

*City of Lake Mary Firefighters' Retirement System*  
*Meeting of May 13, 2011*

**I. CALL TO ORDER**

Secretary Ronald Russi, called the meeting to order at 7:31a.m. Those persons present included:

TRUSTEES

Ronald (Andy) Russi, Secretary  
Helene Beeler  
Jeffrey Koltum  
Karen Gudinas

OTHERS

Scott Baur & Audrey Ross, Pension Resource Center  
Scott Christiansen, Christiansen & Dehner  
Frank Wan, Burgess Chambers & Associates  
Alan Ashworth, Eagle Asset Management  
Emily Colella, SSI Investment Management  
Florian Eitner, SSI Investment Management

**II. APPROVAL OF MINUTES**

The Trustees tabled approval of the minutes for the disability hearing on August 13, 2010. The Board requested additional detail to be added to the minutes regarding the approval of the duty disability pension benefit for member Ryan Cooper.

The Trustees reviewed the minutes from the regular meetings on November 12, 2010 and February 11, 2011.

**Helene Beeler made a motion to approval of the minutes from the regular meetings of November 12, 2010 and February 11, 2011. Andy Russi seconded the motion, passed by the Trustees 4-0.**

**III. REPORTS**

**Alan Ashworth, Eagle Asset Management**

Mr. Ashworth gave a brief update on the current market environment during the first quarter of 2011 and commented that the Russell 2500 was up 8.7% for the first quarter, as well as energy and technology at 20.5% and 10.5% respectively. Telecommunication lagged the benchmark during the quarter and was only up 2.4%. Mr. Ashworth stated that despite the headline news, the market generated strong returns for the quarter.

Mr. Ashworth reviewed the smid cap attribution analysis for the 4<sup>th</sup> quarter performance, noting the sectors where Eagle outperformed and underperformed the various market sectors. He discussed some of the individual holdings in the portfolio, noting the top contributors and detractors from the overall performance. He reviewed such holdings as Guess, Tesco and Oil States International Inc. Mr. Ashworth reported that Eagle is still looking for some good financial stocks that they can buy into, but until then they will continue to underweight that sector.

Mr. Ashworth reported on the fixed income portfolio and commented that fixed income is still a hard place to be in. He explained that Eagle continues to maintain a conservative position on the fixed income side because of the volatility in the market, and they don't want to get hit as hard. Mr. Ashworth reminded the Trustees that Eagle invests only in very high quality bonds and high grade corporate bonds in the fixed income portfolio, in

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which they benefited them this quarter. Lastly Mr. Ashworth gave his thoughts and opinions on the market outlook and commented that he does not think the Feds will raise the interest rates anytime in the close future. Also he thinks that Consumer Discretionary is the sector that will take off when the market starts to fully rebound, although higher gas prices are a concern.

**Frank Wan, Burgess Chambers and Associates (BCA)**

Frank Wan reported that the investment portfolio for the plan earned 293,183, or 3.5% for the quarter ending March 31, 2011, which is the plans sixth gain in a row. He stated that for the fiscal year to date the Plan is already up 9.4%, which is a gain of \$728,723.

Mr. Wan reviewed the asset allocation which now includes convertible bonds, and commented that we are inline with the Policy. Domestic equity was positive for the quarter as well as the International funds and REITS. Fixed income was positive for the quarter at .02%, but for the fiscal year to date they are negative at -1.4%. Mr. Wan noted that the ETF cash is coming in from the REITS and the S&P 500, which is automatically reinvested on a quarterly basis. Mr. Wan reminded the board that currently their convertible bonds are being held in an index fund, and that they will have an active manager here today to present. He briefly explained to the board the difference of having your convertible bond held in an index fund, or having it actively managed.

Lastly Mr. Wan presented the board with a proposed fee increase. He commented that they have not raised their fees since 2007, and that was when their market value was at \$4.8M. The Plan's assets are currently up to \$8.5M, therefore BCA is asking for a fee increase of \$750 per quarter, or \$3,000 per year with a rate guarantee for 3 years effective July 1, 2011. This change would increase the annual fee to \$15,000. The Trustees discussed the fee increase and the timing.

**Andy Russi made a motion to approve Burgess Chambers proposed fee increase of an additional \$750 per quarter (or \$3,000 per year) for 3 years effective July 1, 2011, and to also direct Mr. Scott Christiansen to draft up the addendum to the BCA contract reflecting this fee increase. Karen Gudinas seconded the motion, passed by the Trustees 4-0.**

**Scott Christiansen, Christiansen & Dehner**

Mr. Christiansen reminded the Trustees that they should be receiving their Form 1 Disclosures via mail and that they are due by July 1, 2011.

