

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

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

REGULAR MONTHLY MEETING – MAY 15, 2008

The three hundred and fifty-third 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.

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 <i>(via phone)</i>	Carl Heim	Isadore Nachimson
		Anthony Napolitano	James Ryan	

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

Others Present: Greg McNeillie from Dahab Associates; Mary McTague and Chip Reed from Atlanta Capital Management; Dean McQuiddy from Sawgrass Asset Management; Henry Renard and Robert Maddock from Inverness Counsel, Inc.; Joseph E. White III from Saxena White, PA; Daniel Rotstein, City HR Director; Rene Gonzalez, City Finance Director; F/F Kenneth Fritz 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 3/31/2008.** Greg McNeillie reported that the fund's total gross return was -5.3% for the quarter ended 3/31/2008 with a portfolio value of \$262,450,551. At quarter end, investment of the total portfolio was 48.9% in domestic equities, 29.5% in fixed income (including State of Israel Bonds), 9.0% in international equities, 6.4% in real estate and 6.2% 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:

Quarter Ended 3/31/2008							
	Equity	Fixed	Fixed Inc.		R.E.	Total	Trailing
Equities	Bench-	Income	Bench-	R.E.	Bench-	Portfolio	12
	mark		mark		mark		Months
Atlanta Capital	-5.0%	-9.9%	---	---	---	-4.8%	-0.4%
Buckhead	-7.4%	-8.7%	---	---	---	-6.8%	-9.8%
Independence	-9.6%	-10.2%	---	---	---	-9.5%	-0.1%
Inverness	-8.6%	-9.4%	2.8%	2.8%	---	-1.7%	6.3%
Sawgrass	-18.4%	-9.9%	---	---	---	-18.0%	-11.1%
SSgA Midcap	-15.1%	-8.9%	---	---	---	-15.1%	-19.4%
SSgA Int'l. Equity	-9.5%	-9.1%	---	---	---	-9.5%	0.1%
Am. Realty Advisors	---	---	---	---	1.2%	4.5%	13.0%
AmSouth Timber Fund	---	---	---	---	0.5%	9.4%	N/A
BlackRock	---	---	---	---	1.2%	4.5%	12.4%
TA Assoc. Realty	---	---	---	---	1.1%	4.5%	N/A

For discussion purposes, Mr. McNeillie assigned a “letter grade” to each manager’s quarter performance, summarized as follows:

Inverness	A+ (equities)	C (fixed income)
Independence	B-	
Buckhead	D	
Atlanta Capital	A	
Sawgrass	C-	
SSgA Midcap	F	
SSgA International	B	

Discussion followed, particularly with regard to Buckhead’s performance, as well as that of the SSgA Midcap portfolio. Buckhead has made some very bad decisions over the past couple of years – and that is why a large cap value manager search is currently in progress. As for State Street, this is the third quarter in a row to report big under-performance – and Mr. McNeillie is at a loss for *why* this is the case. All of SSgA’s out-performance over the last 5 years has been given back over the last 3 quarters, and he recommends that the board consider changing up the State Street investment. Gary Arenson moved to approve getting out of the Midcap Fund with State Street and reinvesting the money in the S&P 400 Index Fund with State Street. James Ryan seconded the motion. The motion carried unanimously.

Large Cap Value Manager Search – Dahab received 77 responses to their RFP, and copies of the results were distributed. Mr. McNeillie reviewed the multi-step elimination process and suggested splitting the Buckhead portfolio in half, giving approximately \$10M to a new “quantitative” manager, and deferring the final decision on a new “fundamental” manager until Buckhead’s results for the next quarter or two are determined. Following discussion, Gary Arenson moved to conduct interviews with the following Quantitative managers: Eaton Vance Management, Paradigm Asset Management and Systematic Financial Management. In addition, to conduct interviews with the following Fundamental managers if warranted: Atlanta Life Investment Advisors, Evergreen Investments and Loomis, Sayles & Company. Isadore Nachimson seconded the motion. The motion carried unanimously.

Mr. McNeillie will contact all finalists and work with the Pension Office to coordinate manager presentations. Written presentations must be received no less than one week prior to the actual interviews.

