

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 18, 2010

The three hundred and eighty-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 James Ryan.

1. Roll Call –	<u>Fire Members</u>	<u>Police Members</u>	<u>City Members</u>
	Adam Cabeza Steven Dougherty Richard Moss	Carl Heim [arr. 3:45 pm] Kevin McCluskey James Ryan	Gary Arenson Vicki Minnaugh Isadore Nachimson

Others Present: Greg McNeillie and Bill Dahab from Dahab Associates; Mary McTague from Atlanta Capital Management; Michael Harhai and John Swanson from Buckhead Capital Management; Henry Renard and Robert Maddock from Inverness Counsel, Inc.; Larry Wilson from Gabriel, Roeder, Smith & Co.; City HR Director Daniel Rotstein; Disability Applicant P/O Alan Marshall (and wife Debbie) and legal counsel Richard Sicking, Esq.; Debbie Crusoe (spouse of deceased F/F Richard Crusoe) and Joe Toscano; Retired F/F David Donzella; 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 FYE 9/30/2010.** Greg McNeillie and Bill Dahab represented the firm this date. Mr. McNeillie reported the Fund's total gross return was 8.8% for the quarter ended 9/30/2010, with a portfolio value of \$298,227,372. The increase in assets since 6/30/2010 totaled \$27,296,799 comprised of \$3,446,519 in total net contributions and net investment return of \$23,850,280. Investment of the total portfolio was 57.4% in domestic equities, 26.9% in fixed income (including State of Israel Bonds), 7.5% in international equities, 5.3% in real estate and 2.9% in cash and equivalents. The following gross returns, detailed by manager, were discussed:

Quarter Ended 9/30/2010						Trailing 12 Months
Equities	Equity Bench- mark	Fixed Income	Fixed Inc. Bench- mark	Total Portfolio		
Atlanta Capital	10.9%	11.3%	---	---	10.9%	14.7%
Buckhead	7.9%	10.1%	---	---	7.9%	7.1%
Eaton Vance	9.2%	10.1%	---	---	9.2%	5.6%
Inverness	11.4%	11.3%	3.0%	3.0%	6.4%	8.4%
Lee Munder	16.9%	13.0%	---	---	16.9%	13.3%
SSgA Midcap	13.2%	13.1%	---	---	13.2%	17.9%
SSgA Intl Equity	16.8%	16.7%	---	---	16.8%	8.2%

Quarter Ended 9/30/2010				Trailing 12 Months
R.E.	R.E. Bench- mark	Total Portfolio		
Am. Realty Advisors	4.6%	6.0%	4.6%	2.7%
AmSouth Timber Fd.	0.2%	-0.1%	0.2%	1.2%
BlackRock	6.7%	6.0%	6.7%	0.1%
TA Assoc Realty	0.4%	6.0%	0.4%	-21.2%

Investors digested a continuing stream of mixed economic data from around the globe, although more was positive than negative. The National Bureau of Economic Research (NBER) declared the Great Recession officially over as of June 2009. Good news came from payroll and durable goods orders, and a flurry of corporate takeover activity was another positive sign. Inflation remained quite tame, with the third quarter CPI (all items) rising only 0.2%. Adjusting for the more volatile food and energy components, inflation was essentially zero for the period.

The growth pattern moved in the wrong direction. One reason for the decay was that most consumers continued to defer discretionary purchases and remained skeptical of a long-lasting turnaround. The Consumer Confidence Index was 48.5 in September, well below normal. Housing activity also continued to struggle despite mortgage rates at record lows; even the average 30-year mortgage rate of approximately 4.3% failed to excite buyers. The pace of existing home sales is the lowest in a generation. And unemployment remained at a stubbornly high 9.6%.

After absorbing all of the third quarter data, the Federal Reserve decided to maintain its huge balance sheet of investments by reinvesting the proceeds of maturing Treasuries and other bonds. The Federal Open Market Committee (FOMC) also shifted to an easing bias, fully prepared to become net buyers of bonds once again. This action is designed to push down interest rates and, in turn, encourage corporate borrowing. The Fed appeared to be pulling out all stops to prevent a double dip recession.

