

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

In the City of Pembroke Pines  
Hampton Professional Center  
1951 NW 150<sup>th</sup> Avenue – Suite #104  
Pembroke Pines, FL 33028

## REGULAR MONTHLY MEETING – FEBRUARY 21, 2008

The three hundred and fiftieth meeting of the Firefighters and Police Officers Pension Fund in the City of Pembroke Pines was called to order at 2:05 p.m. by Chairman Anthony Napolitano.

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

Gary Arenson has requested an excused absence due to being out of town on business. Vicki Minnaugh moved to excuse Gary Arenson from attendance at this meeting. Isadore Nachimson seconded the motion and the motion carried unanimously.

**Others Present:** Larry Wilson from Gabriel, Roeder, Smith & Co.; Greg McNeillie from Dahab Associates; Alan Brand, Dwight Angelini and Nhat Nguyen from TA Associates Realty; Frank Walburn from Regions Morgan Keegan Trust; Robert Maddock from Inverness Counsel, Inc.; Lisa Chong, City Finance Department; F/F Kenneth Fritz, Robert Kern and Frank Musumeci; 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 12/31/2007.** Greg McNeillie reported that the fund's total gross return was -1.7% for the quarter ended 12/31/2007 with a portfolio value of \$274,753,009. At quarter end, investment of the total portfolio was 52.2% in domestic equities, 27.6% in fixed income (including State of Israel Bonds), 9.5% in international equities, 5.9% in real estate and 4.7% in cash and equivalents. Mr. McNeillie stated that 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:

<b>Quarter Ended 12/31/2007</b>								Trailing 12 Months
Equities	Equity Bench- mark	Fixed Income	Fixed Inc. Bench- mark	R.E.	R.E. Bench- mark	Total Portfolio		
Atlanta Capital	-2.7%	-4.6%	---	---	---	---	-2.6%	6.9%
Buckhead	-8.3%	-5.8%	---	---	---	---	-8.0%	-2.1%
Independence	-3.8%	-0.8%	---	---	---	---	-3.7%	11.2%
Inverness	-2.8%	-3.3%	2.8%	3.0%	---	---	0.5%	10.4%
Sawgrass	-4.5%	-4.6%	---	---	---	---	-4.2%	11.0%
SSgA Midcap	-6.0%	-2.7%	---	---	---	---	-6.0%	0.4%
SSgA Int'l. Equity	-2.3%	-0.6%	---	---	---	---	-2.3%	14.5%
Am. Realty Advisors	---	---	---	---	2.8%	3.2%	2.8%	17.0%
AmSouth Timber Fund	---	---	---	---	3.0%	3.9%	3.0%	N/A
BlackRock	---	---	---	---	2.7%	3.2%	2.7%	15.3%
TA Assoc. Realty	---	---	---	---	5.5%	3.2%	5.5%	N/A

**Equity Market** – The volatility of the third quarter spilled over into the fourth quarter as investors became increasingly nervous. That nervousness resulted in losses for all of the major domestic and developed market indices. The entire second half of 2007 was a very volatile time in the market, with all of the market components experiencing major swings. The quarterly figures do not capture the magnitude of those market swings. Large cap growth stocks recorded the best returns (smallest losses), while small

cap value turned in the worst figures. The best performing sector of the overall market (as measured by the S&P 500) was Energy, which was up 5.2%, followed by Computer Technology, which was up 3.6%. The worst performing sector was Finance, which lost 10.8% due in large measure to the sub-prime mortgage problems.

International Equities – Emerging markets continued to lead other investments as they gained 3.6% for the quarter. For the year they are up 39.7% and for three and five years, the annualized return for emerging markets were an astonishing 35.6% and 37.4% respectively. The best performing emerging market country for the quarter was Egypt, up 24.3%, followed by Jordan at 24.2%. However, for the calendar year 2007, Peru was the winner, up 94.7% and followed by Brazil at 80.0%.

