

City of Lake Mary Firefighters' Retirement System
Meeting of November 11, 2011

I. CALL TO ORDER

Chairman Rick Fudge, called the meeting to order at 7:30a.m. Those persons present included:

TRUSTEES

Rick Fudge, Chairman

Ronald (Andy) Russi, Secretary

Jeff Koltun

Karen Gudinas

OTHERS

Audrey Ross, Pension Resource Center

Scott Christiansen, Christiansen & Dehner

Frank Wan, Burgess Chambers & Associates

Alan Ashworth, Eagle Asset Management

Jackie Sovia, City of Lake Mary Finance Director

Steve Palmquist, Gabriel, Roeder, Smith & Co. (GRS)

II. APPROVAL OF MINUTES

The Trustees reviewed the minutes from the regular meetings on August 12, 2011.

Karen Gudinas made a motion to approval of the minutes from the regular meeting of August 12, 2011 as amended. Rick Fudge seconded the motion and passed by the Trustees 4-0.

III. REPORTS

Steve Palmquist, Gabriel, Roeder, Smith & Company (GRS)

Mr. Palmquist explained that he was here today to report what the contributions were for this fiscal year that just ended 9/30/2011, and also that the contributions will be for the fiscal year ending 9/30/2013. He commented that the pension fund had an actuarial gain of \$35,475 for the fiscal year which was mostly due to the lower than expected salary increases. For the fiscal year beginning 10/1/2012 contributions will increase 1.29% of payroll, which is a total of 24.17% of payroll that the City will have to contribute into the pension fund. Mr. Palmquist reported that the Plan's funded ratio slightly fell from 81.3% last year to 81.0% this year. In addition he reviewed the assumptions that were changed during the fiscal year such as the investment assumption rate that was lowered from 8% to 7.9%, and will continue to be lowered by 0.1% each subsequent year until reaching 7.5%. Other than that he commented that no other benefit changes were made although he understands there is a pending Ordinance due to the SB1128 changes (he noted that the impact statement for the proposed Ordinance changes would be available soon). He reviewed the participant data and stated that there are 36 active members in the Plan, 4 retirees/DROP members, 2 disability retirees and 0 vested members, which is not a big change from last year. Also there are 3 active members that are eligible to retire but have not.

Lastly Mr. Palmquist briefly compared this Plan to other pension plans in Florida and stated that this Plan is in very good shape regarding their funded ratio, unfunded liabilities, contribution amounts, etc. He commented that GRS is in the process of creating a new data base that will be available for all of their clients to use through their website. You will be able to navigate through and compare your pension plan to any other defined benefit plan in the United States.

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Rick Fudge made a motion to approve the September 30, 2011 Actuarial Valuation Report as presented by the Plan's Actuary. Ronald Russi seconded the motion and passed by the Trustees 4-0.

Mr. Palmquist presented the Board with a proposed Fee Increase. He explained that due to the new SB 1128, there are new and additional requirements that they must implement into the Valuation Reports. One of the new requirements now makes the Actuary insert a separate page in the report disclosing the present value of the plan's accrued benefits using the assumed rate of return of the FRS, which is currently 7.75%. He explained that in order to satisfy this requirement, GRS will need to calculate this liability for the Plan and more time and work will be required. Therefore GRS's fee to include this page in the valuation report is an additional \$750.

Rick Fudge made a motion to approve GRS's proposed fee increase of \$750 for the additional reporting in the Valuations due to the new SB 1128 requirements, and to also direct the Plan's Attorney to draft up an addendum to the GRS contract to reflect this fee increase. Karen Gudinas seconded the motion and passed by the Trustees 4-0.

Alan Ashworth, Eagle Asset Management

Mr. Ashworth commented that last quarter was terrible for the Equity markets. In October he explained that we saw the markets come back strong from September, but within the last 3 weeks the volatility has returned. The overseas issues are getting worse, although we don't see it getting as bad as it was in 2008 and 2009.

For the quarter ending September 30, 2011 (equities) the fund was down -22.24% versus the index which was down -21.22%, and for the one year the fund was down -0.20% versus -2.22%. Utilities fell 4% during the quarter and energy and telecommunications lagged the benchmark as well by 29%. Mr. Ashworth reviewed the sectors that contributed to the fund during the quarter such as information technology and health care, and also the sectors that were detractors such as energy and financials. Although, he commented that most of the sectors that did not perform well during the quarter have since rebounded and are up. Overall there is very nice diversification over all sectors in the equity portfolio.

Mr. Ashworth reported on the fixed income portfolio which had a better quarter and outperformed the index at 4.57% versus 3.83%, and for the one year they are also ahead at 5.60% versus 5.29%. He explained that fixed income was what held the portfolio together during the quarter. Majority of the fixed income portfolio is AAA rated, although they do hold a little less in agency bonds because they do not directly invest in any direct debt with Fannie May or Freddie Mac. Mr. Ashworth reported that during the quarter they were over weighted in Corporates, but that is how they benefited. Lastly he commented that he thinks we will continue to see this volatility in the market for a while especially until things overseas calm down.

