

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 17, 2012

The four hundred and third meeting of the Firefighters and Police Officers Pension Fund in the City of Pembroke Pines was called to order at 2:02 p.m. by Chairman Adam Cabeza.

1. Roll Call –	<u>Fire Members</u>	<u>Police Members</u>	<u>City Members</u>
	Adam Cabeza	James Ryan	Gary Arenson
	Steve Dougherty (3:30 pm)	Al Xiques	Vicki Minnaugh
	Frank Musumeci		Isadore Nachimson

Carl Heim was unable to attend this meeting and requested an excused absence. Motion by Vicki Minnaugh, second by James Ryan, to excuse Carl Heim for this meeting. The motion carried unanimously.

Others Present: Greg McNeillie from Dahab Associates; Henry Renard, Robert Maddock, and Ana Lopez from Inverness Counsel; Tom Capobianco and Jim Gribbell from Lee Munder; Richelle Hayes from American Realty Advisors; Stephen H. Cypen, Attorney for the Fund; Karen H. Warner, Plan Administrator; James Fisher, Plan Administrator; and Rachel Maldonado, Assistant Plan Administrator.

- American Realty Advisors (ARA)** – Richelle Hayes represented the firm on this date. Ms. Hayes reviewed the history of the plan with ARA since inception (2006). Recent changes include the opening of an office in San Francisco; Ms. Hayes reported the overall health of the fund. In the last two years, ARA was able to purchase about two dozen new commercial real estate properties. This particular asset class is greatly affected by economic indicators such as job growth, the interest rate, and the credit market. This past October, ARA was able to refinance their apartment complexes to under 4%. They are currently weighted heavily in office properties, so ARA intends to sell-off some of these properties and focus on the acquisition of more apartment complexes and retail centers with a grocery anchor. The plan's initial \$5M investment currently stands at \$4.7M; but the first quarter of 2012 stands at 3.02%, just slightly above the index at 2.82%.
- Lee Munder Capital Group** – Tom Capobianco and Jim Gribbell represented Lee Munder on this date. They reported two changes in the firm: the growth team was replaced and they are looking to add an investment management team to diversify products. Some growth managers wanted to run a concentrated division like a hedge fund, which is not in keeping with Lee Munder philosophy. So they have put in place a new growth team that has a long track record and has so far done well for them. In the next one to two quarters, a new investment management team will be in place to complement Lee Munder's stability. They continue to earn significant revenue.

Large Cap Growth: Large Cap Growth experienced a strong quarter, with a 16% gain. Certain companies contributed greatly to this, like Apple who enjoyed a 47% increase in their asset class. Retail did very well at the high end and the low end. There are struggles in the middle of the pack (like Target and JC Penney) that make up our detractors. There is a shift from coal to natural gas; as such, there are declining coal shipments especially on the railroads. Data Management is an area that is greatly accelerating as well.

Tom discussed the comparison of our portfolio vs. Russell 1000 in a discussion of sector weights. For example, Apple was sold off a few times because our policy is that one company will not make up more than 7% of our investments. Lee Munder has maintained a low turnover percent versus average large cap managers. The 1st quarter performance was 15.6% versus the index that was at 14.7%. For one year through March 31, 2012, the fund performed at 11.6% versus the index's 11.0%.

Mid Cap Core Equity: The plan funded this option in October 2011. This option is a blend of Mid Cap

Value with Small/Mid Cap Growth to create a blended approach that behaves like Mid Cap Core. The benefit of combining the two strategies is that there is lower volatility.

The members of the Mid Cap Value team are "bottom-fishers" looking for stock that is out of favor and trading at a discount. They trade for a high probability of low outperformance. The team is conservative and risk averse. The Small/Mid Cap Growth managers focus on revenue, growth market expansion, and potential positive earnings. Their more concentrated approach requires more risk.

For this first quarter we gained 11.9% which is under the index by 1%. This was due mostly to the negative performance of the value side. But this combined strategy pays off because if the growth side doesn't perform well, the value side will pick up the slack. Since inception, two quarters ago, we have earned 16.2%. The unemployment rate continues to be a concern. However, Lee Munder does not expect that its position will be so greatly affected by inflation, interest rates, or housing markets in the immediate future. They are expecting stabilization in some markets around the country.

4. **Inverness Counsel – Investment / Market Report.** Henry Renard and Robert Maddock represented the firm this date. They reported a great quarter building on the success of the previous quarter. The total portfolio of bonds, cash, & equity has returned 12.2 fiscal year-to-date. Bonds returned 2.4 and equities were up 29.3. Our current asset allocation is 45% to equities, 47% in bonds; we are in compliance with our parameters.

World events in 2011 made the volatility of market movement comparable to the 4th quarter of 2008. Of the S&P 500 Sector total returns, the strongest returns last year came from utilities, consumer staples and health care. The weakest were industrial, materials, and financials. In 2012, financials, information technology and consumer discretionary are leading the way.