Bond Market – The Federal Reserve cut rates twice – on October 31<sup>st</sup> and again on December 11<sup>th</sup>. Each cut was 0.25%, bringing the Fed Funds Rate down to 4.25%, the same level as it was at the end of 2005. As a result, yields were down across the board for US Treasuries and returns were strong. The Lehman Brothers Aggregate bond index returned 3.0% for the quarter and 7.0% for the year. Treasuries did better than corporate bonds last quarter as investors “flew to quality”, avoiding any potential credit problems or sub-prime mortgage exposure.

Cash Equivalents – Treasury bills returned 0.84% for the quarter, producing a trailing 12-month total return on cash and equivalents of 4.44%.

Mr. McNeillie expressed two areas that are of utmost concern at the present time: the continuing and serious under-performance of Buckhead Capital, and SSGA issues regarding loss of investment team staff. Both situations are being monitored closely with regard to any potential board action necessary. He is worried about Buckhead's stock selection abilities. By April, he will know about their performance for the Q/E 3/31/2008. Should it be the board's preference, he has no qualms about instituting a value manager search. Following discussion, Vicki Minnaugh moved to begin the RFP process for a large cap value manager. Steve Dougherty seconded the motion and the motion carried unanimously.

- Inverness Counsel – Investment / Market Report.** Robert Maddock represented the firm this date. A snapshot of the portfolio reflects a total value of \$136,074,193 with an asset allocation of 38.3% to equities, 53.7% to fixed income and 8.0% in cash and cash equivalents as of 12/31/2007. Mr. Maddock stated they anticipate the current quarter (3/31/2008) will also be a difficult reporting period. Inverness also provided the following written commentary:

*The fourth quarter was a challenging end to a difficult year. Inverness started the year expecting the market to perform in the neighborhood of 6%.*

*During 2008 ICI expects continued turmoil in oil producing regions, which can offset any weakness in demand brought on by a possible recession. Energy markets may pull back, but there is no question that fossil fuel production is near (if not past) its peak. There is still money to be made in the oil, gas and coal companies, but they are now “place holders” as alternatives become more viable. Near term we are excited about the prospects for service and E & P companies involved in natural gas.*

*Global turmoil will make it difficult for any president, regardless of party, to reduce defense spending for the foreseeable future.*

*ICI expects the weakness in the economy to be a big issue at least during the first half of the year. There is a good chance that we will witness a brief recession with the Fed doing everything it can to prevent or end the recession. This will make it extremely difficult for Mr. Bernanke to address inflation.*

*The state of the economy is likely to have an effect on the elections and is more likely to help the Democrats. The market could start to anticipate Capital Gains, Income, and Social Security tax increases and a reversion of the Estate Taxes to the old low exemption levels when they expire or replacement by new ones with only slightly higher lifetime exemptions. The new government will likely be expected to focus much of the proceeds on health care and some of the dollars from these taxes on infrastructure spending.*

*Inflation can have some pleasant side effects. As inflation weakens the dollar, exports improve and the tourist business in the U.S. will grow. The consumer who is hurting because he has “maxed out” his debt and no longer has access to the easy credit of some of the lending products that were available in prior years, will get a minor assist as inflation diminishes the value of his household debt relative to his income.*

*The performance of the market this year will be dependent on the timing of the possible recession mentioned above. During the recession, the market may fall as much as 15% to 20% below recent peak levels but, as the economy begins to come out of the recession, the market will improve. Since the market is good at anticipating, it could start to recover before the recession is over. The market could finish as much as 10% above 2007 year end figures, once the economy has recovered. The timing of all this is a little tricky since the recovery might or might not have occurred by the end of the year. Fortunately, our investment style is not driven by timing.*

*Inverness Counsel continues to focus on our “bottom up” selection process by making sure that what we buy and hold for client accounts is trading at a reasonable price based on both valuation and growth. Given the uncertain economy, this approach will be more essential than ever.*

4. **TA Associates Realty – Investment / Market Report.** Alan Brand, Dwight Angelini and Nhat Nguyen represented their firm this date. As of 12/31/2007 the portfolio reflected a market value of \$3,616,000. The next (partial) capital call for an additional \$500,000 will have a funding deadline of March 25, 2008. It is anticipated that the Pembroke Pines portfolio will be fully called and invested by mid-2008.

A summary of the corporate structure and philosophy was provided. Also discussed were various elements of Fund VIII – including property type, geographic diversification, and recent representative acquisitions.

