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 – NOVEMBER 20, 2008

The three hundred and fifty-ninth 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 James Ryan.

1. Roll Call –

Fire Members	Police Members	City Members
Adam Cabeza	John Birkenheuer	Gary Arenson
Richard Moss	Carl Heim	Vicki Minnaugh
	James Ryan	Isadore Nachimson

Due to being out of town, Steve Dougherty has requested an excused absence. Gary Arenson moved to excuse the absence of Steve Dougherty. Carl Heim seconded the motion. The motion carried unanimously.

Others Present: Greg McNeillie from Dahab Associates; Allison Corbally from State Street Global Advisors; Richelle Hayes from American Realty Advisors; Kate Jonas and Andrew Piekarski from BlackRock Realty; Henry Renard and Robert Maddock from Inverness Counsel, Inc.; Larry Wilson from Gabriel, Roeder, Smith & Co.; Andrea Wolfson, Esq.; Disability Retiree P/O Anthony Arcuri (and wife Mary); P/O Edward Bolliger and Kevin Peddy; Rene Gonzalez, City Finance Director; Daniel Rotstein, City HR Director; 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 and F/Y Ended 9/30/2008. Greg McNeillie reported that the fund's total gross return was -6.7% for the quarter ended 9/30/2008 with a portfolio value of $249,645,236. At fiscal year end, investment of the total portfolio was 47.1% in domestic equities, 30.4% in fixed income (including State of Israel Bonds), 7.3% in international equities, 8.8% in real estate and 6.5% 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 9/30/2008							
	Equities	Equity Bench-mark	Fixed Income	Fixed Inc. Bench-mark	R.E.	R.E. Bench-mark	Total Portfolio	Trailing 12 Months
Am. Realty Advisors	---	---	---	---	-0.3%	-0.2%	-0.3%	5.3%
AmSouth Timber Fd.	---	---	---	---	2.1%	1.0%	2.1%	6.6%
Atlanta Capital	3.9%	-1.1%	---	---	---	---	3.8%	-5.9%
BlackRock	---	---	---	---	-0.9%	-0.2%	-0.9%	2.5%
Buckhead	-4.7%	-6.1%	---	---	---	---	-1.8%	-17.9%
Eaton Vance	NR	NR	---	---	---	---	NR	N/A
Independence	-15.0%	-12.3%	---	---	---	---	-14.9%	-25.2%
Inverness	-8.7%	-8.4%	-1.7%	-1.4%	---	---	-3.8%	-5.8%
Sawgrass	-14.6%	-1.1%	---	---	---	---	-14.2%	-26.2%
SSgA Midcap	-13.2%	-10.9%	---	---	---	---	-13.2%	-29.0%
SSgA Intl Equity	-24.1%	-21.8%	---	---	---	---	-24.1%	-32.3%
TA Assoc Realty	---	---	---	---	0.9%	-0.2%	0.9%	9.5%

Mr. McNeillie stated that this fund has performed better than most in a difficult market, by continuing to maintain a well-diversified portfolio. With a negative quarter return of -6.7%, the fund ranked in the 26th percentile in the plan sponsor universe, noting that the overall return is not bad *on a relative basis*. The median return was -8.4%. The fund's underperformance is due in large part to the international equity portion of assets under management. With respect to fixed income, Mr. McNeillie explained that any manager with corporate bond exposure suffered big losses for the quarter. Positive returns were reflected in the Real Estate core plus (TA Associates) and in Timber (Regions / AmSouth).

Discussion turned to the matter of SSgA's proposed international investment, since the decision has been made to close their International Growth Opportunities Fund. Contracts for the new investment have been provided to Attorney Cypen for his review; Mr. Cypen has expressed concern over the securities lending provision. Mr. McNeillie explained the structure of bank co-mingled trust funds vs. ERISA co-mingled funds and recommended making the transition to SSgA's ERISA co-mingled fund. Currently, ten percent (10%) of the investment is available for securities lending; twenty percent (20%) would be subject to securities lending under the proposed new investment. SSgA quarterly management fees are offset by securities lending income. However, if the Board chooses not to transition into SSgA's new product, then a search will need to be initiated.

