

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 19, 2009

The three hundred and seventy-first 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 Steve Dougherty.

1.	<u>Roll Call – Fire Members</u>	<u>Police Members</u>	<u>City Members</u>
	Adam Cabeza Steven Dougherty Richard Moss	Kevin McCluskey James Ryan	Gary Arenson Vicki Minnaugh Isadore Nachimson

Carl Heim has requested an excused absence due to being out of town. Motion by Vicki Minnaugh, second by Gary Arenson, to excuse the absence of Carl Heim for this meeting. The motion carried unanimously.

Others Present: Greg McNeillie from Dahab Associates; Michael Harhai and Deneen Bingham from Buckhead Capital Management; Tom Capobianco and Jim Gribbell from Lee Munder Capital Group; Henry Renard and Robert Maddock from Inverness Counsel, Inc.; Larry Wilson and Pete Strong from Gabriel, Roeder, Smith & Co.; P/O Al Xiques; 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 F/Y Ended 9/30/2009.** Greg McNeillie represented the firm this date. He noted that an error was found regarding returns shown in the bound report, and stated that the fund's correct total gross return was 9.5% for the quarter ended 9/30/2009, with a portfolio value of \$261,567,490. Fiscal year return in the total portfolio was reported to be -1.4%. At year end, investment of the total portfolio was 50.0% in domestic equities, 33.1% in fixed income (including State of Israel Bonds), 7.1% in international equities, 6.6% in real estate and 3.2% in cash and equivalents. The following *gross* returns, detailed by manager, were discussed:

Quarter Ended 9/30/2009						Trailing 12 Months
	Equities	Equity Bench- mark	Fixed Income	Fixed Inc. Bench- mark	Total Portfolio	
Atlanta Capital	15.5%	19.3%	---	---	15.5%	1.3%
Buckhead	15.3%	18.2%	---	---	15.3%	-4.3%
Eaton Vance	15.3%	18.2%	---	---	15.3%	-12.6%
Inverness	14.2%	15.6%	4.1%	3.7%	7.4%	6.2%
Lee Munder	18.0%	14.0%	---	---	18.0%	-3.2%
Sawgrass	9.6%	19.3%	---	---	9.6%	-19.4%
SSgA Midcap	20.0%	20.0%	---	---	20.0%	-10.1%
SSgA Intl Equity	19.7%	19.8%	---	---	19.7%	2.1%

Quarter Ended 9/30/2009				Trailing 12 Months
	R.E.	R.E. Bench- mark	Total Portfolio	
Am. Realty Advisors	-9.6%	-7.4%	-9.6%	-32.4%
AmSouth Timber Fd.	0.8%	0.3%	0.8%	11.2%
BlackRock	-15.5%	-7.4%	-15.5%	-48.0%
TA Assoc Realty	0.8%	-7.4%	0.8%	-17.4%

It has now been one year since Lehman Brothers collapsed, Merrill Lynch ceased to be an independent firm, and the U.S. Government took over AIG. Not only did these drastic events traumatize Wall Street, the global economy was shaken to its core.

Since March, there has been growing evidence that the economy has truly bottomed out and turned upward. The Fed Chairman announced on September 15th that the steepest recession since the 1930's is "very likely over at this point." The consumer has re-emerged during the third calendar quarter due to the "cash for clunkers" program and improving confidence in general. Non-auto sales also proved strong, with the exception of home furnishings and building materials. Manufacturing activity rebounded during the summer as companies restocked their inventories and benefited from massive Government stimulus initiatives. Production rose and new manufacturing orders rose 24%, the highest since 2004. After fourteen consecutive quarters of sales declines, the \$8,000 homebuyer's incentive helped to stabilize the housing market. Overall, the nation's GDP grew at a surprising rate of 3.5%.

However, not all economic indicators have turned up. Total third quarter job losses were 768,000 as the unemployment rate rose to a 16-year high of 9.8%. In addition, the worst deflationary period since 1949 persisted. Producer Prices (PPI) fell 4.3% and consumer prices (CPI) dropped 1.5% through August. After adjusting for higher energy prices, core PPI and CPI still rose at the slowest pace since 2007 and 2004 respectively. Finally, the expected rebound in housing activity has yet to materialize – foreclosures continue to increase, despite banks' efforts to ease up on those facing foreclosure.

