

BOARD OF TRUSTEES OF THE CITY PENSION FUND FOR FIREFIGHTERS & POLICE OFFICERS

In the City of Pembroke Pines
Fountains Executive Centre
9000 Sheridan Street - Suite #148
Pembroke Pines, FL 33024

REGULAR MONTHLY MEETING – MAY 17, 2007

The three hundred and fortieth meeting of the Firefighters and Police Officers Pension Fund in the City of Pembroke Pines was called to order at 2:00 p.m. by Chairman Anthony Napolitano.

1. <u>Roll Call</u> –	<u>Fire Members</u>	<u>Police Members</u>	<u>City Members</u>
	Steve Dougherty	John Birkenheuer	Gary Arenson
	Richard Moss	Carl Heim	Vicki Minnaugh
	Anthony Napolitano	James Ryan	Isadore Nachimson

Others Present: Greg McNeillie from Dahab & Associates, Inc.; Margaret (Peggy) Grimes and Steven Curbow from Independence Investments; Michael Harhai from Buckhead Capital Management; Henry Renard, Robert Maddock and Joe DeAngelis from Inverness Counsel; Rene Gonzalez, City Finance Director; P/O Neil Vaughan, VP of Broward County PBA; Stephen H. Cypen, Esq., Attorney for the Fund; Karen H. Warner, Plan Administrator; and James Fisher, Asst. Plan Administrator.

2. **Dahab Associates – Performance Report for Q/E 3/31/2007.** Greg McNeillie reported that the fund's total gross return was 2.4% for the quarter with a portfolio value of \$252,535,010. At quarter end, investment of the total portfolio was 54.1% in domestic equities, 29.7% in fixed income (including State of Israel Bonds), 9.4% in international equities, 3.0% in real estate and 3.9% in cash and equivalents. Over the trailing year the total portfolio returned 9.3%, which was 1.0% below the benchmark's 10.3% performance. A cash balance higher than normal (earmarked for new real estate investments) continues to be maintained by Inverness. In the equity market, value stocks continued to outperform growth stocks in the large cap environment, but trailed in the small cap universe. Overall, though, small company stocks continued to return more than large company stocks. The near 10% collapse of the Shanghai market in February was a reminder of the volatility of emerging markets. The developed markets, represented by the EAFE Index, bettered their emerging markets counterpart for the quarter. Bond gains for the quarter were modest, as returns were generated by clipping coupons. The yield curve dropped across all maturities, with short-term rates slipping the most. The asset allocation to all sectors was in compliance with the plan's Investment Policy and Guidelines. The following *gross* returns, detailed by manager, were reported:

	Quarter Ended 3/31/2007				Total Portfolio	Trailing 12 Months
	Equities	Equity Benchmark	Fixed Income	Fixed Income Benchmark		
Atlanta Capital	2.3%	2.0%	---	---	2.2%	7.5%
Buckhead	1.1%	1.2%	---	---	1.1%	13.2%
Independence	0.7%	1.2%	---	---	.7%	5.6%
Inverness	3.0%	0.6%	1.7%	1.5%	2.1%	8.7%
Sawgrass	2.4%	2.0%	---	---	2.4%	-5.4%
SSgA Midcap	5.7%	5.8%	---	---	5.7%	12.6%
SSgA Int'l. Equity	3.5%	3.8%	---	---	3.5%	19.3%

Real Estate	Quarter Ended 3/31/2007	
	Total Portfolio	Trailing 12 Months
American Realty Advisors	4.5%	12.4%
BlackRock Granite	3.8%	N/A

During the quarter, the fund posted net contributions equaling \$1,701,617 in addition to a net investment return of \$5,915,770. The account's net investment return figure was the result of income receipts totaling \$1,612,614 and net realized/unrealized capital gains of \$4,303,156. Mr. McNeillie noted that the fund has returned 7.2% for the fiscal year to date. He added that through the month of April, the total portfolio is up approximately 10%.

3. **Buckhead Capital Management – Investment / Market Report.** Michael Harhai represented the firm this date and reviewed a summary of the portfolio. The market value of the portfolio (including accruals) was \$23,726,933 as of 3/31/2007. Their portfolio was 95.5% invested, with 4.5% held in cash and cash equivalents. Mr. Harhai reported 1.09% return in the total portfolio for the quarter ended 3/31/2007; 8.15% return for the 2007 fiscal year to date; and 11.96% annualized return since inception (July 1, 2004). Equity portfolio characteristics, in relation to the equity benchmark, were reported as:

	<u>Buckhead</u>	<u>Russell 1000 Value</u>
Number of Issues:	39	604
Beta:	0.8	1.0
Price/Book:	2.3 x	2.2 x
Yield:	2.2 %	2.4 %
Avg. Market Cap (\$ Billions):	\$100.6	\$108.6

Mr. Harhai provided details about quarter-to-quarter returns, noting that for the quarter ended 9/30/2005 their portfolio experienced severe underperformance – largely due to Hurricanes Katrina and Rita, and oil prices. He also discussed characteristics of the portfolio and the rationale behind increasing or reducing their positions in certain sectors.

