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 20, 2010

The three hundred and seventy-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 Steve Dougherty.

1. **Roll Call –**

Fire Members	Police Members	City Members
Adam Cabeza	Carl Heim	Gary Arenson
Steven Dougherty	Kevin McCluskey	Vicki Minnaugh
Richard Moss	James Ryan	Isadore Nachimson

Others Present: Greg McNeillie from Dahab Associates; Laura MacDonald from Eaton Vance Management; Greg Balewicz from State Street Global Advisors; Henry Renard and Robert Maddock from Inverness Counsel, Inc.; Pete Strong from Gabriel, Roeder, Smith & Co.; Retired F/F Robert Weaver; Asst. Division Chief David Cunningham; Sgt. Al Xiques; 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 3/31/2010**. Greg McNeillie represented the firm this date. He reported the Fund's total gross return was 3.9% for the quarter ended 3/31/2010, with a portfolio value of $286,404,746. The increase in assets since 12/31/2009 totaled $13,172,221 comprised of $2,422,427 in total net contributions and net investment return of $10,749,790. Investment of the total portfolio was 60.0% in domestic equities, 23.6% in fixed income (including State of Israel Bonds), 7.7% in international equities, 5.4% in real estate and 3.4% in cash and equivalents. The following *gross* returns, detailed by manager, were discussed:

	Quarter Ended 3/31/2010					
	Equities	Equity Bench-mark	Fixed Income	Fixed Inc. Bench-mark	Total Portfolio	Trailing 12 Months
Atlanta Capital	7.3%	8.9%	---	---	7.3%	52.7%
Buckhead	4.4%	6.8%	---	---	4.4%	44.2%
Eaton Vance	5.8%	6.8%	---	---	5.8%	43.7%
Inverness	4.9%	5.4%	1.9%	1.5%	3.2%	20.0%
Lee Munder	3.6%	4.7%	---	---	3.6%	51.8%
SSgA Midcap	9.1%	9.1%	---	---	9.1%	56.4%
SSgA Intl Equity	1.9%	1.7%	---	---	1.9%	62.8%

	Quarter Ended 3/31/2010			
	R.E.	R.E. Bench-mark	Total Portfolio	Trailing 12 Months
Am. Realty Advisors	-0.7%	0.8%	-0.7%	-20.2%
AmSouth Timber Fd.	2.0%	-0.2%	2.0%	1.7%
BlackRock	-0.3%	0.8%	-0.3%	-15.8%
TA Assoc Realty	0.9%	0.8%	0.9%	-26.8%

The new year dawned with much brighter economic statistics than 2009. Solid and diversified retail sales and stabilizing residential home prices heralded a turnaround both economically and psychologically. GDP was up 5.6% in the fourth quarter of 2009 and 3.2% for the first quarter of 2010. The unemployment rate stopped climbing and actually stabilized at 9.7%. The Federal Reserve made the tough decision to keep short-term interest rates close to zero percent. This was in an effort not to interrupt the early stages of the economic turnaround and to combat the possibility of more real estate foreclosures, especially in the commercial area. The Fed also began to wind down support for the residential mortgage market and raised the discount rate between banks to 0.75%. As a result, overall monetary policy moved modestly away from quantitative easing, which is preparing the stage for more bank lending.

The dollar strengthened in most currency markets, as it appeared to have fewer problems than the Euro, and there was good evidence of a U.S. economic turnaround. The downside of a richer dollar was a tougher sell for American exports. The one dark cloud in the sky was the Greek debt crisis and its impact upon the EU economy as a whole. Other lesser (but not insignificant) concerns for the long-term were the U.S. healthcare overhaul, the $1.4 Trillion FY 2010 budget deficit, and the ongoing debates over U.S. regulatory reform.

Mr. McNeillie drew the Board's attention to a typo on the Inverness portfolio (Abbott Labs). He also indicated that the total fund portfolio was over-allocated to large cap and mid cap domestic equities and under-weighted in small-cap at quarter end. He anticipates that monies received from State Chapter funds will be used to rebalance the portfolio. A bright spot in the real estate investments has been Timber. Because AmSouth / Regions is a closed fund, new money cannot be added to the investment. He is watching for another good Timber investment to consider. The trustees discussed the manner of valuing the real estate investments, looking at the processes and characteristics of each of the four real estate managers.

Chairman Dougherty had previously requested an asset reallocation study. Mr. McNeillie indicated that Dahab is currently working to complete a probability study of increasing the 60% cap in equities in order to achieve an 8% return going forward, and he hopes to present the results at the August meeting.

