

**CITY OF DELTONA, FLORIDA
FIREFIGHTER'S PENSION BOARD OF TRUSTEES MEETING
TUESDAY, JULY 21, 2009**

A Regular Meeting of the Firefighter's Pension Board of Trustees was held on Tuesday, July 21, 2009 in the City of Deltona's 2nd Floor Conference Room at 2345 Providence Blvd., Deltona, Florida.

1. CALL TO ORDER:

The meeting was called to order at 3:17 p.m. by Chairman Chris Nabicht.

2. ROLL CALL/ELECTION OF OFFICERS:

Chairman	Chris Nabicht	Present
Secretary	Earl "Mac" Deyette	Present
Board Member	John D. Adams	Present
Board Member	James Koczan	Present
Board Member	Kurt Vroman	Absent (excused)
Plan Administrator	Lisa Spriggs	Present
Employee Benefits Specialist	Gene Gizzi	Present

Also present: Actuary Bradley Heinrichs, Foster & Foster, Dave West, Bogdahn Group, Lee Dehner, Christiansen & Dehner, Beverly Farnell, Principal Financial Group, Finance Director Bob Clinger, Deputy City Manager Dave Denny and Human Resources Director Tom Acquaro.

3. APPROVAL OF MINUTES & AGENDA:

A. Adoption of the Minutes:

The Chairman asked if there were any corrections to the minutes from the June 16, 2009 meeting.

Motion was made by Mr. Deyette, seconded by Mr. Adams to approve the minutes from the June 16, 2009 meeting as submitted. Motion carried with members voting unanimously.

B. Additions or Deletions to the Agenda:

The Chairman asked if there were any Additions or Deletions to the agenda and there were none.

Motion was made by Mr. Koczan, seconded by Mr. Adams to approve the agenda as published. Motion carried with members voting unanimously.

4. PRESENTATIONS: None

5. MEMBER COMMENTS: None. This item was moved to after Item 9.

6. APPROVAL OF EXPENDITURES:

A. Bogdahn Group:

Statement from Bogdahn Group for quarter ended June 30, 2009 in the amount of \$2,625.00.

Motion was made by Mr. Adams, seconded by Mr. Koczan to approve statement in the amount of \$2,625.00 as submitted for payment. Motion carried with members voting unanimously.

B. Lisa H. Spriggs:

Statement from Lisa H. Spriggs for quarter ended June 30, 2009 in the amount of \$4,500.00.

Motion was made by Mr. Deyette, seconded by Koczan to approve statement in the amount of \$4,500.00 as submitted for payment. Motion carried with members voting unanimously.

C. Christiansen & Dehner, P. A.:

Statement from Christiansen & Dehner, P.A. was submitted for June, 2009 in the amount of \$1,117.52 for professional services in relation to a disability case.

Motion was made by Mr. Koczan, seconded by Mr. Deyette to approve June 2009 invoice in the amount of \$1,117.52 as submitted for payment. Motion carried with members voting unanimously.

D. Gibson & Wirt, Inc.: Tabled

Ms. Spriggs stated Gibson & Wirt will be forwarding an invoice to the Board for fiduciary liability insurance per agreement entered into last year honoring the three year agreement and the plan had not been billed. She stated not knowing if the Board would be meeting prior to October 1st renewal date she had submitted the amount of \$2,492.68 for approval. The Chairman asked for a motion to table this item until the next meeting. Ms. Spriggs stated if the Board does not meet before October 1st the payment will be late. The Chairman stated the Board will be meeting again before then. Mr. Dehner reminded Ms. Spriggs to confirm the waiver of recourse endorsement will be received.

Motion was made by Mr. Koczan, seconded by Mr. Deyette to table this item as no invoice was received prior to meeting. Motion carried with members voting unanimously.

E. Foster & Foster, Inc.: No invoice submitted.

7. OLD BUSINESS:

A. Ordinance for Proposed Plan Revisions:

Ms. Spriggs stated this item was coming back to the Board for discussion based on last meeting's discussion on the potential savings by the new actuarial valuation if certain assumptions within the valuation were changed. She stated the Board was not willing to accept the new actuarial valuation for filing with the State until discussions with the City were held regarding acceptance of the proposed ordinance revisions including revising the DROP provisions and implementing a Partial Lump Sum Payment provision. She stated this had been discussed with the City Manager who was in attendance at that meeting and the City Manager had stated she would let the Board know what the City's final decision would be. Ms. Spriggs stated the City Manager had corresponded to her that at this time the City was not willing to make any modifications to the ordinance due to the economic conditions and fiscal constraints of the City so, she is bringing this back to the Board for discussion. Mr. Adams asked if the City had an alternative plan and what would they suggest.