4. **Independence Investments – Investment / Market Report.** Margaret (Peggy) Grimes and Steve Curbow represented their firm this date. Ms. Grimes offered introductions, an overview of the company and a summary of their institutional relationships.

As of 3/31/2007 the portfolio reflected a market value of \$21,197,750. The asset allocation was reported as 99.1% in equities and 0.9% in cash and equivalents. Quarter return for the total portfolio was 0.65% compared to the Russell 1000 Growth benchmark's return of 1.19%. Mr. Curbow stated that, while they underperformed the benchmark for the quarter, the portfolio has been able to make up some of its deficit during April and May thus far. He also discussed the list of best and worst performing stocks and the reasons for their effect on the portfolio.

In summary, Mr. Curbow offered factors contributing to their market outlook – including a weakening residential housing market, consumer spending, core inflation rate and corporate profits.

The Board of Trustees adjourned at 3:05 pm for a short recess.
The meeting reconvened at 3:15 pm.

5. **Inverness Counsel – Investment / Market Report.** A snapshot of the portfolio reflects a total value of \$127,177,739 with an asset allocation of 39.7% to equities, 55.3% to fixed income and 5.0% in cash and cash equivalents as of 3/31/2007. A larger-than-normal cash position is being

maintained to accommodate expected capital calls for real estate investments. Robert Maddock addressed the board regarding equities, stating the market has really taken off since March 31st. They see strong signs in broadband demand and in energy services. Inverness also feels that a market correction is highly probable. Joe DeAngelis continued the presentation with information regarding fixed income. The following written economic / market commentary was also provided:

The first quarter was an exciting quarter. During the quarter, questions about what the Fed and the Chinese might do to affect the interest, inflation, and exchange rates plagued the markets. Uncertainty about the impact of the housing markets and lower quality home loans on the consumer, the banks and the economy also prevailed. Finally, the war in Iraq along with problems with Iran and Venezuela has kept the oil markets unsettled. Since the end of the quarter the market has moved up aggressively especially in technology and energy.

We are still enthusiastic about the tech names which, after a seven year break, are starting to get some traction from a rising demand for bandwidth. We are starting to get confirmation of growing bandwidth spending from companies like Cisco and Corning.

We are comfortable with market level energy positions, especially the oil services. We are watching the diversified oil companies to make sure we don't hold them above their NAVs.

We think that the world is proving an increasingly more dangerous place and regard names like ATK as potential beneficiaries of the need recognized by both political parties to strengthen the military. A renewed interest in developing a Mars mission for the space program should be helpful as well.

The equity bear market at the beginning of the decade is still fresh in everybody's mind so we think that it is increasingly likely that the market will see some sort of correction between now and the end of the year with the market ending up modestly from the end of 2006. Concerns about inflation, oil, war, nationalization, the consumer and housing continue to threaten and any one or combination of them could provide the excuse needed to pull the market back.

As always, Inverness Counsel continues to focus on making sure that what we buy and hold for client accounts is trading at a reasonable price based on valuation AND growth. We think that now more than ever, this approach will be essential.

Trustee Arenson reiterated his interest in learning more about "securities lending" and whether it might be appropriate for this fund. Following discussion about the mechanics of securities lending, Henry Renard stated he would contact Fiduciary Trust and try to obtain specific information. Any communications will be provided upon receipt.

6. **Approval of Minutes for April 19, 2007.** Chairman Napolitano presented minutes from the meeting of April 19, 2007 for approval. Vicki Minnaugh moved to approve. Gary Arenson seconded the motion. The motion carried unanimously.

7. **Approval of Warrant #381.** Chairman Napolitano presented Warrant #381 in the amount of \$62,205.19 for approval and payment. Vicki Minnaugh moved to approve payment of Warrant #381 as presented. Gary Arenson seconded the motion. The motion carried unanimously, authorizing payment of:

Cypen & Cypen – Monthly Retainer for May, 2007		\$3,250.00
Crexent, LLC – May, 2007	Office Rent	\$1,134.00
	Telephone Equip.	110.00
	Long Distance	<u>.77</u>
		\$1,244.77
		\$1,244.77
Xerox Corporation – Copier Lease Payment for May, 2007		\$200.07
Karen Warner – Mo. Allowance for May, 2007 (Med/Dental/Life)		\$375.00

