

**CITY OF DAYTONA BEACH POLICE AND FIRE PENSION FUND
MINUTES OF MEETING HELD
MAY 6, 2013**

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 Ruiter
Terence Henry
Lyle McCormick
Erin Masters

OTHERS PRESENT

Nick Schiess, Pension Resource Center
Bill Cottle, Milliman USA
Lee Dehner, Christiansen & Dehner
Dan Miller & Gino Torretta, Gabelli Asset Management
Elise Carner & Tom Rosalanko, Grantham, Mayo & Otterloo
James Sexton, City of Daytona Beach

CALL TO ORDER

Chairman Mark Eisner called the meeting to order at 8:31 A.M. Nick Schiess provided the roll call.

PUBLIC COMMENTS

Chairman Mark Eisner invited those present to address the Board with public comments. Retiree Sheldon Schultz appeared before the Board for a report on the review of survivorship benefits payable to members employed during his tenure. Nick Schiess and Lee Dehner reported that they had conducted another complete review of survivorship benefits payable and their conclusion was the same as the prior review performed in the year 2005, which is that the survivorship benefit payable to Mr. Shultz's spouse is a 50% joint and survivor benefit pursuant to the terms of the 1965 Ordinance. Mr. Shultz insisted that he and his fellow officers at the time were governed under 1959 Ordinance, not the 1965 Ordinance. He explained that he and his fellow officers were offered a choice between what he termed a "New Plan" and "Old Plan" and all affected members opted for the "Old Plan" primarily because the "New Plan" extended retirement eligibility requirements. Mr. Shultz also explained that the "New Plan" contained participation in Social Security, while the "Old Plan" did not and his payroll records should confirm that he did not contribute into Social Security. Mr. Schiess agreed to conduct further research into archived records for the details and distinction between the two plans as described by Mr. Shultz and report back to the Board at the next meeting.

APPROVAL OF MINUTES

The Trustees reviewed the minutes for the meetings held on February 4, 2013 and April 4, 2013. Terence Henry made a motion to approve the minutes for the meetings held on February 4, 2013 and April 4, 2013. Don Ruiter seconded the motion, approved by the Trustees 5-0.

INVESTMENT MANAGER PRESENTATION: GABELLI ASSET MANAGEMENT

Dan Miller and Gino Torretta 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, 2013. Mr. Miller reported that the investment return for the quarter was 12.5% versus 11.1% for the Russell 3000 index and for the trailing year was 18.8% versus 14.6% for the Russell 3000 index. Mr. Miller discussed organization changes. He concluded his report with a thorough review of the holdings within the portfolio. The Board thanked Mr. Miller for the superior investment returns earned over the years by the manager.

INVESTMENT MANAGER REPORT: GRANTHAM, MAYO & OTTERLOO

Elise Carner and portfolio manager Tom Rosalanko appeared before the Board on behalf of Grantham, Mayo & Otterloo to provide a report on the international equity fund for the quarter ending March 31, 2013. Ms. Carner discussed the organizational changes within the firm. She reported that the investment return of the International Equity Allocation Fund for the quarter was 0.73% versus the index of 0.16% and for the trailing one year period was 9.52% versus 8.32% 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, 2013. The total market value of the portfolio was \$155,411,419, which represents an increase in the amount of \$6,497,210 from the market value of \$148,914,209 as of December 31, 2012. The investment performance for the quarter was 6.4% versus the benchmark of 6.3% and for the trailing year was 11.7% versus 11.1% for the benchmark.

Mr. Cottle reviewed the performance of the individual investment managers, noting all was satisfactory except Eaton Vance Management, which he recommended trimming to fund the proposed new emerging market allocation to Blackrock. He was questioned whether the index used to benchmark the manager's performance was appropriate and he responded that the respective index was suitable for this manager.

Mr. Cottle reported that the initial management Agreement proposed by the new manager Blackrock was unacceptable and he will collaborate with the Attorney to negotiate a mutually acceptable agreement.

Mr. Cottle mentioned Nuveen Asset Management's real asset income strategy product and suggested consideration of it at the next meeting when the manager presents their annual report to the Board. He provided a report on his due diligence visit to managers Eaton Vance Management and Grantham, Mayo & Otterloo.

Mr. Cottle provided a report on the trading costs of the separate account managers, noted all were trading efficiently.

ATTORNEY REPORT

Lee Dehner provided a legislative update and reported that Senate Bill 458 died before passage. This bill would have clarified the use of premium tax revenues by plan sponsors towards funding requirements. He explained that the guidelines for the use of premium tax revenues have been established by the Department of Management Services. And this agency had recently issued opinion letters to two different Cities with direction that was contrary to its long standing guideline on the use of tax revenues that were greater than the baseline amount that can be used by plan sponsors to offset funding requirements. It was noted that the City had offset their annual employer funding requirement by the amount of the Chapter 185 reserve account believing it was entitled to do so under the precedent set by Department of Management Services in the these two instances. It was noted that this direction by the Department of Management Services was only in two special and specific instances, and the agency had not issued broad guidelines applicable for general use for all police and fire governmental pension plans. A question arose whether the Plan could legally recognize the offset from an accounting standpoint since the City had not been issued their own individual determination letter and the Department of Management Services had not issued specific guidelines for general use. If the agency does not issue guidelines before the end of the fiscal year then the Board will be placed in the position of making a determination regarding the accounting and recognition of the offset.

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. Nick Schiess reminded the Trustees that Mathew Gilson's optional form of benefit had been determined by the Board at the last meeting as a ten year certain benefit year certain benefit, which is the standard form of payment of the Plan, because Mr. Gilson had failed to make the election himself. Terence Henry made a motion to approve the benefit approvals as presented. Lyle McCormick seconded the motion, approved by the Trustees 5-0.

Mr. Schiess reminded the Trustees to file their annual Statement of Financial Interests.

OTHER BUSINESS

Lee Dehner reported that his office had sent a demand letter to State Street Custodial Services for reimbursement of overpayments to retirees.

The Board discussed conducting a periodic review of the Plan's service providers and decided by consensus to review two service providers annually on a rotating basis starting with the attorney and actuary. A discussion arose regarding the depth of review and the Trustees determined that a full request for proposal was only necessary if there was dissatisfaction with the services provided and requested the Administrator to conduct a fee surveys to determine if the fees are reasonable and within market price for service providers specializing in governmental defined benefit pension plans.

The Board reviewed the costs of procuring electronic tablets for the dissemination of meeting and pension related information. A lengthy discussion ensued and it was noted that the initial investment would be recouped by avoiding duplication costs of meeting information, especially extensive medical records for disability pension applicants. Don Ruitter made a motion to purchase electronic tablets for the Trustees to receive pension and meeting information. Erin Masters seconded the motion, approved by the Trustees 3-2 with Mark Eisner and Butch McCormick dissenting.

The Board reviewed an Addendum to the Board's Operating Rules and Procedures regarding confidentiality of personal and private information on Plan members. Don Ruitter made a motion to approve the Addendum to the Board's Operating Rules and Procedures. Erin Masters 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 5, 2013 and will take place in the Council Chambers at Daytona Beach City Hall.

The meeting adjourned at 10:22 A.M.

Respectfully submitted,


Secretary