

City of Lake Mary Firefighters' Retirement System
Meeting of November 9, 2012

I. CALL TO ORDER

Chairman Gabe Vella called the meeting to order at 7:33a.m. Those persons present included:

TRUSTEES

Gabe Vella, Chairman
Jeff Koltun
Karen Gudinas
Martin Bel

OTHERS

Dianne Holloway, City of Lake Mary Finance Director
Scott Christiansen, Christiansen & Dehner, PA
Audrey Ross, Pension Resource Center
Frank Wan, Burgess Chambers & Associates
Brian Harding, Burgess Chambers & Associates
Alan Ashworth, Eagle Asset Management
Steve Palmquist, Gabriel, Roeder & Smith (GRS)
Jeff Amrose, Gabriel, Roeder & Smith (GRS)

II. WELCOME NEW TRUSTEE - MARTIN BEL

The Trustees welcomed Mr. Bel to the board. Mr. Bel thanked the Board for the opportunity to serve and stated that he has been a Lake Mary resident since 1997. He has 15 years of investment experience and he is currently a fiduciary manager for defined contribution plans.

III. SELECTION OF SECRETARY

Mr. Vella explained that Mr. Russi retired from the City on October 15, 2012, so he is no longer serving on the board either. He commented that the City will start the election process for the open seat and the new Trustee term will be effective January 1, 2013. With that said Mr. Vella commented that he would like to table the selection of the Secretary until the next meeting when all the Trustees are present.

IV. APPROVAL OF MINUTES

The Trustees reviewed the minutes from the regular meeting on August 10, 2012.

Jeff Koltun made a motion to approval of the minutes from the regular meeting of August 10, 2012. Karen Gudinas seconded the motion and passed by the Trustees 4-0.

V. REPORTS

Steve Palmquist & Jeff Amrose, GRS (9/30/2012 Actuarial Valuation Presentation)

Mr. Palmquist introduced Mr. Amrose to the board and commented that he will be presenting the report today. Mr. Amrose has worked with Mr. Palmquist behind the scenes for many years.

Mr. Amrose noted that the required contribution dollar amounts that are reflected in the report are estimates only because the actual contributions should be based on the percentage of the actual payroll for the fiscal year. He reported that the employer contributions will increase from 23.64% to 24.28% for the fiscal year ending 9/30/2014. Mr. Amrose reviewed the changes that were implemented during the year and stated that the assumed rate of return will also decrease by another .1%, making the current rate 7.8% effective October 1, 2012. He noted that the Plans goal is to eventually decrease their assumed rate of return to 7.5%. During the fiscal year the plan had an actuarial gain of \$94,171, which was mostly due to the lower than expected salary

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increases. Also the funded ratio increased this year from 81.9% to 82.7%, which is very great compared to most plans. Mr. Amrose explained that the Plans unfunded liability has increased to \$2,047,832 which will be recognized over the next 5 years. He reviewed the participant data and commented that there are 3 active members, 5 retired members, 2 disabled members and no vested. Lastly he reviewed the Plans administrative fees and stated that altogether the Plan is paying about 80 basis points for all expenses which is great.

Gabe Vella made a motion to approve the September 30, 2012 Audited Financial Statements as presented by the Actuary. Karen Gudinas seconded the motion and passed by the Trustees 4-0.

Lastly Mr. Palmquist reported that he will be retiring effective January 1, 2013. Mr. Amrose will be taking over as lead Actuary on this plan. This will not cause any changes to the Plan because the same team that has been working with him behind the scenes will remain in place as well. GRS has been preparing for Mr. Palmquist's retirement for sometime now.

Alan Ashworth, Eagle Asset Management

Mr. Ashworth reported that his firm has inquired 2 new investment groups out of Vermont and California. He explained that this is a beneficial acquisition for Eagle, but it will have no direct impact on this portfolio.

For the quarter ending September 30, 2012, the SMID Cap fund slightly outperformed the index for the quarter at 5.74% versus 5.57%, but for the fiscal year to date they are behind at 26.82% versus the index at 30.93%. He reviewed the sectors that contributed during the quarter as well as the ones that detracted. Currently the fund is over weighted in information technology and health care, and they are underweighted in financials and utilities. Mr. Ashworth explained that the earnings growth has been overstated in 2012, so in 2013 they will start to come down, which can add volatility to in the market place. Eagle's portfolio is positioned well for this.