Overall in the third quarter, the economic positives outweighed the negatives for investors. Prices of all major asset classes advanced and many stock and bond indices posted double-digit gains.

Mr. McNeillie reviewed each manager's returns and commented on his grading results. Lee Munder Capital and SSgA (International) remain on Dahab's watch list.

Discussion turned to the process of transitioning assets out of the Sawgrass portfolio. Although it would require contracts with State Street, the most cost-effective process would be for State Street to act as the transition manager and to have control of the assets for approximately one (1) week after contracts are signed. Their transition team can do the trades, and then Atlanta Capital will have control of the portfolio. Motion by Gary Arenson, second by Vicki Minnaugh, authorizing Mr. McNeillie to forward State Street contracts to Attorney Cypen for review. Contingent on Mr. Cypen's approval, State Street will be authorized to act as transition manager in order to move the assets into Atlanta Capital's control. The motion carried unanimously. Mr. McNeillie will facilitate the process.

Mr. McNeillie addressed the fund's overall 60/40 target guideline. He agreed to look into a probability study that would propose achieving better returns by modifying the 60/40 target. Chairman Dougherty requested a letter from Dahab about modifying the asset allocation guidelines.

The Trustees discussed Dahab's recommendation to rebalance assets among the managers. Mr. McNeillie stressed the importance of believing in the concept of asset allocation, and several of the Trustees expressed opinions in this regard. Motion by Gary Arenson, second by James Ryan, to follow Dahab's asset rebalancing recommendation and authorizing the following transactions: \$ 4.1 Million to Buckhead; \$3.3 Million to Eaton Vance; \$6.3 Million to State Street Midcap; and \$2.3 Million to State Street International. The motion carried unanimously.

Motion by Gary Arenson, second by Adam Cabeza, to follow Dahab's asset rebalancing recommendation and authorizing the following transaction: \$8.8 Million to Lee Munder. The motion carried with two opposing votes (McCluskey and Minnaugh).

3. **Buckhead Capital Management – Investment / Market Report.** Michael Harhai represented the firm this date and summarized the highlights of their separate report. The portfolio value on 9/30/2009 was \$8,952,682 with the portfolio 98% invested at quarter end. During the quarter, six new investments were added to the portfolio (Cisco, Darden, Dow Chemical, Snap-On, SunTrust and WellPoint). Five positions were eliminated (Ball, Cintas, Diebold, Intel and Kraft). Buckhead also trimmed or added to several other positions.

The portfolio posted a quarterly return of 15.2% vs. the Russell 1000 Value at 18.2%. An overweight position and stock selection in the Healthcare sector, an emphasis on less-risky stocks in the Consumer Discretionary sector, and continued under-exposure to credit risk in the Financial sector contributed most

to the relative under-performance during the quarter. Underweight positions in the Energy, Telecommunications and Utility sectors and good stock selection in those same sectors were the biggest positive contributors to relative performance.

Buckhead reports over \$2 billion in assets under management as of 9/30/2009; no changes to their investment process; and a consistent team of investment professionals. Challenges to sustainable growth remain substantial. However, their Value Equity team remains focused on the process of identifying and thoroughly researching new investment ideas. Buckhead's research discipline remains the foundation of high-quality companies well-positioned to weather troubled conditions, but poised to thrive in a more favorable environment.

4. **Lee Munder Capital Group – Investment / Market Report.** Tom Capobianco and Jim Gribbell represented their firm this date. As stated in their separate report, the portfolio value on 9/30/2009 was \$17,173,025 and fully invested in equities. Return for the quarter was 18.0% vs. the Russell 1000 Growth Index at 14.0%. Mr. Gribbell noted that return for 2009 YTD (through November 17th) is 35.9% vs. 35.1% for the benchmark.

Contributors to third quarter return included Apple, Inc. and Cisco Systems. Detractors of special note were Research In Motion (increased competition from Apple) and Gilead Sciences (due to pending healthcare reform).

The firm's outlook included the following points: the U.S. economic recession ended in the quarter ended 9/30/2009; the recovery will be very gradual; it will take several years for unemployment levels to normalize; interest rates are expected to remain low for the foreseeable future; the current environment is bullish for equities; and risks include the over-leveraged consumer and prolonged weakness in the labor markets.

