

**CITY OF DAYTONA BEACH POLICE AND FIRE PENSION FUND
MINUTES OF MEETING HELD
MAY 7, 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 (via teleconference)
Terence Henry
Lyle McCormick
Erin Masters

OTHERS PRESENT

Nick Schiess, Pension Resource Center
Lee Dehner, Christiansen & Dehner (via teleconference)
Bill Cottle, Milliman USA, Inc
Dan Miller, Gabelli Asset Management
Lydia Cotrell & Tom Rosalanko, Grantham, Mayo & Otterloo
Linda Pelicer, 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.

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 meeting held on March 12, 2012. Terence Henry made a motion to approve the minutes for the meeting held on March 12, 2012. Don Ruitter seconded the motion, approved by the Trustees 5-0.

INVESTMENT MANAGER PRESENTATION – GABELLI ASSET MANAGEMENT

Dan Miller appeared before the Board on behalf of Gabelli Asset Management to deliver a report on investment performance of the portfolio for the quarter ending March 30, 2012. Mr. Miller reported that the investment return for the quarter was 9.3% versus 12.9% for the Russell 3000 index. He was questioned regarding the underperformance during the 2011 calendar year. Mr. Miller discussed the market and economic factors behind the underperformance, noting that the investment process remained intact and the investment strategy was based upon achieving outperformance over the long-term. He reported that since inception, the investment return was 12.2% versus 9.1% for the index.

Mr. Miller discussed organization changes. He concluded his report with a thorough review of the holdings within the portfolio and discussed the best and worst performing equities.

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, 2012. Ms. Cotrell discussed the organizational changes including the seating of new Chief Executive Officer Brad Hilsabeck. She reported that the investment return for the quarter was 10.12% versus the index of 11.23% and for the trailing one year was -5.00% versus -7.17% for the index. Mr. Rosalanko discussed in great detail the investment strategy and the geographical diversification and holdings within the portfolio.

INVESTMENT CONSULTANT REPORT

Bill Cottle reviewed the investment performance of the portfolio for the quarter ending March 31, 2012. The total market value of the portfolio was \$143,699,224 as of March 31, 2012, which represents an increase in the amount of \$7,907,081 from the market value of \$135,792,143 as of December 31, 2011. The investment performance for the quarter was 8.3% versus the benchmark of 8.2% and for the fiscal year was 1.5% versus 2.5% for the index.

Mr. Cottle reviewed the performance of the individual investment managers. He discussed organizational changes within Eaton Vance Management and advised that he was still in the process of negotiating a performance based fee arrangement with the manager. Mr. Cottle reported that their performance for the last quarter had improved and he recommended extending the manager another three quarters to turn around performance. Mr. Cottle was questioned regarding placing the manager upon a watch list and he responded that the manager had already been on an informal watch list, which could be more formalized if requested by the Trustees. He recommended that the Board consider the next quarter's performance before deciding any action and the Board agreed.

Mr. Cottle reported that the agreement with Blackrock was still being negotiated on terms favorable to the Board.

Mr. Cottle provided and reviewed a revised Investment Policy Statement, noting that the asset allocation ranges required additional revision. Terence Henry made a motion to approve revised Investment Policy Statement contingent upon the finalization of the asset allocation ranges by Mr. Cottle after the meeting. Don Ruitter seconded the motion, approved by the Trustees 4-1, with Butch McCormick dissenting.

Mr. Cottle reviewed the asset allocation. He was questioned regarding the anticipated low performance from bonds and what measures or alternative products could be implemented in response. He confirmed that performance from bonds was expected to be poor and measures had already been implemented including the underweighting to bonds, addition of the Blackrock Treasury Income Protected Securities fund and overweighting in corporate bonds versus treasuries which has already been achieved in the Dodge & Cox fixed income fund. Mr. Cottle was questioned regarding commodities such as timber and he responded that he generally considered commodity based investment products unfavorable.

Mr. Cottle reported that the transaction costs for securities trading were acceptable.

ATTORNEY REPORT

Lee Dehner reported that the State legislation session had closed without passing any legislation that affected governmental pension plans.

Mr. Dehner reminded the Trustees to file their annual Statement of Financial Interests with the State.

Mr. Dehner reported that agreements had nearly been negotiated with the securities monitoring firms engaged by the Board at the last meeting.

Mr. Dehner provided an update on the lawsuit filed against many claimants including the Plan on the past holding of Tribune within the investment portfolio, noting the action was still ongoing.

Mr. Dehner provided a report on the outstanding applications for disability benefits.

ADMINISTRATIVE REPORT

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

Nick Schiess requested the Board's favorable consideration for an increase in administration fees from \$3,750 monthly to \$4,150 monthly effective June 1, 2012 along with a 3.5% annual cost-of-living adjustment. The Trustees expressed an objection to annual cost-of-living adjustments in general and Lyle McCormick made a motion to approve an increase in administration fees from \$3,750 monthly to \$4,150 monthly effective June 1, 2012. Erin Masters seconded the motion, approved by the Trustees 5-0.

OTHER BUSINESS

The Trustees reviewed a revised proposed Ordinance Amendment to permit investment into limited partnerships including the new proposed allocation into the Blackrock renewable power fund. Terence Henry made a motion to approve the proposed Ordinance Amendment and submit it to the City for consideration. Erin Masters seconded the motion, approved by the Trustees 4-1, with Butch McCormick dissenting. .

The Trustees reviewed a revised proposed Ordinance Amendment to remedy the State's objections language within the recently adopted Ordinance implementing reductions in the benefits for police officer members. Terence Henry made a motion to approve the proposed Ordinance Amendment and submit it to the City for consideration. Butch 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 6, 2012 and will take place in the Council Chambers at Daytona Beach City Hall.

The meeting adjourned at 11:01 A.M.

Respectfully submitted,

Secretary