- 3. Sawgrass Asset Management – Investment / Market Report.** Dean McQuiddy represented the firm this date. A snapshot of the portfolio reflects a total value of \$9,508,509 as of 3/31/2008. It was a difficult quarter resulting in the portfolio’s under-performance; however, there has been a strong rebound during the months of April and May, and continued improvement is evidence of positive trends and being able to close the gap vs. the benchmark. On an annualized basis, since inception Sawgrass has added value at major market peaks, while minimizing losses in the downturns. The question that now looms over the market is whether the worst has been discounted, leaving stocks capable of looking forward to better conditions? The market’s recent rally could be the beginning of a new up-trend. A coming together of bullish factors exists that could provide significant support to equities in the intermediate term. Sawgrass continues to focus on higher quality growth companies – which should serve them well in an environment characterized by slower growth and higher uncertainty.
- 4. Atlanta Capital Management – Investment / Market Report.** Mary McTague and Chip Reed represented the firm this date. As of 3/31/2008, the portfolio value was reported to be \$13,084,547. The equity portion of the portfolio returned -4.9% for the quarter vs. -9.9% return for the Russell 2000 Index. They anticipate high-single-digit or low-double-digit returns for the year. During the first quarter of 2008, the Federal Reserve moved aggressively to counter economic and credit market woes; the US dollar continued to decline on world currency markets; the credit crises worsened; the odds of a recession rose; Congress and the Administration moved aggressively by paving the way for this summer’s tax stimulus payments; and most world stock markets declined sharply. ACM believes the worst of the credit crisis is over. The damage to financial company balance sheets was substantial and market volatility will persist. Higher quality stocks and bonds should out-perform in 2008, reversing five years of lackluster relative returns. They anticipate consumer spending will be impacted by falling home prices and rising energy costs. But government spending increases, Fed interest rate cuts, innovative liquidity injections and export growth should lead to a better economy in the second half of 2008. As for GDP growth, a reacceleration should occur as fiscal and monetary stimulus kicks in later in the year.

5. **Inverness Counsel – Investment / Market Report.** Henry Renard and Robert Maddock represented the firm this date. The portfolio value on 3/31/2008 was reported at \$135,625,724 with an asset allocation of 36.0% to equities, 55.5% to fixed income and 8.4% in cash and cash equivalents. Mr. Maddock reported that, as of May 9th, the year-to-date equity return was 4.2%. They believe the reason this portfolio did as well as it did is because of maintaining a lighter than normal position in Financials than the S&P. While the Energy sector has done very well, Inverness is concerned about the risk attached to Oil in light of world-wide disasters. They believe there is a trend moving toward Natural Gas because it is cleaner in nature. Inverness is also concerned about inflation.

Mr. Renard stated that the biggest problem facing the market over the next six months will be the election, as rhetoric will heat up significantly which will cause a certain amount of volatility. As for the Tallahassee bill affecting the amount of foreign stocks held, Inverness was disappointed that the bill was pushed aside. He explained that there is a foreign component in the Inverness portfolio that has done pretty well over the last three years. Mr. Renard closed by noting that their biggest change is in a commitment to Financials, particularly banks.

Inverness also provided the following written commentary:

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. We expect gas to move to, or above, the 6:1 equilibrium level in the next year.

We expect companies such as ABB and GE to participate in creating the electrical transmission infrastructure needed to support the distribution of energy from alternative sources, regardless of which approach wins.

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 a recession began at the end of last year. The Fed has been doing everything it can to prevent or end the recession. This makes 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. However, the ugliness of the nomination campaign has made their success less certain than it was a few months ago. The market could start to anticipate Capital Gains, Income, and Social Security tax increases if the Democrats pull ahead. 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. We also expect a period of increasing regulation which tends to impose a greater administrative burden as a percent of sales on smaller companies; thus, ironically, making the environment more favorable for larger companies.

Inflation can have some pleasant side effects initially. 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 inflated income. In the long run, the problems will outweigh the benefits and inflation will have to be addressed. Inflation reduces the value of fixed income investments as nominal rates rise to accommodate expected inflation.

