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**CITY OF DELTONA, FLORIDA
FIREFIGHTER'S PENSION BOARD OF TRUSTEES MEETING
TUESDAY, JANUARY 20, 2009**

14 A Regular Meeting of the Firefighter's Pension Board of Trustees was held on Tuesday, January 20, 2009
15 in the City of Deltona's 2nd Floor Conference Room at 2345 Providence Blvd., Deltona, Florida.

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1. CALL TO ORDER:

23 The meeting was called to order at 3:08 p.m. by Chairman Chris Nabicht.

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2. ROLL CALL/ELECTION OF OFFICERS:

34 Chairman	Chris Nabicht	Present
35 Secretary	Chris Sievert	Present
36 Board Member	Earl "Mac" Deyette	Present
37 Board Member	John D. Adams	Absent (Medical)
38 Board Member	James Koczan	Present
39 Board Member	Kurt Vroman	Present
40 Plan Administrator	Lisa Spriggs	Present
41 Employee Benefits Specialist	Gene Gizzi	Present

42 Also present: Beverly Farnell, Principal Financial Group, Dave West, The Bogdahn Group and Lee
43 Dehner, Christiansen & Dehner, P.A.

44 The Chairman asked for nominations for the position of Secretary. **Motion was made to nominate Mr.
45 Deyette to serve as Secretary by Mr. Koczan, seconded by Mr. Vroman. Motion carried with
46 members voting unanimously.**

47 The Chairman asked for nominations for the position of Chairman. **Motion was made to nominate Mr.
48 Nabicht to serve as Chairman by Mr. Deyette, seconded by Mr. Vroman. Motion carried with
49 members voting unanimously.**

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3. APPROVAL OF MINUTES & AGENDA:

A. Adoption of the Minutes:

The Chairman asked if there were any corrections to the minutes from the December 16, 2008 meeting.

**Motion was made by Mr. Vroman, seconded by Mr. Koczan to approve the minutes from the
December 16, 2008 meeting as submitted. Motion carried with members voting unanimously.**

B. Additions or Deletions to the Agenda: None

The chairman asked that the Agenda be changed by moving Item 8A, Actuarial Services Request to the
beginning of the meeting so that the representatives would not have to stay through the whole meeting.

**Motion was made by Mr. Deyette, seconded by Mr. Vroman to move item 8A, Actuarial Services
Request for Proposals up to allow presenters representing GRS and Foster & Foster to make
presentations at beginning of meeting. Motion carried with members voting unanimously.**

4. PRESENTATIONS:

The Chairman said that Mr. Sievert has been involved with many positive activities pertaining to Deltona's
Fire Service and has for many years. He said Mr. Sievert had received numerous nominations and awards

1 during his service. Mr. Sievert was presented with a plaque for his service on the FFP Board of Trustees by
2 the Chairman.

3
4 **5. MEMBER COMMENTS:**
5

6 Mr. Vroman brought a copy of the union contract and the pension plan and asked if the Mr. Dehner could
7 look at the language to determine if it is viable or needs to have any changes made as they move forward with
8 negotiations. Mr. Dehner said he would. Mr. Vroman said he had questions since receiving the HR Director's
9 response regarding the change to the DROP having to be part of the negotiations. Mr. Dehner said there were
10 two pending amendments; the DROP and the Partial Lump Sum Option.
11

12 The Chairman said it had been the intent of the Union members to allow the Board through input from the
13 Union to formulate language for ordinance changes to move the pension plan forward in a positive direction
14 because it is not just bargaining unit members that are members of that pension. He said that the language that
15 had been included in the contract may not be as clear as it probably could be but the intent from the Pension
16 Board, the bargaining unit and the Fire Chief at the time believed it was settled for the Pension Board to bring
17 forth ordinances and or changes to that ordinance for enhancements and improvements to the plan. He said
18 what he is hearing now from the new HR Director is that he wants to wait and negotiate everything as far as
19 the pension goes as part of the upcoming union negotiations. He said there is no financial impact according to
20 the actuarial study to move that drop forward and last month Ms. Spriggs reported to the Board that she had
21 met with the City Manager and the ordinance was supposed to go for first reading in January 2009. He said
22 so far he had not heard anything. He said the plan was in place and should not be negotiable unless it is of
23 cost to the City.
24

25 Ms. Spriggs said she had met with the City Manager, HR Director and the Finance Director just prior to
26 today's meeting and had discussed the proposed changes because based on her last correspondence in
27 December 2008 she understood the proposed changes would be included on the agenda in January. She said
28 right now City Staff is still determining whether they want to bring it forward to the Commission and did not
29 give Ms. Spriggs a time certain when they will make that decision. She said that she could safely say their
30 issue is not a legal one agreeing with Mr. Dehner that the proposed changes do not have to be negotiated but
31 as a management decision whether they view it as a negotiating item. She said that the City Staff does believe
32 there will be associated cost with the provision. She said they discussed that and they are trying to learn how
33 it works. She said she had agreed to go back and do an assumption analysis on a participant to show an
34 example and provide it to the City Manager so that she can review it to get an understanding of how it works.
35