5. **Inverness Counsel – Investment / Market Report.** Henry Renard and Robert Maddock represented the firm this date. As stated in their separate report, the portfolio value on 9/30/2009 was \$151,489,459 with an asset allocation of 37.3% to equities, 55.5% to fixed income and 7.2% in cash and cash equivalents.

Inverness continues to monitor the overall market environment, and their primary concern is inflation issues. Mr. Maddock addressed the issue of long- and short-term equity performance. Inverness did not participate fully in the S&P upward movement through 9/30/2009, resulting in a couple of disappointing equity quarters. He added that they are having a good 4th quarter thus far. Mr. Renard stated they will sell bonds in order to generate cash for the portfolio rebalancing discussed earlier. He also addressed the deficit spending environment in Washington, DC, noting that the money has to come from somewhere – and may well come from increased tax revenues. They are taking a “wait and see” philosophy as to equities.

Chairman Dougherty asked whether Inverness looks for higher returns from other countries' investments. While the Inverness guidelines permit a maximum of 10% in foreign bonds, it was noted that it is difficult to find any place to put the money now.

Inverness also provided the following written commentary:

One year ago, investors were feverishly cleansing their portfolios of risky assets. Ground zero for this cleansing was stock of businesses with significant amounts of debt, or leverage. With the credit markets frozen, and high yield spreads widening to ~20%, highly leveraged enterprises were thought to inevitably file for bankruptcy, as their businesses could no longer be financed and their existing debt could no longer be rolled over. Many a debt-laden enterprise watched their market value fall ~90% between August 2008 and March 2009, unable to do much to adjust their capital structure without 1) significantly diluting existing shareholders or 2) refinancing their existing debt at close to “loan-shark” rates.

Now one year later, much has changed. Investors, now (slightly) more confident in a recovery, have moved money back into risky assets (stocks) and the riskiest assets (leveraged enterprises) have received more than their fair share of that investment. This shift has occurred to the extent that the market's rally off the March lows has been led by debt strapped companies. Of the 500 companies in the S&P 500, the top 50 performers since March have topped the broader index by 70% on average (with some returning in excess of 300% more upside). Those same 50 companies, too,

have an average long term debt to capital ratio of 52%, compared to the other 450 companies in the S&P 500 with an average ratio of only 35%. In the same vein, it should be noted that 25% of those top 50 are expected to lose money in 2009, while only 8% of the remaining 450 companies in the Index are expected to report a 2009 loss.

I highlight these facts as it is important for investment managers (and their clients) to understand what does and does not fall into their investable universe. At Inverness Counsel, we focus our attention on well-run, profitable businesses that aren't over levered relative to their cash flows. We try not to overpay for what we feel we are getting in return in the form of cash and earnings growth, and we try not to over complicate the investment process by becoming owners of businesses with complex structural issues. Adhering to this investment strategy can, at times, leave our investments out of favor with the markets. In "low-quality" rallies as we have seen since the lows in March, consistent earnings generators with clean balance sheets tend to under perform. We recognize that this is the case, but also find comfort that low quality rallies tend to be brief in duration. We continue to screen for investments as we always have, despite what the market finds value in and take advantage of opportunities when we are able to mine for these investments in a temporarily larger population.

The Board recessed at 4:05 p.m. and reconvened at 4:15 p.m.

6. **Approval of Minutes for October 15, 2009.** Chairman Dougherty presented minutes from the October 15, 2009 meeting for approval. Motion by Isadore Nachimson, second by Kevin McCluskey, to approve as presented. The motion carried unanimously.
7. **Approval of Warrant #467.** Chairman Dougherty presented Warrant #467 in the amount of \$29,666.93 for approval and payment. Motion by Vicki Minnaugh, second by Isadore Nachimson, to approve as presented. The motion carried unanimously, authorizing the payment of:

Cypen & Cypen – Monthly Retainer for November, 2009	\$3,250.00
Hampton Professional Center Condo No. 2 – Monthly Maintenance (Suite #104) for December, 2009	\$407.72
Karen Warner – Mo. Allowance for November, 2009 (Med/Dental/Life)	\$375.00
LEAF – Xerox Copier Lease for November, 2009	\$194.23
Twilight Industries, LLC – Office Maintenance for November, 2009	\$152.00
Goldstein Schechter Koch – Progress Billing for 9/30/2009 Audit	\$500.00
Atlanta Capital Management – Mgmt. Fee for Q/E 9/30/2009	\$23,264.00
City of Pembroke Pines – Code of Ord. Supplement & Zoning Pamphlet	\$30.75
FP&L – Electric Bill for the period 9/25/2009 – 10/26/2009	\$208.20
Holland & Knight LLP – Prof. Services through 9/15/2009	\$600.00
Broward County Tax Collector – Fire Protection Assessment (Non-Ad Valorem)	\$685.03

