

City of Lake Mary Firefighters' Retirement System
Meeting of November 12, 2010

I. CALL TO ORDER

Division Chief Rick Fudge, Chairman, called the meeting to order at 7:38 a.m.
Those persons present included:

TRUSTEES

Rick Fudge, Chairman
Ronald Russi, Secretary
Helene Beeler
Karen Gudinas
Jeff Koltun

OTHERS

Scott Baur & Audrey Ross, Pension Resource Center
Scott Christiansen, Christiansen & Dehner
Frank Wan, Burgess Chambers & Associates
Mary Howell, Eagle Asset Management
Jackie Sova, City of Lake Mary

II. APPROVAL OF MINUTES

Rick Fudge made a motion to defer approval of the minutes for the meeting of August 13, 2010. Andy Russi seconded the motion, passed by the Trustees 5-0.

III. REPORTS

Mary Howell, Eagle Asset Management

Mary Howell apologized to the Board for the miscommunication regarding her attendance at the meeting of August 13, 2010. She assured the Board that Lake Mary continued to represent an important relationship for Eagle Asset Management.

Ms. Howell reviewed the longer-term and short-term performance for the accounts managed by Eagle. She reported that individual issues within a market sector exhibited a high degree of correlation during the quarter; therefore, the market really did not distinguish between the better prospects and worse performers during the quarter. The environment also made the market very difficult for managers that focus on individual issues. According to Ms. Howell, increased activity with ETFs may have contributed to this activity in the markets.

Ms. Howell stated that Eagle has become more risk adverse. While the manager does not see a significant risk from inflation, the manager expects very slow growth in the economy. Ms. Howell also reviewed the fixed income portfolio.

Frank Wan, Burgess Chambers & Associates

Frank Wan reviewed the performance for the portfolio for the quarter ending June 30, 2010. The portfolio gained 7.8% during the quarter, ending with the best September month in the market since 1939. Mr. Wan also noted the high degree of volatility continuing in the markets for the past year. As he reviewed the performance for the individual asset classes, he noted that the MSCI EAFE had weaker performance during the quarter with strong results still for the fiscal year. The Real Estate Investment Trusts had a surprisingly strong year, and Mr. Wan stated that the recent drop in mortgage

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delinquencies also appears to bode well for the market. The Pension Fund had a fiscal year return of 9.61% with lower volatility or risk than similar plans.

Mr. Wan observed that some contradictory asset classes experience strong returns during the year, primarily due to the large amount of cash still waiting to get reinvested in the market. The 5-year return of 3.84% for the plan ranked in the top 37th percentile against the peer manager group. Eagle Asset Management finished in the top 23% for the trailing 5-years. Frank Wan noted that Eagle was the sole manager until the plan diversified into international equities and real estate using Exchange Traded Funds in 2005. Eagle previously purchased the ETFs as directed by the Board. Mr. Wan recommended that Regions should open up a separate account for each asset class. Under the current agreement between the Board and Regions, the recommended changes should not result in any additional fees. Regions will make future purchases of the ETFs on behalf of the Pension Fund. Mr. Wan also recommended that the Board rebalance assets back to the targets in the Investment Policy.

Andy Russi made a motion to set up separate accounts for the international ETF and the REIT, then rebalance the assets back to the target in the Investment Policy. Rick Fudge seconded the motion, approved by the Trustees 5-0.

Scott Christiansen, Christiansen & Dehner

Scott Christiansen reviewed the annual disability review procedure contained in the operating rules and procedures. Rick Fudge identified a possible issue with the rules relative to the ordinance. The Pension Fund initially pays for an Independent Medical Evaluation during the disability application process. The plan also requires that the member provide evidence that the disability continues, using an affidavit and physician statement obtained at the expense of the member. Mr. Fudge believes the plan should pay for the evaluation if the plan imposes the requirement on the member.