At the end of the presentation, Gary Arenson asked Inverness if they could modify the format on their reporting so that the Trustees could easily compare quarter-to-date with year-to-date numbers. Inverness will look into it to prepare future reports that way.

5. **Dahab Associates – Performance Report for Q/E 3/31/2012.** Greg McNeillie represented the firm this date. Mr. McNeillie reported the Fund's total gross return was 8.8% for the quarter ended 3/31/2012 versus the policy index at 7.8%. The fiscal year number is up 17.4%. The major contributors are equities, with outperformance from Herndon Capital, Lee Munder, and Inverness.

Quarter Ended 3/31/2012					
Equities	Equity Bench-mark	Fixed Income	Fixed Inc. Bench-mark	Total Portfolio	Trailing 12 Months
Atlanta Capital	8.8%	12.4%	---	---	8.8%
Eaton Vance	10.4%	11.1%	---	---	10.4%
Inverness	13.1%	12.6%	1.4%	0.3	6.1%
Lee Munder	15.5%	14.7%	---	---	15.5%
SSG Midcap	13.5%	13.5%	---	---	13.5%
SSG Int'l Equity	11.7%	11.4%	---	---	11.7%

Quarter Ended 3/31/2012			
R.E.	R.E. Bench-mark	Total Portfolio	Trailing 12 Months
Am. Realty Advisors	3.0%	2.8%	3.0%
AmSouth Timber Fd.	0.6%	0.4%	0.6%
BlackRock	2.7%	2.8%	2.7%
TA Assoc Realty	-1.1%	2.8%	-1.1%

In a discussion of the dominant share that Inverness has of the assets, Gary Arenson asked if the equities and bonds should be listed separately. Mr. McNeillie agreed that it might be helpful to have two portfolios; he also mentioned that Joan Wall, the Board's accountant, has implied that this change would positively impact her work for the Board. It would ultimately "clean up" the composite report. The cash

would be directly related to the either the stock or bonds accounts. Mr. Renard weighed in saying, advising the Board of the need to analyze cash flow and determine how it would be spent. He discussed setting up a Receipts & Disbursement (R&D) account from which the warrants and staff salaries could be paid, for example. Motion by Gary Arenson, second by Vicki Minnaugh, to split stocks, bonds accounts and implement R&D account. The motion carried unanimously.

Further discussion ensued on when the change would take place and how to link up the history of returns. Motion by Gary Arenson, second by Vicki Minnaugh, to set up three accounts, decide on figure for equities, bonds, and the remainder will go to the R&D account beginning 10/1/2012, the start of the new fiscal year. The motion carried unanimously.

Mr. McNeillie discussed his displeasure with the performance of Eaton Vance. He said they had not strayed from the benchmark but also have not beaten the benchmark because Eaton Vance is not picking the right stocks. He suggested that the Board would do better with an index fund. Motion by Gary Arenson, second by Vicki Minnaugh, to move the assets from Eaton Vance into an index fund. The motion carried unanimously.

The balance is about \$15 million. The Board agreed to use State Street for the transition management so that the portfolio can be "taken in kind", (passive management). The change will be effective immediately after legal review, including the amendment of the contract.

The Board recessed at 3:58 p.m. and reconvened at 4:15 p.m.

6. Before the minutes were presented, Gary Arenson mentioned that he would have voting conflicts on the upcoming warrants. He asked that we create a third warrant in the event that a trustee is requesting reimbursement.

Kimberly Doran of ConvergeEx greeted the Board. She stopped in to quickly review Commission Recapture services and to convey ConvergeEx's expertise in this area.

Approval of Minutes for April 19, 2012. Chairman Cabeza presented minutes from the April 19, 2012 meeting for approval. Motion by Gary Arenson, second by Vicki Minnaugh, to approve as presented. The motion carried unanimously.

7. **Approval of Warrant #543.** Chairman Adam Cabeza presented Warrant #543 in the amount of \$104,903.80 for approval and payment. Motion by Vicki Minnaugh, second by Isadore Nachimson, to approve as presented. The motion carried unanimously.

