



City of Deltona

2345 Providence Blvd.
Deltona, FL 32725

Minutes

Firefighters' Pension Plan Board of Trustees

Tuesday, January 19, 2016

3:00 PM

Room 150A 1st Floor South Wing

1. CALL TO ORDER:

Chairman Koczan called the meeting to order at 3:02 p.m.

2. ROLL CALL

Present: 5 - Chair James Koczan
Secretary Kurt Vroman
Member Janet Deyette
Member Gene Gizzi
Member John Fleemin III

Also present were Scott Christiansen, Christiansen & Dehner P.A., Dave West, The Bogdahn Group, Patrick Donlan, Foster & Foster, Lisa Spriggs, Plan Administrator, Heidi Kalscheur, Hagens Berman Sobol LLP, Peter Borkon, Hagens Berman Sobol LLP, City Manager Jane Shang, Susan Helberg, Finance Department, Bob Clinger, Finance Director, Christine Gallagher, Deltona Firefighter, David Halpern, Firefighter and Daniel Bowen, Firefighter.

3. APPROVAL OF MINUTES & AGENDA:

A. Adoption of October 20, 2015 Minutes

Chairman Koczan asked if there were any corrections or deletions to the October 20, 2015 Firefighters' Pension Board of Trustees Meeting minutes and there were none.

Motion by Member Vroman seconded by Member Fleemin to adopt the minutes from the October 20, 2015 Firefighters' Pension Board of Trustees Meeting as submitted.

For: 4 - Chair Koczan, Secretary Vroman, Member Gizzi and Member Fleemin III

B. Additions or Deletions to the Agenda

Ms. Spriggs stated the Actuarial Valuation as of October 1, 2015 has been completed and Patrick Donlan from Foster & Foster is in attendance to go over the report and she suggested that be under Item 4-E which was to be a Presentation of the completed Financial Statement which will be deferred until the February meeting since it is not time sensitive. She stated she can present that report in conjunction with the State Report. She stated Mr. Donlan will go over the actuarial valuation under 4-E (1) and she will present the Expense Report that is required for compliance under Item 4-E (2). She stated also under Item 4-B Jonathan Davidson the representative from Kessler Topaz Maltzer Check LLP is not able to attend the meeting today due to a family matter but asked to conference in for his presentation; she stated the Board has his materials and she will call him at that time.

After discussion, the Board Members present concurred to accept the additions to the agenda as requested by Ms. Spriggs.

4. PRESENTATIONS/AWARDS/REPORTS:

A. Hagens Berman Sobol LLP Presentation re: Portfolio Monitoring and Securities Litigation Counsel (3:15 p.m. time certain)

Mr. Christiansen stated Mr. Vroman had brought up the topic of monitoring and securities litigation counsel at a previous meeting and we have two (2) firms that will go over the services they provide. He introduced Heidi Kalscheur and Pete Borkon from Hagens Berman Sobol LLP.

Ms. Kalscheur stated she is going to walk the Board through an overview of the services her firm provides. She began by stating her firm offers a three (3) part service that includes portfolio monitoring, securities litigation and education through newsletters, seminars and presentations related to specific questions or new developments that may impact the pension fund's holdings. She outlined each part of her firm's service beginning with the monitoring which is the core of the service. She stated the service would begin when the fund's custodial bank is authorized to provide the trading data to her firm to be able to track the trades to see if there was a big drop or if a case has been filed and there are holdings involved. She stated the second step is analysis including the merits of the case, the funds involved being forwarded to the partners for review of options and if there may be something to worry about they would contact the fund's designee. Mr. Borkon stated once they have done the analysis and given a report including the options the Board can decide on how to move forward which could be pursuing litigation, just sitting back and letting someone else lead the litigation or the case may not have any merit however, the plan is being notified so the plan can decide how to proceed or in case there are any issues with plan beneficiaries those issues can be avoided. Ms. Kalscheur stated you can look at litigation recovery almost as a separate asset class because the plan's holdings may be impacted whether there is a large or small claim. She stated this information analysis will come to you in the form of a quarterly report unless it is something real important the plan needs to know about.

Mr. Borkon pointed out with the monitoring the custodial data is received, the plan's accounts are secure and his firm does not have the ability to trade or impact any of the holdings, all they can do is see them. He stated his firm looks at the data and cross matches it against State Court filings, Federal filings and International filings if there is any International exposure. He stated they can identify possible cases and analyze whether there is an appropriate case and generate a report with options for the plan's decision. He went over the types of litigation, the prevalence of some Supreme Court cases that came out over the past few years and some Acts that were passed such as the Private Securities Litigation Reform Act of 1995 (PSLRA) that says institutions are preferred plaintiffs because they drive better results.

Member Janet Deyette arrived at 3:20 p.m.

Mr. Borkon stated if a case gets filed and they generate the report that says the plan should get involved a notice is published that says you have 60 days to ask the court to appoint you to lead the case and when the motion is filed that triggers the process. He stated the law says whoever has the greatest losses has the most incentive to fight the hardest and would be the most adequate to lead the case. He stated once again they would provide an analysis as to the likelihood of you being appointed the lead and if it is likely you will get the lead they will file the motion, the court will appoint the lead and there are several procedural things that will happen.

Mr. West arrived at 3:22 p.m.