Mr. Clinger suggested the shared plan and stated that was all the City was willing to agree to at the moment and the City Manager had also stated the same. The Chairman stated the shared plan did not pertain to this issue; the shared plan only deals with the State Insurance Premium dollars. Mr. Clinger restated the City would not support anything other than the shared plan as the City Manager had indicated to him. The Chairman summarized from Mr. Clinger's comments that the City is willing to pay an additional \$104,000 rather than move forward with something that 2 actuaries have already stated will not cost the City any additional money. Mr. Clinger stated he would like to direct the Board's attention to the minutes of April 21st and quote from this meeting where the Chairman stated if the Board splits the cost of the actuary with the City and spends about \$3,500 to save \$100,000 that would be quote "the responsible thing to do on both parties part regardless of whether the City agrees to come to the table on the DROP or not". He stated there were no conditions or strings attached to what was agreed to in April. The Chairman stated there was no deal; the Board is not here to make deals. He stated the Board also had

conversation with the City Manager at the last meeting where she agreed with the Board's position to not assume additional risk and extend the plan's liability and receive nothing in return to benefit the members of the pension plan. Mr. Clinger stated he could not add anything to what he had already said. Mr. Adams stated he felt the City was objecting to it but not coming up with a plan or alternative to do better. Mr. Clinger stated the City has no obligation to incur any additional actuarial risk for anything. He stated he was opposing any situation that could possibly expose the City with any actuarial risk and/or other costs and until such time that someone in this room can assure me that there is no possibility that this could ever cost the City a dime he will not support it. Mr. Heinrichs stated the Finance Director is correct in that there is some risk any time the plan is improved as there may not be a long term actuarial cost but it is possible in year one it could cost a couple of thousand dollars or some nominal amount. He stated there is no way in year one the cost could exceed the reduction in the contribution requirement that was achieved by the new report; if the board approved the new report the City's contribution rate would drop by approximately \$104,000. He stated if the DROP program was added in addition that would not change the City's contribution requirement; they would still receive the savings even if it cost \$5,000 or even \$10,000 which would be paid over a 30 year period basically being deferred. He stated over the long term adding the DROP program could actually save the plan money depending on what sort of investment returns are achieved. Mr. Clinger stated in his opinion from what he has seen this is not a savings, it is a cost deferral; it is clear in the language in the minutes that at some point in the not too distant future this Pension Board will expect the City to make up all the contributions. Mr. Heinrichs stated he thought he had made that clear to Mr. Clinger that it is a deferral but he stated he would also tell Mr. Clinger it is a deferral far into the future just like any savings and/or costs that may or may not happen as far as the DROP program goes. Mr. Clinger reiterated the City is asking for more time as the City is struggling and he feels this is not the time to add more benefits. Mr. Heinrichs stated he recalled the conversation being that there was a discussion about the City having concerns about all expenses, not just pension costs and were struggling with budgets and so what the Board did was try to work with the City. He stated when he came to the Board he told the Board he believed there were some things that could be done to the actuarial valuation that would help the City. Mr. Clinger stated the Pension Plan was giving up nothing in doing the cost deferral in exchange for the lower contribution this year, the plan stays the same, and it still has to be funded. Mr. Heinrichs stated what the Board is doing is foregoing contributions by the City into the plan that the plan could be earning interest on in return to try to help the City with its budgetary constraints. He stated his feeling when he left the meeting was the Board was happy with the idea of a cost deferral and he believed he had made the statement, "if the City was able to defer maybe \$100,000 of cost that might encourage the City to pass the benefit improvement of which under about any circumstance would be a fairly cost neutral item". He said he recalled Mr. Clinger's response to that was yes. The Board Members agreed with that statement. Mr. Clinger stated he did not want to rely on his memory but added that it may be true. The Chairman stated his understanding from the last meeting was if the Board brought this forward and there was a cost reduction for the City in this budget year, which was your immediate concern 2 meetings ago, the City Manager would agree to take that ordinance to first reading with the Commission. Mr. Clinger stated the City Manager had never communicated that to him. He stated he would have to talk with her and in that case she is the City Manager not him; it is not his decision, just his opinion. The Chairman stated it was obvious the Board Members and Mr. Clinger were going to agree to disagree so to not waste any more time, the Board will prepare this information to take to the City Commission in the quarterly report and let the commission make a decision on it. Mr. Clinger stated he did not know the procedure but would forward that information on to the City Manager.

