

**CITY OF DAYTONA BEACH POLICE AND FIRE PENSION FUND
MINUTES OF MEETING HELD
NOVEMBER 5, 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
Terence Henry
Lyle McCormick

OTHERS PRESENT

Nick Schiess, Pension Resource Center
Lee Dehner, Christiansen & Dehner
Bill Cottle, Milliman USA, Inc
Mathew Baudry & James McInerney, Eaton Vance Management
James Sexton, City of Daytona Beach

CALL TO ORDER

Chairman Mark Eisner called the meeting to order at 8:34 A.M. Nick Schiess provided the roll call.

PUBLIC COMMENTS

Chairman Mark Eisner invited those present to address the Board with public comments. James Sexton appeared before the Board and questioned whether the State had approved the recent Ordinance implementing benefit reductions for active firefighters, noting that there was an outstanding question of whether the revised benefits fell below the State required minimum levels and whether as a result the continued receipt of State Chapter 175/185 funds was in jeopardy. Lee Dehner explained that the State had recently changed its position on the eligibility of Chapter funds and definition of minimum benefits but had not yet issued clear guidance or rules and therefore the matter was on hold awaiting direction from the State. It was noted that the City had offset their annual funding requirement \$995K under the belief that the new position of the Division of Retirement now permitted the City to use the accrued chapter reserve funds to offset funding. Mr. Sexton advised that the City presumed that the precedent set by the Division of Management Services with the city of Naples allowed the City to use these funds to offset funding but would remit the funds if it is later determined that this was not permitted.

The Board discussed a settlement between the City and firefighter Christine Gray that permitted her to remain on administrative leave and receive credited service until she was eligible for retirement under the Plan. Lee Dehner advised that the Division of Retirement had consistently taken the position that a member can only receive service credit for performing actual service barring a court or administrative law order, which did not exist in this situation. Mr. Dehner explained that awarding service credit contrary to the Division's position could possibly jeopardize Chapter 175/185 revenues. After further discussion Don Ruitter made a motion to cease the crediting of service in the Plan to Christine Gray effective her last date of actual service

on January 5, 2011. Erin Masters seconded the motion. Mr. Sexton objected and expressed that the settlement had been negotiated in good faith and ultimately the City was responsible to the increased liability. Mr. Dehner recommended obtaining an opinion regarding the matter from Division of Retirement, and the Board agreed.

APPROVAL OF MINUTES

The Trustees reviewed the minutes for the meetings held on August 6, 2012 and September 10, 2012. Erin Masters made a motion to approve the minutes for the meetings held on August 6, 2012 and September 10, 2012. Don Ruitter seconded the motion, approved by the Trustees 5-0.

INVESTMENT MANAGER REPORT: EATON VANCE MANAGEMENT

Jim McInerney and Mathew Baudry appeared before the Board on behalf of Eaton Vance Management to deliver a report on the investment performance for the quarter ending September 30, 2012. Mr. McInerney provided an update on the firm, noting that no significant organizational changes had occurred. Mr. Baudry reported that the performance for the quarter was 6.75% versus 6.51% for the index and for the fiscal year was 28.40% versus 30.92% for the index. He reviewed the investment process and strategy, which he noted was biased towards high quality equities. Mr. Baudry reviewed historical performance, noting that the investment strategy has outperformed the index over many complete market cycles and relative performance has improved with the recent shift in market favor towards higher quality equities. He then provided a thorough and detailed review of the portfolio holdings and allocations. Mr. Baudrey concluded his report with a review of market and economic conditions and anticipated measured growth.

Mr. McInerney introduced the firm's global macroeconomic return strategy, which is an alternative international fixed income strategy containing global bonds and currencies.

INVESTMENT CONSULTANT REPORT

Bill Cottle reviewed the investment performance of the portfolio for the quarter ending September 30, 2012. The total market value of the portfolio was \$144,655,318 as of September 30, 2012, which represents an increase in the amount of \$5,057,342 from the market value of \$139,597,976 as of June 30, 2011. The investment performance for the quarter was 4.5% versus the benchmark of 4.7% and for the fiscal year was 20.5% versus 20.1% for the index. He reported that performance of the portfolio exceeded the actuarial assumption rate on investment return when averaged for the past ten years.

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 three consecutive quarters. He reported that while the short term performance of Gabelli Asset Management Company had lagged their benchmark, their long-term performance was excellent.

Mr. Cottle reviewed the transactions cost report, noting all was satisfactory and 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 anticipated the first capital call from Blackrock for the infrastructure fund to occur within the next year. He discussed market and economic conditions and anticipated low performance from fixed income in general. He advised that research was being conducted into alternative investment products. A discussion arose regarding the addition of a separate allocation for an emerging international market allocation and a special meeting was scheduled on the date of January 14, 2013 for the selection of managers and products to interview.

ATTORNEY REPORT

Lee Dehner discussed the importance of waiver of recourse noting that some insurers required payment separate from the fund for the coverage to be valid. Nick Schiess reported that the insurer providing the coverage did provide waiver of recourse coverage but did not require separate payment.

ADMINISTRATIVE REPORT

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

The Trustees reviewed the list of benefit approvals. Don Ruiter made a motion to approve the benefit approvals as presented. Erin Masters seconded the motion, approved by the Trustees 5-0.

OTHER BUSINESS

The Board reviewed a final draft of the revised Summary Plan Description, which was noted as required to be revised and distributed to the active members every two years. The Board approved the revised Summary Plan Description and duplication costs as inexpensively as possible.

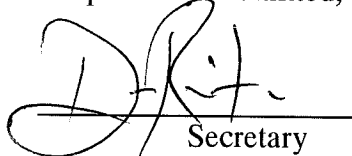
Lee Dehner discussed the preparation of a demand letter to State Street Custodial Services for the overpayments to retirees.

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