Mr. Borkon went over their price structure and explained that the plan will never have any out of pocket for any services they provide; they will ask for a percentage of the case as their fee when they win the case and the fee is negotiable. He stated there is also Corporate Governance Litigation where they see something that went wrong on a Board of Directors and you try getting the members to behave differently so as a shareholder you can file a case and ask for changes at the board level.

Ms. Kalscheur stated the last part of their services is education and she is available to answer questions when anyone has them, they provide an educational newsletter twice a year and they offer seminars on particular questions. She stated in closing they view their relationships with the institutions as long term so they are going to be very conservative and will be conscious of the plan's goals when involved in a case.

Mr. Christiansen stated he had some questions that he knew the Board Members were wondering about. First, you said there is no cost to the plan for any of the work including the monitoring of the transactions and holdings and what happens is the plan sets up with the custodian to send all the data to you and you use that data as a basis for doing the examination and then report back to the Board regarding possible litigation. He stated he assumed the firm would not just be looking out for litigation the firm is going to do but are reporting on litigation that others have filed that would impact our plan. Mr. Borkon answered "yes" to both of those questions. Mr. Christiansen stated if there is no cost then why are you doing this and Mr. Borkon answered that is correct and the

reason is because he then knows what the plan's holdings and losses are and he can then look into the universe of all the funds that are in his portfolio and see who has the potential to be a lead plaintiff based on losses. Mr. Christiansen stated essentially by you having all this data you have a better chance to represent a lead plaintiff in a case and Mr. Borkon answered "yes".

Mr. Gizzi stated his question is you identify a lead plaintiff, you win the case, you receive and large settlement and there is an advantage and a disadvantage of being the lead plaintiff and even though we have a minor holding, would you advise us to file a claim and would the fee fall out of the entire asset base of your client or is it demonstrated as a share falling on everyone or primarily on the lead. Mr. Borkon answered let's say someone else is the lead plaintiff and the case is successful for example, \$10 million dollars will go from the defendant to all investors, the lead plaintiff can only recover in the same way as anyone else, they do not get paid extra. Mr. Christiansen asked to clarify that there is no advantage or disadvantage to being the lead and Mr. Borkon answered there is no advantage or disadvantage.

Chairman Koczan asked about the expense for someone to have to give a deposition such as our Plan Attorney having to attend. Mr. Borkon answered the expense would only be the time of the person involved in the deposition and there is not an outlay of cash.

Mr. Borkon went back to Mr. Gizzi's question about the \$10 million settlement and how he would get paid explaining he would get a percentage of the settlement and the fee is negotiated with, approved by the lead plaintiff and approved by the court before litigation is started. Mr. Christiansen explained the fee comes off the top and the rest is distributed to the lead plaintiff and the rest of the class. Mr. Borkon added if he does not win there is no fee. Mr. Christiansen asked when the case is finally resolved and the paperwork goes out to file the claim does Mr. Borkon's firm file the claims and Mr. Borkon answered "no" usually the custodian files the claim. Mr. Borkon added they usually work with the custodian to make sure they file the claim. He concluded the presentation as there were not any other questions.

Mr. Christiansen summarized the service and stated we are talking big money and the firm does not have to hit a lot of those class action cases to make up for money lost doing the monitoring and the work. He added he does not have any clients in common with this firm and did not know of them however, he does have clients in common with Kessler Topaz. He stated the reason he asked if Mr. Borkon's firm filed the claims is Kessler Topaz does file the claims unlike many of the other firms. Mr. Fleemin asked about having more than one (1) firm and Mr. Christiansen answered the only advantage would be in negotiating fees to reduce the overall fees that the attorneys get for the litigation if you are the lead plaintiff.

B. Kessler Topaz Meltzer Check LLP Presentation re: Portfolio Monitoring and Securities Litigation Counsel (3:45 p.m. time certain)