The Board discussed the use of an affidavit as a less expensive alternative to a physical evaluation. Ms. Sovia noted that the Board did send one retired member for a subsequent evaluation, but discontinued the annual review process since the condition of the member was not likely to change or improve. Scott Christiansen indicated that the Board has the discretion to conduct or waive the periodic medical evaluation if deemed appropriate. The Board concluded that no further action regarding a disability review procedure was required at this time.

Scott Christiansen stated that the Board should forward Pension Letter 2 to the City. He then noted that the Board should update the Summary Plan Description for the plan.

Karen Gudinas made a motion to authorize Scott Christiansen to update the Summary Plan Description. Rick Fudge seconded the motion, approved by the Trustees 5-0.

Mr. Christiansen discussed the IRS determination letter. He explained that the IRS has taken a new interest in providing a greater level of assistance to governmental pension plans. The IRS has encouraged governmental plans to seek a tax determination letter, although the Pension Fund is not legally required to make such an application. The IRS

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promised to be more forgiving of any compliance issues for those plans that chose to voluntarily comply with the recommended process. The IRS reviews plans in cycles, and the IRS will allow governmental plans to seek a determination letter during Cycle E, the current cycle. Thereafter, the plan must wait until the next Cycle C to make an application for a determination letter.

Christiansen and Dehner engaged the services of another firm to review the plan for compliance with IRS requirements a few years ago. He believes that the plan remains in compliance with an IRS mandates, with the only possible issue that the Pension Fund did not make all mandated changes in a timely fashion due to the process to modify the Ordinance. Helene Beeler explained that the fees for the compliance program were small. Jeff Koltun recommended that the plan should complete a voluntary compliance filing costing only \$375 for the filing fee, but wait on the determination letter to see what if any other issues should arise with other plans seeking determination letters. According to Jeff Koltun, the voluntary compliancy filing would likely minimize any exposure relating to the timing for implementation of changes to the plan. Jackie Sova commented that the price to file the determination letter seemed high, although the IRS did seem to scrutinize employee benefit plans as the service reviewed other issues in local municipalities.

Rick Fudge made a motion to go through the voluntary compliance process and defer filing for a determination letter. Karen Gudinas seconded the motion, approved by the Trustees 5-0.

The Board discussed the timing and the procedures for the annual actuarial valuation. The Board had grown accustomed to receiving an early valuation report from Foster, although GRS used a different process and relied on typically on the financial statement for the plan. Mr. Baur expected to provide GRS with the financials for the fiscal year end shortly, although he was completing his transition process relating to the plan administration as well. Rick Fudge requested that the valuation should be completed as soon as possible.

IV. DISCUSSION

The Trustees had no separate items for discussion.

V. NEW BUSINESS

The Board reviewed the Trustee term expiration dates, noting that Jeff Koltun required reappointment as the fifth Trustee. The Trustees asked Mr. Koltun if he would continue to serve.

Rick Fudge made a motion to reappoint Jeff Koltun to a new term as the fifth Trustee. Karen Gudinas seconded the motion, approved by the Trustees 4-0.

The Trustees discussed the meeting schedule for 2011, noting that November 11 was a holiday for the City of Lake Mary. After some consideration, the Trustees decided to leave the meeting scheduled for November 11.

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VI. Plan Financials

The Trustees reviewed the invoices presented for payment.

Rick Fudge made a motion to approve the warrant dated November 12 with invoices for payment. Jeff Koltun seconded the motion, approved by the Trustees 5-0.

Rick Fudge made a motion to approve the amount of the monthly disability benefit for Ryan Cooper. Karen Gudinas seconded the motion, approved by the Trustees 5-0.

Andy Russi made a motion to approve the DROP benefit for Rick Fudge. Karen Gudinas seconded the motion, approved by the Trustees 4-0. Rick Fudge abstained from the vote.

There being no other business and the next meeting having previously been scheduled for Friday, February 11, Rick Fudge made a motion to adjourn the meeting at 9:20 AM. Andy Russi seconded the motion, approved by the Trustees 5-0

Respectfully submitted,

Ronald Russi, Secretary