36 The Chairman said the problem with holding it for negotiations is there are people that are becoming eligible
37 under the current ordinance to go into the drop giving them a 365 day window to elect that option and if they
38 are trying to make an informed decision it does not help to have this hanging out there as we all know
39 negotiations can sometimes take years, sighting Volusia County took three years before settling their contract.
40 He asked that this be brought forward to the City Manager that members are trying to make financial
41 decisions that will affect the rest of their lives. He said the Board has done everything as advised by legal and
42 by the financial team and has done the due diligence.
43

44 The Chairman asked if there were any other member comments and there were none. He asked at this time if
45 Ms. Spriggs could bring forward Item 8-A and asked that she bring in the first presenter.
46

47 **Item 8-A. Actuarial Services Request for Proposals:**
48

49 Ms. Spriggs introduced the representative from GRS.
50

51 Mr. Stephen Palmquist of Gabriel Roeder Smith & Company (GRS) presented a proposal to provide
52 Actuarial Services for the FFP Board of Trustees. He gave background on his firm and said that they

1 represent some 120 -125 plans in the State of Florida, his team handling approximately 75 municipalities. He
2 said there would be at least two actuaries actually working with Deltona's plan. He gave a fee quote \$9,000
3 annually which would include an annual actuarial report, a meeting to review the report, individual employee
4 benefit statements, preparing page 6A which goes in the State report, answering questions from the State
5 when they review the report, includes providing information to the City's auditors and any routine calls or
6 correspondence. He said for calculating benefits for members who go into DROP, retire or become disabled
7 the fee would be \$300 each. He said they would charge on an hourly basis for other requested projects which
8 would usually be in the range of \$1,500 to \$1,800 for one item each additional item would cost \$300 to \$500.
9 He pointed out that his firm does represent several statewide plans. He said that he had looked at the 2007
10 report and noted that the benefit amounted to about 11% of payroll which is a pretty low number compared to
11 firefighter pension plans across the state and whether Deltona changes benefits or not that number will go up
12 dramatically over the next two to three of years. He said there had been enormous investment losses for the
13 fiscal year ending September 2008 and so far in the early part of fiscal 2009 there have been even more
14 losses. He said his firm had experienced and worked these types of fiscal downturns in the past. He said he
15 knew the current actuary, Mr. Tierney and felt pretty comfortable with the assumptions he is using. He said
16 the 8% assumed rate of return is the most common but his firm was taking every opportunity to reduce the
17 assumed rate of return to below 8% because he feels in the long term there will be a higher probability of
18 success if the bar is lowered. He said the other assumptions look pretty solid and the level of the plan's
19 benefits is pretty standard. He concluded his presentation and asked if there were any questions.
20

21 Mr. Koczan asked with GRS being contracted for service with the FFP Board how would they anticipate
22 dealing with requests from the City or assistants from any other agency that would be associated with the
23 Board. Mr. Palmquist said his firm would work for the Board of Trustees period. He said his firm would not
24 do anything for the City without first receiving permission from the Board of Trustees.
25

26 Mr. Vroman asked about the cost of the software program Mr. Palmquist spoke about which calculates
27 benefits for the members. Mr. Palmquist said that the cost would be about \$8,000 to \$10,000 up front onetime
28 cost to set up and then an annual fee of \$1,000 to \$1,500. The Chairman asked if that price was negotiable.
29 Mr. Palmquist said yes. He added that as any benefits are changed there would be again a onetime
30 programming fee for the change.
31

32 The Chairman asked if the annual fee could be based on a percentage of the fund. Mr. Palmquist said they
33 had not done that in the past. He said that their fees were based on the amount of time needed to perform each
34 task.
35

36 Mr. Dehner asked Mr. Palmquist if he would guarantee these fees to not increase for any period of time. Mr.
37 Palmquist said the fees would change according to the CPI. He said they set a fee level and then each year as
38 the CPI increases the fees would also increase except in a case the CPI would decrease the fees would also
39 decrease. Mr. Dehner asked if that would be something that could be discussed as well. Mr. Palmquist said
40 yes.
41

42 Ms. Spriggs asked Mr. Palmquist about his statement that the Deltona plan's contribution rate 11.24% was
43 low and what is the average. Mr. Palmquist said more like 25% and said FRS is 21%, some plans are more.
44

45 Mr. West asked if there were any travel expenses. Mr. Palmquist said they would be included. Mr. West
46 asked if the Board wanted to make changes to the assumption would that be on the hourly rate. Mr. Palmquist
47 said yes it would be figured on an hourly rate and they would give a firm fee estimate with a not to exceed
48 number before doing the work.
49

50 Ms Spriggs asked the time frame of the evaluation. Mr. Palmquist said they send out the request October 1st
51 and if the data is returned early it takes four to five weeks.
52

1 Mr. Gizzi asked about the benefit calculations and if it included all survivor options. Mr. Palmquist said it
2 would.

3
4 Mr. Palmquist concluded his presentation.