Dahab Associates – Consulting Services for Q/E 3/31/2007	\$20,126.75
Atlanta Capital Management – Mgmt. Fee for Q/E 3/31/2007	\$23,163.00
Everything Imprinted – Reorder #10 Envelopes	\$150.00
Iron Mountain – May, 2007	\$100.00
F/F James Fuchs – Monthly Retirement Benefit commencing 6/1/2007	\$6,953.77
F/F Michael Macak – Monthly Retirement Benefit commencing 6/1/2007	\$6,641.83

TOTAL **\$62,205.19**

8. **Approval of DROP Benefits and Back-DROP Balances – Ordinance 1443 (Fire).** Vicki Minnaugh moved to approve the calculation of DROP Benefits and Back-DROP Balances as presented. Gary Arenson seconded the motion. The motion carried unanimously to approve:

	DROP Eff. Date	DROP Term. Date	Form of Benefit	Back-DROP Additions
F/F Larry Williamson	4/01/2007	3/31/2012	Joint & 100% Contingent	\$0.00

9. **Request for DROP Account Distributions – P/O Pamela Dutton and F/F James Fuchs.** The board has received requests for DROP account distributions from P/O Dutton (\$37,000 lump sum) and F/F Fuchs (\$2,000 monthly). Actuary Larry Wilson has provided the necessary letters indicating that these distributions would not pose a problem with the 415 limitation at the present time. Vicki Minnaugh moved to approve the distribution requests for Pamela Dutton and James Fuchs. Isadore Nachimson seconded the motion. The motion carried unanimously.

UNFINISHED BUSINESS

10. **Disability Offset (Workers Compensation) – F/F Mark Parsons.** Attorney Cypen stated he had spoken with F/F Parsons' attorney, Andrew Drucker. Mr. Drucker advised that his client was agreeable to the Board's previous repayment offer of \$185.66 per month for 60 months, if that offer was still available. Gary Arenson moved to approve recovering a total of \$11,140 by way of \$185.66 per month offset to F/F Parsons' disability pension for a total of 60 months, commencing July 1, 2007. Vicki Minnaugh seconded the motion. The motion carried. One vote in opposition (Nachimson).

NEW BUSINESS

11. **Review / Approve – Financial Reports for the Q/E 12/31/2006.** Gary Arenson moved to accept the financial report as presented for the Q/E 12/31/2006. Vicki Minnaugh seconded the motion. The motion carried unanimously.
12. **Authorize Use of New Form and DROP Exit Interview.** Secretary Moss stated he was in the process of developing a new form to incorporate into the DROP process. He has already met with the Payroll Department but feels more time is needed as well as input from Actuary Larry Wilson. Following discussion, Vicki Minnaugh moved to table this matter pending further input. Isadore Nachimson seconded the motion. The motion carried unanimously.
13. **Review / Approve – Police Ordinance 2007-07 and Actuarial Impact Statement.** Agenda packets included a copy of Proposed Ordinance 2007-07 and the corresponding GRS impact statement dated April 12, 2007. Per Sec. 34.52 of the governing ordinance, **James Ryan moved to approve Proposed Ordinance 2007-07 and Actuarial Impact Statement as presented.** Gary Arenson seconded the motion. The motion carried unanimously.

The Pension Office will authorize Gabriel, Roeder, Smith & Co. to proceed with Police COLA calculations as soon as possible.

14. **Office Space Update.** As per discussion at the April meeting, Vicki Minnaugh advised she had provided information to the Pension Office relative to office space currently available within City limits, and that she had shown those that seemed to be the most promising. Greg McNeillie admonished the Trustees to consider potential fiduciary issues if planning to use pension assets for a purchase transaction. He recommended the Trustees consider hiring a QPAM to shoulder the fiduciary responsibility. Attorney Cypen stated he did not recommend buying office space, as doing so has few advantages. He added that the disadvantages include depreciation, liability, portability, environmental concerns and capital expenditure. Following lengthy discussion regarding short-term and long-term goals, the Trustees determined it was most appropriate to continue monitoring available sites in the City, and to check with Fountains Executive Center regularly regarding any space that may become available at the current location.

15. **Reports:**

Actuary – None (Larry Wilson out of town).

Attorney – Attorney Cypen advised that Alison Bieler, Esq. from his firm had been instrumental in clarifying issues and drafting appropriate language with regard to the Police ordinance.

