

**CITY OF DELTONA, FLORIDA
FIREFIGHTER'S PENSION BOARD OF TRUSTEES MEETING
TUESDAY, APRIL 15, 2008**

A Regular Meeting of the Firefighter's Pension Board of Trustees was held on Tuesday, April 15, 2008 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 3:12 p.m. by Chairman Chris Nabicht.

2. ROLL CALL:

Chairman	Chris Nabicht	Present
Secretary	Earl "Mac" Deyette	Absent
Boardmember	Chris Sievert	Present (arrived 3:30pm)
Boardmember	John D. Adams	Present
Boardmember	James Koczan	Present
Plan Administrator	Lisa Spriggs	Absent
Employee Benefits Specialist	Gene Gizzi	Present

Also present: Susan Helberg, Accounting Manager; Mike Tierney, Actuarial Concepts; David West, Bogdahn Consulting, LLC; Doug Feltz, Principal Financial; Lee Dehner, Christiansen and Dehner; Karen Ricke, Human Resources Director and Janet Day, Executive Assistant, City Clerk's Office.

3. APPROVAL OF MINUTES:

A. Minutes:

1. Firefighter's Pension Board of Trustees Meeting – February 19, 2008.

Motion by Mr. Adams, seconded by Mr. Koczan to approve the minutes of February 19, 2008 as presented. There was no discussion. The motion was unanimously approved.

B. ADDITION OR DELETIONS TO THE AGENDA:

There were no other additions/revisions to the Agenda. Motion by Mr. Adams, seconded by Mr. Koczan to approve the agenda. There was no discussion. The motion was unanimously approved.

4. MEMBER COMMENTS: None.

5. APPROVAL OF EXPENDITURES:

A bill from Actuarial Concepts dated April 14, 2008 for \$13,730.00. **Motion to discuss by Mr. Koczan, seconded by Mr. Adams.** Discussion; being new to the Board, James Koczan asked if the bill was standard. Susan Helberg stated that the additional amount was for a special study requested by the Board on some calculations. Chairman Nabicht stated that it would be explained when the presentation was made. **Chairman asked if there was any other discussion, there being none; motion to approve carried by unanimous decision.**

Second bill from Bogdahn invoice #2886 dated March 27, 2008 for performance evaluation and consulting

1 services from January 2008 to the end of March 2008, \$2,625.00. **Motion by Mr. Adams, seconded by**
2 **Mr. Koczan to approve invoice #2886 dated March 27, 2008. There being no discussion, motion**
3 **carried by unanimous decision.**

4
5 Bill from Christiansen and Dehner dated February 29, 2008 itemized showing a balance due in the amount
6 of \$1,729.40 for legal services. **Motion by Mr. Adams, seconded by Mr. Koczan to approve payment of**
7 **invoice. Motion was unanimously approved.**

8
9 **6. OLD BUSINESS:**

10
11 **A. Fiduciary Liability Insurance:**

12
13 The Chairman stated that Ms. Spriggs had information prepared on this item and suggested as Ms.
14 Spriggs is unable to provide a report, Item 6A be continued to the next meeting.

15
16 **7. NEW BUSINESS:**

17
18 **A. Presentation by Board honoring service by former Board Member Scott Johnson:**

19
20 The Chairman stated that James Koczan has replaced former Board member Scott Johnson, originally
21 with the City of Deltona Fire Department. To further his career, Scott took a position with the Ormond
22 Beach Fire Department and is now a Captain. And even though he works in Ormond Beach he has
23 continued to help out with our pension plan for many years. He has now passed his place on the Board to
24 a new member. He is to be commended for his tireless efforts without compensation. So, on behalf of the
25 Deltona Firefighters and the Deltona Firefighter's Pension Board, Chairman Nabicht presented Scott
26 Johnson a plaque in appreciation for his years of service. Scott Johnson expressed his sincere thanks and
27 stated that he enjoyed coming back and sharing some of the memories of years passed.