The performance of the market this year will be dependent on the timing of the recession mentioned above. During the first quarter, the S&P 500 fell to a low of 1256.98 which was 14.4% below the end of the prior quarter and 20.25% below the recent high the market reached in October. During recessions, the market tends to fall at least 20% below recent peak levels. Even after some recovery, the market ended the quarter having returned -9.4%. The market has moved up 6.1% since then. We expect another wave of home sales from defaulting independent home builders to create one more test for the market, and for financials, some time in the next few months. Since the market is good at anticipating, it

could start to recover before the recession is over. The market could reach as much as 10% above 2007 year end figures, once the economy has recovered. The recovery might or might not have occurred by the end of the year.

Fortunately, our investment style is not driven by timing. While performance at Inverness has suffered in absolute terms, we have outperformed on a relative basis. 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.

6. **Approval of Minutes for April 17, 2008.** Chairman Napolitano presented minutes from the meeting of April 17, 2008 for approval. Gary Arenson moved to approve. Isadore Nachimson seconded the motion. The motion carried unanimously.
7. **Approval of Warrant #420.** Chairman Napolitano presented Warrant #420 in the amount of \$36,112.35 for approval and payment. James Ryan moved to approve payment of Warrant #420 as presented. Isadore Nachimson seconded the motion. The motion carried unanimously, authorizing payment of:

Cypen & Cypen – Monthly Retainer for May, 2008	\$3,250.00
Hampton Professional Center Condo No. 2 – Monthly Maintenance (Suite #104) for June, 2008	\$407.72
Karen Warner – Mo. Allowance for May, 2008 (Med/Dental/Life)	\$375.00
LEAF – Xerox Copier Lease for May, 2008	\$194.23
Twilight Industries, LLC – Office Maintenance for May, 2008	\$152.00
Purchase Power – Postage refill (outstanding balance)	\$49.37
Karen Warner – Reimb. Payment to Florida U.C. Fund (3/31/2008)	\$14.00
Atlanta Capital Management – Mgmt. Fee for Q/E 3/31/2008	\$22,898.00
Pitney Bowes – Postage Machine supplies	\$51.98
Iron Mountain – Records Storage for May, 2008	\$105.00
F/F Stuart Pester – Mo. Retirement Benefit Commencing 6/1/2008	***

*** (See Attachment A)

TOTAL

\$36,112.35

8. **Approval of DROP Benefits and Back-DROP Balances – Ordinance 1443 (Fire).** Steve Dougherty moved to approve the calculation of DROP Benefits and Back-DROP Balances as presented. James Ryan seconded the motion. The motion carried unanimously to approve:

	DROP Eff. Date	DROP Term. Date	Form of Benefit	Back-DROP Additions
F/F David S. Whitworth	5/01/2008	4/30/2013	Joint & 100% Contingent	\$ 0.00

UNFINISHED BUSINESS

9. **Disability Offset (Workers Compensation) – P/O Anthony Arcuri.** Agenda packets included Mr. Arcuri's request for a one month extension as he prepares to come before the Board again in this matter. Isadore Nachimson moved to approve P/O Arcuri's request to postpone further Board consideration until the June 19th meeting. Gary Arenson seconded the motion. The motion carried unanimously.
10. **Impact Statement / Ordinance – Married Assumption for Single Members.** Agenda packets included the March 15, 2007 Actuarial Impact Statement prepared by GRS, indicating a first year annual City contribution of \$56,197 (or 0.2% of covered payroll). Karen Warner explained that the AIS was based upon 10/1/2006 valuation data, and that Actuary Wilson had expressed concern over whether this would be acceptable to the State because it is not current. Chairman Napolitano stated he does not feel this is a union issue. Individual trustees took the opportunity to express their frustration with the sequence of events thus far, and that the Board is no closer to a resolution than it was months ago. Gary Arenson moved that the following steps be taken to resolve this matter:

	<u>For the motion:</u>	<u>Against the motion:</u>	<u>Abstention:</u>
Gary Arenson	✓		
John Birkenheuer			✓ (as noted above)
Steve Dougherty	✓		
Carl Heim	✓		
Richard Moss	✓		
Isadore Nachimson	✓		
Anthony Napolitano	✓		
James Ryan	✓		
	7	N/A	1

The motion carried.