It was noted that it was necessary for Gary Arenson to abstain from voting on this matter. Form 8B will be completed and attached to the permanent minutes of this meeting. The payments on Warrant #543 are listed below

Cypen & Cypen – Monthly Retainer for May, 2012	\$3,250.00
Hampton Professional Center Condo No. 2 – Monthly Maintenance (Suite #104) for June, 2012	\$407.72
Twilight Industries LLC – Office Maintenance for May, 2012	\$152.00
Atlanta Capital Mgmt - Management Fee Q/E 3/31/2012	\$65,800.00
Gary L Arenson – Expense Refund for NCPERS May 2012 Airfare: \$309.60, Registration: \$650.00	\$959.60
Computers R Us – On-site Labor Invoice #1479: 138.00 Invoice #1480: 138.00 Invoice #1489: 103.50 Invoice #1490: 138.00 Invoice #1495: 69.00	\$586.50
FP&L – Electric Service 3-28-2012 to 4-26-2012 (already Paid)	\$143.73
Herndon Capital Mgmt – Management Fee Q/E 3/31/2012	\$26,069.02
Wells Fargo Bank – Wells Capital Management Fee Q/E 3/31/2012	\$7,150.23
Arenson & Sandhouse, P.A. – Preparation of Tax Returns for Q/E 3/31/2012	\$225.00

TOTAL

\$104,903.80

8. **Approval of DROP Benefit(s)** – The following DROP Loan applications were presented for Board consideration:

- P/O William Bucknam ***

*** (See Attachment A)

Motion by Vicki Minnaugh, second by Gary Arenson, to approve the DROP Benefit for William Bucknam as presented. The motion carried unanimously.

9. **Approval of DROP Loan(s)** – The following DROP Loans were presented for Board consideration:

- F/F Larry Goode (Lump Sum)***
- F/F Leslie Ortagus (Lump Sum)***
- P/O Kevin McCluskey (Lump Sum)***

*** (See Attachment A)

The 415 screening tool results were provided to Actuary Larry Wilson; and, when appropriate, his office 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 Gary Arenson, to approve the distribution requests for Larry Goode, Kevin McCluskey, and Leslie Ortagus as presented. The motion carried unanimously

10. **Approval of DROP Account Distribution(s)** – The following DROP Distributions were presented for Board consideration:

- F/F David Cuthbert (Monthly) ***
- F/F Joseph Dennis (Lump Sum) ***
- F/F Larry Goode (Lump Sum) ***
- F/F Larry Goode (Monthly) ***
- F/F Louis Nettina (Lump Sum) ***
- F/F Robert Newfield (Lump Sum) ***
- F/F Jimmy Sanchez (Lump Sum) ***
- F/F Ricardo Torres (Lump Sum) ***
- F/F Robert Vesely (Lump Sum) ***
- P/O Thomas Sadagursky (Lump Sum) ***

*** (See Attachment A)

Motion by Vicki Minnaugh, second by Gary Arenson, to approve the account distributions as presented. The motion carried unanimously.

UNFINISHED BUSINESS

None

NEW BUSINESS

11. **Review / Approve – Gross and Net Rates of Return for Q/E 12/31/2011.** Correspondence from Dahab Associates indicates the following rates of return for the quarter ended March 31, 2012:

- Gross of Fees 8.80%
- Net of Fees 8.68%

Motion by Vicki Minnaugh, second by Isadore Nachimson, to approve the rates of return for Q/E 3/31/2012 as presented. The motion carried unanimously.

12. **Proposal from Computers R Us** – Due to frequent power outages especially on the weekends, Computes R Us submitted a quote to complete some necessary work to continue equipment upgrade. The office staff needs some back-up batteries and an additional computer monitor the Assistant Plan Administrator will be purchased and installed. Motion by Gary Arenson, second by Vicki Minnaugh, that the equipment be purchased and installed for the office. The motion carried unanimously.

13. **Reports:**

Actuary – None.

Attorney – Steve Cypen reported that the Board had prevailed in the lawsuit involving Kenneth Fritz and Mr. Fritz took on appeal. Mr. Cypen answered a question posed by Mr. Arenson at a previous meeting. He reported the chance to recover a deductible from Fritz if the Board prevailed would not apply in this case.

Chairman – None.

Plan Administrator – Administrator Jim Fisher reported an issue with Traveler's Insurance, the insurance which covers liability for the Board. They requested from the office a letter coming from the Chairman that would address plans to rectify the negative trending of the fund. They want 80% funding and the Board is currently at 62-64%. Attorney Steve Cypen said this is an issue for most of the Boards at this time and the companies are being stringent due to profit loss. Mr. Fisher presented a letter to the Board that was drafted for the Chair's signature. Mr. Cypen felt the letter should be sufficient to address Traveler's concerns. He also instructed that if the letter didn't suffice, the office should schedule a conference call with the Board's Attorney and its Chair.