28
29 **B. Actuarial Evaluation 2007:**

30
31 Mr. Tierney, representing Actuarial Concepts, began by stating that Actuarial Concepts had a new board
32 member which he felt compelled to provide him with a guide to his report referring the Board to the table
33 of contents followed by a synopsis of the major conclusions of the report. Mr. Tierney suggested the
34 Board focus on that and then introduce what the rest of the report contains to get a feel for the purpose of
35 the report. Mr. Tierney continued by explaining that the valuations use what is called a payment delay
36 methodology which means the report for 2007 establishes the requirements for the next year. The report
37 for 2006 established the requirement for the current year; that allows plenty of time for preparation and is
38 the standard procedure used by the State for many years. Actuary must do adjustments to the
39 requirements due to the delay of a year using interest adjustments as well as anything that is based on
40 payroll growth amortization to project that dollar amount. This is why these are two separate sets of
41 contribution requirements, one for year end and the evaluation for reporting for the following year.

42
43 Mr. Sievert arrived at 3:30 P.M.

44
45 Mr. Tierney continued with discussion on premium taxes and the rules that govern the revenues and their
46 use. Premium taxes must be spent on new benefits and the plan currently has \$250,000 that must be
47 spent.

48

1 Mr. Tierney stated that the plan is still 92% funded. The rest of the report is back-up providing the more
2 complete actuarial numbers and analysis. Also included is the format required by the State and what the
3 unfunded bases are and how long it will take to pay off the unfunded. The balance of the report is
4 exhibits and summaries.

5
6 Mr. Dehner of Christiansen and Dehner asked if they were using smoothing as a method and Mr. Tierney
7 stated that the fund is not using smoothing but would recommend that the Board look at this method. Mr.
8 Dehner asked that due to the volatility of the Plan at this time should the Board look at the smoothing
9 method from an investment prospective, suggesting a four to five year smoothing method. It is just
10 another tool the Plan could use and it may be something the Board would need to make a decision on
11 with a recommendation to preceed.

12
13 Mr. Tierney recommended the Board adopt an asset averaging method effective October 1, 2007.

14
15 The Chairman asked if there would be a recommendation of an increased contribution as a result of this
16 report to bring before the Commission in the upcoming budget taking into account the pay increases
17 received. Mr. Gizzi asked if the number was attributable to increased wages or new hires and Ms.
18 Helberg stated that there were no new hires. Mr. Tierney stated that increased wages would only be
19 applicable for those who have been with the City at least two years. The Chairman asked how the Board
20 would go about adopting the smoothing method. Mr. Dehner stated that the actuarial report must be
21 approved. The Chairman asked if the smoothing method would affect the budget. Mr. Dehner stated that
22 if the actuarial report is acceptable it would then need to be approved by motion and then by motion the
23 Board would need to adopt Mike Tierney's recommendation to adopt the smoothing method.

24
25 The Chairman stated that he wanted to know a little more about the smoothing method and asked if
26 smoothing would have any effect on what the Board did regarding to the upcoming budget. Mr. Tierney
27 stated that it would not. It would reflect on the 2007/2008 report, starting the averaging after October 1,
28 2007 and applied prospectively. Then the October 1, 2008 report would have one year of smoothing in it.

29
30 Mr. Gizzi asked Mr. Tierney if the 8% actuarial assumption is in line with other plans and Mr. Tierney
31 stated that 8% was main stream, a majority of the Plans in the State use 8%.

32
33 The Chairman asked at what point the Board would look to be more diversified and Mr. Tierney
34 suggested that that question be referred to the Board's financial advisors. Mr. Feltz stated the limits have
35 come down and that the Plan is already accessing a real estate fund through Principal.

36
37 **Motion by Mr. Adams, seconded by Mr. Koczan to accept the report.** It was advised that the motion
38 must include at least one question. **John Adams questioned the rest of the Board to determine if they**
39 **wanted to move forward with what they have now. John Adams added to the motion that the fund**
40 **would continue with what we have now. Motion carried unanimously.**

41
42 Mr. Dehner stated that now there would need to be another motion to determine what the total expected
43 annual rate of return of the fund will be for the three time periods of the current year and for the next
44 several years and for the long term thereafter; that is a statutory requirement that needs to be based on the
45 recommendations of the investment consultants.