Mr. Deyette stated he was amazed that the City had become our adversary. Mr. Clinger stated he was sorry Mr. Deyette sees it that way but the City's unfunded pension liability is ten times what it was two years ago and it has to be dealt with. He asked what it matters if the proposed changes are made this year or next. The Chairman stated there are people who are in positions who are making personal financial decisions based on what is in front of them at this time and for some of them in this plan it could affect their financial future. Mr. Clinger asked for specifics. The Chairman stated people are making decisions

to go into the DROP because their timeline is here whereas if the DROP Ordinance was changed they would not have to be making that decision now. Mr. Clinger stated independent of any economic situations, he was not going to support nor to his knowledge will the City Manager support any DROP provisions that are in variance with FRS. He stated it is his position that the Plan will get whatever FRS gets. Mr. Koczan stated he believed that would be a discussion that would take place between the 1st and 2nd reading; this has not even made it to the Commission for them to speak on their own behalf. He stated it was not appropriate for Mr. Clinger to state what he is not going to accept. He stated the ordinance has been drafted based on the members' desire and what the actuary told the Board could be acquired. He stated it should go to 1st reading and that is when it gets discussed; if that is what the Commission desires, something along the 5 year range as FRS does, that is when it would go to a public forum for discussion following the proper channels. Mr. Clinger stated he would still not support it and why should the firefighters' situation be any different from any of the other employees of the City. The Chairman stated that was his point that the City Manager agreed to it at the last meeting agreeing the proposed ordinance changes could go to 1st reading for the Board's representative to state the case, the City's representative to state their case and for the Commission to make the decision. He stated that is what the Board had asked for and it was their expectation that it would move forward and go before the Commission. Mr. Clinger stated that was the City Manager's decision and he is out of that decision. The Chairman stated Mr. Clinger did not appear to be out of the decision as he had seen the email where Mr. Clinger had stated what he will support and not support and the shared plan has nothing to do with this issue; the shared plan has to do with the State Insurance Premium Tax dollars which is a separate issue and another set of enhancements that have not even been sent to the plan attorney to be drafted. He stated regarding the shared plan the Board has been advised by all its financial advisors and pension experts that a young plan such as this it is not the way to go.

Mr. Heinrichs stated he wanted to reiterate one thing Mr. Clinger had said earlier regarding the revised valuation potentially being a win, win. He stated he believed the win, win phrase Mr. Clinger had used today was to defer the cost to the future which would be the win for the City because now is not the time to have higher costs and the win for the pension plan would be a potential benefit improvement that he would deem to be cost neutral or at the very least cost very little. He asked Mr. Clinger if he could help him understand what the win, win was purported to be. Mr. Clinger stated he recalled that everyone left that meeting with a spirit of cooperation on both sides that this was going to be talked about and not be held as a condition. Mr. Heinrichs stated he left the meeting thinking that if he came back with a revised valuation report that saved the City money or deferred costs the City would be willing to pass the benefit improvements that had been discussed. He stated the Board has a fiduciary responsibility to the fund. Mr. Clinger asked if the Board had any fiduciary responsibility to the City now that a savings has been identified. Mr. Dehner stated the fiduciary responsibility of the Trustees is to act in the best interest of the plan that would include taking into consideration input from the members of the Board, the City and members of the community, if any in making decisions. He stated ultimately the Board's responsibility is to act in the best interest of the members of the plan. Mr. Heinrichs stated he felt at the end of that meeting a lot had been accomplished and that if the Board with his help could come back with a report that would save/defer or reduce the City's contribution requirement by the figure he had predicted that would be encouragement enough for the City to pass a benefit improvement that had been discussed. Mr. Clinger stated he was disappointed that after reading in the June minutes he felt there was a condition for moving forward; the City agree to move forward with the proposed ordinance or the Board will not approve the new report. Mr. Heinrichs stated he did not feel that was the spirit at the June meeting stating that the Board was concerned as fiduciaries to the fund that by deferring costs into the future without any sort of benefit to the members was not acting in the best interest of the membership. He stated he felt the reason the Board would not support it was the concern by the Board of deferring costs into the future without any sort of corresponding benefit to the membership, that is the reason they wanted to defer to this meeting to try to get the City onboard with the benefit so they could walk hand in hand.

The Chairman asked for a motion to table Item 7a until the next meeting. **Motion was made by Mr. Koczan, seconded by Mr. Deyette. Motion carried with all members voting unanimously.**

Mr. Sabia, Vice President of the Firefighters Union, asked to speak at this time as his comments pertained to the City. He thanked the Board for its work on behalf of the members. He stated he had heard that the plan was seeking to defer costs of \$104,000 for the City for a thirty year time frame yet the Finance Director needs more time while the City is looking at layoffs and other options. He asked is not a \$104,000 deferment a benefit for the City now. He stated regarding the shared plan he could not speak for the Board but he could speak for the Local who make up a majority of the membership and they will not support a shared plan. He stated in 2003 when the Union negotiated the contract, part of that negotiation was to remove the pension plan from the bargaining table and make this Board a fiduciary Board. Ms. Spriggs stated that actually took place in 2000. Mr. Sabia stated according to that the agreement the Board had the responsibility to make enhancements to the plan for the benefit of its members, however when the DROP plan and other enhancements were brought forward the Union was told they would have to be negotiated. He stated at the last negotiations the City negotiator even made the statement the Board should be allowed to run the pension plan and answer to the Commission. He stated there are also monies in the State Insurance Premium Tax Fund to be used for enhancements to the plan and the longer those monies stay there, the possibility of the State withholding those monies is there which will cost the City more money in the long run. He stated the reality is that the decision is the Commission's and that these proposed enhancements are not being sent to the Commission for a decision is not a showing of good faith by the City.