Ms. Spriggs stated Jonathan Davis will be making his presentation via phone and she placed the call. Mr. Christiansen informed Mr. Davis that the Board heard another group Hagens Berman ahead of him so he will not have to start from the beginning as a lot of questions were asked and answered and he feels the Board is at least a little comfortable with what securities monitoring is at this point. Mr. Davis stated his intention was to spend his time giving an overview of his firm and let the Board know why in his view his firm offers a more comprehensive basket of services for your plan. He asked the Board to please interrupt him if they have any questions and he will stop. He introduced himself, he is a partner with Kessler Topaz, they have 100 attorneys, 30+ support staff that are based in Philadelphia and there is a fully staffed office in San Francisco. He stated for nine (9) years his firm has been focused on plan contingency work and shareholder litigation; he referenced a couple of sections in the presentation book that was provided in the agenda packet. He stated he has been fortunate to be involved in the litigation of some landmark cases in his field due to the recent financial crisis and he gave examples of Countrywide, Lehman Brothers, Wachovia, UBS, City Group and Bank of America. He added in the past five (5) years alone his firm recovered approximately \$10 billion on behalf of shareholder actions. He stated his firm also litigates cases outside the US and because of a Supreme Court ruling in 2010 his firm is following 100 cases in 13 countries and they are actively representing clients in five (5) countries including Japan, the Netherlands, UK, Canada and France. He added they are about to bring action against Volkswagen in Germany. He stated he is confident and able to say that there is no firm in their field that has a more comprehensive portfolio monitoring claims administration program than they do referring to their client list under Tab A including 45 clients in the State of Florida. He stated all clients receive the same service and there are 19 non-attorney professionals that monitor the client portfolios, identify losses and cases, follow the cases through to resolution and then assist to make sure the plan is getting its money back. He pointed out that far too often firms stress litigation but his firm is very selective with cases that they present to their clients and are focused on the monitoring. He stated the plan will receive summaries pointing to Tab C which provides new case summaries when cases are filed no matter if the loss is \$5.00, \$5,000 or \$5 million providing an overview of the case with their recommendation and 99% of the time it will be to do nothing, let someone else carry the water and just wait to see what happens. Under Tab D are the quarterly reports that the plan would receive only providing the cases that would impact the client or the client would have a financial interest in. He stated if you asked 15 other firms including Hagens Berman they would not argue that Kessler Topaz's monitoring programs are superior to theirs if for no reason than this; they have been asked by over 100 of their clients to take away the claims filing responsibility from their custodial bank and put that on Kessler Topaz. He stated they do that at no cost, do not take a percentage of any money they recover and over the past seven (7) years they have recovered \$240 million in class action proceeds that has been passed back to their clients. He stated they make money on litigating the cases but all that should matter to his clients at least on a daily basis is are you going to get your money back from a class action suit and is it the right amount; they don't make any money on it but whatever any Florida client wants Kessler Topaz to play in the claims process they will do. He stated Tab E is an actual client's report that shows what they have gotten back from

settlements and what is still outstanding; Tab F shows an audit and they can do a two (2) year historical audit of the plan's portfolio and then go to a quarterly audit to keep the custodial bank on its toes, if anything is found they will bring it to the plan's attention and help remedy it with the claims administrator. He summarized the three (3) processes; litigation, monitoring and claims administration and he stated he believes he makes a compelling case for the retention of Kessler Topaz for portfolio monitoring and securities litigation. He went over his education and credentials involving pension plans plus they host two (2) investor conferences per year. He stated he cares about trustee education; we care about our clients and about being involved in the institutional investor arena. He closed by saying he is hopeful he will be able to work together with the plan, asked for any questions and stated he looked forward to hearing from the Board. There were no questions that had not already been asked and answered.

Chairman Koczan asked if there was any advantage or disadvantage to having the number of Florida clients and are there different Florida laws that may be beneficial to have that background and Mr. Christiansen answered "no". Mr. Christiansen stated obviously Kessler Topaz is a bigger firm and he is not familiar with the monitoring done by Hagens Berman. He stated the important thing is the filing of the claims and that is a big deal with him because he is never sure the custodians are really on top of the claims and making sure the client gets all the money they are due by having the claims filed and filed timely. He stated the Board can hire one (1) or both; it will just be a little more setup with the custodian so the data is moving to the new firms. Mr. West suggested a change in custodian could be a problem. Mr. Christiansen answered it would not be a problem with Kessler Topaz because they would be filing the claim and would just be getting the data from a different custodian.

Mr. Vroman stated he liked Mr. Christiansen's advice on the filing of the claims however he wished Mr. Davis had not beat up on the other firm, he could have picked A, B, C Firm instead. He added it will not affect his voting of what is his fiduciary responsibility to the Board.

Mr. Fleemin asked if the Board was to elect both should the Board do it in separate motions and Mr. Christiansen answered the Board could do that and just use the same motion. Mr. Fleemin stated his reason for hiring both is there is value in bargaining power and Mr. Christiansen answered our plan is not going to be lead plaintiff 99 times out of 100 and be in the position to be negotiating fees.

Chairman Koczan stated the size of our plan in Florida is lower on the food chain but could be impacted along with other plans and agreed that our chances of being lead would be small.

Mr. Gizzi stated he understood there was no harm in hiring both however, there would be the doubling of data from the custodian account and we would be keeping Hagens Berman on the hook with a substantially larger firm with a larger client base. Chairman Koczan stated he is inclined to agree that Kessler Topaz has a larger stake hold in Florida and it is not the attorneys that change but the custodians that change. Mr.

Christiansen stated it should not happen but sometimes the data is lost when the custodian changes.

There was no other discussion and Chairman Koczan stated a motion was in order to authorize Mr. Christiansen to prepare and approve the contract.

Motion by Member Gizzi, seconded by Member Deyette to authorize the Plan Attorney to prepare and approve the contract since the Plan Attorney is familiar with Kessler Topaz to provide monitoring services for the Chairman and Secretary to sign between meetings so this can be set in motion.

For: 5 - Chair Koczan, Secretary Vroman, Member Deyette, Member Gizzi and Member Fleemin III

Mr. Fleemin stated where the value comes in is with the two (2) firms there may be different positions on a case and the Board may have different objectivity. Mr. Vroman agreed there was value in having two (2) sets of eyes on the plan's monitoring. Chairman Koczan commented the only impact that would have for the plan would be if there was a claim which firm to choose if we were the lead plaintiff. Mr. Christiansen recommended having Kessler Topaz file the claims since the other firm does not do that and have both firms do the monitoring. Chairman Koczan stated it does not say that in the motion and Mr. Christensen reminded the Board that if there is litigation there would be a separate contract and it will say that in the litigation contract.