The sovereign debt crises in Greece, Spain, Portugal and Ireland weighed on the minds of investors and central bankers, both here and abroad. The possibility of modestly lower Chinese GDP growth was of concern because slower growth might reduce US overseas sales. Still, investors and the Fed seemed to grow more comfortable with the notion that these issues would be overcome. By the end of September, Greece, Spain and Ireland had deficit reduction programs in place and China's growth may have surpassed that of Japan, thereby easing concerns.

The price of precious metals soared in the face of a weakening US dollar; the dollar fell approximately 8.5% against a blend of other major currencies. Lower consumer confidence was another driver. As a result, gold reached a record high \$1,317/oz. before closing the quarter at \$1,310. The price of wheat soared almost 29% due to the Russian drought and export ban. Wholesale prices for sugar, cotton and coffee rose significantly because of lower expected supply. Energy was the only commodity to fall in price due to lower demand.

Summary of Performance * Exceeds Performance Standards Failed to Meet Performance Standards

* <i>Eaton Vance not included due to their relatively short history with the Fund.</i>	Inverness (equities)	Lee Munder
	Buckhead	SSGA Midcap
	Atlanta Capital	SSGA International
	Inverness (fixed income)	

Discussion again turned to the performance record of Lee Munder and how much longer it is reasonable to be patient with this manager. While they were the best performing manager for the quarter, Mr. McNeillie explained he is looking for a little more consistency from them. He also pointed out the effect of the switch from Independence to Lee Munder in mid-2009.

Long-term performance for State Street International is starting to reflect the drop-off of bad performance years. SSGA is now out of securities lending; none of their clients lost any money, and they do not anticipate getting back into it. There were some lawsuits that resulted, and most have been settled. Performance has improved in international over the past twelve months.

Mr. McNeillie drew the Board's attention to the overweight / underweight positions of the Fund and recommended rebalancing the portfolio assets. He suggested proceeding with Atlanta Capital first, due to the amount of available cash at Inverness, then rebalancing the others as cash becomes available:

- Approximately \$6 million to Atlanta Capital
- Approximately \$3 million to American Realty
- Approximately \$4 million to BlackRock

He also noted that TA Realty may have another fund coming out where they need to raise assets. He will look into this possibility.

3. **Atlanta Capital Management – Investment / Market Report.** Mary McTague represented the firm this date and distributed a handout for discussion. As stated in their separate report, the portfolio reflected a market value of \$22,976,673 as of 9/30/2010. Total portfolio returns were reported to be 10.9% (for the quarter), 14.7% (one year), 3.0% (three years) and 12.5% (inception to date). The top five contributors and detractors with regard to quarterly performance in this portfolio were:

<u>Contributors</u>	<u>Detractors</u>
Dril-Quip	Pinnacle Fin'l.
Affiliated Managers	Carlisle Corp.
Alberto-Culver	Peet's Coffee & Tea
Jones Lange LaSalle	Forward Air
AptarGroup	Int'l. Speedway

Because of strong corporate profits and sizeable amounts of cash on corporate balance sheets, investors regained confidence that the economy would not slip into recession. Ms. McTague reviewed recent portfolio purchases and sales.

Atlanta Capital is pleased to announce that their offices will be relocating to a new mid-town location in March 2011. In addition, clients will sense a new look and feel to their website.

4. **Buckhead Capital Management – Investment / Market Report.** Mike Harhai and John Swanson represented the firm this date. As stated in their separate report, the portfolio reflected a market value of \$13,791,513 as of 9/30/2010. Total portfolio return was reported to be 7.9% for the quarter, vs. their benchmark at 10.0% for the same time period. Although somewhat disappointed with the quarter return, Buckhead has out-performed the benchmark for the 3-year and inception-to-date periods.

<u>Significant Contributors</u>	<u>Significant Detractors</u>
AT&T	H&R Block
Pfizer	Bank of America
Baxter	EOG Resources

Mr. Harhai introduced John Swanson, a partner in the firm, to make the remaining presentation. Mr. Swanson reported this is a well diversified portfolio. The fund is significantly underweight in Financials and Telecom and is currently overweight in the Information Tech and Healthcare sectors. During the 9/30/2010 quarter, Colgate, HP, Pepsico and Exelon were added to the portfolio. Buckhead continues to be a quality-focused manager.

