

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

In the City of Pembroke Pines
Fountains Executive Centre
9000 Sheridan Street - Suite #148
Pembroke Pines, FL 33024

REGULAR MONTHLY MEETING – NOVEMBER 15, 2007

The three hundred and forty-seventh 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	Carl Heim	Vicki Minnaugh
		Anthony Napolitano	James Ryan	Isadore Nachimson (3:20 pm)

Others Present: Larry Wilson from Gabriel, Roeder, Smith & Co.; Greg McNeillie from Dahab Associates; Michael Arone, Allison Corbally and David Ireland from State Street Global Advisors; Henry Renard from Inverness Counsel, Inc.; Rene Gonzalez, City Finance 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 FY Ended 9/30/2007.** Greg McNeillie reported that the fund's total gross return was 2.9% for the quarter ended 9/30/2007 with a portfolio value of \$277,246,518. At fiscal year end, investment of the total portfolio was 54.5% in domestic equities, 26.6% in fixed income (including State of Israel Bonds), 9.7% in international equities, 5.3% in real estate and 3.9% 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 9/30/2007					Trailing 12 Months
	Equities	Equity Benchmark	Fixed Income	Fixed Income Benchmark	Total Portfolio	
Atlanta Capital	3.6%	-3.1%	---	---	3.5%	16.6%
Buckhead	-0.6%	-0.2%	---	---	-0.5%	13.8%
Independence	6.7%	4.2%	---	---	6.7%	20.5%
Inverness	6.8%	2.0%	2.6%	2.9%	4.1%	12.6%
Sawgrass	3.5%	-3.1%	---	---	3.5%	23.6%
SSgA Midcap	-5.5%	-0.9%	---	---	-5.5%	14.0%
SSgA Int'l. Equity	4.3%	4.7%	---	---	4.3%	31.2%

	Quarter Ended 9/30/2007	
	Total Portfolio	Trailing 12 Months
<u>Real Estate</u>		
American Realty Advisors	4.4%	16.0%
AmSouth Timber	-0.4%	N/A
BlackRock	3.4%	16.9%
TA Associates Realty	0.5%	N/A

Mr. McNeillie reviewed the various elements of Dahab's 9/30/2007 report. Cash flow is slightly positive due to 175/185 funds received. The fund has out-performed the plan's actuarial assumptions for the period monitored by Dahab (December, 2001 – September, 2007). He stated that the fund is under-allocated to real estate based upon current market value. He summarized fiscal year returns for each sector of the portfolio.

Because of good diversification in the asset classes, this fund will never rank #1 or #100 in the manager universe. Mr. McNeillie addressed the current manager allocations. He suggested that the board may wish to consider splitting the Inverness portfolio into two distinct portfolios (equity and fixed income), because of new AIMR reporting standards for the accountability of cash. Although not mandated to do so, he believes it may be a good idea to consider this action at a future point in time.

Discussion turned to Buckhead's performance. For the thirteen quarters they have been monitored, Buckhead is behind by -11.9% in rate of return on a cumulative basis. While Buckhead is severely underweighted in the Finance sector, they have managed to bring the Energy weighting up almost to market weight. Although Buckhead has experienced some difficulties of late, Mr. McNeillie suggested that the board be patient for the time being, and stressed that they are being monitored closely.

The real estate managers have been in contact with regard to the recent southern California wildfires – all have assured us that there was no impact on real estate holdings. Mr. McNeillie acknowledged that this is yet another good reason to be diversified by geographic region.

Mr. McNeillie stated there is also no impact to the fund because of the current mortgage crisis, although some cursory impact could arise on the commercial side. The current crisis is affecting residential loans.

The City has approached Dahab to assist regarding OPEB fund consulting. If the board were to agree to such an arrangement, Dahab would be willing to prorate all consulting fees based upon combined pension and OPEB assets. This would result in a reduction of fees charged to the pension fund. Mr. McNeillie will forward a revised fee schedule.

3. **Inverness Counsel – Investment / Market Report.** Henry Renard represented the firm this date. A snapshot of the portfolio reflects a total value of \$135,167,891 with an asset allocation of 39.7% to equities, 53.1% to fixed income and 7.20% in cash and cash equivalents as of 9/30/2007. Mr. Renard stated this year's fund results were the best in recent years and briefly touched on several events contributing to the good results. Inverness also provided the following written summary:

The third quarter was a strong quarter which left us feeling nervous about prices. For the second time this year, the market was up above a reasonable level. In response we have been actively reviewing the stocks on our list. The good news is that our strong team of analysts is still finding good ideas in which to invest. They also identified names which, because of price or fundamentals, no longer looked attractive. As of November 12, we are more comfortable with most of the market and our holdings than we were a month ago. Nevertheless, work continues because questions about what more the Fed, the housing and sub-prime mortgage crises as well as the Chinese might do to affect interest, inflation, and exchange rates are not settled.