Motion by Member Fleemin, seconded by Member Vroman to authorize the Plan Attorney to prepare and approve the contract with Hagens Berman as a second firm to provide monitoring services for the Chairman and Secretary to sign between meetings so this can be set in motion.

For: 5 - Chair Koczan, Secretary Vroman, Member Deyette, Member Gizzi and Member Fleemin III

C. Consent Approval of Expenditures

Ms. Spriggs presented a list of invoices for approval by the Board for payment in the amount of \$42,506.19. Chairman Koczan asked if there was any discussion and there was none.

Motion by Member Vroman, seconded by Member Deyette to approve the list of expenditures in the amount of \$42,506.19

After review it was determined that there was an error in the amount of the invoice from the Bogdahn Group; the amount should be \$4,625.00. Ms. Spriggs stated the Board could approve the Bogdahn Group invoice in the amount of \$4,625.00 per their contract revising the total of expenditures to \$42,456.19. Mr. West stated he sent a message to his office to verify the amount of the invoice and Chairman Koczan suggested the Board could wait a few minutes or table this item. Mr. Gizzi recommended approving the expenditures pending the receipt of a proper invoice from Bogdahn. Chairman Koczan asked if the Board could make the manual change and approve the expenditures and it was determined that the new total of expenditures would be \$42,456.19.

The Board concurred to approve the expenditures in the amount of \$42,456.19 as amended. Mr. Vroman withdrew his motion and Ms. Deyette withdrew her second.

Motion by Member Vroman, seconded by Member Deyette to approve the list of expenditures in the amount of \$42,456.19 as shown on the updated spread sheet dated January 19, 2016.

For: 5 - Chair Koczan, Secretary Vroman, Member Deyette, Member Gizzi and Member Fleemin III

D. Other Submissions

Ms. Spriggs went over a list of member retirements and distributions referring to a typed summary she submitted that needed to be settled and approved that included Paul Cardini, Christine Gallagher, Timothy Shepherd and Chris Sievert. She stated all of these members entered the DROP with Mr. Cardini entering the DROP on March 1, 2015 and retiring on November 1, 2015. She stated she also has Mr. Cardini's signed paperwork for DROP payout for approval tonight. Mr. Vroman asked if Ms. Spriggs could provide a spread sheet that shows the calculations and Ms. Spriggs answered Foster & Foster provides that. She stated there were a lot of these submitted to Foster & Foster and they are caught up now so, she has everything through September 30, 2015. She stated those members who chose the fixed income requirement are done through the life of the DROP unless the member changes their option. She stated the ones that have pension returns have a little delay and they are now routinely figured on a quarterly basis and that will be provided to the members. Mr. Vroman asked that additional documentation with Foster & Foster's logo on it be provided to ensure the right amount is being approved in case of a lawsuit. Ms. Spriggs stated the process has been that Foster & Foster does the calculations, the members are provided those calculations so they can make their choices, they sign the paperwork selecting the benefits, once the benefits are selected and it is a DROP situation, the member signs the DROP paperwork and all of that is provided to Foster & Foster based on their options; Foster & Foster then executes the quarterly statements for DROP or if it is an actual retirement then all the information is packaged and provided to Salem as the Trust and Custodian. She stated that is typically signed off on by the Chairman and it requires two (2)

signatures.

Mr. Christiansen suggested the Board approve the submission today but that Ms. Spriggs bring in the forms in the future. Ms. Spriggs stated there is a lot of paperwork with information that would need to be redacted. Mr. Christiansen suggested she could submit Foster & Foster's calculation sheet and the sheet where the member makes their choices for the Board to see and Ms. Spriggs answered she could do that. Mr. Vroman stated he just had concerns if there is a typo or something and Mr. Christiansen answered Ms. Spriggs is still going to use the paperwork for the process. Ms. Spriggs added the Board is always approving after the fact on retirements and DROPS anyway because typically we do not even have the time frame when someone decides to retire and they are usually behind on getting the money. Mr. Vroman stated he is okay with the summary but he would like to have the exhibits behind it. Ms. Spriggs asked how the Board wanted to handle this; do they want to file the four (4) presented today at the next meeting and Mr. Christiansen suggested approving this sheet today and we can go back and fix the amount if necessary.

Mr. Fleemin left the meeting at 4:58 p.m.

Motion by Member Gizzi, seconded by Member Fleemin to approve the member retirements and DROP distribution as submitted with the understanding the Board will receive copies of the supporting documents and if there is some discrepancy it can be fixed at the next meeting.

For: 5 - Chair Koczan, Secretary Vroman, Member Deyette, Member Gizzi and Member Fleemin III

E. Presentation of FY15 Financial Statements - Lisa Spriggs

Item 4-E was tabled until the next meeting.