5
6 The Chairman said the Board planned to make a decision today.

7
8 The Chairman called for a five minute recess at 3:55 P.M. the meeting reconvened at 4:00 P.M.

9
10 Ms. Spriggs introduced the representative from Foster & Foster.

11
12 Mr. Bradley Heinrichs of Foster & Foster, Inc presented a proposal to provide Actuarial Services for the FFP
13 Board of Trustees and an overview of Foster & Foster and the services they provide. He said they were
14 formed twenty-nine years ago and their objective was to perform actuarial services for Florida public pension
15 boards. He said that has remained their focus the entire time working exclusively for Florida pension boards.
16 He said the boards are their clients; they don't work for the cities. He said their firm has six credentialed
17 actuaries. He said they work exclusively for pension boards; the one anomaly to that would be the Florida
18 Division of Retirement has hired Foster & Foster to be the actuary for their State Chapter Plans. He said it
19 was quite a privilege to be hired by the governing body that reviews their reports to handle their plans. He
20 said they have 180 clients in the state of which 150 are police and fire plans. He said his firm uses the ProVal
21 software which is the state of the art evaluation software which is very efficient taking less time lowering the
22 cost per project on the hourly rate. He said this software is also compatible with the software that The
23 Bogdahn Group uses so it would be easy for the two to work together. He said his firm has not had any
24 professional liability claims. He said he is committed to customer service. He said his firm works hard to
25 provide meaningful results and works hard to educate the Board Members. He said that they do their own
26 asset reconciliation collecting trust statements during the year from the plan's custodian, reconciling the
27 information as they go along so that when the data shows up hopefully in October they will be able to provide
28 the plan's actuarial evaluation quickly. He said they strive to have the benefit calculations done in two weeks
29 or less. He said they also have an online benefit calculator at a cost of \$16.00 per member per year with no set
30 up cost and updates at no cost. He said they are based in Florida and if need be he will schedule a
31 representative to attend any meetings necessary. He said their overhead is low because they are a pension
32 actuarial firm only working with pension boards so costs are low. He said they will provide cost estimates for
33 any requests so that the board will know the cost before any work is done. He said as an FSA he has the
34 ability to look at a request and determine if a request is cost effective to do and will advise the board on
35 whether they can afford it ahead of time. He said an FSA might be able to look at the actual assumptions and
36 methods and determine a way to save money. He said he had looked at the plan's evaluation report and there
37 are some cost savings there. He said His firm guarantees that plan reports will be approved. He said his firm
38 has worked closely with The Bogdahn Group and Christiansen & Dehner over the years. He concluded by
39 asking everyone to look over the quote pointing out that the Actuarial Evaluation cost would be \$7,500 for
40 the first year with annual increase of 5% per year guaranteed for three years. He said they will provide
41 individual member certificates along with the evaluation so that every member will know what their accrued
42 benefit will be as of the evaluation date. He said when they deliver the report that will include a meeting; they
43 only charge out of pocket expenses, no hourly rate for travel or attending the meeting. He said when they
44 meet with more than one board in a day they will split the costs. He said they guarantee reports within sixty to
45 ninety days of receipt of information. He said benefits calculations cost \$150.00 as long as the requestor uses
46 the provided form. He concluded his presentation and asked if there were any questions.

47
48 Mr. Koczan asked how Foster & Foster would handle any request for information directly from City Staff or
49 a Commission Member. Mr. Heinrichs said if he received a call from say the Finance Director requesting to
50 discuss the pension plan he would inform the Finance Director that he is contracted with the Pension Board
51 and would have to have permission from the Board to speak with him according to the operating rules and
52 procedures which call for a special meeting. He said he would field the call but would not discuss anything

1 without being authorized by the Board.

2
3 Mr. Heinrichs pledged that if chosen the Board would see that his firm would be very responsive to their
4 needs. He said his firm spends a lot of time on education and has worked with Mr. Dehner's firm and Mr.
5 West's firm on several occasions to set up membership meetings for this purpose. He said he was working on
6 some reports that would show his clients where they stand relative to other funds. He spoke about a lawsuit
7 his firm had filed against the Division of Retirement on behalf of and at no cost to their clients because they
8 felt the division was not doing a good job of evaluating the police and fire evaluations and they were
9 withholding state money unnecessarily. He said that as a result some of the division's procedures had been
10 changed.