Mr. Clinger stated he wanted to state for the record that the Board has identified \$100,000 savings for the General Fund and it is fully within the authority of this Board to grant that savings, the choice to take the shared plan is the Union's choice. He offered a possible negotiation; go forward with the enhancements but put in the language that if any year look at the available resources and if it costs another dime the benefit would be reduced in that year to maintain the funding would remain neutral. He stated that would be a guarantee that it would never cost the city anything and the Union and the City could work together going both directions; if the City had a bad year the benefit would be scaled back or if the City had a good year it could be scaled up as opposed to a fixed benefit that the City would be responsible for until the end of time. The Chairman stated that would be something that would have to be negotiated with the Union. He stated the idea of a defined benefit plan is stability.

Mr. Clinger stated the City's pension contribution has gone up drastically from what it was 5 to 10 years ago and that he wasn't saying that was wrong but it has. Mr. Sabia asked for clarification from Ms. Spriggs if the City's required contribution had gone up in the past few years. Mr. Clinger corrected Mr. Sabia stating that he was referring to the unfunded liability being 10 times what it was 2 years ago. Ms. Spriggs stated she would have to look at the valuation agreeing the unfunded liability has grown but that it was a combination of the last union contract that was negotiated making the liability higher and a the current market.

Mr. Dehner stated he had a couple of comments in connection with this discussion with respect to the use of the excess State money, the statute provides for it to go to a shared plan or go to a defined benefit plan for additional plan benefits by a majority vote of the membership so, in order to create a shared plan by statute it would have to be by majority vote of the membership; and secondly if the membership chooses to put the money into the defined benefit plan to become an integral part of the plan benefits, the money will buy a benefit that is provided by the actuary that the membership would like to have. He stated at that point that benefit should be implemented and if not at some point the division could withhold future State money. The Chairman stated that was brought out at the last meeting and the meeting that Mr. Clinger attended that that was a risk of not only future State monies but current State monies that are already being put in the plan. Mr. Dehner clarified that meant all State money. Ms. Spriggs stated since unfunded liability was being discussed, she just wanted to clarify something for the record and make sure the

actuary agrees with her statement; there is a difference between an unfunded liability and an underfunded plan; our plan is fully funded in accordance with the statutes. She stated many plans carry an unfunded liability that is amortized and paid for over 30 years. She asked the actuary if that was a correct statement as she wanted to make sure no one feels this plan is underfunded. Mr. Heinrichs stated this plan is not being underfunded; the City has contributed at least what is statutorily required for as long as he can look back as determined by the actuary. He stated there is about \$3 million of unfunded liability that currently exists adding the unfunded actuarial liability as of October 1, 2007 was \$1.8 Million in 2008 it was about \$3 million. He stated the reason it went from \$1.8 million to \$3 million was the down trend in the market. Ms. Spriggs noted when the plan was put into place by the City and was initially enacted on October 1, 1997 there was an unfunded liability, the City Commission was aware it was there due to the member's past service to the Fire District; that unfunded liability was approximately \$1.8 million.

8. NEW BUSINESS

A. Principal Financial Group Presentation:

Ms. Farnell gave a brief update on the status of the plan investments. She stated the balance in the plan is \$7,974,386. She stated looking at where the assets are currently it is showing approximately a 65/35 split fixed income versus equities which is on target with the plan. She pointed out some of the investments on the report and asked if the Board wanted to go over the individual accounts. The Chairman suggested deferring to Mr. Gizzi's recap.

Mr. Gizzi pointed out there were a couple of accounts that were beginning to pick up some slack and it was interesting that since last month about 40% of the funds actually had gains during the month of June. He stated that over the last quarter beginning April 1, 2009 to June 30, 2009 all but one fund made gains. He stated in the past he had some concerns and the Board has had discussions about it referring to the US Property account being categorized in the fixed. He stated it was also the opinion of the financial consultant that that was a fixed asset and that was how it was looked at when the Board decided to move to the 65/35 split. He stated he had some conversations with Principal and it has gone up the chain of command. He pointed out that the commercial real estate market has had a delayed hit and did not become evident until late in the game and now when you look at the return year to date it is a -30% from October 1, 2008 so, his point was that if you have an asset that could gain 15% - 20% or lose 30% he finds it very difficult to classify it as a fixed asset when it doesn't act like a fixed asset. He stated he has asked what considerations go into putting it into fixed assets and hopefully we will get good conversation going forward in the months ahead. He stated due to the large losses in that property account it makes the plan underweighted in the fixed. He stated that Ms. Farnell had pointed out that when you look at that account annually it has been a star in the program more times than not but he is asking if there is any latitude in how it is classified and if it gives the Board any tools. The Chairman asked if Principal shouldn't already be making those decisions. Mr. Gizzi stated yes in concurrence with our consultant that it is a fixed asset. Ms. Farnell stated for the record it was considered a real estate fund but was reclassified as a fixed income in the last couple of years. Mr. West asked why the Board has to decide on the classification. The Chairman stated he wasn't seeing the steps being taken to be sufficient to stem the losses shown by the latest report showing -13.54% through June. Mr. Gizzi pointed out at the end of March 31st the plan was at -23.55 showing the plan gained 10%. The Chairman stated he believed the gains were because of the changes suggested by the Board with the advice of Mr. West, the actuary, and the plan attorney and he believed the Board was paying Principal as the manager to make these decisions. Mr. Gizzi deferred to Mr. West to comment as this is a time that has not been experienced before. Mr. West stated it is not his place to tell Principal what to do and he doesn't understand why Principal is classifying it as a fixed income security when it shows up as a real estate product which encumbers the ability to address the asset allocation to be optimal and it was troubling. Mr. Gizzi pointed out that if that asset was in the domestic stock then it would impact the allocation and he has inquired to the advisors on that category. Ms. Farnell asked if it would be beneficial to conference call with an investment consultant