The Pension Office is in receipt of additional bills for payment and other disbursements for approval. Vicki Minnaugh presented Warrant #544 for addition to the agenda and approval for payment. Motion by Vicki Minnaugh, second by Isadore Nachimson, to add Warrant #544 to the agenda. The motion carried unanimously. It was noted that it was necessary for Chairman Cabeza and Trustee Arenson to abstain from voting on this matter. Form 8B will be completed and attached to the permanent minutes of this meeting. Motion by Vicki Minnaugh, second by Isadore Nachimson, to approve the payment of Warrant #544 as presented in the amount of \$536,990.73. The motion carried unanimously, authorizing the payment of:

Plan Benefits:

F/F Joseph Dennis - Normal Retirement Benefit Commencing 6/1/2012	***
F/F Larry Goode – Normal Retirement Benefit Commencing 6/1/2012	***
F/F Robert Newfield - Normal Retirement Benefit Commencing 6/1/2012	***
F/F Michael Vincent - Normal Retirement Benefit Commencing 6/1/2012	***

DROP Withdrawals:

F/F David Cuthbert – Monthly DROP Withdrawal	***
F/F Joseph Dennis – Lump Sum DROP Withdrawal	***
F/F Larry Goode – Lump Sum DROP Withdrawal	***
F/F Larry Goode – Monthly Drop Withdrawal	***
F/F Louis Nettina - Lump Sum DROP Withdrawal	***
F/F Robert Newfield – Lump Sum DROP Withdrawal	***
P/O Thomas Sadagursky – Lump Sum DROP Withdrawal	***
F/F Jimmy Sanchez – Lump Sum DROP Withdrawal	***
F/F Ricardo Torres –Lump Sum DROP Withdrawal	***
F/F Robert Vesely – Lump Sum DROP Withdrawal	***
U.S.Treasury- FIT- W/H (Dennis,Goode,Nettina,Newfield,Sadagursky,Sanchez,Torres,Vesely)	***

DROP Loans:

F/F Larry Goode - DROP Loan	***
P/O Kevin McCluskey- DROP Loan	***
F/F Leslie Ortagus – DROP Loan	***

Documentary Stamp for DROP Loans:

Florida Department of Revenue – Documentary Stamp (Goode,McCluskey,Ortagus)	***
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Various:

SunTrust Bank (Business Visa – Fisher)	Cbeyond (Phones/Internet)	\$440.43
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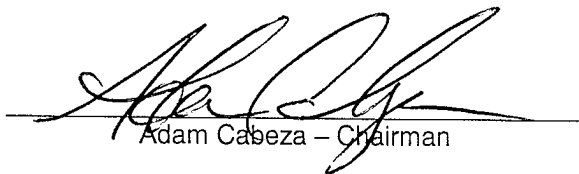
Troy Fain Ins (Notary)	166.04	
GoDaddy	103.32	
Storage Unit	104.00	
Office Supplies	163.87	
Pitney Bowes	221.06	
Gas	50.00	
McConnell Air (repair)	295.94	
Pest Control	35.00	
Xerox	25.41	
Direct TV 1 month	101.84	
	\$1,706.91	\$1,706.91
SunTrust Bank (Business Visa – Warner)		
Bd Mtg / Ofc Supplies	\$394.35	
ISP	25.90	
	\$420.25	\$420.25
Adam Cabeza - Reimbursement (NCPERS Conference 5-6-2012 to 5-9-2012)		\$586.85
Gary Arenson - Reimbursement (NCPERS Conference 5-6-2012 to 5-9-2012)		\$2,353.98
James Fisher Recurring Monthly Cell Phone Allowance effective 5-1-2012		\$80.00
Rachel Maldonado Recurring Monthly Cell Phone Allowance effective 5-1-2012		\$80.00
Richard Ziff P.A.- Loan Processing for May, 2012		\$525.00
Gabriel Roeder Smith & Company Actuarial Services for April 2012		\$1,262.00
Dahab Associates Performance Monitor Q/E 3-31-2012		\$24,876.43
Fiduciary Trust Custody Fee (Wells Capital Mgmt. P/E 3/31/2012)		\$474.97
Fiduciary Trust Custody Fee (Inverness P/E 4/30/2012)		\$17,933.97
Fiduciary Trust Custody Fee (Atlanta Capital P/E 4/30/2012)		\$3,755.76

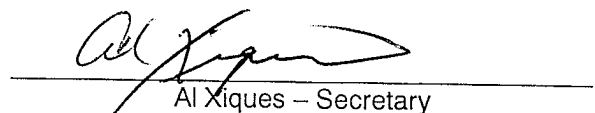
*** (See Attachment A)

TOTAL

\$536,990.73

14. **Input from Retirees:** None.
15. **Input from Active Members:** None.
16. **Input from Trustees:** Trustee Arenson advised that he will work on scheduling the next meeting for the Ad Hoc Committee. The committee will be reviewing the Actuarial contract next.
16. **Adjournment** – Chairman Cabeza announced that the next regular meeting would be held on **Thursday, June 21, 2012** at 4 p.m. There being no further business to come before the Board, motion by Steve Dougherty, second by James Ryan, to adjourn the meeting at 4:32 p.m. The motion carried unanimously.


Adam Cabeza – Chairman


Al Xiques – Secretary