11
12 The Chairman asked if the 5% annual increase to the evaluation fees was negotiable. Mr. Heinrichs answered
13 no; their fees tend to be on the low side.

14
15 Mr. West asked about travel expenses, attendance at a Commission Meeting or special projects and whether
16 they would fall under the hourly fee. Mr. Heinrichs said that if the Board just sees him once a year the
17 evaluation fee would be the \$7,500 with no hourly rate, only the travel expenses. He gave an example of if he
18 was asked to attend a Commission Meeting to explain a specific topic there would be an hourly rate; in any
19 case the Board would know the costs up front.

20
21 Mr. Vroman asked if the union local could pay for an educational meeting. Mr. Heinrichs said yes.

22
23 Mr. Heinrichs concluded his presentation.

24
25 **The chairman asked for a motion for discussion regarding the two presentations. Motion was made to**
26 **discuss the two proposals by Mr. Deyette, seconded by Mr. Vroman.**

27
28 Mr. Dehner reminded the board that at the last quarterly meeting there had been discussion of having the
29 current actuary contracted directly with the Board. He said as a result of those discussions he had spoken with
30 the City Manager and the City Attorney regarding changing the contract and they agreed with the change. He
31 said he had prepared a contract between the Board and Actuarial Concepts and the current actuary does have
32 the contract but the Board is not obligated to honor the contract. The Chairman stated that he would not be
33 interested in considering Actuarial Concepts to continue to provide services. He said he was in favor of
34 awarding a contract to Foster & Foster, Inc. to provide actuarial services. He said he liked the fact that Foster
35 & Foster only represents clients in the State of Florida and that they are the actuary for the state of Florida. He
36 said Foster & Foster seemed to round out the plan's financial program team, they have a lot of the same
37 clients and they all operate at the state level in an educational mode and are compatible. He said he would
38 encourage the Board to consider Foster & Foster to become the new actuary. Mr. Vroman said he favored
39 Foster & Foster, Inc. and asked if a "not to exceed" clause could be added to the contract when they give an
40 estimate for services. Mr. Dehner clarified that a "not to exceed" could be included in their quote to the
41 Board. He said the motion to hire should be contingent on successful contract negotiations. Mr. Deyette said
42 he preferred Foster & Foster as they provided services in the State of Florida, they seem to have a better idea
43 of what is going on in Florida and feels they are up on the legislature. He said he liked the idea that Foster
44 and Foster services a lot of the same clients as Mr. Dehner and Mr. West. Mr. Dehner said his firm had
45 many mutual clients with Foster & Foster and highly recommended them. Mr. Koczan said he liked the
46 emphasis on educational opportunities expressed by Mr. Heinrichs. Mr. Dehner said there was a possibility of
47 working with Foster & Foster on in-house educational seminars for the Board Members to assure they receive
48 the education that is required. Mr. West said he participated in special meetings and workshops with Foster &
49 Foster to address a lot of issues.

50
51 The Chairman said there was a motion to have discussion and didn't think there needed to be a vote on a
52 motion to have discussion. He asked how the Board could dispense with that motion because there would

1 need to be a motion and vote to negotiate a contract. Mr. Dehner said the maker of that previous motion and
2 the second would need to withdraw their motion and second; then the new motion should be made. Mr.
3 Deyette withdrew his motion and Mr. Vroman withdrew his second.
4

5 **The Chairman asked for a motion to hire Foster & Foster per their proposal contingent upon**
6 **successful contract negotiation and execution by Mr. Dehner. Motion was made by Mr. Deyette to**
7 **retain Foster & Foster as the actuary contingent upon the negotiation of a contract, seconded by Mr.**
8 **Vroman.**
9

10 The Chairman asked if there was any discussion. Mr. Vroman asked to clarify the contract include not just
11 the \$7,500 plus the 5% but the \$16.00 per member per year for the online benefit calculator. Mr. Dehner said
12 it would along with the hourly fees as per the proposal and the "not to exceed" clause. The Chairman asked
13 Mr. Dehner if this would be a three year contract or is it open until either party mutually agrees to
14 discontinue. Mr. Dehner said he would ask two things; that they guarantee the fee proposal for three years but
15 the contract will be subject to termination by either party at any time if there is a problem on either side. Mr.
16 Koczan asked if there would be a notice time period. Mr. Dehner said typically for Board termination he
17 would provide that it is upon notice or thirty days written notice if we are terminating; if the consultant is
18 terminating he would ask for a ninety day agreement so that the Board would have time to replace the
19 consultant and have a smooth transition. The Chairman asked if at the end of the three year contract the Board
20 would have to sign a new contract to continue services. Mr. Dehner said that if at the end of the contract the
21 consultant is not going to change the fees other than the 5% the contract would just continue. The Chairman
22 asked Ms. Spriggs to include on the calendar three months prior to the end of the three year contract to
23 remind the Board of what to expect. After discussion the Board Members concurred that Foster & Foster, Inc.
24 was best suited to provide actuarial services for the FFP Board of Trustees.
25