at the next meeting to explain more as to why they classified that fund as fixed income. Mr. West stated he wasn't sure what that would accomplish.

B. Bogdahn Group:

Mr. West gave an update on the financial status of the plan showing the total portfolio net for the quarter was up 12.56% but unfortunately the plan bled away 33 basis points relative to the benchmark. He stated tracking the fiscal year to date numbers there was a decline of 14.3% so we are trailing by about 3%; for the fiscal year to date track the plan is in the 94th percentile again, 1 being best and 100 being worst so we are struggling pier group wise. He stated in looking at the year over year number a decline of 22% versus 17% again recognizing all markets have been down. He stated looking at the 3 and 4 year numbers the plan continues to underperform. The Chairman asked looking at the pier groups if the 94th percentile or 88th percentile are being measured against other products that are currently out there that are doing better. Mr. West answered yes that that would indicate that a vast majority of other products are doing better. Mr. Heinrichs stated to put it in terms of dollars, percentages are one thing but dollars make more sense; if the fund had gotten the policy benchmark and had achieved 3% better the fund would have a little more than a \$250,000 more than it has now. Mr. West stated taking Mr. Heinrichs point and looking at the cumulative performance chart which tracks the earnings on earnings and the investments on investments and the timing, equating everything to \$100 the index would have a cumulative return of \$142.70. He stated unfortunately the accumulation experience has consistently tracked below the index showing an accumulation of \$116.20, that difference is what was left on the table relative to the policy. He stated it is a hard report to give and he feels the Bogdahn Group really has to come forward and assertively recommend at a minimum to look at what alternatives might be considered.

The Chairman asked what alternatives Mr. West would suggest to bring forward. Mr. West stated procedurally if directed to do so per our agreement he would conduct a manager(s) search to bring in to manage this asset size plan; obviously part of that search criteria would be to be fee competitive. He stated he had some concerns after reviewing the amendment to Principal's agreement with language regarding to fees which basically allows Principal authorization to charge up to certain fee limits in a table set forth of 200 basis points and the Board had negotiated fee reductions. He stated this agreement allows Principal to change the fees at any time and he could not suggest entering into that agreement. He stated he was suggesting doing a manager search, bring back suitable candidates to chose from and put together a structure to include a custodian. He stated based on surveys and other fee issues he believes he can show what other cities have done and where their fees are. The Chairman asked Mr. Dehner if this was within Bogdahn's contract as a third party consultant to do this. Mr. Dehner answered yes. The Chairman asked if there would be any conflict with Bogdahn bringing in potential candidates that they would potentially be evaluating or watching over. Mr. Dehner stated independence between the Bogdahn Group and any managers would be assured. Mr. West stated Bogdahn's business model by design receives only one fee, that being from the Pension Plan; they do not receive any money from managers, custodians or any other source and will open their books and personal tax returns to City auditors if needed. Ms. Farnell asked to clarify the fees being discussed stating theses fees can be in the range from this to this and did not mean they were going to just change the management fees; she stated the plan at present is at the lowest possible cost for a client of this size. Mr. Dehner stated the issue Mr. West was referring to was noted as well in his review of the proposed amendment which can't be addressed today because we don't have a copy of the original contract #4-49082. He stated Mr. Gizzi will be providing it so it can be reviewed also. He stated the proposed amendment did state that Principal would reserve the right to change the management fees up to any charge of up to a maximum limit at any time by giving the client written notice of at least 30 days before the date the change is set to take effect.

