented, which resulted in overpayments. Lee Dehner advised that the Board has a fiduciary responsibility to recover the payments however is deemed prudent given the facts and circumstances. A lengthy discussion ensued regarding

recovery options and the Board requested Mr. Dehner to prepare a demand letter to State Street Retiree Services to recover the overpayments.

SCHEDULE NEXT MEETING

There being no further business, the next quarterly meeting was scheduled for March 12, 2012 and will take place in the Council Chambers at Daytona Beach City Hall.

The meeting adjourned at 11:15 A.M.

Respectfully submitted,

Secretary