26 **Motion carried with members voting unanimously.**
27

28 The Chairman informed Foster & Foster that they had decided to enlist their services as the plan's new
29 actuary and that Ms. Spriggs and Mr. Dehner would be in touch with him.
30

31 **6. APPROVAL OF EXPENDITURES:**
32

33 **A. Bogdahn Group**
34

35 Statement from The Bogdahn Group was submitted for Quarter ending December 31, 2008 in the amount of
36 \$2,625.00 for professional services.
37

38 **Motion was made by Mr. Koczan, seconded by Mr. Vroman to approve the statement as submitted**
39 **for payment. There was no discussion. Motion carried with members voting unanimously.**
40

41 **B. Christiansen & Dehner, P.A.:**
42

43 Statement from Christiansen & Dehner, P.A. submitted for the month of November 2008 in the amount of
44 \$87.00.
45

46 **Motion was made by Mr. Vroman, seconded by Mr. Deyette to approve the statement as submitted**
47 **for payment. There was no discussion. Motion carried with members voting unanimously.**
48

49 **C. Lisa H. Spriggs:**
50

51 Statement from Ms. Spriggs submitted for Quarter ending December 31, 2008 in the amount of
52 \$4,500.00.
53

1 **Motion was made by Mr. Deyette, seconded by Mr. Koczan to approve the statement as submitted**
2 **for payment. Motion carried with members voting unanimously.**
3

4 **D. Other:**
5

6 Bill was submitted by Janet Day for reimbursement for purchases made for the Board's dinner for the
7 December 16th Meeting in the amount of \$106.76.
8

9 **Motion was made by Mr. Koczan, seconded by Mr. Vroman to approve the requested for**
10 **reimbursement as submitted. Motion carried with members voting unanimously.**
11

12 **7. OLD BUSINESS:**
13

14 **A. Investment Strategy:**
15

16 Mr. Gizzi summarized that the Board had decided to move to the 65/35 investments between stocks and
17 fixed which was done by the Principal Group. He said this would be reflected in the December 31, 2008
18 period ending statement. He said the fund had ended on an uptick as a result of moving to the 65/35. He
19 said he also had several conversations with Ms. Farnell and they were able to lower the weighted
20 investment expense from 85 basis points to 75 basis points. He said if the board decides to move to a
21 more passively managed index fund, and save the management fees, the question would be how effective
22 would Principal's role be if the fund is passively managed. He said within each of the funds there is the
23 active management of the blend, the value and the growth funds you have the allocation services that you
24 are paying \$6,500 per year for and along with that goes the sharing of fiduciary responsibility that goes
25 with fund selection.
26

27 The Chairman said he did not think this was the time to start passively managing the funds; he said we
28 need to be positioned for when the market begins to change and we need to be able to take advantage as
29 quickly as possible. He said he would like for Foster & Foster to have the opportunity to look at the fund
30 to see if there are any areas where the plan can save money or get more benefit from the dollars that are
31 there before the Board makes any more changes.
32

33 Mr. Dehner said that actually Principal has discretion in how they manage and where they put the money
34 within the parameters of the policies adopted by the Board and it is not appropriate for Principal to ask the
35 Board for direction because the Board is not qualified to do that. Mr. Gizzi acknowledged that was true
36 but said it had been a consistent recommendation by the plan consultant that the plan should be in a 65/35
37 split. Mr. Dehner said that is a parameter in the policy statement which is within that allocation and the
38 discretion is with the manager. Mr. Gizzi said this discussion took place because of the prior reductions in
39 the contract fee if the plan was to go to a more passive model.
40

41 Mr. West said Mr. Dehner makes a good point in that the fundamental role for the Bogdahn Group is to
42 be a third party objective. He said they helped contrive the investment policy statement which had a 65/35
43 generally speaking target with alternative agreed upon real estate benchmarks and then it is Bogdahn's
44 position to objectively come in and comment on where the plan falls; what it is doing relative to the
45 actuarial required rate of return; how we are doing relative to the benchmark; what the risk management
46 profile for the portfolio looks like and identify any issues. He said that going back he had identified that
47 the allocation that Principal was running was very much different than the target set in the investment
48 policy. He said they agreed on the set policy and worked together on a mutually agreeable assignment. He
49 said it is an observation; Bogdahn does not have any authority nor do they want to direct an investment
50 manager who has full discretion over the portfolio. He said it is his job to come in and determine if the
51 plan is cost competitive, have constructive conversations and determine if it is working. He said Principal
52 has full discretion to make it work and if it isn't working they have the discretion to change whatever