5. **AmSouth Timber Fund – Investment / Market Report.** Frank Walburn (VP of the Timber Fund) represented the firm this date. The portfolio reflected a market value of \$1,026,518 as of 12/31/2007. Mr. Walburn reviewed highlights of recent placements (including the reasons why some of the efforts were unsuccessful) as well as potential placement opportunities for 2008. He also addressed drought effects on timberland.

Another capital call will likely be made sometime during 2008, with sufficient notice given for board approval.

6. **Approval of Minutes for January 17, 2008.** Chairman Napolitano presented minutes from the meeting of January 17, 2008 for approval. Vicki Minnaugh moved to approve. Carl Heim seconded the motion. The motion carried unanimously.
7. **Approval of Warrant #412.** Chairman Napolitano presented Warrant #412 in the amount of \$52,718.61 for approval and payment. Vicki Minnaugh moved to approve payment of Warrant #412 as presented. Isadore Nachimson seconded the motion. The motion carried unanimously, authorizing payment of:

Cypen & Cypen – Monthly Retainer for February, 2008		\$3,250.00	
Hampton Professional Center Condo No. 2 – Monthly Maintenance (Suite #104) for March, 2008		\$407.72	
Karen Warner – Mo. Allowance for February, 2008 (Med/Dental/Life)		\$375.00	
Plastridge Agency, Inc. – Renewal Premium (ERISA bond) Policy year 3/23/2008 – 3/23/2009		\$334.31	
McConnell Air Conditioning, Inc. – On-site service 1/17/2008		\$231.02	
Twilight Industries, LLC – Maintenance for February, 2008		\$152.00	
Atlanta Capital Management – Inv. Mgmt. Fees for Q/E 12/31/2007		\$24,088.00	
FWCJUA – Renewal Premium (Workers Compensation) Policy Year 3/04/2008 – 3/04/2009		\$1,493.00	
Anthony Napolitano – Conference Exp. Reimbursement (FPPTA)			
Mileage (480 @ .505/mi)	\$242.40		
Per Diem	240.00		
	\$482.40	\$482.40	

Strike Group, Inc. – External Drive (Server), UPS, Music on Hold	\$455.00
Dahab Associates, Inc. – Inv. Consultant Fees for Q/E 12/31/2007	\$21,237.54
Iron Mountain – Storage Fee (January 2008)	\$106.31
Iron Mountain – Storage Fee (February 2008)	\$106.31

**TOTAL** **\$52,718.61**

8. **Approval of DROP Benefit and Back-DROP Balance – Ordinance 1443 (Fire).** Vicki Minnaugh moved to approve the calculation of DROP Benefit and Back-DROP Balance as presented. Steve Dougherty seconded the motion. The motion carried unanimously to approve:

	DROP Eff. Date	DROP Term. Date	Form of Benefit	Back-DROP Additions
F/F Douglas Kraft	11/01/2007	10/31/2012	Joint & 100% Contingent	\$0.00

9. **Approval of DROP Benefit and Back-DROP Balance – Ordinance 1480 (Police).** Vicki Minnaugh moved to approve the calculation of DROP Benefit and Back-DROP Balance as presented. Isadore Nachimson seconded the motion. The motion carried unanimously to approve:

	DROP Eff. Date	DROP Term. Date	Form of Benefit	Back-DROP Additions
P/O David Light	1/01/2008	12/31/2012	Joint & 75% Contingent	\$0.00

10. **Request for DROP Account Distributions – P/O Kevin Buchholz, F/F Anthony Curtis, P/O Pamela Dutton and P/O Warren McLoughlin.** DROP account distribution requests have been received from P/O Kevin Buchholz (\$10,000 lump sum), F/F Anthony Curtis (\$15,000 lump sum), P/O Pamela Dutton (\$2,000 monthly) and P/O Warren McLoughlin (\$25,000 lump sum). 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 Kevin Buchholz, Anthony Curtis, Pamela Dutton and Warren McLoughlin. Isadore Nachimson seconded the motion. The motion carried unanimously.