5. **Inverness Counsel – Investment / Market Report.** Henry Renard and Robert Maddock represented the firm this date. As stated in their separate report, the total portfolio value on 9/30/2010 was \$153,076,375 with an asset allocation of 45.0% to equities, 49.9% to fixed income and 5.0% in cash and cash equivalents. Mr. Maddock reviewed the following commentary for the quarter:

The third quarter of the calendar year has ended with the S&P at 1141, having finished the prior quarter at 1030. While the rise in the market could be attributed to rising optimism about outlook, many analysts think the move would have been more meaningful had it been accompanied by stronger trading volume. At the same time, 10 year Treasury rates fell from 2.93% to 2.51%. Normally, this would be viewed as a positive and stimulative move. Many observers view the latest actions by the Fed to have been ineffectual in stimulating the economy. At Inverness, we think that there is a lag between a Fed action and its result and that there are other factors such as taxes, regulations and international environments.

We view the market as inexpensive in relation to its expected earnings, anticipated growth and prevailing interest rates. The bears would point out that perhaps the expected earnings and growth figures are too high and are due to be corrected downward. They make the case for a double-dip recession and lower earnings driving down the equity markets using the following points:

- *The Administration is still inclined to regulate and tax businesses more aggressively.*
- *Energy costs are likely to rise as new domestic energy sources may be limited to more costly green sources.*
- *Europe has a financial crisis that limits what they might buy.*
- *The consumer may not come out of hiding in the near future if unemployment stays high.*

However, we are not in the double-dip camp and, in turn, we note that the bad news has been picked over fairly thoroughly. Our response to the bears is as follows:

- The concerns over the European Bank crisis were examined, and while some banks will have to raise equity, most passed the stress test in late July.
- The BP oil well has been plugged and support for closing down exploration has faded and the administration has ended the moratorium early.
- An increasingly likely shift in Congress could balance the Democratic executive branch and, perhaps, limit taxes and regulations to a level that allows businesses to invest in equipment and hire new people.
- Meanwhile, Brazil, India and China are looking more likely to grow their middle classes to the point that they begin to import more from us.

The last fact that leaves us confident that the market is "on sale" is what we call the "Potter is Buying" theme. One large company after another that came through the recession with large cash positions is stepping up to make offers to buy out companies at prices well above where they are trading but frequently below their previous highs or the price the targeted managements believe they are worth. Once the offer is public, the price of the company jumps above the offer. We think this is the strongest possible sign that it is much cheaper to buy than to build and that much of the market is under-priced. Still, we are in the midst of the "hurricane season" for the equity market and could see even better prices in the short term as a result.

The debate over inflation versus deflation continues. The Federal Reserve is currently focused on protecting the economy and jobs. They are concerned about deflation. We anticipate that the Fed will be slow to turn to fighting inflation before their other concerns are put to rest. In any case, interest rates are very low and we hear constant anecdotes of instruments like the Billion Dollar 100 year Mexican bond issue selling with a yield of 6.1% which was actually below the 7.2% yield on their thirty year bond. Consequently, we are circumspect about the long bond environment and glad that the laddered approach will provide protection against the likely rise in rates over the next few years.

As always, we are looking to buy reasonably priced securities based on their long-term earnings and growth.

The Board recessed at 3:50 p.m. and reconvened at 4:05 p.m.

6. **Approval of Minutes for October 21, 2010.** Chairman Ryan presented minutes from the October 21, 2010 meeting for approval. Motion by Vicki Minnaugh, second by Gary Arenson, to approve as presented. The motion carried unanimously.
7. **Ratification of Warrant #499.** Chairman Ryan presented Warrant #499 for ratification. It was noted that the required signatures were obtained on November 2, 2010 following Board action taken at the meeting of October 21, 2010 (agenda item 9) authorizing an interim warrant. Motion by Vicki Minnaugh, second by Isadore Nachimson, to ratify Warrant #499 as presented. The motion carried unanimously, authorizing the payment of:

P/O Victoria Hines – Service-Connected Disability Benefit effective October 22, 2010

*** (See Attachment A)

TOTAL

8. **Approval of Warrant #500.** Chairman Ryan presented Warrant #500 in the amount of \$47,115.80 for approval and payment. Motion by Vicki Minnaugh, second by Gary Arenson, to approve as presented. The motion carried unanimously, authorizing the payment of:

Cypen & Cypen – Monthly Retainer for November, 2010	\$3,250.00
Hampton Professional Center Condo No. 2 – Monthly Maintenance (Suite #104) for December, 2010	\$407.72
Karen Warner – Mo. Allowance for November, 2010 (Med/Dental/Life)	\$375.00
James Fisher – Mo. Allowance for November, 2010 (Med/Dental/Life)	\$308.00
LEAF – Xerox Copier Lease for November, 2010; 2009 Property Tax	\$317.83
Twilight Industries, LLC – Office Maintenance for November, 2010	\$152.00

Atlanta Capital Management Co., LLC – Mgmt. Fee for Q/E 9/30/2010	\$40,209.00
Cornel J. Lupu, M.D. – IME (Marshall Disability)	\$1,250.00
FPL – Electric service 9/27/2010 – 10/26/2010	\$162.40
Broward County Tax Collector – 2010 Non-Ad Valorem Assessments	\$683.85

TOTAL **\$47,115.80**

9. **Approval of DROP Benefit(s) – Ordinance 1669 (Police) [new ordinance].** Motion by Gary Arenson, second by Vicki Minnaugh, to approve the calculation of DROP Benefit(s) as presented. The motion carried unanimously to approve:

	DROP Eff. Date	DROP Term. Date	Form of Benefit
P/O Lawrence Diaco	9/01/2010	8/31/2015	10 Years Certain & Life
P/O Nelson Martinez	11/01/2010	10/31/2015	10 Years Certain & Life

10. **Request for DROP Account Distribution(s)** – Since the time agenda packets were mailed out for this meeting, an additional DROP distribution request was received from F/F Joseph DeStefano. Karen Warner asked that the Board consider adding this request to the agenda if meeting with their approval. Copies of the request were distributed. Motion by Gary Arenson, second by Vicki Minnaugh, to add the distribution request from F/F Joseph DeStefano to the agenda. The motion carried unanimously. The following DROP account distribution requests were then presented for Board consideration:

- F/F Joseph Ultimo Lump Sum ***
- F/F Joseph DeStefano Lump Sum ***

*** (See Attachment A)

Actuary Larry Wilson has provided the necessary letters indicating these distributions would not pose a problem with the 415 limitation at the present time. Motion by Vicki Minnaugh, second by Isadore Nachimson, to approve the distribution requests for Joseph Ultimo and Joseph DeStefano as presented. The motion carried unanimously.

UNFINISHED BUSINESS

11. **Approval of DROP Benefit(s) – Ordinance 1480 (Police) [old ordinance].** It was reported that P/O Humberto Chirino has requested this matter be withdrawn from the current agenda and tabled until the December meeting. Motion by Steve Dougherty, second by Carl Heim, to table this matter to the December 16th meeting. The motion carried unanimously.

NEW BUSINESS

12. **Informal Disability Hearing – P/O Alan Marshall.** Attorney Cypen introduced P/O Marshall's application for consideration and reviewed the protocols for this hearing. At the informal level, it is imperative to focus only on the materials provided, including the written opinions of three doctors, and any statements made during this proceeding. Richard Sicking, Esq. gave a brief summary of events leading up to the filing of P/O Marshall's application. He advised that the City has acknowledged P/O Marshall's training incident from August of 2009 as service connected with respect to Workers Compensation, and he added that there are no permanent light duty positions in the Police Department. P/O Alan Marshall was sworn in by Attorney Cypen for testimony. Following questioning, motion by Gary Arenson, second by Carl Heim, to grant a total, permanent and service-connected disability to P/O Alan Marshall.