3. **State Street Global Advisors.** Allison Corbally addressed the matter of change in SSgA's International Equity Fund. She explained that a decision has been made to close the International Growth Opportunities Fund (IGOF) and replace it with the All International Allocation Fund investing in ERISA-quality assets. She stressed that the portfolio's exposure to emerging markets will not change, nor will the benchmark or investment guidelines. Discussion followed regarding recent headlines as they pertain to the banking industry. Ms. Corbally noted that the lawsuits, bank issues and huge losses are *quality (credit) issues* and not liquidity issues. All financial institutions are faced with liquidity issues. Ms. Corbally added that SSgA is not faced with any credit issues, and they have experienced no losses due to the securities lending program. The portfolio currently participates in securities lending at a 10% level. Under the new investment fund, the level would increase to approximately 20%. Ms. Corbally acknowledged Attorney Cypen's concerns regarding securities lending, stressing that she believes he is concerned about credit issues rather than issues of liquidity. Lengthy discussion followed regarding the ability to liquidate a portion of the co-mingled fund and redistribute that amount into an index fund. The Trustees also expressed interest in understanding why securities lending appears to be an issue at this point, when the portfolio is already participating in such a program. Ms. Corbally stated that a transition decision needs to be made by mid-December. Vicki Minnaugh moved to table a decision pending receipt of Ms. Corbally's responses regarding the IGOF value, liquidity alternatives and any other issues that may help the Trustees to make an informed decision. Gary Arenson seconded the motion. The motion carried unanimously.

4. **American Realty Advisors – Investment / Market Report.** Richelle Hayes represented the firm this date. She reported a portfolio value of $5,730,345 as of 9/30/2008. Gross and net returns for the quarter were -0.30% and -0.56% respectively – their first negative return reported since becoming a manager for this fund. Since inception, gross annualized returns are 10.78%, with net annualized returns reported to be 9.69%. Ms. Hayes stated there have been no changes in the firm or in its structure, no litigations and no credit issues. The only issue to report is that some of their properties were insured with AIG; however the firm has been assured there will be no fallout due to that situation. The American Core Realty Fund is an open-end diversified core co-mingled fund consisting of over $2.1 billion gross market value, invested in 78 properties nationwide, and comprised of 168 clients. All assets owned are income-producing assets – offices, retail centers, industrial, and apartment complexes – and Ms. Hayes reported 94% occupancy as of 9/30/2008. Because commercial real estate tends to lag the market, negative net returns should be expected for the next two or three quarters.

5. **BlackRock Realty – Investment / Market Report.** Kate Jonas and Andrew Piekarski represented the firm this date. Ms. Jonas explained that BlackRock has recently been in the news regarding a couple of issues. On September 15th, Merrill Lynch (a 49% owner of BlackRock) was purchased by Bank of America. The transaction is expected to close during the first quarter of 2009, and no significant changes are anticipated due to Bank of America's minority shareholder status. Secondly, as with many other firms, BlackRock found it necessary to implement a reduction in workforce; however, it was noted that personnel involved with the Pembroke Pines portfolio were not impacted.

Mr. Piekarski reviewed the real estate market conditions in general, fund objectives, attributes, strategies and portfolio positioning. The fund is fully diversified both by market type and by geographic location. The portfolio returned -0.7% vs. the benchmark return of -0.2% for the quarter ended 9/30/2008. The trailing 12 month return was reported to be 3.5% vs. the benchmark return of 5.3%. BlackRock's strategy going forward includes reducing leverage, maintaining a strong emphasis on asset management and portfolio positioning, continuing to seek out value-added components and mezzanine lending (taking a higher loan-to-value position on an asset).

6. **Inverness Counsel** – **Investment / Market Report.** Henry Renard and Robert Maddock represented the firm this date. The portfolio value on 9/30/2008 was $130,369,747 with an asset allocation of 32.0% to equities, 56.4% to fixed income and 11.6% in cash and cash equivalents.

Mr. Maddock addressed many aspects of the current economic situation. He stated that the government is throwing huge sums of money at the financial crisis, and quoted Fed Chairman Bernanke that "deflation is a serious risk". The new Administration indicates they are eager to do sweeping stimulus things irrespective of a mountain of Federal debt. Mr. Maddock added that one disappointment in the Inverness strategy has been in the Energy sector (natural gas exploration and production stocks); however, they remain optimistic about price recovery. Mr. Renard spoke briefly regarding the bond market, stating that it has been just as volatile as the stock market.