The Chairman stated this Board has grown over the past few years and seeing the need made some changes by performing searches and retaining a 3rd party consultant, a full time pension attorney and when the Board was not satisfied with the performance of the actuary a search was done and a new

actuary was retained adding those have all been positive. He stated the reports given today have consistently shown that Principal has been underperforming the pier group, not hitting the benchmark; the Board has tweaked the investment strategy and have discussed fees with nothing happening with regards to them. He stated he felt it was good business to have Bogdahn go out to see what managers and products are out there to see if the plan is getting the best service; Principal is welcome to weigh in on that. He stated the whole purpose of hiring the 3rd part consultant was to independently and objectively look at the data and put it in charts for the Board to better understand where the plan is. He stated by looking at other options out there the Board will find out if the board should stay with Principal or if there is a better product. He asked the Board Members for comments. **It was the consensus of the Board to move forward.**

Mr. Dehner stated the appropriate action would be by motion to direct Mr. West of Bogdahn to commence the manager search that he had described to the Board. The Chairman asked Mr. West so it is clear the manager search would include what components. Mr. West stated it would include investment management and custodial services. The Chairman asked if any parameters need to be set in terms of managers who deal with groups under \$10 million, under \$100 million, etc. Mr. Dehner stated that would go with the assignment. Mr. Bogdahn stated he would be pulling from programs that would be compliant and consistent with the intent of the policy statement or any amended policy statement thereafter. The Chairman asked if there is a way to rank them. Mr. Dehner stated based on experience Mr. West will come back with written data comparing managers who he would recommend as being appropriate for the fund and then the Board would review and chose some number of them to bring in for interviews and then make a decision if the Board wants to do anything at that point. He stated if the Board decided to bring anyone onboard they would first get them under contract and then begin the transition. The Chairman asked the time frame. Mr. West would like an offer of a thirty day turn around. After discussion it was determined the next meeting would be held August 12th at 4:00 P.M. and Mr. West stated he would be ready. The Chairman asked for a motion authorizing Bogdahn to start a competitive search for fund managers and custodians for the pension plan and for the written report to be brought back to the Board on August 12th at 4:00 P.M.

Motion was made by Mr. Deyette, seconded by Mr. Koczan.

The Chairman asked if there was any discussion. Mr. Koczan asked if Principal would be included and if this would include comparisons to educate the Board. Mr. West answered yes; he will include the Principal data for comparison. There was no other discussion.

Motion carried with members voting unanimously.

Mr. West stated he had one other item regarding SB 538 being passed and as a result there is one issue the Board will have to address in the investment policy statement which has to do with scrutinizing investments with companies doing business with terrorist nations; there are specific provisions the plan must comply with. He stated that language will have to be inserted into the investment policy statement. He stated he has prepared some language which he will send to Mr. Dehner for final review and approval. He stated the actual effective date is not until 2010 and it can be scheduled for a future meeting. The Chairman asked to have it at the September meeting so they can review it and prepare any questions for Mr. Dehner for possible adoption at the October meeting.

C. Principal Financial Annuity Contract Agreement: Tabled

The Chairman asked for a motion to table this item as a result of the action taken previously. Mr. Dehner asked that Mr. Gizzi bring a copy of the original contract agreement.

Motion was made by Mr. Koczan, seconded by Mr. Deyette. Motion carried with members voting unanimously.

9. ATTORNEY'S REPORT:

A. Disability Claim:

Mr. Dehner gave an update on Mr. DeGaetani's disability claim stating he is scheduled for an independent medical examination the first week of August and once that report is received back it will be provided to the Board and at that point a meeting will be scheduled. He stated he would schedule a meeting as soon as possible with the Board and Mr. DeGaetani's attorney. The Chairman asked if that could potentially be at the September 15th meeting. Mr. Dehner stated yes, and recommended the disability discussion be a separate meeting with separate agenda as it will deal with medical records. Mr. Adams asked about the privacy. Mr. Dehner stated that is why a waiver of privacy was signed by Mr. DeGaetani and the Board can only consider and adjudicate in a public session. The Chairman stated when the report is back he would not like to wait until September 15th, if it is ready on the 1st and if it is doable he would like to try to meet. Mr. Dehner stated it is his policy not to wait and it would take about 1 to 2 hours for the meeting. He stated also under the rules the Board may need to issue an order to extend the 90 day time frame for another 90 days to render an initial order and recommended this be done by motion. He stated the motion should be to extend the initial hearing time frame an additional 90 days. The Chairman asked for a motion to extend the initial hearing date for an additional 90 days regarding Mr. DeGaetani's disability claim.

Motion was made by Mr. Adams, seconded by Mr. Deyette. Motion carried with members voting unanimously.