It is becoming clear that not only are geopolitical factors likely to keep the price of traditional energy high, but so too will mechanical and economic factors. Political turmoil and conflict plague many of the oil producing regions. The cost of adding incremental reserves in excess of consumption has discouraged corporate and national players from adding much on a net basis and this is likely to continue for some time. Each additional barrel and MCF is likely to cost more

to find, retrieve and process than the last. Meanwhile global demand continues to grow. While prices may pull back from current highs, we see no reason why the underlying problems should end any time soon. We view relatively low prices in natural gas in North America as an opportunity for gas to be a strong performer over the next 18 months. Factors such as a colder winter than last year, a hurricane, strong demand for nitrogen fertilizer or a hot summer could drive an increase in demand and thus prices. In the mean time, natural gas is cleaner and produces less CO2 per BTU than other fossil fuels, so demand is likely to grow as people try to find ways to switch over. Companies who provide services to land based gas businesses should perform especially well once gas starts to rise. All sorts of alternatives are being explored and we expect every sort of energy source will be needed to get this world through the next 10 years. Companies like AMAT, GLW, GE, ABB, ATK, MDR, and ATK are involved in such alternatives as Solar, Wind, and Nuclear.

We are still enthusiastic about the tech names which, after a six year break, are showing real strength driven by a rising demand for bandwidth as well as some products which can be applied to alternative energy generation. Year to date movement in Corning, Applied Materials, Cisco, EBay and EMC have exceeded the S&P 500. We expect this strength to continue. There is some concern that the financial sector may slow spending on new equipment, but we expect some of the new technology to sell itself to cost cutters as internet video communications can provide a savings in eliminated travel costs which will more than cover the cost of the new equipment. We also expect demand from overseas to grow significantly.

We think that the world is proving an increasingly more dangerous place and regard aerospace names like ATK as important components of any well diversified portfolio.

The equity bear market at the beginning of the decade is still fresh in everybody's mind so we think that it is likely that the market will correct any time the market gets too high. Concerns about inflation, oil, war, nationalization, hedge funds, the consumer and housing continue to threaten and any one or combination of them could provide the excuse needed to pull the market back.

As always, Inverness Counsel continues to focus on making sure that what we buy and hold for client accounts is trading at a reasonable price based on valuation AND growth. We think that now more than ever, this approach will be essential.

4. **Independent Investments – Investment / Market Report.** Michael Arone (Investment Manager – US Midcap), Allison Corbally (Pines relationship manager) and David Ireland (All International Allocation team) represented their firm this date. As of 9/30/2007 the portfolio reflected a market value of \$49,610,584, with the portfolio being fully invested as of September 30th. Quarter return for the U.S. Midcap portion of the portfolio was -5.45% compared to the benchmark's return of -0.87%. Quarter return for the All International portion of the portfolio was 4.34% compared to the benchmark's return of 4.62%. Returns for the full fiscal year ended September 30, 2007 were 13.99% (Midcap) and 31.27% (International).

Ms. Corbally reviewed contents of their written report, noting that the U.S. Midcap portfolio has significantly underperformed the benchmark of late; however, the 3-year, 5-year and inception numbers have exceeded the benchmark. Mr. Ireland discussed objectives, characteristics and the investment process relating to the All International strategy. At the board's request, future reports will include information on the portfolio's top ten holdings.

Mr. Arone stated it was a good decision to invest in midcap stocks. Acknowledging that the stock selection process since June had been a little rough, he stated SSgA has demonstrated the ability to recover after a challenging quarter. They have a great deal of confidence going forward in their ability to rebound.

The board reconvened at 4:05 pm following a 15 minute break.

5. **Election of Officers.** Annual elections were deferred from the October meeting due to three absences.

Chairman – Carl Heim nominated Anthony Napolitano. Vicki Minnaugh moved to close nominations. Gary Arenson seconded the motion and the motion carried unanimously. By acclamation, Anthony Napolitano will serve as Chairman for the current fiscal year.

Vice Chairman – Carl Heim nominated James Ryan. Vicki Minnaugh moved to close nominations. Gary Arenson seconded the motion and the motion carried unanimously. By acclamation, James Ryan will serve as Vice Chairman for the current fiscal year.