(1) Presentation of the Actuarial Valuation Report by Foster & Foster - Patrick Donlan

Mr. Donlan from Foster & Foster presented the Actuarial Valuation as of October 1, 2015 beginning with a summary of the report that shows the plan's assets as of October 1, 2015 and the projection of the future benefits to determine an appropriate funding requirement for the City. He stated Page 5 shows the cost went up as a percentage of payroll but the DROP numbers are not included as they are considered as retirees even though they are actively employed by the department. He stated even though the percentage went up from 40.1% in the October 1, 2014 valuation to 42.2% in the October 1, 2015 valuation the dollar cost to the City was similar. He went over Page 7, "Contribution Impact of Annual Changes" which was added to the report and he believes this is a great addition because it shows where the difference in the contribution from last year at 21.3% to 22.5% this year comes from. He went over Page 23 "Actuarial Asset Valuation" explaining the five (5) year smoothing technique used by the pension

plan to smooth the costs to the City from year to year. He went over Page 28 the "Valuation Participation Reconciliation" which shows there are 68 total life participants in the valuation for 2015 valuation compared to 70 for 2014 and the breakdown of their status. Next he went over Page 15 the "Detailed Actuarial (Gain/Loss) Analysis" reporting the plan actually had a good year with regards to the accrued unfunded liability which is a measure of where the plan is compared to where the plan would like to be. The analysis showed the unfunded liability at \$7,172,638 as of October 1, 2014 and \$7,181,123 as of October 1, 2015. He referred to Page 10 which is a continuation of the "Comparative Summary of Principal Valuation Results" and stated he had spoken with the City Manager before the Board's last meeting via conference call and Ms. Shang and the City want to get to an 80% funded ratio which is the going ratio out there so, more information was added that shows different ways to look at the funded ratio. He stated the traditional approach is to look at the actuarial value of assets using the smoothing technique and compare it to the accrued liability and that measure last year was 73.3% funded and this year it is 75.4% funded which was an improvement. He stated another way to look at it is to look at the market value of the assets in the plan and then look at the value of the accrued benefits so if you terminated the plan and paid everyone what they have earned so far which is the accrued benefits the plan went from 89.9% funded last year to 86.0% this year and that is because we are looking at the market value of assets. He stated what the City is going to put in their financial statement is on Page 36 the "Schedule of Changes in Net Pension Liability and Related Rates".

Mr. Gizzi left the meeting at 5:15 p.m.

Mr. Donlan continued on Page 36 which is part of the Governmental Standards Accounting Board (GASB) 67 that came from a major change in the rules this past year from GASB 27 where the City now has to show the funded ratio in the City's Comprehensive Annual Financial Report (CAFR); last year it was 75.28% and this year it is 73.55% which is the market return and we realize the whole loss immediately for GASB purposes. He added if the plan has a good return this year it will go up, if there is a bad return it will go down but there will be a lot more volatility with the GASB funded ratio. He stated he looked and if the City had not made the extra contribution of \$345,000 it would have been 72.35% and if the City wants to continue to do that it will help the plan to get closer to the 80%.

Mr. Clinger stated he had a question regarding what the City reports this year, September 30, 2015 is shown on Page 48 "Final Components of Pension Expense" and he asked if the bottom line would be the ending balance and Mr. Donlan answered you are correct because if you go to GASB 68 we can use a one (1) year lag which allows you to use the September 30, 2014 which is the prior year's.

Ms. Spriggs asked Mr. Donlan when the State talks about their Florida Retirement System (FRS) funding which of the three (3) ratios are they using and Mr. Donlan answered he does not think it is consistent and it depends. Ms. Helberg stated the ratio posted on the FRS website last year was the first one. Mr. Donlan talked about the

73.3%. He stated there was Senate Bill 1128 that said that every year we have to report to the State to be included on their database and that one looked at the GASB accrued benefits and it compared that to the market value which was a favorable measure but now we are asked for a lot of information for the database. He stated one (1) of the pieces mentioned now is the GASB 67 so now what you will see is the 73.55% and it is fluid. Ms. Spriggs stated back on Page 7 where you did the reconciliation she is not following the first number and Mr. Donlan explained that on last year's valuation report the State money represented 10.8% of payroll at that time so the bottom line last year was 21.3% and if you take the City and State required contribution 32.1% and subtract the State's 10.8% you get the 21.3% and with the payroll going down it made the State money look like a larger percentage.

Mr. Donlan stated one (1) thing he wanted to point out is on the GASB statement is you have to put the date of the last experience study and Foster & Foster actually left it blank because they have been with the plan since 2008 and an experience study has never been done where all the actual experience is looked at along with salary increases, investment returns, turnover and when people retired to determine if the assumptions need to be changed going forward. He stated one (1) time he looked at what would happen if the salary scale was changed and the investment return on one (1) of the benefit change studies Foster & Foster did and he recommended the experience study be done. He stated also when the State approved the plan's recent Valuation Report they made a comment that the plan's annualized investment returns were 1.23% a -1.09% and -4.49% over the last three (3), five (5) and 13 plan year periods respectively and the State says they don't think that 8% is a reasonable assumption. He gave an example referring to Page 16 of the salary increase assumption which was more than likely developed more than seven (7) years ago and is probably too high; we just recently extended the DROP period from three (3) years to eight (8) years and he believes you will have more people enter the DROP when they become eligible and that may also change the assumption. Mr. Vroman asked if Foster & Foster could handle that and Mr. Donlan answered "yes" but clarified just because you do an experience study does not mean you have to make any changes and it could be done over the summer, the Board could discuss it and then decide if there should be any changes for next year's valuation report. Mr. Christiansen asked what the cost would be. Mr. Donlan answered it would be no more than \$6,000 but it would show what the experience has been and going forward what it would be for example if the assumed rate of return was changed from 8% to 7.9% which would show an increase in the City's funding requirement and increase the unfunded liability but you could see that before you make a decision. Ms. Spriggs asked if they would look at the pattern of the members who retire and who is eligible for normal retirement by looking at their age when hired and Mr. Donlan answered they would look at those that have already retired, people who are working beyond retirement and what actually happened each year for the history and then look at the changes. Mr. Christiansen asked if it would make more sense to wait a year or two (2) to get more experience under the new provisions of the plan and Mr. Donlan answered you are not going to see a lot for a few years as you only have six (6) people eligible to retire. Mr. Donlan stated this was a separate discussion from the actuarial valuation. Mr. Christiansen stated we need a motion to approve the