Mr. Christiansen confirmed that the Summary Plan Description was distributed to all the active members.

Mr. Christiansen wanted to confirm whether or not the revised Investment Policy Guidelines was sent off to the State and all the other appropriate parties after it was approved at the last meeting. Mr. Wan stated that he will check into that and get back to the board.

Mr. Christiansen indicated that the letter regarding the Plan's rate of return was filed with the State and that we are good to go until next year.

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Mr. Christiansen notified the board that he and Ms. Beeler are still in the process of working on getting the VSP letter from the State.

Mr. Christiansen briefly gave an update on the Legislative session and commented that Senate Bill 1128 was adopted with minor impact on defined benefit plans, although the bill has not yet been signed by the Governor. He reported on some of the changes that will have the biggest impact on defined benefit plans. For instance overtime is going to be capped, and lump sum payouts for unused sick and vacation time will no longer be used to calculate your final average salary.

**Scott Baur, Pension Resource Center**

Mr. Baur stated that he had the 2010 State Annual Report with him today to be executed by two Trustees so that he can send it off to the Division of Retirement in order to receive the Chapter 175 monies on time.

**IV. DISCUSSION**

N/A

**V. NEW BUSINESS**

N/A

**VI. PLAN FINANCIALS**

**Financial Statements**

Mr. Baur provided an interim financial statement for the plan. He noted that, as required by GASB, the financial statement reported the investments on a trade-date basis rather than settlement date for securities transactions in the portfolio. **The Trustees received and filed the interim financial statements through the month of March 2011.**

**Disbursements**

The Trustees then reviewed the Warrant dated May 13, 2011 for payment of invoices.

**Andy Russi made a motion to approve the Warrant dated May 13, 2011 for payment of invoices. Karen Gudinas seconded the motion, approved by the Trustees 4-0.**

**Benefit Approvals**

The Trustees then reviewed the application to exit the DROP for Jerry Bouck.

**Jeff Koltum made a motion to approve the application to exit the DROP for Jerry Bouck. Karen Gudinas seconded the motion, approved by the Trustees 4-0.**

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**\*WORKSHOP (COMBINED WITH THE POLICE BOARD) 9:30AM\***

**Emily Colella & Florian Eitner, SSI Investment Management**

Ms. Colella introduced herself and Mr. Eitner. Mr. Colella is the Managing Director at SSI and Mr. Eitner is one of the portfolio managers for the convertible bonds. Ms. Colella reported that SSI was founded in 1973 and they are 100% employee owned. There are 36 employees that work at SSI, and 15 of those are investment professionals with 9 dedicated strictly to convertible bonds. SSI has a total of \$1.5B in assets with \$519M in convertible bonds, in which they will close out when it reaches \$1.5M. Ms. Colella reviewed their client list and commented that they manage 8 other defined benefit plans as well. Lastly she briefly touched on their investment philosophy and strategy. She commented that they have a proven track record of superior performance versus peer group over multiple market cycles.

Mr. Eitner explained into great detail what exactly a convertible bond is and how it works. Convertible bonds repay the principal, they provide fixed payments, and they have an unlimited potential stock appreciation. Also he commented that the effects of raising interest rates do not have an effect on the convertible bond because they participate on the equity side. Also convertible bonds capture 90% of the upside and 50% of the downside of the S&P500 since that is the index that they use. Mr. Eitner reported that most convertible bonds come out underrated with small cap characteristics, although they do overweight growth. Also convertible bonds are about 2/3 less risky than the equity market. Mr. Eitner then reviewed their investment process and explained that they start with a universe of 750 securities and then narrow down their selections from there based on their disciplinarys of convexity, fundamental equity and credit analysis and macro outlook.

Lastly Ms. Colella reviewed the advantages of their firm and having active management. SSI has over 35 years experience in convertible bonds and their integrity and discipline keeps them staying on the right track and keeps their over performance strong.

The board discussed the presentation. Mr. Wan commented that SSI is the oldest Manager doing convertible bonds and they have never had a default rate. Their fee is 82 basis points, and they have also agreed to sign on as a Fiduciary.

**Andy Russi made a motion to hire SSI to manage the convertible bonds that are currently being held in the Merrill Lynch index, and to also authorize Mr. Scott Christiansen to draft the contract and have it executed by the Chairman and Secretary. Karen Gudinas seconded the motion, approved by the Trustees 4-0.**

**There being no other business and the next meeting having previously been scheduled for Friday, August 12, 2011 the meeting adjourned at 9:55 AM.**

Respectfully submitted,

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Ronald Russi, Secretary