1 needs to be changed in order to meet or exceed that target. He reiterated that it is not the decision of the
2 Board to go passive or active; that is what principal is being paid for.
3

4 Mr. Gizzi said Principal was asked to go back and create a model with lower management fees and since
5 negotiations had taken place last year on reducing other costs and contract fees this is about where they
6 could be without making wholesale changes to passive management. Ms. Farnell said she thought she
7 heard at the last meeting that there was interest in putting more toward passive management. Mr. West
8 said that the fees had been identified as being high; Principal took that assignment observation back and
9 reworked some potential solutions but at the end of the day Principal has the discretion over the portfolio
10 and we have to determine if it is competitive and is working. Mr. Gizzi said that at the last meeting Mr.
11 Bogdahn made a strong argument that looking at the history and the potential for the index fund to out-
12 perform. He said after looking at those index funds Mr. Bogdahn supported the potential for fee
13 reductions without loss of an edge with the index funds. Mr. West said that it was an observation that the
14 active management element was trailing so, are there any options that Principal is comfortable with
15 bringing to the table recognizing they have full authority.
16

17 The Chairman asked Ms. Farnell what Principal was recommending the plan do; go passive or go active.
18 Mr. Gizzi said Principal does not want passive or active management to drive their decision on
19 management fees alone. He said Principal was comfortable with what they have proposed. Ms. Farnell
20 said she was new to the plan and had done a lot of research into the plan noting that it appeared that
21 Principal had been very attentive to addressing the Board's needs. She said she had gone back and looked
22 at the returns over the past years and it appeared that our plan is very competitive. The Chairman said that
23 it is the position of the Board to try to slow the loss and to not tie Principal's hands so the plan can be
24 positioned to make any gains where possible at a reasonable cost. Ms. Farnell said she would take
25 everything the Board has discussed and do her best for our plan.
26

27 Mr. West said they had been asked to provide the Greenwich & Assoc. Study and he gave a summary of
28 some of the findings on cost competitiveness. He said the trend for fees was going up. He handed out a
29 Bogdahn's preliminary report and asked if the Board wanted to go over them at this meeting. He said
30 these were some preliminary numbers they calculated. He said they did check with Principal to make sure
31 the numbers are on target. The Chairman asked if there was anything earth shattering in the report. Mr.
32 West said Principal needs to be asked about the bond portfolio and asked that they address this issue. Mr.
33 Gizzi said that Principal has already begun to address this issue by transferring some of the funds from the
34 bond funds to Pimco. Ms. Farnell commented that Pimco had more treasuries and that is why it has done
35 better. Mr. West pointed out two quick points for possible discussion at the next meeting; his concern
36 with the allocation on September 30, 2008 at 56% equities and the target benchmark for the policy is 65%
37 making the plan 10% under allocated to equities however the plan lost 3.22% in relative return. He said to
38 identify the source for the under-performance you would look at the bond fund and see 85 – 90% came
39 from the bond portfolio. He said that concern should be brought forward. Ms. Farnell said she did
40 recognize that concern and is taking steps to correct that by moving some funds to Pimco.
41

42 Mr. Gizzi pointed out on the single page summary that he was asked to supply for the Board and if you
43 look at the page with the graphs provided by Mr. West you will see the splits where there Mr. Gizzi
44 shows domestic stocks at 48.31% and you can see it matches up with the 48.3% which shows
45 consistency. Mr. Gizzi asked that there be another conference call between himself, Principal and Mr.
46 West.
47

48 **B. Plan Administration Contract:**
49

50 Ms. Spriggs said the Board had discussed a proposal made by her to lower the fees she charges for
51 services explaining that she felt that the team had been formed including an actuary, a plan attorney and a
52 consultant making the work load easier on her. She said she had been asked to hold off on the discussion