valuation report. Mr. Vroman asked if the rate of return was lowered to 7.99% would that increase the cost to the City and Mr. Donlan answered "yes" and the general rule of thumb is a tenth of a percent assumption is a 1% of payroll increase so if you change the assumption from 8% to 7.9% that would be an increased cost of 1% of payroll and would also increase the unfunded liability. Mr. Vroman asked what 1% of payroll would be and Mr. Donlan answered it would be about \$36,000. Mr. Donlan stated you could lower the investment rate of return to 7.9% and lower the salary increase assumption a little and maybe there would not be any impact to the City and he can look at it all and then the Board can decide.

Motion by Member Vroman seconded by Member Deyette to approve the Actuarial Valuation as of October 1, 2015 as presented by Foster & Foster.

For: 3 - Chair Koczan, Secretary Vroman and Member Deyette

Mr. Donlan asked if the Board wanted to talk about the experience study and Mr. Vroman stated it would be better to wait until the full Board is present and suggested Mr. Donlan cost it out so the Board can see it before the Board does next year's budget to avoid doing an amended budget that would have to be sent to the Commission and the State. Mr. Donlan stated he can forward the advantages to it before the next meeting. Mr. Christiansen suggested "a not to exceed number" be included. It was suggested that Foster & Foster do the presentation of the experience study at the next Quarterly Meeting which would be April 19, 2016. Mr. Donlan stated it would not be a presentation it would be a discussion of the letter that he sends to the Board that would include a sample. Mr. Vroman suggested we can conference call if there are any questions. Mr. Donlan concluded his presentation.

(2) Presentation of Expense Report - Lisa Spriggs

F. Investment Manager - Dave West, The Bogdahn Group

Mr. West apologized for arriving late. He distributed the Preliminary Report for the 4th Quarter 2015 and commented he has not received the data from the real estate investment so the report does not have the peer group's data populated yet. He stated what he would like to do so that we can get on schedule is when he sends out next quarter's preliminary he will also include the final report for this quarter and that way the Board will receive both books at the same time so if there are any carryover issues with peer groups or manager evaluations from previous meetings that we were not aware of we can tackle that at that meeting. He stated at the Board's request he recreated the manager search and since it was a Mr. Gizzi's request to break up the process he will leave the Mid Cap Equity Strategy Evaluation that was a recommendation to index a portion of the plan in the Mid Cap 400 to complement the plan's S&P Index Fund and the separate active manager evaluation search and he has no problem deferring until there is a full Board so the Board can look at everything comparatively.

The Board concurred to defer this discussion until there is a full Board present.

Mr. West went over his report stating October was a huge month for all markets however, we closed the quarter on a sour note due to two (2) things; 1) there was a self-fulfilling liquidity fear in the bond market and 2) the energy crisis started to hit and the high yield securities started to go badly. He stated the plan is off to a good start for the quarter ending at 4.06% which is ahead of the benchmark. He went over the different funds pointing out that the ASB Real Estate Fund really helped the fund and gave the plan a real strong start for the quarter and as far as January we will just have to wait and see how everything shakes out. He stated we liquidated the Manning & Napier fund as directed; 1/2 of the money went into the S&P 500 Index Fund as an investment and a place marker pending the Board's discussion of other items and \$500,000 went into the Sawgrass Bond Fund where the bulk of the money stayed in equities. He stated on Page 14 on the bottom line the fund opened with \$20,734,699 and closed with \$22,833,730. He stated there are no pending actions or rebalancing that the Board needs to do so, he will defer the discussion of the other options to the next meeting along with the peer rankings and how they finished out this quarter making sure we go over our compliance checklist. Mr. Donlan asked if there were any numbers for January and Mr. West answered there was a 10% correction in equities so the index fund will be down and Dana will probably be down in that vicinity. He added he believed the Real Estate Fund will not put out a return of 5% but most likely it will be closer to +3% as an offset. He added the Bond Market had a healthy rally so the return may be +2-2.5% for bonds as an offset and the energy sector is looking very interesting. He concluded his presentation.