46
47 The Chairman asked if they should move forward with the 8%. Mr. West stated that from their
48 perspective, looking at a portfolio allocation as laid out in the basic policy statement, he thought there is
49 a high probability of hitting the 8% over the near term, intermediate term and longer term. Mr. West

1 continued by stating that there had been a good discussion on the 8% and if they were able to use the
2 smoothing tool in the future, that would help elevate that probability further since they would be using
3 rolling time periods instead of individual time periods. Mr. West stated that they were basing it on a 50
4 year projection considering a 25 year career and a 25 year retirement.

5
6 Mr. Gizzi stated that he was happy with the 50 year projections adding that looking at the charts, 8%
7 looks good. He feels comfortable being in the mainstream in this instance.

8
9 The Chairman asked with the market doing what it is doing should the Board position itself anticipating
10 that with the election year, the market will rebound at some point; would now be the time to position
11 ourselves to move that mark up slightly. Mr. Dehner stated that at this time they are looking at what they
12 actually expect for a return as distinguished from the assumed rate just discussed. The Chairman asked
13 whether Mr. Dehner was comfortable with the 8%. Mr. Dehner stated yes, subject to review periodically
14 based on long term assumptions. Mr. Dehner asked if the Board had ever done this before. The
15 Chairman stated that they had never done this before.

16
17 Mr. Dehner stated that has been a requirement and spoke about the Charles Slavens Bill which was
18 brought about to raise awareness between the actual return and the assumption. He stated that we would
19 be doing it this year for the first time and also backup will be required. **Mr. Dehner stated that the**
20 **statutory language for the motion should be that the Board has determined, based on the**
21 **recommendations of its consultants, that the total expected annual rate of return for the current**
22 **year and each of the next several years and the long term thereafter will be 8% net of investment**
23 **expenses.**

24
25 The Chairman deferred to Mr. Dehner's wording of the motion and asked for a motion.

26
27 **Motion by Mr. Sievert, seconded by Mr. Koczan that based on the recommendations of the**
28 **consultants the total expected annual rate of return for the current year, the next several years,**
29 **and the long term thereafter will be 8% net of investment expenses. There was no discussion. The**
30 **motion was unanimously approved.**

31
32 Mr. Tierney recommended that the Board spread out or smooth what they expect to earn based on their
33 assumptions. The difference between what the expected earnings are and what is actually earned is what
34 will be spread out. This will be done every year over a five year period which is not a level but a
35 proportional five year recognition that will be fully recognized five years later.

36
37 The Chairman stated it is important for Finance to know if at the end of the five years if there have been
38 no gains made on the investment side that the City would have to make up the funds. He questioned if
39 the actuarial report next year will show this and the City could adjust the contribution rather than taking a
40 big hit. Mr. Feltz stated Finance would approve any actions that would improve the predictability of the
41 required contributions.

42
43 **The Chairman asked for a motion to implement the five year smoothing method as described by**
44 **Mr. Tierney with an effective date of October 1, 2007. Motion made by Mr. Koczan, seconded by**
45 **Mr. Sievert. There was no discussion. The motion was unanimously approved.**

46
47 Mr. Tierney stated he is still waiting for information to complete the study but looked at increased
48 multiplier of 3.1 and 3.2%, he looked at six year vesting that matches the six year quarterly return
49 investment schedule, and he looked at a 2% cost of living every other year or every five years. Mr.

1 Tierney asked if the Board wanted a letter or chart with results of the study and the Chairman responded
2 that the page format could come first, then have the actuary go back through it to provide more extensive
3 information.

4
5 Mr. Tierney asked Mr. Dehner to go over the cost of improvements and using the premium taxes. Mr.
6 Dehner stated there are two things that can be done with the excess State money pursuant to the State
7 Statute and according to a majority vote of the membership; place the excess monies in a defined Benefit
8 Plan which is what is being done presently and wait until they reach an amount for the applied benefit or
9 segregate it into a separate Share Plan which establishes an account for the members of the Plan.

10
11 The Chairman asked that a discussion on the enhancements that were evaluated by the actuary be placed
12 on the next agenda.