Roll Call Vote: For the motion (7) Against the motion (2)

Gary Arenson	Adam Cabeza
Carl Heim	Steve Dougherty
Kevin McCluskey	
Vicki Minnaugh	
Frank Musumeci	
Isadore Nachimson	
James Ryan	

The motion carried.

13. **Disposition of DROP Account – F/F Richard Crusoe (Deceased).** Attorney Cypen introduced this matter for discussion. An error was made regarding F/F Crusoe's DROP account balance, suggesting that the balance should have been distributed to Mrs. Crusoe as the designated beneficiary. There is no provision in the ordinance for leaving the money intact following the member's death when no distributions have started from the account. Mrs. Debbie Crusoe addressed the Board and summarized numerous efforts made by her husband regarding his DROP account. Fearful that all other plan members will now be in a position to benefit from this error, she asked the Board to consider grandfathering her in under the circumstances.

Attorney Cypen stated it is important for the Board to do what it can to make things the way they should have been. Having the City correct the situation legislatively may be an option. Clearly the City must be contacted regarding a resolution to this matter. Noting that Mrs. Crusoe would be required to take the money out at age 70-1/2, Actuary Larry Wilson will prepare a "no impact" letter. Motion by Vicki Minnaugh, second by Gary Arenson, to table further discussion on this matter pending a response from the City. The motion carried unanimously.

14. **Inverness Counsel Corporate Update.** Henry Renard addressed the firm's letter to Chairman Ryan dated November 9th. Inverness Counsel, Inc. will be converting to a Delaware Limited Liability Company (LLC) effective November 1, 2010. A majority ownership of the new company will be held by members of the senior management and a strategic investor whose family has been a long-term Inverness client. He assured the Trustees that the relationship between Inverness and the Board will remain the same in light of the imminent changes. The Fund's rights and the obligations of Inverness will not change in any way following the reorganization. The firm's personnel, location, etc. will remain the same.

Because Inverness may be considered legally to have undergone a "change of control" as a result of the reorganization, Inverness may be deemed to have "assigned" the Fund's Investment Advisory Agreement (within the meaning of the Investment Advisers Act of 1940) which states that Inverness needs to obtain the Fund's consent to any "assignment". The SEC requires acceptance by each Inverness client, and they would appreciate the Board's written consent. Attorney Cypen has reviewed the letter. Motion by Vicki Minnaugh, second by Gary Arenson, to approve the assignment and authorizing the Chairman to execute the appropriate document on behalf of the Fund. The motion carried unanimously.

15. **Review / Approve – COLA Increases for Additional Police Officers (Effective 10/1/2010).** The COLA amount for P/O Lawrence Diaco has now been determined based upon his form-of-benefit election [see agenda item #9 above] and confirmed by Actuary Larry Wilson. Motion by Vicki Minnaugh, second by Gary Arenson, to approve the COLA calculation for Lawrence Diaco as presented. The motion carried unanimously.

16. **Review / Approve – Gross and Net Rates of Return for Q/E 9/30/2010.** The trustees reviewed Dahab Associates, Inc.'s letter stating the Gross Rate of Return was 8.79% and the Net Rate of Return was 8.69%. Motion by Gary Arenson, second by Steve Dougherty, to approve the Gross and Net rates of return for Q/E 9/30/2010 as provided by Dahab Associates. The motion carried unanimously.

17. **Reports:**

Actuary – Larry Wilson reported that:

- Work on the 10/1/2010 Actuarial Valuation is in process.
- Immediate past Chairman Steve Dougherty had requested information regarding City contributions, specifically to identify contribution levels if funded in a single amount (during the quarter ending 12/31/2010) or in two installments (during quarters ending 12/31/2010 and 6/30/2011) and to identify interest savings. This information was provided in a letter dated November 3rd.
- An engagement letter for fees and services pertaining to the GRS Online Benefit Calculator was provided in a letter dated November 10th. Karen Warner and Jim Fisher reported on the results of their conversations with local plan administrators regarding the concept of "estimating retirement benefits". They felt that the benefit calculator could prove to be useful on an administrative level, but not on a member level. Following discussion, the Trustees determined that the benefit calculator should be removed from Board consideration.

Attorney – None.

Chairman – None.