Inverness also provided the following written commentary:

Recent market conditions have been challenging to say the least. The S&P performance year to date has been down roughly 40% a figure that is worse than that of the 1970s bear and requires going back to the depression or the panic of 1907 to find a comparison. While we have been outperforming the market and have been underweight in the equities this year, that is scant comfort in the face of the kinds of contributions which will be needed if the markets don't recover soon. We would therefore like to highlight the issues that the market faces going forward and what will be needed for a recovery in the market.

The government has been throwing all sorts of money at the crisis, so why is the economy still headed down and why is the dollar still deflating? There is no question that government policy has an impact on the economy and on inflation. However there is a lag between the time that the government does something and the time that it is felt in the economy. The first impact is usually 9 months afterword and the final impact can take as much as 18 months. It will take a while before we really see the result of the rate cuts and the stimulus, and bailout packages. Make no mistake we do see the impact coming at some point. The level of the adjusted monetary base has exploded in recent weeks up 38% year over year. This is the highest level seen since 1939 and is huge in contrast to a level that has ranged between 0% and 10% in the last several decades with the level closer to 0% in the last year. When inflation comes it could be quite stunning.

When that will happen is unclear because Fed and bailout stimuli have been more than balanced so far by the tightening of credit standards for consumers and home loans as well as the margin requirements for hedge funds. Until the hedge funds are done unloading assets to bring themselves in line with liquidation demands as well as the tighter standards and the consumer feels he has paid down enough debt, we will continue to have negative pressure on the market. However, there are strong indications that the new administration feels that it has a strong mandate to engage in further stimulative activities particularly in areas of infrastructure for such things as rails, the power grid, and research. These areas are likely to be direct beneficiaries of new policy but also serve as conduits of additional stimulative money supply.

Another issue to keep an eye on is the mountain of federal debt held in foreign countries. So far those countries have been content to continue to roll their holdings over and acquire further treasuries with the proceeds of trade surpluses that those nations have had with us. It is worth noting that those countries are making increasing sounds of discontent and now that the US consumer has gotten religion about consuming less and the price of the fuel we buy to commute to work has fallen by more than 50%, those surpluses (trade deficits from our point of view) may dwindle to the point where those countries can no longer afford to buy new Treasury bonds or even roll old ones if they are not going to get a good rate. When that happens, one of two things will happen rates will either rise or the Fed will buy those treasuries in and monetize them (which is a nice way of saying that we will print our way out of debt). Given the current difficult environment and the will of the people at the Federal Reserve to avoid a huge rise in rates, we expect that that will be the point that inflation will reappear.

While many of the moves that we have made so far this year have worked, one major disappointment has been our strategy in remaining invested in the energy sector via natural gas exploration stocks. These companies have experienced major drops as natural gas has gone down. We remain optimistic about the commodity because we expect prices to recover even in the face of a slowdown as we move past a seasonal price decline, reserves deplete by 30% per year for older reserves and 70% for some of the newer shale based reserves and those reserves are not replaced. Also, many of the policies of the new administration are going to encourage a move away from coal and toward gas not only as a direct replacement for coal but as a feedstock for many of the alternative energy sources which will be *encouraged. It doesn't hurt that the major diversified energy companies will need to replace reserves of their own which they have allowed to deplete over the last several years. They may find it is cheaper to buy companies than to go out and do new work, so we may see some M&A work supporting prices in the sector while we wait for natural gas prices to recover. The other factor which has had a painful impact on the prices of these companies as well as the commodity they sell has been the liquidation of hedge funds noted above. As also noted above, this too shall pass and the pricing dynamic for company and commodity should change at that point.*

In the meantime Inverness continues to analyze companies on the basis of how they are priced versus expected future earnings and growth and even with diminished expectations we are finding that many of these companies are priced far cheaper than reasonable levels.

The Board recessed at 4:45 p.m. and reconvened at 5:00 p.m.

7. **Approval of Minutes for October 16, 2008.** Chairman Ryan presented minutes from the meeting of October 16, 2008 for approval. Vicki Minnaugh moved to approve. Gary Arenson seconded the motion. The motion carried unanimously.