14. **Invoices from Gabriel, Roeder, Smith & Co.** James Fisher introduced the matter of four months' worth of invoices just received from GRS. Larry Wilson requested a \$100 increase in the fee charged for calculations, which was approved at the March 20th pension meeting, bringing the fee to \$390 (including a cost-of-living increase per contract). It is apparent that the \$390 fee has been applied retroactively to January 1, 2008. Our review indicates there are some 20 to 25 calculations invoiced at the higher amount, even though they were completed prior to the March 20th meeting. Following discussion, Gary Arenson moved to revise the outstanding invoices, as appropriate, to reflect the increased fee only for calculations performed after March 20, 2008. James Ryan seconded the motion. The motion carried unanimously.

Discussion continued regarding a \$390 charge for the "John Doe" calculation presented at the April 17th meeting. Mr. Wilson stated this work was requested by Attorney Cypen, who had no recollection of same. Gary Arenson moved to decrease the April invoice total by \$390. In addition, any future work to be performed not covered by the contractual Annual Valuation fee or benefit calculation flat fee will require written authorization either by the Chairman or Pension Office staff. Carl Heim seconded the motion. The motion carried unanimously.

Discussion continued regarding potentially problematic charges during March and April for revisions to the Actuarial Valuation. The trustees would like to see a time back-up reconciliation to substantiate the charges. The Pension Office was directed to request that this information be made available for the June 19th meeting, at which time the board will seek further explanation from Larry Wilson. Gary Arenson moved to request a time back-up reconciliation from the Actuary in support of the additional fees charged, and to defer payment of those amounts until clarified. Isadore Nachimson seconded the motion. The motion carried unanimously.

15. **Information Published in Monthly Minutes.** As discussed at the April meeting, James Fisher contacted Attorney Cypen's office for written options regarding the disclosure of detailed and specific member information in the official minutes. Alison Bieler suggested the board might consider the use of an attachment for noting specific and detailed member information, while noting only generalized information in the minutes made available for distribution or posting on the website. Following further comments, the Pension Office staff was directed to implement the attachment process immediately.

16. **Reports:**

Actuary – None.

Attorney – Attorney Cypen mentioned HB 171 which would have increased the allowable foreign investment maximum from 10% to 25%. The bill died in committee this year.

Chairman – Chairman Napolitano and Asst. City Attorney Julie Klahr continue to work on ordinance language revisions – trustee input is still requested for any areas of concern.

On a personal level, Chairman Napolitano is unhappy with the GRS fee situation. He is very concerned about the actuarial costs as well as the lack of smooth and quick resolution to plan issues. He is anxious to hear Larry Wilson's explanations at the June meeting.

Plan Administrator – The Pension Office is in receipt of additional bills for payment and other benefit disbursements for approval. Chairman Napolitano presented Warrant #421 for addition to the agenda and approval for payment. Gary Arenson moved to add Warrant #421 to the agenda. Isadore Nachimson seconded the motion. The motion carried unanimously.

Gary Arenson moved to approve payment of Warrant #421 presented in the amount of \$149,864.97, but with amounts payable to Gabriel, Roeder, Smith & Company revised as previously discussed under agenda item #14. Isadore Nachimson seconded the motion. The motion carried unanimously, authorizing payment of the following:

P/O Carl Heim –Conf. Reimb. (Stars & Stripes) Hotel	\$1,049.44	
Per Diem	240.00	
Mileage 358 @ \$.505/mi	180.79	
Tolls	6.00	
	<u>\$1,476.23</u>	\$1,476.23
P/O John Birkenheuer –Conf. Reimb. (Stars & Stripes) Hotel	\$1,165.61	
Per Diem	240.00	
Mileage 366 @ \$.505/mi	184.83	
Tolls	3.00	
	<u>\$1,593.44</u>	\$1,593.44
Margaret Starr, MD – Disability IME (P/O Kim Birkenheuer)		\$175.00
James Fisher –Conf. Reimb. (Stars & Stripes) Per Diem	\$180.00	
Taxi	40.00	
Mileage 375 @ \$.505/mi	189.38	
Tolls	6.00	
	<u>\$415.38</u>	\$415.38
James Fisher – Semi-monthly Payroll effective 4/1/2008 (Payable commencing 4/15/2008)		
Gross \$2,470.00 Fed WH (235.00) FICA (153.14) Medi (35.82)		\$2,046.04
US Treasury f.b.o James Fisher – 941 Tax to be paid for each period, commencing 4/15/2008		\$612.92
Fiduciary Trust Company (Inverness) – Custody Fee for Q/E 4/2008		\$13,857.03
Fiduciary Trust Company (Atlanta Capital) Custody Fee for Q/E 4/2008		\$1,336.00
Strike Group Inc. – Speakers for computer		\$35.00
Dahab Associates, Inc. – Consulting Fee for Q/E 3/31/2008		\$20,622.53
SunTrust Visa (Fisher)		
DirecTV	\$47.51	
Hotel (Stars & Stripes)	739.22	
Parking (Stars & Stripes)	79.73	
Gas	6.01	
BellSouth	282.63	
Storage Unit	86.66	
	<u>\$1,241.76</u>	\$1,241.76
SunTrust Visa (Warner)		
ISP	\$24.95	
Bd Mtg / Off Supplies	609.16	
FP&L	159.62	
	<u>\$793.73</u>	\$793.73
Karen Warner – Conf. Reimb. (Div. of Retirement) Hotel Parking	\$6.00	
Per Diem	180.00	
	<u>\$186.00</u>	\$186.00
Allianz Life f.b.o. F/F Andrew J. Garcia (Terminated 3/10/2008)		***
Gabriel, Roeder, Smith & Co. – Prof. Services for January, 2008		\$8,440.00
Gabriel, Roeder, Smith & Co. – Prof. Services for February, 2008		\$12,470.00
Gabriel, Roeder, Smith & Co. – Prof. Services for March, 2008		\$23,094.00
Gabriel, Roeder, Smith & Co. – Prof. Services for April, 2008		\$6,360.00

*** (See Attachment A)

REVISED TOTAL

\$141,025.97

Reminder: FPPTA conference in Orlando June 29th – July 2nd. Chairman Napolitano and Trustees Gary Arenson and John Birkenheuer asked to be registered and TO BE provided with hotel information.

Fiduciary Trust has requested an updated letter identifying Karen Warner and/or James Fisher as individuals authorized to direct them on administrative matters of the fund. Gary Arenson moved to execute the letter requested by Fiduciary Trust. Steve Dougherty seconded the motion. The motion carried unanimously. The letter was circulated for the appropriate signatures.

Information Only: Chairman Napolitano will be exiting the DROP in August. Because his term on the board is due to expire on 9/30/2009, it will be necessary to run an interim election for the remainder of his term. In addition, the 2-year positions of Steve Dougherty (Fire) and James Ryan (Police) will expire on 9/30/2008. We will begin the self-nomination process for these three positions in July.

17. **Input from Retirees:** None.
18. **Input from Active Members:** F/F Frank Musumeci questioned whether a member who had started a military buy-back, and then due to unforeseen circumstances changed his mind, could receive a refund of the buy-back amounts paid? Attorney Cypen explained that he could not – it is irrevocable.
19. **Adjournment** – Chairman Napolitano announced the next regular meeting would be held on Thursday, June 19, 2008 at 4:00 pm. There being no further business before the Board, Carl Heim moved to adjourn the meeting at 6:00 p.m. James Ryan seconded the motion. The motion carried unanimously.

Anthony Napolitano – Chairman

John Birkenheuer – Secretary

**ATTACHMENT "A"
TO THE MINUTES OF
MAY 15, 2008**

Agenda Item #	Detail	Amount
7	F/F Stuart Pester – Mo. Retirement Benefits commencing 6/1/2008	\$8,615.05
16	Allianz Life – Direct Rollover (Refund of Contributions) for F/F Andrew J. Garcia (Terminated 3/10/2008) Contributions \$42,173.63 + Interest \$4,097.28 FIT \$0.00	\$46,270.91