Trustees – Motion by Gary Arenson, second by Vicki Minnaugh, to add “Asset Rebalancing” to the agenda. The motion carried unanimously.

Asset Rebalancing. Based upon previous comments from Greg McNeillie, motion by Gary Arenson, second by Vicki Minnaugh, to approve Dahab’s recommendation to transfer \$5 million from Inverness to Atlanta Capital. The motion carried unanimously.

Adam Cabeza expressed concern about the degree of thoroughness in reports generated by the Fund’s medical board when Disability Applications are being processed. Two of the three doctors consistently provide minimal information, while the third member’s opinion is very detailed and complex. He would like the Board to consider having a search performed to consider other doctors. Attorney Cypen explained that many doctors are reluctant to do IME’s for fear of potential lawsuits, having to testify in court, etc. He added that it is best to utilize general practitioners or internists for initial IME’s and then proceed to specialists if warranted. Staff will contact local Plan Administrators to identify specific doctors used by their Boards and will report back.

Plan Administrator – Copies of an e-mail from Trish Shoemaker (Division of Retirement) were distributed for discussion. Ms. Shoemaker has reviewed Ordinance 1669 and the accompanying Actuarial Impact Statement. She identified one area that appears to violate the provisions of FS 185.02(5)(c) by allowing Police Officers to purchase prior service as a corrections officer. She asks that the ordinance language be amended accordingly. Attorney Cypen recommends not allowing any Police member to purchase corrections time that is not equivalent with Police time. This issue will be included in the letter to the City regarding F/F Crusoe’s DROP account [see agenda item #13 above]. Staff will request a “No Impact” letter from Actuary Larry Wilson.

The Pension Office is in receipt of additional bills for payment and other disbursements for approval. Chairman Ryan presented Warrant #501 for addition to the agenda and approval for payment. Motion by Gary Arenson, second by Adam Cabeza, to add Warrant #501 to the agenda. The motion carried unanimously. Motion by Gary Arenson, second by Carl Heim, to approve the payment of Warrant #501 as presented in the amount of \$152,539.92. The motion carried unanimously, authorizing the payment of:


F/F Joseph Ultimo – Lump Sum DROP Withdrawal		***
F/F Joseph DeStefano – Lump Sum DROP Withdrawal		***
P/O Thomas House – Normal Retirement Benefit commencing 11/1/2010		***
U.S. Treasury – FIT Withholding (Ultimo-DeStefano)		***
Gabriel, Roeder, Smith & Co. – Prof. Fees for October, 2010	\$26,990.00	
Dahab Associates, Inc. – Consulting Fees for Q/E 9/30/2010	\$22,411.37	
State Street Global Advisors – Mgmt. Fees for Q/E 9/30/2010 (Midcap)	\$4,638.58	
State Street Global Advisors – Mgmt. Fees for Q/E 9/30/2010 (International)	\$42,459.86	
SunTrust Bank (Visa – Fisher)	Bd Mtg / Ofc Supplies	\$195.74
	Gasoline	40.00
	AT&T	377.10
	DirecTV	95.05
	Monthly Storage	104.00
		<u>\$811.89</u>
		\$811.89
SunTrust Bank (Visa – Warner)	Xerox (mo. Maintenance)	\$21.60
	Bd Mtg / Ofc Supplies	219.67
	ISP	24.95
	Disability Med Records (Marshall)	<u>65.50</u>
		<u>\$331.72</u>
		\$331.72
*** (See Attachment A)		
TOTAL		\$152,539.92

The 3rd Annual “Holiday Luncheon” is scheduled for December 10th from 12 – 2 pm, and all are welcome to attend. A reminder that the expense for this is covered by Karen Warner (rather than the Pension Fund). Everyone is asked to bring something to share with the group.

18. **Input from Retirees:** None.
19. **Input from Active Members:** None.
20. **Adjournment** – Chairman Ryan announced that the next regular meeting would be held on Thursday, December 16, 2010 at 4:00 pm. There being no further business to come before the Board, motion by Carl Heim, second by Isadore Nachimson, to adjourn the meeting at 5:55 pm. The motion carried unanimously.



James Ryan – Chairman



Frank Musumeci – Secretary