### UNFINISHED BUSINESS

11. **Correspondence from F/F Kenneth Fritz to the State.** In a letter dated January 29<sup>th</sup> to Chairman Napolitano, Patricia Shoemaker advised she has received correspondence from F/F Kenneth Fritz regarding an alleged claim of discrimination based on marital status. Following discussion by the Trustees, it was determined that the bargaining units would attempt to resolve the issue through contract negotiations.

### NEW BUSINESS

12. **Review / Approve – Net Return for Q/E 12/31/2007.** Copies of the rate of return letter from Dahab Associates were distributed. Their correspondence indicates the return has been calculated at -1.81% (net of fees). Following discussion, Vicki Minnaugh moved to accept the rate of return for the Q/E 12/31/2007 as presented. Richard Moss seconded the motion. The motion carried unanimously. DROP statements will be finalized based upon this information

13. **Review / Approve – Revised Budget for FY 9/30/2008.**  
**– Proposed Budget for FY 9/30/2009.**

Agenda packets included revised and proposed budget information for FY's 2008 and 2009. Vicki Minnaugh moved to approve the revised and proposed budgets as presented. Steve Dougherty seconded the motion. The trustees discussed various line items, specifically suggesting an increase in rental expense for the new office location (in order to reflect it as a performing asset) and other minor modifications. The original motion and second was withdrawn. Vicki Minnaugh moved to approve the revised and proposed budgets, with dollar increases to the category of Rent, C.A.M. and other office expenses for 2008 and 2009 as well as other minor changes. Steve Dougherty seconded the motion. The motion carried unanimously.

14. **Annual Review – Plan Administrator.** Karen Warner stated that an employment contract had been developed and sent to Attorney Cypen for his review, given a recent employment situation with the Administrator at Ft. Lauderdale Police & Fire. Attorney Cypen explained he was not in favor of any of his clients entering into such an agreement with a Plan Administrator, because it only ultimately benefits the employee. Following discussion, the Trustees asked that Ms. Warner come back to the March 20<sup>th</sup> meeting with a step-plan pay proposal for her position, not unlike the proposals offered by fire and police bargaining units during negotiations. This matter will be continued at that time.

15. **Reports:**

**Actuary** – Larry Wilson stated his office has progressed to the “draft” stage of the 10/1/2007 valuation, and he hopes to present the completed report at the March 20<sup>th</sup> meeting. While there was good investment return for the year, other elements of the valuation process have generated what appears to be an increase in City contribution for the year – however he was very careful to point out that the work is only preliminary at this time.

Mr. Wilson mentioned the “415” issue and interpretation of the final regulations regarding application of the COLA, and whether the COLA can be excluded for purposes of the 415 maximum. A final determination on this matter is pending.

Discussion followed regarding the plan’s “normal form of benefit” and the alleged discrimination in favor of married members. Mr. Wilson has spoken with Attorney Cypen regarding the Kenneth Fritz letter (see agenda item #11). Attorney Cypen advised that the matter should be readdressed when F/F Fritz is present.

**Attorney** – None.

**Plan Administrator** – Karen Warner announced upcoming conferences – anyone interested in attending is encouraged to contact the Pension Office for registration information.

- Division of Retirement – Tallahassee (May 12 – 14)
- NCPERS – New Orleans (May 16 – 22)

The new conference table is being delivered on Friday, February 22<sup>nd</sup>.

The Annual Report is complete and ready to be filed with the State – Chairman and Secretary signatures needed before leaving today’s meeting.

James Fisher reported that all annual affidavits have been received with the exception of one (child’s benefit – Moloney). He has been in contact with the child’s mother, who advises the notarized form will be returned promptly.

The Pension Office is currently processing 2 disability applications – one is nearly finished, and it is hoped the informal hearing can be scheduled for March 20<sup>th</sup>. Medical records binders are being developed for distribution to Trustees in a timely manner.

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

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

18. **Adjournment** – Chairman Napolitano announced the next regular meeting would be held on Thursday, March 20, 2008 at 4:00 pm. There being no further business before the Board, Vicki Minnaugh moved to adjourn the meeting at 5:50 p.m. Steve Dougherty seconded the motion. The motion carried unanimously.

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Anthony Napolitano – Chairman

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John Birkenheuer – Secretary