

**CITY OF DAYTONA BEACH POLICE AND FIRE PENSION FUND
MINUTES OF MEETING HELD
AUGUST 6, 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
 Erin Masters

OTHERS PRESENT Nick Schiess, Pension Resource Center
 Lee Dehner, Christiansen & Dehner
 Bill Cottle, Milliman USA, Inc
 Matt Beck, Dodge & Cox
 Lynne Harrington & John Wenker, Nuveen Asset Management
 Sally McCarroll & James Sexton, 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. Sally McCarroll requested authorization to utilize the Plan's attorney and actuary to prepare a draft ordinance for a reduction in benefits affecting firefighter members. Erin Masters made a motion to authorize the Plan's attorney and actuary to prepare a draft ordinance and respective impact statement for a reduction in benefits affecting firefighter members. Mark Eisner seconded the motion. It was noted that the Board often made available service providers to assist in the implementation of benefits that were collectively bargained but in this instance the benefit reductions were not agreed to within collective bargaining and being imposed. The motion did not pass 2-1 with Don Ruitter dissenting.

APPROVAL OF MINUTES

The Trustees reviewed the minutes for the meetings held on May 7, 2012 and July 20, 2012. Erin Masters made a motion to approve the minutes for the meetings held on May 7, 2012 and July 20, 2012. Don Ruitter seconded the motion, approved by the Trustees 3-0.

INVESTMENT MANAGER REPORT: DODGE & COX

Matt Beck appeared before the Board on behalf of Dodge & Cox to deliver a report on the investment performance for the quarter ending June 30, 2012. 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 5.83% versus 3.78% for the index, for the trailing one year return was 5.93% versus the index of 7.48%. He discussed economic and market conditions and anticipated low returns on fixed income in general for the next several years. He concluded his report with a thorough and detailed review of the portfolio construction and allocations.

INVESTMENT MANAGER PRESENTATION: NUVEEN ASSET MANAGEMENT

Lynne Harrington appeared before the Board and portfolio manager John Wenker joined the meeting via teleconference on behalf of Nuveen Asset Management to deliver a report on the investment performance for the quarter ending June 30, 2012. Ms. Harrington reviewed the performance of the REIT portfolio, noting that the return for the trailing one year period was 13.64% versus 12.48% for the index and since inception was 10.94% versus 7.75% for the index. Mr. Wenker provided a detailed review of the investment process, holdings and allocations.

INVESTMENT CONSULTANT REPORT

Bill Cottle reviewed the investment performance of the portfolio for the quarter ending June 30, 2012. The total market value of the portfolio was \$139,597,976 as of June 30, 2012, which represents a decrease in the amount of \$4,101,248 from the market value of \$143,699,224 as of March 31, 2011. The investment performance for the quarter was -1.2% versus the benchmark of -1.3% and for the trailing one-year period was 1.5% versus 2.5% for the index.

Mr. Cottle reviewed the performance of the individual investment managers in detail, noting that the return of the Eaton Vance Management portfolio had exceeded the respective benchmark for the last two consecutive quarters.

Mr. Cottle reported that the transaction costs for securities trading had increased by 30% attributable to increased volume of trading but the investment managers were trading efficiently.

Mr. Cottle discussed the lawsuit filed against many claimants including the Plan on the past holding of Tribune within the investment portfolio and agreed to research into the potential damages.

Mr. Cottle reported conducting a due diligence visit to the office of Nuveen Asset Management, noting all was well. He discussed the new real asset income strategy being offered by the firm and will present additional information to the Board at the next meeting. Mr. Cottle discussed other alternative investment products worthy of additional consideration.

ATTORNEY REPORT

Lee Dehner reported on recently adopted State legislation that affected governmental pension plans. He reported that date of birth had been added to the information that should be redacted and the statutes voided the designation of a person who later became an ex-spouse under most circumstances, which will likely prove challenging for the members and to administer.

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

Mr. Dehner reported that a pending Ordinance Amendment had been adopted by City Council. He reviewed provisions applicable to the integration of the Plan's service related death benefits with Worker's Compensation death benefits. A lengthy discussion arose regarding the effective date of the integration and specifically whether there existed any basis for the retroactivity of benefits. It was noted that the Ordinance was effective upon adoption and no language was present that specifically addressed any retroactivity of benefits. Mr. Dehner advised that without specific reference to retroactivity of benefits, the effective date of the integration of benefits should be based upon the adoption date of the Ordinance. It was also noted that the City was advised on multiple occasions that language regarding retroactivity was required if it was the City's intent to provide retroactive relief to any affected persons.

ADMINISTRATIVE REPORT

The Trustees reviewed the list of disbursements. Don Ruitter made a motion to approve the disbursements as presented. Erin Masters seconded the motion, approved by the Trustees 3-0.

The Trustees reviewed the list of benefit approvals. Don Ruitter made a motion to approve the benefit approvals as presented. Erin Masters seconded the motion, approved by the Trustees 3-0.

OTHER BUSINESS

The Board reviewed engagement letters for the preparation of the audit, annual report and bookkeeping services for the fiscal year ending September 30, 2012 to be performed by Goldstein Schechter Koch. Erin Masters made a motion to execute the engagement letters for Goldstein Schechter Koch to prepare the audit and annual report and perform bookkeeping services for the fiscal year ending September 30, 2012. Don Ruitter seconded the motion, approved by the Trustees 3-0.

Nick Schiess provided the Board with quotes for the renewal of fiduciary liability. Erin Masters made a motion to bind fiduciary liability insurance offered by State National Insurance Company. Don Ruitter seconded the motion, approved by the Trustees 3-0.

The Board discussed the pending agreement negotiation with the recently engaged securities monitoring firm Bernstein Liebhard, LLP, noting that Rebecca Katz had departed the firm. Don Ruitter made a motion to discontinue agreement negotiations with Bernstein Liebhard, LLP. Erin Masters seconded the motion, approved by the Trustees 3-0.

SCHEDULE NEXT MEETING

There being no further business, the next quarterly meeting was scheduled for November 5, 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