Mr. Christiansen stated there is one other thing the Board needs from Mr. West and that is we have to declare our expected rate of investment return for the next year as required by the State. He asked Mr. West for a recommendation and Mr. West answered again every year with the editorial comment we think with the current portfolio there is a reasonable probability of achieving the 8% investment rate of return for the long term and the immediate term however, in any given fiscal year we recognize that the return may exceed or fall short of that number. Mr. Christiansen asked Mr. West if we could glean from that statement the recommendation is to keep the 8% expected investment rate of return and Mr. West answered "yes". He added if there is discussion to reduce it he would be supportive but, this is a young plan and he believes we can manage the allocations more aggressively to achieve the 8%. Mr. Christiansen stated a motion is in order and if someone should wish to make a motion the motion should be that based upon the advice of our consultant we expect to get an 8% investment return for the next year, the next several years and for the long term thereafter.

Motion made by Member Deyette, seconded by Member Vroman that based upon the advice of our consultant we expect to get an 8% investment return for the next year, the next several years and for the long term thereafter.

For: 3 - Chair Koczan, Secretary Vroman and Member Deyette

Mr. West stated he will take care of filing the appropriate documents with the State.

5. PUBLIC FORUM:

6. OLD BUSINESS:

A. Discussion of Operating Rules and Procedures - Scott Christiansen, Plan Attorney

Mr. Christiansen stated since there are only three (3) members here and we have gone almost three (3) hours he would like to again recommend that we postpone the discussion of the operating rules and procedures to the next quarterly meeting. Mr. Vroman asked Mr. Christiansen if he sent his version and Mr. Christiansen answered he sent the final version. Mr. Vroman asked if the Board could get the version that Mr. Maples submitted also and Mr. Christiansen answered he does not send out versions with strikes and underlines but, if you want him to go back and prepare the document he can. Mr. Vroman stated "no" that he just wanted the copy that Mr. Maples submitted to be forwarded to the Board members just to have it as an option as well. It was determined that Mr. Maples submitted notes for the Summary Plan Description and not the Operating Rules and Procedures.

7. NEW BUSINESS:

8. STAFF COMMENTS:

A. Plan Attorney Report - Scott Christiansen, Christiansen & Dehner

Mr. Christiansen stated he had a couple of quick items; (1) is the Internal Revenue Share Ordinance and he stated the Union and the City finalized their contract and came up with a mutual agreement with regards to the use of State Money and he was asked to do an ordinance to incorporate all those changes which he has now done. He stated he did not hear anything from Mr. Vroman after he sent it out and Mr. Vroman answered he read it and the only thing was the DROP. Mr. Christiansen stated the mutual agreement was the 50/50 and the raising of the frozen amount and a lot of the changes in the ordinance are Internal Revenue Code changes. He stated he did do the Share Plan and it took a little more time because what you agreed upon was quite different from what we had originally had in our proposed share plan. He stated the distribution if someone leaves is given right away instead of waiting until the next valuation date but they will get the amount that was in their account on the last valuation date. He stated he tracked pretty closely to the document that he was given. He stated he did get a call from the City Attorney Becky Vose who asked if Mr. Christiansen was doing the ordinance and Mr. Christiansen answered he was. He stated that is why you have an attached letter that explains everything he is doing and he copied Ms. Vose and the City so they will be in the loop. He stated if the Board is okay with the ordinance it can be approved today to be recommended to the City for adoption and he will notify the City that the Board is okay with it; the City can review it and it can be done.

Mr. Donlan stated he is looking through the ordinance and he thought the union would just resolve the other contract so for September 30, 2015 we are still under the old agreement and the frozen amount is slightly more than the \$422,000; it is \$432,000. He stated he added \$10,000 to the excess State monies reserve so the excess State monies amount is \$291,211 so there are some numbers in the share plan that need to be tweaked. He stated the \$140,327 is really \$145,605. Mr. Christiansen asked is that the amount shown in the document and Mr. Donlan answered the City can allocate the \$140,327 and use the difference to buy down the unfunded liability adding that both are mutually consenting so it does not have to be exactly 50/50. Mr. Vroman stated also in the contract it asks for a study on the increased multiplier to be done before the expiration of this contract in 2018 and Mr. Donlan suggested doing the study on the 2016 or 2017 numbers. Mr. Christiansen asked if the Board wanted to approve the proposed ordinance with that change in the dollar amount.

Motion by Member Vroman, seconded by member Deyette to approve the proposed ordinance with the change in the dollar amount as discussed.

For: 3 - Chair Koczan, Secretary Vroman and Member Deyette

Mr. Christiansen stated he would do the same letter to the City Manager and attach the ordinance to it. Mr. Vroman asked if it would be wrong to send the staggered terms to the City again and Mr. Christiansen answered the City may think that needs to be negotiated and he does not want to hold this up. It was determined that this could be discussed at a later date.

Mr. Christiansen asked if we were going to go over the actual expense report and Ms. Spriggs answered it is in the Board's packets. Ms. Spriggs stated basically she filled in the actual expenses based on the budget the Board had adopted for this current year using the same format as the fiscal year 2016 budget and since there was no budget for 2015 she is not comparing it to anything. She stated the numbers were based on accrued numbers and she asked Mr. Christiansen if she could post them on the FireNet as far as compliance. Mr. Christiansen answered that is okay if the firefighters have access to that and there will also be a note included in the Summary Plan Description that says this information is available by contacting the Plan Administrator or wherever we decide. Ms. Spriggs stated she has been having documents posted to the FireNet and Mr. Vroman added that the members can print the documents from there. Mr. Christiansen stated that would meet the requirement in the legislation so he is good with that and we need a motion to approve the report of actual Administrative Expenses FY14/15.