TOTAL \$29,666.93

8. **Approval of DROP Benefit(s) – Ordinance 1480 (Police).** Motion by Vicki Minnaugh, second by Isadore Nachimson, 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 Britney Combs	10/01/2009	9/30/2014	Joint & 100% Contingent
P/O Kevin King	10/01/2009	9/30/2014	Joint & 75% Contingent
P/O Denise Tamburo	10/01/2009	9/30/2014	Normal Form

UNFINISHED BUSINESS

9. **Actuarial Cost Effect of Plan Amendments.** The Trustees previously requested cost information from GRS relative to the Pension Protection Act of 2006 and HEART Act. Copies of Actuary Wilson's letter dated November 19th were distributed for discussion. Based upon the actuarial assumptions and methods employed in the 10/1/2008 Actuarial Valuation, it is the opinion of GRS that the proposed optional amendments are "no cost" amendments under State funding requirements. A copy of Mr. Wilson's letter will be forwarded to Mr. Friedman at Holland & Knight.

NEW BUSINESS

10. **City Request Regarding Annual Required Contribution.** Agenda packets included an e-mail request from Finance Director Rene Gonzalez. For City budgeting purposes, he would like the Board to consider changing the Annual Required Contribution (ARC) determined by Actuarial Valuation to be for the following fiscal year (rather than current year) and providing for 2010 to be the transition year. Actuary Larry Wilson stated that this procedure is permitted by the State, but questioned whether this is a good time to make such a transition – given market conditions and another negative fiscal year. Following lengthy discussion, motion by Vicki Minnaugh, second by Isadore Nachimson, to approve the City's request that the 10/1/2009 Valuation results determine the City contribution for the 9/30/2010 and 9/30/2011 fiscal years. On a vote of 2 in favor and 6 against (Arenson, Cabeza, Dougherty, McCluskey, Moss and Ryan), the motion failed.

11. **Reports:**

Actuary – Agenda packets included copies of emails between Actuary Larry Wilson and Trish Shoemaker (Division of Retirement). Mr. Wilson was asked at the last meeting to obtain a written opinion from Ms. Shoemaker regarding a retiree's right to change joint annuitants after benefits have commenced. At issue is Mr. Wilson's recommendation of a 5-year age adjustment when evidence of good health is not provided to the Board. Mr. Wilson's written response to the Board, dated November 19th, was distributed for discussion. Attorney Cypen stated he does not believe a provision such as this needs to be in the Ordinance.

Motion by Vicki Minnaugh, second by Isadore Nachimson, that the Board adopt the following policy:

When establishing the actuarial present value of a joint annuity which is already in pay status for the purpose of changing the joint annuitant, the ages of both the member and the joint annuitant shall be set ahead five (5) years. This 5-year age adjustment may be waived by the Board for either the retiree or the joint annuitant, or for both the member and the joint annuitant, upon receipt of satisfactory evidence of good health. There is no adjustment applied to the age of the new joint annuitant. If the joint annuitant being removed is no longer living, then the present value of the member's benefit is based upon a life annuity.

Roll call vote:	<u>For the Motion</u>	<u>Against the Motion</u>	<u>No Vote</u>
	Adam Cabeza Steve Dougherty Kevin McCluskey Vicki Minnaugh Richard Moss Isadore Nachimson James Ryan		Gary Arenson (left meeting)
			<u>The motion carried.</u>

Lengthy discussion followed regarding fees associated with various actuarial calculations. The Pension Office was asked to provide historical information for the 9/30/2008 and 9/30/2009 fiscal years: number of requests received, number at no charge to the member, number repaid by the member, etc. Discussion will continue within the next two months.

Attorney – None.

Chairman – None.

Plan Administrator – Karen Warner noted the death of retired F/F Richard Crusoe on October 24th. As Mr. Crusoe retired under the Joint & 100% Contingent form of benefit, there is a lifetime benefit payable to his wife. We have been communicating with her to get all supporting documents in place. This process is now complete and there was no interruption of benefits.