13
14 **C. Investment Strategy Discussion:**

15
16 Mr. Feltz began with a review of the local ordinance the Board works under which currently limits them
17 to 65% equity at market and the investment policy statement was written with that in mind. The
18 investment by Principal is being done under an annuity agreement which gives a lot more flexibility. The
19 investment policy statement looks at a target of 8% and to hit that number it will require a high allocation
20 to equities of 65%. A report will be given at the next meeting scheduled for May 20, 2008. Mr. Feltz
21 continued with a summary of the investment performance summary and stated that they would continue
22 with the same investment strategy.

23
24 The Chairman asked if there was anything the Board could do now to change the course to minimize the
25 losses and Mr. Gizzi suggested looking at Schedule A, allocations, make comparisons and see how they
26 match up.

27
28 Mr. Feltz reiterated that over the course of time the Plan has done well and Principal feels the Plan
29 should stay the same, they cannot determine when the market will return to normal. Discussion
30 continued on whether now would be the time to be more aggressive with the investments and Mr. Feltz
31 stated that Principal can offer a model with more exposure to equities; this is something the Board needs
32 to discuss and with the willingness of the Board, Principal can pursue. Mr. West stated that with long
33 term expectations, Principal as the investment manager has the authority to make those changes.

34
35 The Chairman reiterated that he understood that the Plans investments are down but that if Principal sees
36 an opportunity that is within their policy to minimize losses or to position the Plan to take advantage of a
37 gain, that is what Principal is hired to do.

38
39 Mr. Adams suggested that Principal attend a Regular City Commission meeting. The Chairman stated
40 that he felt the need to assure the Commission that the Board is doing everything they can to minimize
41 losses. Mr. Gizzi offered to assist the Chairman when he makes his report to the Commission.

42
43 **8. ATTORNEY'S REPORT:**

44
45 Mr. Dehner commented that the Plan should look at improving the benefit rate, supplemental benefits
46 given and not look at going to a Shared Plan. He reminded everyone that their Form 1 Financial
47 Disclosure is due before July 1, 2008 and when a Trustee steps down a 1F Final Disclosure must be filed.
48 He stated legislatively, House Bill 171, if it passes, would allow the members to go to four year Trustee
49 terms if the Board chooses to by amending the ordinance. It would allow for 20% foreign securities if

1 advised to by the consultants; it would enable a direct payment from the Pension Plan to the insurance
2 company to enable a retiree with a normal or disability benefit who has their insurance post retirement
3 apart from the City to take advantage of the \$3,000 pre-tax exclusion on health and long term care
4 insurance premiums. On the Federal side there is a proposal to change the mechanism to remove the
5 requirement for eligibility that the direct transfer be made. There is a bill pending that would provide an
6 80% disability benefit for a police officer or firefighter that sustains a catastrophic injury as a result of a
7 felonious act while in the line of duty. He will report back at the July meeting if anything passes and
8 whether the Board may want to make any ordinance changes as a result.

9
10 It was noted by the Chairman that the operating rules and procedures as provided by Christiansen and
11 Dehner were approved at the February 19th Meeting.

12
13 **9. PLAN ADMINISTRATOR:** None

14
15 **10. BOARD COMMENTS:**

16
17 Mr. Adams asked that Principal's report be forwarded to the Trustees in a timely manner so that the
18 Trustees have time to review it and asked for more communication.

19
20 The Chairman spoke about a letter he received from July Browning with the State and Ms. Helberg stated
21 she would follow-up on the letter, have the Chairman sign, and have the letter notarized.

22
23 **11. CONFIRMATION OF THE NEXT MEETING DATE, TIME AND LOCATION:**

24
25 The next meeting date is set for May 20, 2008 at City Hall, 2nd Floor Conference Room at 5:00 P.M.

26
27 There being no other business the meeting was adjourned at 5:50 P.M.

28
29 Approved this _____ day of May, 2008.

30
31
32
33 **ATTEST:**

Chris Nabicht, CHAIRMAN

34
35
36 _____
Janet Day, EXECUTIVE ASSISTANT