8. **Approval of Warrant #438.** Chairman Ryan presented Warrant #438 in the amount of $56,971.41 for approval and payment. Vicki Minnaugh moved to approve payment of Warrant #438 as presented. Gary Arenson seconded the motion. The motion carried unanimously, authorizing the payment of:

Cypen & Cypen – Monthly Retainer for November, 2008			$3,250.00
Hampton Professional Center Condo No. 2 – Monthly Maintenance (Suite #104) for December, 2008			$407.72
Karen Warner – Mo. Allowance for November, 2008 (Med/Dental/Life)			$375.00
LEAF – Xerox Copier Lease for October, 2008			$194.23
Twilight Industries, LLC – Office Maintenance for November, 2008			$152.00
Atlanta Capital Management – Mgmt. Fee for Q/E 9/30/2008			$23,154.00
Holland & Knight LLP – Progress Billing (Letter of Determination)			$1,225.00
Broward County Revenue Collection – 2008 Fire Protection Assessment			$654.27
SunTrust Bank (Visa – Fisher)	AT&T	$370.75	
	Pest Control	35.00	
	Gas	47.75	
	DirecTV (2 months)	174.24	
	Bellsouth	398.76	
	Storage Unit	104.00	
		$1,130.50	$1,130.50
SunTrust Bank (Visa – Warner)	Div. of Retirement Hotel (Cabeza)	$435.00	
	ISP (2 months)	49.90	
	Bd Mtg / Off Supplies / Equip.	421.29	
	FP&L	174.78	
		$1,080.97	$1,080.97
Fiduciary Trust Company – Custody Fee for Q/E 10/31/2008 (Atlanta)			$1,104.42
Fiduciary Trust Company – Custody Fee for Q/E 10/31/2008 (Inverness)			$12,251.30
Gabriel, Roeder, Smith & Co. – Prof. Fees for October, 2008			$11,992.00
		TOTAL	**$56,971.41**

9. **Approval of DROP Benefits and Back-DROP Balances – Ordinance 1443 (Fire).** 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
F/F Allen J. Watson	10/01/2008	9/30/2013	Joint & 100% Contingent	$ 0.00

10. **Request for DROP Account Distributions – F/F Todd Nelson and F/F Van Patterson.** The following DROP account distribution requests were presented for Board consideration:

- F/F Todd Nelson   Lump Sum ***
- F/F Van Patterson   Lump Sum ***

*** (See Attachment A)

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 Todd Nelson and Van Patterson as presented. Isadore Nachimson seconded the motion. The motion carried unanimously.

UNFINISHED BUSINESS

11. **Disability Offset (Workers Compensation) – P/O Anthony Arcuri.**

Mr. Arcuri was present with his legal counsel, Andrea Wolfson, Esq. Attorney Cypen opened the discussion with a summary of where the matter currently stands. He stated that it is his opinion the only relevant issue is whether the $59,000 to be recovered by the pension fund can and should be reduced. Ms. Wolfson distributed alternative methods of calculating Mr. Arcuri's offset, explained the calculations, and continued to argue the same points as in prior meetings. Attorney Cypen stated he is at odds with Ms. Wolfson's representations and has a problem with setting a precedent based upon unsubstantiated claims. Should the Board decide on a reduction in the amount to be recovered, he would insist that a resolution be signed whereby Mr. Arcuri indicates satisfaction with the arrangement and agrees there will be no litigation. Lengthy discussion followed regarding Attorney Coican's letter of explanation dated October 29, 2008 to the Trustees, and questions directed to Mr. Arcuri including whether he was recording this discussion (no) and his current job / work situation (not employed but owner of a business).

John Birkenheuer moved to enforce the offset against P/O Arcuri's disability pension effective January 1, 2009, totaling $59,000 to be recovered over 80.4088 months at the rate of $733.75 per month until repaid. Vicki Minnaugh seconded the motion.

Roll Call Vote:	For the Motion	Against the Motion
	Gary Arenson	Carl Heim
	John Birkenheuer	
	Adam Cabeza	
	Vicki Minnaugh	
	Richard Moss	
	Isadore Nachimson	
	James Ryan	

The motion carried.

Attorney Cypen noted that the Board's action is taken without prejudice; and should the circumstances of Mr. Arcuri's settlement agreement change, this action can be reviewed for modification and/or reversal.