Secretary – James Ryan nominated John Birkenheuer. Gary Arenson moved to close nominations. Vicki Minnaugh seconded the motion and the motion carried unanimously. By acclamation, John Birkenheuer will serve as Secretary for the current fiscal year.

6. **Approval of Minutes for October 18, 2007.** Chairman Napolitano presented minutes from the meeting of October 18, 2007 for approval. Gary Arenson moved to approve. James Ryan seconded the motion. The motion carried unanimously.

7. **Ratification of Warrant #404.** Chairman Napolitano noted Warrant #404 in the amount of \$22,477.24 had been circulated for signatures following the October 18th meeting, and it is being presented at this time for formal approval. Vicki Minnaugh moved to approve payment of Warrant #404 as presented. Gary Arenson seconded the motion. The motion carried unanimously, authorizing payment of:

Bank Atlantic for:		
Deposit to Escrow Account – for Construction Draws from time to time, based upon separate written notice.		\$22,477.24
Signature Title Services, Inc. Escrow Account Account No. 0059664316		
TOTAL		\$22,477.24

8. **Approval of Warrant #405.** Chairman Napolitano presented Warrant #405 in the amount of \$16,114.17 for approval and payment. Vicki Minnaugh moved to approve payment of Warrant #405 as presented. Gary Arenson seconded the motion. The motion carried unanimously, authorizing payment of:

Cypen & Cypen – Monthly Retainer for November, 2007		\$3,250.00
Crexent, LLC – November, 2007	Office Rent	\$1,134.00
	Telephone Equip.	185.00
	Copies	.60
	Long Distance	1.04
		\$1,320.04
Hampton Professional Center Condo No. 2 – Monthly Maintenance (Suite #104) for December, 2007		\$407.72
Karen Warner – Mo. Allowance for November, 2007 (Med/Dental/Life)		\$375.00
Xerox Corporation – Copier Lease (November-final payment, old lease)		\$200.07

Iron Mountain – Storage Fee (November)			\$105.00
Steve Dougherty – Reimb FPPTA Conf. Exp.	Hotel	\$619.39	
	Per Diem (3)	180.00	
	Mileage & Tolls	<u>70.08</u>	
		\$869.47	\$869.47
P/O Patrick Lynn – Monthly Retirement Benefit commencing 12/1/2007			\$9,586.87
	TOTAL		\$16,114.17

9. **Approval of Buy-Back Calculation – F/F Kyle Ilhardt.** Agenda packets included a copy of Actuary Larry Wilson’s buy-back calculation and the election made by F/F Ilhardt. Vicki Minnaugh moved to approve the buy-back calculation for F/F Kyle Ilhardt as presented. Gary Arenson seconded the motion. The motion carried unanimously.
10. **Request for DROP Account Distributions – F/F Morris Barnes and P/O James Fisher.** DROP account distribution requests have been received from F/F Morris Barnes (\$60,000 lump sum) and P/O James Fisher (\$18,000 lump sum). Actuary Larry Wilson has provided the necessary letters indicating that these distributions would not pose a problem with the 415 limitation at the present time. Gary Arenson moved to approve the distribution requests for Morris Barnes and James Fisher. Vicki Minnaugh seconded the motion. The motion carried unanimously.

UNFINISHED BUSINESS

11. **Review / Approve – Net Return for Q/E 9/30/2007.** Copies of the rate of return letter from Dahab Associates were distributed. Their correspondence indicates the return has been calculated at 2.77% (net of fees). Following discussion, Gary Arenson moved to accept the rate of return for the Q/E 9/30/2007 as presented. Vicki Minnaugh seconded the motion. The motion carried unanimously.
12. **Review / Approve – SPD Revisions.** Copies of the most recent version of the SPD were included in agenda packets, as well as suggestions received from Trustees. Lengthy discussion followed regarding the correct benefits for “Disability Retirement” in light of benefits negotiated by the Firefighters’ union. It was concluded that there could be a problem with the ordinance language. Chairman Napolitano agreed to contact Asst. City Attorney Julie Klahr and address the matter. Further discussion will continue at the December 20th board meeting.

NEW BUSINESS

13. **Review / Approve – Revised Forms.** Agenda packets included a revised Beneficiary Designation Form and new Change of Address Form. Karen Warner suggested that the (original) dual-purpose beneficiary form be separated into two separate forms, as a step toward receiving clearer and more specific information from the members. Following discussion regarding one language change to the beneficiary form, Vicki Minnaugh moved to approve the Beneficiary Designation Form (as revised). Gary Arenson seconded the motion. The motion carried unanimously.