Frank Wan, Burgess Chambers and Associates (BCA)

Mr. Wan stated that it was a rough quarter and this Plan lost about 10%. He reviewed the current market environment and explained that our market is a systematic problem

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that is due to job outsourcing because it is cheaper. Spending is down about 10% from 10 years ago and the low interest rates and low dollars are not helping either.

For the fiscal year the Plan was slightly down at -0.5% compared to the index at -0.4%, but no where close to meeting the Plan's actuarial assumed rate of return. For the quarter ending September 30, 2011, the fund got hit hard at -10% versus the index at -10.1%. Mr. Wan reviewed the Plans asset allocation and commented that although we are inline with the policy, it is more conservative then the benchmark. As of current he reported that the Plan has now broke even for the loss during the quarter. Mr. Wan then reported on each manager's return for the quarter and the fiscal year. He commented that the I-Shares outperformed most of their peers, as it was hard for active managers during the quarter due to the huge flight to quality which was unexpected. The International economy is not doing well and it is hard to find growth, although International seems to be the only place to find it at this time.

Mr. Wan reviewed a handout that compared public funds that were invested in alternatives and ones that were not. He commented that BCA is reviewing all of their clients to see whether or not they need to invest in some additional diversification such as alternatives and will report back to the boards.

Lastly Mr. Wan updated the board on SSI and commented that he has the revised IPG that include SSI with him today to be executed. He stated that he changed their benchmark and added a signature line for them to sign, although he did have a question about the synthetic investment language. Mr. Christiansen stated that under the current Ordinance synthetic investments are not allowed so therefore an Ordinance change would need to be made to probably invest with SSI. The board discussed the timing of the Ordinance change and Mr. Christiansen recommended having this part amended in the current pending Ordinance that is still out there and has not been approved by City Commission yet. The Trustees discussed and agreed upon the language that would be added into the Ordinance to allow them to invest in synthetic investments with SSI as well as ETF's and Mutual Funds. It was also noted that the board will sign and approve the revised IPG's today, but will not fund SSI until the Ordinance has been amended allowing them too.

Rick Fudge made a motion to approve the revised Investment Policy Guidelines as presented by the Plan's Consultant, subject to the Ordinance being amended and approved by City Council. Jeff Koltun seconded the motion and passed by the Trustees 4-0.

Scott Christiansen, Christiansen & Dehner

Mr. Christiansen reviewed the proposed changes to the Ordinance which now will include the new amendments regarding the investments as just discussed.

Rick Fudge made a motion to approve and accept the revised Ordinance as presented and send to City Council by November 16, 2011. Jeff Koltun seconded the motion and passed by the Trustees 4-0.

Mr. Christiansen briefly reviewed the Senate Bill 1128 memo which outlines the changes that were made.

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Mr. Christiansen notified the board that Karen Gudinas's and Helene Beeler's terms expire on December 31, 2011 therefore they will need to be reappointed. In addition Rick Fudge's term also expires on December 31, 2011 and he has indicated that he will be resigning from the Board at that time. Mr. Fudge explained that he has served on the board for a long time and will be soon exiting the DROP and therefore he feels that it is time for a new member to step in. Mr. Christiansen noted that we will have to select the Chair and Secretary at the next pension meeting.

Mr. Christiansen stated that the VCP letter was sent in to the IRS and he has received notification that it was reviewed, but no other update at this time.

Mr. Christiansen explained that the Legislative session will start in January this year and he briefly reviewed some bills that have already been filed. House Bill 365 was filed by Castello which will change the benefits and eligibility for disability retirements.

Lastly Mr. Christiansen stated that the board needs to declare their actuarial assumed investment rate of return for next year, the next several years and long term.

Rick Fudge made a motion to declare that based upon their Investment Consultants advice, the Plan's actuarial assumed investment rate of return for the next year, and the next several years, and long term will be 7.9%. Karen Gudinas seconded the motion and approved by the Trustees 4-0.

Audrey Ross, Pension Resource Center

Ms. Ross notified the board that the State money was received and has since been invested.

Financial Statements

Ms. Ross provided an interim financial statement for the plan. She 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 financials statements through the month of September 2011.**

Disbursements

The Trustees then reviewed the Warrant dated November 11, 2011 for payment of invoices.

Rick Fudge made a motion to approve the Warrant dated November 11, 2011 for payment of invoices. Ronald Russi seconded the motion and approved by the Trustees 4-0.

Benefit Approvals

The Trustees then reviewed the application for a refund of contributions for Michael Malatesta.

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Rick Fudge made a motion to approve the application for a refund of contributions for Michael Malatesta. Jeff Koltum seconded the motion and approved by the Trustees 4-0.

Adjournment

There being no other business and the next meeting having previously been scheduled for Friday, February 10, 2012 the meeting adjourned at 9:45AM.

Respectfully submitted,

Ronald Russi, Secretary