NEW BUSINESS

12. **Review/Approve – Updated Investment Guidelines (Management Structure).**
Manager Guidelines for Eaton Vance. Dahab Associates has provided guidelines for the new large cap value manager, Eaton Vance, as well as revisions to the management structure portion of the fund's Investment Guidelines. Attorney Cypen requested that any such future documents be provided in red-line format, to simplify the review process. It was noted that Buckhead Capital Management should be removed from the footer on the Eaton Vance guidelines. Dahab will be asked to provide more appropriate documents for the Board's review. John Birkenheuer moved to table review and approval of these items, pending the receipt of additional information from Dahab Associates. Carl Heim seconded the motion. The motion carried unanimously.

13. Reports:

Actuary – Actuary Larry Wilson gave a brief update on the status of the 10/1/2008 valuation. Initial census and payroll information have been received and reviewed; and GRS currently awaits City responses on data questions. GRS also needs asset information from the auditors.

The City has contacted GRS regarding an actuarial study for a possible 8-year DROP. The engagement letter is pending.

Attorney – Attorney Cypen addressed his memo dated November 7th. With regard to the determination letter program, the IRS will modify filing cycles for governmental plans. IRS is implementing a one-time modification of the "Staggered Remedial Amendment Program" to permit sponsors of governmental plans to submit for determination letters either by the Cycle C deadline (January 31, 2009) or Cycle E deadline (January 31, 2011). Following discussion, it was agreed that Holland & Knight should proceed as planned under the Cycle C filing process, with a filing deadline of January 31, 2009.

Chairman – None.

Plan Administrator –

Add: Review / Approve – Net Return for Q/E 9/30/2008. Vicki Minnaugh moved to add *Review / Approve – Net Return for Q/E 9/30/2008* to the agenda. Gary Arenson seconded the motion. The motion carried unanimously. Copies of the rate of return letter from Dahab Associates were distributed. Their correspondence indicates the return has been calculated at -6.82% (net of fees). Following discussion, Gary Arenson moved to accept the rate of return for the Q/E 9/30/2008 as presented. Vicki Minnaugh seconded the motion. The motion carried unanimously. GRS will be provided with e-mail authorization to finalize DROP statements based upon this information.

The Pension Office is in receipt of additional bills for payment and other benefit disbursements for approval. Chairman Ryan presented Warrant #439 for addition to the agenda and approval for payment. Gary Arenson moved to add Warrant #439 to the agenda. Vicki Minnaugh seconded the motion. The motion carried unanimously. Vicki Minnaugh moved to approve payment of Warrant #439 presented in the amount of $173,458.10. Carl Heim seconded the motion. The motion carried unanimously, authorizing payment of:

F/F Van Patterson – DROP Withdrawal (lump sum)			***
F/F Todd Nelson – DROP Withdrawal (lump sum)			***
Dahab Associates – Consulting Fee for Q/E 9/30/2008			$19,982.26
State Street Global Advisors – Mgmt. Fee for Q/E 9/30/2008 (US Midcap)			$32,073.02
State Street Global Advisors – Mgmt. Fee for Q/E 9/30/2008 (International)			$43,495.14
P/O Stephanie Walsh – Refund of Contributions (Terminated 11/19/2008)			***
U.S. Treasury – FIT Withholding (Patterson-Nelson-Walsh)			$15,182.12
John Birkenheuer – Reimb. Conf. Expense (NCPERS)			
	Hotel	$1,032.64	
	Taxi & Tolls	54.25	
	Airfare	321.00	
	Per Diem (6 days)	360.00	
	Miscellaneous (airline-2nd bag)	30.00	
	Car Rental	199.18	
		$1,997.07	$1,997.07
*** See Attachment A		**TOTAL**	**$173,458.10**

Jim Fisher reported that the auditors have been on-site since November 14th doing their field work.

Karen Warner reminded the Trustees about the holiday dinner hosted by Buckhead Capital Management, scheduled for Friday, November 21st at 7:30 p.m. (East City Grille in Weston).

14. Input from Retirees: None.

15. Input from Active Members: None.

16. **Adjournment –** Chairman Ryan announced the next regular meeting would be held on Thursday, December 18, 2008 at 4:00 pm. There being no further business before the Board, Vicki Minnaugh moved to adjourn the meeting at 6:15 pm. Gary Arenson seconded the motion. The motion carried unanimously.

James Ryan – Chairman	John Birkenheuer – Secretary