Vicki Minnaugh moved to approve the Change of Address Form as presented. Gary Arenson seconded the motion. The motion carried unanimously.

14. Reports:

Actuary – Larry Wilson stated his office has received fiscal year Employee data from the City, and his firm is currently working to reconcile the information. GRS still awaits asset information. They can complete the annual benefit statements for the members upon receipt of clarification regarding the matter of benefits discussed in agenda item #12.

Attorney – Attorney Cypen addressed the board with regard to the current situation involving Merrill Lynch Consulting Services. The issue centers on firms with brokerage attachments, full disclosure of the fees charged to their clients, soft dollars, etc.

Plan Administrator – Karen Warner announced the November 15th passing of Howard Zimmerman, a prominent local real estate developer and owner of the building the Pension Office is currently housed in.

The Pension Office is in receipt of additional bills for payment and other benefit disbursements for approval. Chairman Napolitano presented Warrant #406 for addition to the agenda and approval for payment. Gary Arenson moved to add Warrant #406 to the agenda. Vicki Minnaugh seconded the motion. The motion carried unanimously.

Gary Arenson moved to approve payment of Warrant #406 in the amount of \$104,329.13. Vicki Minnaugh seconded the motion. The motion carried unanimously, authorizing payment of:

P/O James Fisher – DROP Withdrawal (Lump Sum)			
	\$18,000 less FIT \$3,600		\$14,400.00
F/F Morris W. Barnes – DROP Withdrawal (Lump Sum)			
	\$60,000 less FIT \$12,000		\$48,000.00
U.S. Treasury – FIT Withholding (Fisher, Barnes)			\$15,600.00
Steve’s Window Tinting (Tint, new office)			\$588.00
Steve/s Window Tinting (Blinds, new office)			\$1,158.00
Gabriel, Roeder, Smith & Co. – Prof. Services (October 2007)			\$5,952.00
FPPTA – 2008 Membership Renewal			\$500.00
SunTrust Bank – Visa (Napolitano)	Hotel (FPPTA)		\$771.14
SunTrust Bank – Visa (Fisher)	Bd. Mtg. / Ofc. Supplies	\$95.69	
	Gasoline	35.00	
	Notary Commission	<u>124.45</u>	
		\$255.14	\$255.14
SunTrust Bank – Visa (Warner)	Bd. Mtg. / Ofc. Supplies	\$198.84	
	FP&L (new office)	127.09	
	Public Storage	71.00	
	ISP	<u>24.95</u>	
		\$421.88	\$421.88
Fiduciary Trust Co. – Custody Fee (Inverness Q/E 10/2007)			\$13,732.21
Fiduciary Trust Co. – Custody Fee (Atlanta Q/E 10/2007)			\$1,450.76
Koch Reiss & Co. – Progress Billing for 9/30/2007 Audit			\$1,500.00
TOTAL			\$104,329.13

A reminder of upcoming conferences – anyone interested in attending is encouraged to contact the Pension Office for registration information.

- IIR Public Fund Boards Forum – San Francisco (Dec. 8 – 11)
- NAPO – Las Vegas (Jan. 13 – 16)
- FPPTA Trustees’ School – Ponte Vedra Beach / Jacksonville (Jan. 27 – 30)

- NCPERS Legislative Conference – Washington, DC (Feb. 4 – 6)

A move date for the Pension Office is scheduled for Friday, November 30th, barring any unforeseen delays.

James Fisher reported a question has been received regarding the retirees' ability to "split" DROP earnings as part of the annual DROP rate-of-return selection process. Attorney Cypen inquired as to the process and options given to the retirees. Following discussion, he recommended that the form be modified to accommodate a combination election for the DROP rate of return. It was also noted that on August 1, 2008 the Pension Office should send certified letters to all DROP members advising there will be "no change" to current individual elections going forward unless, and until, they notify the Pension Office of their desire to make a change. Attorney Cypen stated it is the member's responsibility to notify the Pension Office of same, and the annual mail-outs should be discontinued. The required form for making a change will be posted on the plan's website for member access.

15. **Input from Retirees:** None.

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

17. **Adjournment** – Chairman Napolitano announced the next regular meeting would be held on Thursday, December 20, 2007 at 4:00 pm.

New office location is: 1951 NW 150th Avenue – Suite #104
Pembroke Pines, FL 33028

There being no further business before the Board, Richard Moss moved to adjourn the meeting at 5:25 p.m. Carl Heim seconded the motion. The motion carried unanimously.

Anthony Napolitano – Chairman

John Birkenheuer – Secretary