B. Other Matters:

Mr. Dehner gave an update on the amendment SB 538 giving the highlights. He stated he has drafted federal compliance amendments per the internal revenue code that will have to be amended into the plan. He stated the bill provided that now the plan is permitted to go to 25% in foreign securities at market value effective July 1st; permitted going to 4 year trustee terms by amending the ordinance which he recommended doing; if the Board decided to do this they could just extend the terms of the current trustees or end the terms and do reappointments and elections. He stated the bill also permitted direct deposits from the pension to an insurance company which normal and disability retirees who obtain their health and long term care apart from the City could take advantage of \$3,000 Federal Income Tax exclusion. He stated there is also a proposed amendment to the federal legislation to remove the direct transfer and possibly extend it to all public employees in addition to the public safety employees. Ms. Spriggs asked if it included the current retirees. Mr. Dehner stated the program needs to be implemented and he had sent a package previously but can send another one. He stated the package includes an agreement if the people want to do it because it is elective as well as a form that waives any claims they may have against the Board in the event there is problem with a payment of the premium. He stated the mechanism for taking that \$3,000 is on the Form 1040 on line 16b where they can show a deduction of \$3,000 if they have paid the premiums up to that amount; that is where they get the exclusion and just write in PSO which stands for Public Safety Officer. The Chairman asked Ms. Spriggs to include that in the member updates. Mr. Dehner stated also regarding buybacks the Board may want to consider and discuss as in addition buybacks have been expanded to members with equivalent prior fire service with other agencies to include agencies outside the state of Florida but within the US.

He stated it will require a provision in the plan to do it but, typically buybacks are good for recruitment. He stated there was one other item that Mr. West touched on earlier in regards to non-domestic companies the fund may be invested in that do certain types of business in the Sudan or Iran that are typically

infantry related or military related businesses, if the fund has any companies on the list the SBA prepares, we will need to divest of these funds; if we have any suspect companies we will have to divest between January 1, 2010 and September 10, 2010. He stated Mr. West will make recommendations. The Chairman asked Mr. Dehner if he would be preparing draft ordinances regarding those statutory changes. Mr. Dehner stated he would once the Board lets him know on the optional items which can be done at the next meeting or you can give him direction today. He stated the 25% is mandatory, the 4 year trustee terms is optional, the dollar transfers will be in there and the buyback expansion is optional if you want it in there. The Chairman asked Mr. Dehner to provide that list to Ms. Spriggs and we will agenda that for the August 12th meeting for discussion.

10. PLAN ADMINISTRATION REPORT:

Ms. Spriggs stated she had a few items for the Board. She stated she needed to submit a quarterly report for the City Commission which will be presented on August 3rd and she wanted to know if there was any direction from the Board for her to communicate regarding the proposed ordinance changes based on today's discussion. She stated she had in the past communicated that the Board was looking at those. Mr. Koczan suggested making a brief statement referring to a cost neutral ordinance that the Board has been unable to have brought forward. Mr. Adams stated he did not get the feeling the City was trying to work with the Board. The Chairman stated he felt the Board needed to bring to the attention of the Commission that the Board has had this ordinance proposed for some time and there are potential cost savings in terms of the actuarial report and not one but two actuaries have shown that the ordinance could potentially save the City money regardless of the actuarial report. Mr. Heinrichs agreed that the DROP and the Lump Sum Provision (PPOP) alone could potentially save the City money. The Chairman stated he would like to have Mr. Heinrichs attend the Commission Meeting along with Ms. Spriggs to support the actuarial report that was prepared and the opinion that was developed that the ordinance would be of little or no impact. Mr. Koczan asked if the Commission Meeting would be the appropriate forum. Ms. Spriggs stated yes but she was having a problem with it as the proposed ordinance had also been included on the last two quarterly reports and it had been discussed with the City Manager, at this point does she just say the Board has been told the City Manager is not willing to move it forward. The Chairman stated the Board should request that and he asked Ms. Spriggs to write a letter for his signature requesting the Commission to direct the City Manager to put the proposed ordinance on the agenda for first reading. Ms. Spriggs asked if the Board thought it would be appropriate for her to introduce the concept at that report and say a letter will be provided. The Chairman stated she could give the Commission the letter that night. Mr. Deyette stated it was his understanding that when the City Manager was at the June meeting she was going along with what the Board was saying and was inclined to go along with what the Board was trying to accomplish. The Chairman stated the City Manager had said she would have to review it with the City Attorney and the Finance Director. He stated even if the City saved or deferred \$104,000 but had to spend \$10,000 there would still be a savings for the City and there would be another savings again next year. Mr. Heinrichs stated it would be a \$100,000 a year for a while. Mr. Koczan stated it was his recollection that Mr. Clinger was pleased with that as it would help with the budget. The Chairman stated if the Board is going to spread the payments and the funds potential exposure out for a longer period of time not knowing what the economy is going to do there has got to be something that the Board can offer up to the pension members as to why the Board made this trade-off. He stated he is not willing to do this if there is no benefit to the members today as a fiduciary. Mr. Heinrichs stated that was what he believed the win, win was.

Ms. Spriggs stated the State has been provided all the information based on the 2008 review and she expects to receive the clean bill of health letter any day and as a result the City will be able to receive the State Insurance Premium Tax distribution. She stated the letter was received from the Division of Retirement reviewing an old actuarial report and she had contacted them to ask why they were reviewing

an old report and was informed that is just where they are. She stated she provided them with a newer one and they had provided some comments on the actuary which has forwarded to Mr. Heinrichs.