Plan Administrator – The Pension Office is in receipt of additional bills for payment and other benefit disbursements for approval. Chairman Napolitano presented Warrant #382 for addition to the agenda and approval for payment. Vicki Minnaugh moved to add Warrant #382 to the agenda. Gary Arenson seconded the motion. The motion carried unanimously. Vicki Minnaugh moved to approve payment of Warrant #382 in the amount of \$73,502.79. Isadore Nachimson seconded the motion. The motion carried unanimously, authorizing payment of:

F/F Roger Gonzalez – Mo. Retirement Benefit commencing 6/1/2007		\$5,637.14
F/F James Fuchs – Monthly DROP Withdrawal commencing 6/1/2007		\$2,000.00
P/O Pamela Dutton – DROP Withdrawal \$37,000 less FIT \$7,400		\$29,600.00
U.S. Treasury – FIT Withholding (Dutton)		\$7,400.00
Gabriel, Roeder, Smith & Co. – Prof. Services (4/2007)		\$13,152.00
SunTrust Bank (Visa, Warner)	ISP	\$24.95
	Postage Machine	31.79
	Public Storage	71.00
	Fireproof File Cabinet	739.98
	Bd. Mtg. / Off. Supplies	141.78
		\$1,009.50
		\$1,009.50
Fiduciary Trust Company – Custody Fee Q/E 4/30/2007 (Inverness)		\$12,944.29
Fiduciary Trust Company – Custody Fee Q/E 4/30/2007 (Atlanta)		\$1,333.86
SunTrust Bank (Visa, Fisher) Auto Exp. (web designer - Boca Raton)		\$30.00
Purchase Power – Postage Meter Refill		\$396.00
	TOTAL	\$73,502.79

The Pension Office has received a capital call letter from TA Associates Realty, which is being submitted for approval. Chairman Napolitano presented Warrant #383 for addition to the agenda and approval for payment. Vicki Minnaugh moved to add Warrant #383 to the agenda. Carl Heim seconded the motion. The motion carried unanimously. Vicki Minnaugh moved to approve payment of Warrant #383 in the amount of \$1,250,000.00. Carl Heim seconded the motion. The motion carried unanimously, authorizing payment of:

Bank of America, N.A. (per attached wiring instructions) for:

Real Estate Investment – **Realty Associates Fund VIII Corporation**
Account No. 4602278139 \$1,250,000.00

TOTAL **\$1,250,000.00**

James Fisher stated there have been a few calls from Firefighters regarding the default COLA letter. Some claim they never received the letter in order to make the COLA election in a timely manner. Following discussion, the Trustees authorized allowing those individuals one final opportunity to do so and that they should swear the original letter was never received.

Karen Warner reported that we have successfully filed paperwork to direct the State chapter funds to the Pension Office for deposit, rather than to City Hall.

James Fisher advised that certain retirees have contacted the Pension Office expressing dissatisfaction with our procedure of including "names and benefit amounts" in the minutes. Attorney Cypen stated we are required to accurately reflect all fund expenditures in the minutes.

Karen Warner stated information has been received from Schiffrin Barroway regarding potential class action securities litigation against Amgen, Inc. and Cutera, Inc. Schiffrin Barroway recommends that this fund consider a lead Plaintiff position in the Amgen litigation. Gary Arenson moved to provide this information to FiduciaryTrust for further processing. Vicki Minnaugh seconded the motion. The motion carried unanimously.

16. **Input from Retirees:** None.

18. **Input from Active Members:** None.

19. **Unscheduled** – Finance Director Rene' Gonzalez asked to address the issue of the Excess Benefit Plan, which has continued unresolved for a couple of years. He stated there are obvious differing opinions between the plan's Actuary, Larry Wilson, and the City's special legal counsel, Robert Klausner. Attorney Cypen noted that since Mr. Wilson is not an attorney, perhaps it would be in everyone's best interest to turn the entire matter over to someone else for resolution. He suggested Peter Gold (Buck Consultants) or Robert Friedman (Holland & Knight). Mr. Gonzalez provided a list of key issues that need to be addressed in this regard.

Attorney Cypen recommended giving the project to Attorney Friedman for a legal opinion, with fees not to exceed \$7,500. Following discussion, Isadore Nachimson moved to authorize Robert Friedman, Esq. to offer a legal opinion on the Excess Benefit Plan and to address the key issues presented by Finance Director Gonzalez. The motion died for lack of a second.

Neil Vaughan suggested that he and Chairman Napolitano, on behalf of both unions, meet with City Manager Dodge to fully explain the issues and differing opinions. They would also inquire if the City would comply in the event we were to obtain an independent legal opinion or private letter ruling. Following discussion, the Trustees agreed to proceed in this manner.

20. **Adjournment** –Chairman Napolitano announced the next regular meeting would be held on Thursday, June 21, 2007 at 4:00 p.m.

There being no further business before the Board, Vicki Minnaugh moved to adjourn the meeting at 5:40 p.m. Gary Arenson seconded the motion. The motion carried unanimously.

Anthony Napolitano – Chairman

Richard Moss – Secretary