1 until the January meeting as there would be new members on the Board and they should be in on the
2 discussions. The Chairman asked Ms. Spriggs what her proposal was at this time. Ms. Spriggs said they
3 had started with the fixed fee and the work load varies. She said over the past couple of years there had
4 not been any major issues and she just wanted to offer the Board the option since the other members of
5 the team had been brought onboard. She proposed a 20% reduction of her fee to \$1,200 per month from
6 \$1,500. The Chairman asked Ms. Spriggs to try to break it down to time spent and reminded her that there
7 would be changes coming forth to the plan and she might want to leave her fee as it is because there may
8 be extra work to be done. Ms. Spriggs said it is time consuming and it depends on what will need to be
9 done. Mr. Vroman asked how long the contract lasts. Ms. Spriggs said it had been ongoing. Mr. Dehner
10 said it would be like the other contracts subject to termination by either party. The Chairman said he was
11 in favor of leaving the fee at \$1,500. Mr. Dehner said Ms. Spriggs had been a lot of help and had made his
12 job easier recommending that Ms. Spriggs look at the services she provides to see if they are still relevant
13 at this time and update the contract if needed. The Chairman made a recommendation to leave the fee as it
14 is. Mr. West agreed with Mr. Dehner that Ms. Spriggs had done a good job and was very competitive with
15 other administrators with other plans he is involved with. He said she has had very customized direction
16 and had to do some onerous tasks placed on her and believed the Board was receiving services they
17 probably would not receive if they went outside for this service. Mr. Gizzi said looking at the typical
18 executive compensation and the way the IRS reviews the way people get paid Ms. Spriggs has been
19 underpaid for several years typically allowing for huge bonuses. He said her request to lower her fees runs
20 contrary to the normal way of thinking so he believed the Board was getting more than their money's
21 worth and would support everyone's thinking that the fees be left as is.
22

23 **C. Actuarial Contract:** Item was already discussed.
24

25 **8. NEW BUSINESS**
26

27 **A. Actuarial Services Request for Proposals:** Item already discussed.
28

29 **9. ATTORNEY'S REPORT:**
30

31 Mr. Dehner said he had updates on issues we talked about at the last quarterly meeting in October. He
32 said that we thought we would see proposed legislation and in fact House Bill 5 has been filed doing the
33 same things as last year which includes the 25% maximum on foreign securities, consideration of four
34 year trustee terms and if you choose to direct transfer money from the pension fund to an insurance
35 company which would enable the retirees to get health and long term care insurance and take advantage
36 of the \$3,000 tax exclusion. He said also there were some proposals sent to Washington and hopefully
37 one of the two will supply some relief. He said there was a workshop on Rule 60T and there was
38 something encouraging from the workshop where some of the rules may be lifted. He said he had since
39 spoken with Charles Slaven and he had said there were going to be changes. He said Mr. Slaven said they
40 were going to be reviewing all the input they had been receiving, make some changes and send it to the
41 legislative procedures committee for them to issue a report and then there will be another workshop. He
42 said Mr. Slaven told him it was going to be a long process including discussions and negotiations. He
43 reminded the trustees to file their Form 1 by July 1, 2009, Mr. Vroman must file within 30 days of being
44 elected to the board; forms must be filed with the County of Volusia Supervisor of Elections. He said he
45 had one other item which was a memo in letter format and Ms. Spriggs has a copy of it that was sent to
46 the Governor's Office and the Senate and the House in regards to the inclusion social security numbers.
47

48 **10. PLAN ADMINISTRATION REPORT:**
49

50 Ms. Spriggs said Commissioner Deyette had asked her to pass along that she was glad Mr. Vroman had
51 been selected to serve on the Board. She said she had spoken with the Chairman about providing an

1 updated book with all the contracts, agreements, policies and other information for each of the Board
2 Members at the next meeting. She said the actuarial evaluation should be almost finished except some
3 pending questions that she had answered for the actuary. She said she wanted to make sure it was ok with
4 the Board because of the transition in December. She said it was her assumption that we would have Mr.
5 Tierney finalize this evaluation, pay for it and have the new actuary do next year's evaluation. Mr. West
6 asked if there are potential assumption changes assuming the Board approves to move forward with those
7 assumption changes might they be integrated in the pending evaluation. Mr. Dehner said the actuary may
8 have some suggestions he wants to make in conjunction with the evaluation however Mr. Heinrichs the
9 new actuary would review and make recommendations. Ms. Spriggs said she will have to contact Mr.
10 Tierney to see if the evaluation is completed. Mr. Dehner said the evaluation is probably finished and it
11 probably makes since to have the October 1, 2008 report delivered to the Board and if there is a problem
12 with it the board will have to accept it. The Chairman asked Ms. Spriggs to check with Foster & Foster to
13 see how much he would charge to review it. Mr. West said Mr. Heinrichs may have some different
14 costing methods and may be able to lower the contribution rate and give some latitude for other things.
15 Mr. Dehner said that Mr. Heinrichs will do that in conjunction with the first evaluation he does for
16 October 2009. Ms. Spriggs said we had asked Mr. Tierney do the enhancement costing but the board
17 hasn't done anything with that. She said if the Board was going to go forward with that and wanted Mr.
18 Heinrichs do that he would have to have all that information. She said he would probably have to redo a
19 study to do that. She said if the Board was going to go forward with any of that to actually get an impact
20 statement out of the actuary we would have to have the new actuary do that. Mr. Koczan asked if we were
21 committed to paying Mr. Tierney for the work that had been done. The Chairman asked if there could be
22 changes made to Mr. Tierney's report or would we be bound by that until the next one is done. Mr.
23 Dehner said Mr. Heinrichs would probably recommend that we incorporate any changes into the next
24 evaluation report but he could go back and amend the 2008 report if you choose. The Chairman suggested
25 the Board go ahead and accept Mr. Tierney's report, pay him, move on, bring Foster & Foster onboard
26 and have him start off on the agreed upon list of enhancements. Ms. Spriggs said we could share the work
27 done by Mr. Tierney with Foster & Foster.
28