Motion by Member Vroman, seconded by member Deyette to approve the FY 14/15 Administrative Expenses Report as outlined in the attached document in the amount of \$88,078.00.

For: 3 - Chair Koczan, Secretary Vroman and Member Deyette

Mr. Christiansen stated he had one (1) other item regarding legislation that is coming up that has to do with the presumption as it pertains to disabilities referring to certain diseases that if a member becomes disabled as a result of hypertension, heart disease, meningitis or hepatitis and the member had a pre-employment physical when they came to work and did not have one of those diseases but the member later developed it and became disabled because of it; then we can presume they got the disease while doing their job as a firefighter. He stated the legislature has now added cancer to that list of diseases and the firefighter would have a right to in-line of duty disability if they got this disease.

Mr. Christiansen stated the last item he has is regarding a question by Mr. Vroman regarding post PLOP and he looked at Austin Texas Fire and couldn't find it there but did find it under the Austin Police and it is not really called that. He stated the program is such that if you are in the DROP and you are coming out of the DROP you can remove funds four (4) different times from you DROP after leaving employment meaning you do not have to take a lump sum but at the 4th withdrawal you have to take it all and you have to take it all before age 70 1/2 under Federal Law. He added with both the police and fire you earn a flat 5%. He stated our plan could do that but he guessed it would have to be negotiated.

Mr. Vroman stated members have also asked if they can put their own money in the Share Account and Mr. Christiansen answered "no" as the Share Account can only receive State money.

B. Plan Administration Report - Lisa Spriggs

Ms. Spriggs stated she had a couple of things including Salem Trust assigning a new representative for our plan who is now Mindy Johnson and Ms. Johnson would like to come and meet the Board Members at the February or April meeting. Mr. Christiansen stated Ms. Johnson is good; she worked at Regions Bank for a long time. Ms. Spriggs stated next there is a letter in the packet from Manning & Napier based on their termination as a manager. Also, she is working with a couple of people who are not active which are probably the ones that Mr. Donlan noted that are eligible for retirement and are exploring options at this time. And finally she had received a couple of emails from the City that we may have some unclaimed property at the State and she had not followed up on that yet. Ms. Helberg stated there is a small amount for the Deltona Fire District but, not the pension. Ms. Spriggs stated she is finalizing the State Report so the Board does need to have a meeting in February to approve the report as March 15, 2016 is the deadline for filing.

Mr. Christiansen asked to leave the meeting at 6:15 p.m. to attend another meeting.

It was determined the next meeting would take place on Tuesday, February 9, 2016 at 5:00 p.m. Chairman Koczan asked that Ms. Day set up a room for the meeting and to please let the other members know about the meeting.

9. BOARD/COMMITTEE MEMBERS COMMENTS:

Mr. Vroman commented he got a note from Christine Gallagher asking why it took 10 months for her to get her first statement and how long will it take to get the 1st pension check after termination. Mr. Donlan asked if that was someone in the DROP and Ms. Helberg answered "yes". Ms. Spriggs stated Ms. Gallagher received her statements just recently noting that Foster & Foster finished her September 30 statement at the beginning of December because she had elected the pension return option. Mr. Donlan stated Foster & Foster has a set-up with Bogdahn Group and when the returns are done Bogdahn sends them to Foster & Foster to use and Mr. West stated sometimes there is a delay because of the Real Estate fund. Mr. Donlan stated they sometimes are received by the third week but, usually it is more like fifth week of the quarter and then it takes Foster & Foster two (2) weeks to process it so, Ms. Gallagher should expect to receive the statements about the middle of the quarter. Ms. Spriggs stated she received the statements on December 10th and she proofed them as confirmation so she just mailed them out. She stated it was 10 months as Ms. Gallagher went into DROP on March 1, 2015 and remember those were the ones that lagged behind on paperwork and as a matter of fact her paperwork was so late Ms. Spriggs almost had to cancel it; that is what held up Paul Cardini's distribution as he also chose the pension return. She stated when they come out of DROP it is quick but if they are just retiring it takes time to process the paperwork. She stated she can post the packets on the FireNet and note for the members here's what you need if going into DROP or retirement or after DROP so the members can access it. She stated the members are instructed to bring the paperwork to Ms. Day who notarizes it if needed and scans it to Ms. Spriggs and copies Ms. Helberg. She stated six (6) weeks gives the necessary time to get the forms, get the calculations, have the member make their selections, review the paperwork and then get the information to Salem in their format to be set up. She added the members just need to be educated. Mr. Donlan stated that still does not solve the problem of getting the final calculations until they are terminated and it takes Foster & Foster two (2) weeks. Ms. Spriggs explained here the extra overtime does not count for pension so what can be done in some cases is the calculations can be done in advance and they should be okay unless the wages changed and then a final would be done. It was determined to give the six (6) weeks courtesy time frame for the paperwork.

10. ADJOURNMENT:

There being no other business a motion was made to adjourn the meeting at 6:30 p.m.

Motion by Member Vroman, seconded by Member Deyette to adjourn the meeting at 6:30 p.m.

For: 3 - Chair Koczan, Secretary Vroman and Member Deyette

Jim Koczan, Chairman

Janet Day, Board Liaison