The Chairman asked if the City had received a bill for their portion of the cost of the new actuarial report. Ms. Spriggs stated yes but she had not received payment yet. She stated they may do it as part of the automatic transfer when they do the contribution for payroll.

Ms. Spriggs stated she had exchanged information on the early out option with the Fire Chief and she wanted to know if the Board wanted to discuss this issue; she has forwarded it to Mr. Heinrichs for any suggestions of ways the City could provide for early opt outs. She distributed information on the annual conference being held in Orlando in October which is open to anyone and there is no cost for the conference. She stated she will be emailing the Principle Financial report in PDF form to the members. She stated she had received paperwork filing for DROP right on the date of the person's year and there was a glitch in the statement prepared by the previous actuary. She stated she went back to construct the statement for the participant and found that because of the joint survivor they picked there is a difference of what is allowed by the IRS than what the person had selected. She stated Mr. Heinrichs is reviewing that to make sure that actuarial analysis is correct because of a mistake. She stated it could possibly be to the benefit of the participant so once Mr. Heinrichs has reviewed it she will meet with the participant.

11. BOARD MEMBER COMMENTS:

Mr. Deyette stated he was very appreciative of the group assembled referring to Mr. Dehner, Mr. West, Mr. Heinrichs, Mr. Gizzi and especially Ms. Spriggs saying they had really taken a great burden off all of the Board Members with their advice. He apologized for any remarks that may have seemed adversarial against the City; he actually was directing them to the individual. He stated we do have a good group and he believes Mr. West has a good idea to look at other products out there.

Mr. Adams stated he wasn't sure where the adversarial attitude was coming from but it is not needed.

Mr. Koczan apologized for raising his voice as a member of the Board earlier in the meeting. He stated he had been respectful while a guest, Mr. Clinger, was speaking and had expected he would receive the same when he was recognized by the Chair. He stated as a member of the Board he believed they have attempted to utilize our professional expertise and guidance in making decisions in the best interest of the plan and its members. He stated he was disheartened by the tone presented on behalf of the City of Deltona when Mr. Clinger stated that he and the City Manager will not support any plan improvements, even referring to the FRS system and if he wants to compare rates then let's compare rates the City is contributing versus the rates FRS agencies are contributing. He stated it was his impression this Board and the City had been pursuing a mutually beneficial opportunity, tonight we were told otherwise by Mr. Clinger and in addition Mr. Clinger expects the Board to implement changes that will unilaterally benefit the City with no expectation of allowing any cost neutral enhancement to reach elected representatives of this community in the form of an ordinance. He stated just as he fully understands and respects Mr. Clinger's duty to the City Manager, he must also respect the Board's duty to the pension plan and its members. He stated with this said he certainly expects the cost neutral ordinance to be moved forward to allow our local elected officials the opportunity to exercise the duties of their office. He stated he certainly hoped the good faith cooperation that appeared to be developing between this Board and the City will get back on track.

Mr. Adams stated he would like to see as many of the members as possible at the Commission Meeting on August 3rd to show support for Ms. Spriggs.

John Sabia apologized to the Board for his tone towards Mr. Clinger at tonight's meeting and thanked all of the Board Members and the advisors for all they do on behalf of all the plan members.

The Chairman stated he would encourage more of the plan members to attend the Board meetings as there is a lot of learning that takes place and certainly we value input from Board Members past, present and maybe future. He stated the Board has new challenges coming up with looking at ways to make the money work better for the members, we have new challenges coming up in the form of disability claims which we have not seen before, we are seeing members come forward in the DROP and again this is a living thing and the Board cannot stay stagnant as changes have to be made. He stated it is good to have new Board Members; it's good to see new members that are assisting the Board. He stated in the case of Principle Financial it has been a long relationship sometimes positive, sometimes not but not adversarial and the Board needs to do the responsible thing and look to see if there is a product out there that serves our needs better, if not we will stay where we are.

12. CONFIRMATION OF THE NEXT MEETING DATE, TIME AND LOCATION:

The next meeting date will be Wednesday, August 12, 2009 at 4:00 P.M. in the 2nd Floor Conference Room.

Motion was made to hold next meeting of the Firefighters' Pension Board of Trustees on Wednesday, August 12, 2009 at 4:00 P.M. in the 2nd Floor Conference Room by Mr. Koczan, seconded by Mr. Adams. Motion carried with members voting unanimously.

13. ADJOURNMENT:

There being no further business, the meeting adjourned at 5:49 p.m.

Motion was made by Mr. Koczan, seconded by Mr. Adams to adjourn the meeting. Motion carried with members voting unanimously.

Approved this 12th day of August, 2009.

Chris Nabicht, Chairman

ATTEST:

Janet Day, Admin. Assistant II