The Pension Office inadvertently omitted a routine approval item on the agenda. It is requested to add to the agenda at this time, if meeting with the Board's approval. Motion by James Ryan, second by Vicki Minnaugh, to add "Review / Approve – Net Return for Q/E 9/30/2009" to the agenda. The motion carried unanimously.

Review / Approve – Net Return for Q/E 9/30/2009. Copies of the rate of return letter from Dahab Associates were distributed, as well as a correction email received just prior to the start of this meeting. The return has been calculated at 9.35% (net of fees). Motion by James Ryan, second by Vicki Minnaugh, to accept the rate of return for the Q/E 9/30/2009 as presented. The motion carried unanimously. A copy of the information received from Dahab was provided to Actuary Larry Wilson, enabling GRS to finalize DROP statements based upon this information.

Karen Warner advised that a DROP distribution request has been received from F/F Jack Masiello since agenda packets were mailed out, as was the letter from Actuary Larry Wilson. She asked that the Board consider adding this request to the agenda if meeting with their approval. Motion by Vicki Minnaugh, second by James Ryan, to add "Request for DROP Account Distribution(s)" to the agenda as requested. The motion carried unanimously.

Request for DROP Account Distribution(s) – The following DROP account distribution request was presented for Board consideration:

▪ F/F Jack Masiello Monthly ***

*** (See Attachment A)

Actuary Larry Wilson has provided the necessary letter indicating this distribution would not pose a problem with the 415 limitation at the present time. Motion by Vicki Minnaugh, second by James Ryan, to approve the distribution request for Jack Masiello as presented. The motion carried unanimously.

The Pension Office is in receipt of additional bills for payment and other benefit disbursements for approval. Chairman Dougherty presented Warrant #468 for addition to the agenda and approval for payment. Motion by Vicki Minnaugh, second by James Ryan, to add Warrant #467 to the agenda. The motion carried unanimously. Motion by Vicki Minnaugh, second by James Ryan, to approve the payment of Warrant #467 as presented in the amount of \$78,492.05. The motion carried unanimously, authorizing the payment of:

F/F Jack Masiello – Normal Retirement Benefit Commencing 12/1/2009		***
F/F Jack Masiello – Monthly DROP Withdrawal Commencing 12/1/2009		***
FPPTA – 2010 Membership Renewal		\$600.00
Dahab Associates, Inc. – Consulting Fee for Q/E 9/30/2009		\$20,555.26
SunTrust Bank (Visa – Fisher)	Bd Mtg / Ofc Supplies	\$74.82
	DirectTV	90.53
	Gasoline	38.61
	AT&T	755.23
	Monthly Storage	104.00
		\$1,063.19
		\$1,063.19
SunTrust Bank (Visa – Warner)	Xerox (maintenance)	\$20.00
	Bd Mtg / Ofc Supplies	258.58
	ISP	24.95
		\$303.53
Fiduciary Trust Co. – Custody Fee for Q/E 10/31/2009 (Atlanta)		\$1,267.24
Fiduciary Trust Co. – Custody Fee for Q/E 10/31/2009 (Special Assets)		\$238.28
Fiduciary Trust Co. – Custody Fee for Q/E 10/31/2009 (Inverness)		\$14,937.37
Gabriel, Roeder, Smith & Co. – Prof. Services for October 2009		\$25,990.00
Goldstein Schechter Koch – Progress Billing for 9/30/2009 Audit		\$4,000.00

*** (See Attachment A)

TOTAL

\$78,492.05

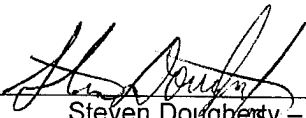
The "2nd Annual Holiday Lunch" is scheduled for Friday, December 11th and all are welcome to attend. Invitations are scheduled to go out shortly. Last year there was very good participation from businesses in this complex. It was noted that costs for this function are covered personally, rather than by the pension fund.

Jim Fisher – None.


12. **Input from Retirees:** None.

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

14. **Adjournment** – Chairman Dougherty announced that the next regular meeting would be held on Thursday, December 17, 2009 at 4:00 pm. There being no further business to come before the Board, motion by James Ryan, second by Kevin McCluskey, to adjourn the meeting at 6:00 pm. The motion carried unanimously.



Steven Dougherty – Chairman



Kevin McCluskey – Secretary