Mr. Ashworth reviewed the fixed income portfolio, which also outperformed the index at 1.79% versus 1.59%. He explained that the junk rally continued into the third quarter and it wasn't a place where you wanted to take excess risk. He reviewed the current bond holdings and noted that 78.9% of the bonds are rated AAA. Mr. Ashworth stated that the feds will probably keep the rates low through 2015 because for them to increase inflation will have to happen, and in order for inflation to happen they will need higher growth rates as well. Lastly he commented that it is tough to get capital gain in this asset class because of the market environment, therefore the returns on fixed income over the next 12 months will probably be relatively low.

Frank Wan, Burgess Chambers and Associates (BCA)

Mr. Wan introduced Mr. Harding to the board and stated that he is currently an intern with BCA and is present just for educational purposes.

Mr. Wan updated the board on the current market environment. He stated that the feds are trying to push investors into a riskier asset class such as corporate bonds, but he is glad to see that Eagle hasn't moved into them. He noted that this Plan stays more neutral to the benchmark, which is a great position to be in.

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Mr. Wan reviewed the funds performance for the quarter ending September 30, 2012. The total fund net of fees slightly underperformed the index for quarter at 4.1% versus 4.5%, and for the fiscal year they are in the same position at 16.7% versus 19%. Mr. Wan noted that although they are behind the index for the fiscal year, they still had a great one and they also beat the plans assumed rate of return of 7.9%. He reviewed the Plans asset allocation and commented that they are currently underweighted the riskier asset classes due to the volatility in the market place. He continued to review each managers performance during the quarter and commented that the REITS exposure was reduced by \$150K during the quarter, which benefited the fund because they are overpriced. Overall the plan is in a good position and does not have any recommendation for changes at this time.

Lastly Mr. Want stated that he wanted to briefly continue the discussion on the corporate bonds and inflation/deflation so that when BCA makes a drastic recommendation, the board will understand and feel comfortable with it. Mr. Wan explained that the board needs to look into other asset classes, just like they did with the convertible bonds in the near future.

Scott Christiansen, Christiansen & Dehner

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.

Gabe Vella 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 will be 7.8%, and for the next several years and long term the rate will be 7.5%. Karen Gudinas seconded the motion and approved by the Trustees 4-0.

Mr. Christiansen reviewed his memo regarding the new law that does not allow ex-spouses to remain as beneficiary on a persons retirement unless other wise selected by the member after a divorce is settled. He noted that this memo must be sent out to all members.

Mr. Christiansen presented the board with the 2013 meeting dates.

Mr. Christiansen stated the he has updated some of Plans forms regarding rollovers, beneficiaries, and health insurance. Ms. Ross noted that she will update the revised forms on her end.

Mr. Christiansen noted that he is working with another law firms to make sure that this plan (and other defined benefits plans as well) stay tax qualified. He commented that he will be bringing changes to the board in the future.

Lastly Mr. Christiansen reviewed the "Naples letter" which the Division of Retirement has issued to some pension plans regarding the interpretation of the 1999 minimum funding requirement. The Division is now changing that interpretation after many years. Mr. Christiansen stated that this fund has not received a "Naples letter" as of yet, but he just wanted to update the board on what is happening to other pension plans around.

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Audrey Ross, Pension Resource Center

Ms. Ross stated that she has the Regions Bank authorized signor form with her today that needs to be executed by the Trustees since the current one the have on file is out dated.

IV. PLAN FINANCIALS

Disbursements

The Trustees then reviewed the Warrant dated November 9, 2012 for payment of invoices.

Jeff Koltun made a motion to approve the Warrant dated November 9, 2012 for payment of invoices. Gabe Vella seconded the motion and approved by the Trustees 4-0.

Benefit Approvals

The Trustees reviewed the application for distribution from DROP account for Rick Fudge.

Jeff Koltun made a motion to approve the application for distribution from DROP account for Rick Fudge. Gabe Vella seconded the motion and approved by the Trustees 4-0.

V. NEW BUSINESS

Ms. Ross stated that Mr. Koltun term as 5th Trustee expires December 31, 2012.

Karen Guidnas made a motion to nominate Jeff Koltun as 5th Trustee effective January 1, 2013. Gabe Vella seconded the motion and approved by the Trustees 3-0.

Adjournment

There being no other business and the next meeting having previously been scheduled for Friday February 8, 2013 the meeting adjourned at 9:26AM.

Respectfully submitted,

Ronald Russi, Secretary