29 Ms. Spriggs said she had passed out a copy of a draft of the financial statement for 2008 for review. She
30 said she did not foresee any changes as she had referenced it back to the City and she said she will use
31 this to prepare the State report that she will be submitting in a couple of months. She said she wanted to
32 point out that about 9.4% came in in the form of premium tax money and we are only using \$150,000 of
33 that. She reminded the Board that the City had dropped their contribution to the actuarial evaluation that
34 year to the 8.4% which means in this fiscal year the City will be funding at the actuarial evaluation from
35 last year of 11.24%. She said that shows that the City is keeping to that funding strategy. She said the
36 statement also showed the loss this year and then the pension payouts, benefits, disability and one DROP
37 member and then it shows everybody's cost so you can see all the professional costs and as a percentage
38 the professional costs were only 1% of the plan assets. The Chairman said the 2009 funding from the City
39 will be more. Ms. Spriggs said they can use data from other cities that are funding 25% or more.
40

41 Ms. Spriggs reported there was one member who applied for DROP.
42

43 **11. BOARD MEMBER COMMENTS:**

44
45 Mr. Vroman said he was glad to be at the meeting and asked to be notified of any educational conferences
46 or workshops.
47

48 Mr. Deyette said he was glad we will have a new actuary.
49

50 The Chairman thanked Mr. Vroman for throwing his hat in to serve on the Board. He informed the Board
51 about an active member who is quite ill and is receiving treatment. He said this member will continue to
52 try to work as long as his doctors will allow. He said he had asked Ms. Spriggs to answer some pension

1 questions that he had. Ms. Spriggs said she had discussed it with Mr. Dehner and they had wanted to
2 know if there are any presumption laws that go along with that. Mr. Dehner said he and Ms. Spriggs had
3 discussed and because it wasn't noticed for discussion at the meeting where he had an opportunity to be
4 here he recommended that we not discuss the substance of it however what is important that we discuss is
5 that should he get to a point that he is not able to continue to perform duty or believes he is not he should
6 file the application for disability with a physician statement that he is total permanent and then send it to
7 us and we will begin the process. The Chairman asked if disability is granted under the conditions at 60%
8 if it is in line would it be able to be left to someone to be able to continue to receive that or does it stop if
9 he is deceased. Mr. Dehner said the normal for of benefit required by the statute for disability is life
10 tenure certain which means if you pass away after five years then the designated beneficiary would
11 receive the remaining five years. He said with the 99-1 legislation the disabled retiree can now choose one
12 of two optional forms of benefit; either a life annuity or joint survivor. The Chairman asked if it matters if
13 it is in line of duty or not in line of duty. Mr. Dehner said not in terms of being able to choose an option
14 but the coverage makes a difference; in line is day one and not in line you must have ten years.
15

16 Mr. Koczan said thanks to all.
17

18 Mr. Dehner reminded Mr. Sievert that since his step down date was January 15, 2009 he would need to
19 file the Form 1 by July 1st and also file a Form 1F final disclosure which will cover January 1 – 15, 2009
20 which must be done within sixty days of the final date.
21

22 The Chairman said he had one final comment thanking everyone for making him Chairman again and
23 encouraged both Mr. Vroman and Mr. Koczan to study hard and be prepared to assume the chairmanship
24 at the end of the current term. He asked if there was a need to have a February meeting. Ms. Spriggs said
25 the annual report will be due on March 15, 2009 which is a requirement and the March meeting would fall
26 after that date making the February meeting necessary.
27

28 **12. CONFIRMATION OF THE NEXT MEETING DATE, TIME AND LOCATION:**
29

30 The next meeting date will be Tuesday, February 17, 2009 at 5:00 P.M. in the 2nd Floor Conference
31 Room.
32

33 **13. ADJOURNMENT:**
34

35 There being no further business, the meeting adjourned at 6:32 p.m.
36

37 **Motion was made by Mr. Vroman, seconded by Mr. Koczan to adjourn the meeting. Motion**
38 **carried with members voting unanimously.**
39

40 Approved this 17th day of February, 2009.
41
42

43 _____
44 **Chris Nabicht, Chairman**

44 **ATTEST:**
45
46
47

48 _____
Janet Day, Admin. Assistant II