Vicki Minnaugh voiced continuing concerns with the performance from Lee Munder Group, stating she believes the time is long overdue to move the funds away from their management. Mr. McNeillie feels they should be given further leeway due to the change from Independence to Lee Munder and their return for the past twelve months. He also pointed out that Lee Munder Group and SSgA International are the only managers to out-perform the indices over the past 12 months. When he returns at the August meeting, Mr. McNeillie will report on the dollar impact of Lee Munder's past performance.

Inverness Counsel has asked for the Board to consider modifying their guidelines, and red-line copies were distributed for discussion. Mr. McNeillie is comfortable removing the 5-year operating history mandate for all new stocks. Motion by Vicki Minnaugh, second by Gary Arenson, to approve Dahab's recommended modification to the Inverness Counsel guidelines. The motion carried unanimously.

3. **Eaton Vance Management** – **Investment / Market Report**. Laura MacDonald, Relationship Manager, represented the firm this date. Following a brief overview of the firm, she reported a net asset value of $14,461,688 in this large cap value portfolio. Gross and net returns for the quarter were 5.94% and 5.77% respectively. Since inception (9/29/2008), this portfolio has experienced a net annualized return of 1.75%. She also reported that the portfolio has added 4.60% in value since inception.

Ms. MacDonald addressed the firm's stability, investment philosophy, diversification and fund objectives, noting that the portfolio is diversified across all market sectors, so there will always be some amount of exposure. She explained the reasoning for over- and under-performance by sector. Ms. MacDonald stated that low quality has dominated the market rally – companies without earnings have done better than those with earnings; non-dividend payers have outperformed dividend issuers; and the cheapest stocks have outperformed the most expensive.

Specific comparisons were illustrated between the fund's holdings-based and (gross) returns-based characteristics to those of the Russell 1000 Value Index.

4. **State Street Global Advisors** – **Investment / Market Report**. Greg Balewicz, V.P. and Senior Portfolio Manager, represented the firm this date. As of 3/31/2010 the portfolio reflected a market value of $23,922,162 (Midcap Index Fund) and $32,956,226 (All International Fund) for a total market value of $45,878,389. Appreciation for the Q/E 3/31/2010 totaled $2,406,395. On the international side, gross returns for the quarter and past 12 months were ahead of the corresponding benchmark; however it was noted there is still some ground to make up in the 3 year and 5 years results. Midcap returns were at benchmark levels due to being designed to replicate the index.

Mr. Balewicz reviewed the objectives and investment processes for both the International and Midcap Index strategies. Trustee Arenson asked for clarification on SSgA's securities lending position. Mr. Balewicz stated the S&P Midcap 400 Index Fund is non-lending by design. The All International Allocation Fund was designed to permit securities lending but is not doing so at the present time. SSgA is required to provide a minimum of 30 days' notice of their intent to activate the securities lending provisions.

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 3/31/2010 was $142,369,394 with an asset allocation of 48.8% to equities, 45.3% to fixed income and 5.9% in cash and cash equivalents.

Mr. Maddock reported that the equity portfolio has under-performed the benchmark on a fiscal year-to-date basis (which fits with their conservative style and is to be expected) but has out-performed on a 3-year and 5-year basis. The Inverness outlook is that there is much turmoil going forward, and diversification is the best safety net to utilize. He reviewed the Compliance Summary and noted the portfolio has no holdings on the List of Scrutinized Companies. ABB Ltd. was removed from the Continued Examination Company list for Sudan during the quarter.

Mr. Renard added that a number of the portfolio bonds are coming due in 2010. Inverness has started to take positions in "Build America" bonds with attractive yields and high credit ratings. The Federal government guarantees 35% of the interest on a particular bond, and in consideration the bond loses Federal tax exemption. A number of high-quality municipalities have begun to issue these bonds. Inverness recently purchased *Commonwealth of Virginia Transportation Authority* with an AA+ rating, which pays .75% more than a Treasury and which stands on its own credit rating.

Inverness also provided the following written commentary:

Our conservative investment style which has helped to mitigate losses during a down-turn of course means that we have not necessarily surged ahead as strongly during up-turns. Nevertheless, our approach has lead to superior long-term numbers with reduced risk.

The first three months of 2010 have witnessed the world's markets continuing to climb a wall of worry. Despite fears of soaring budget deficits, weakening sovereign finances and the potential for run-away inflation (to name a few), most of the world's indices appreciated in the first quarter of the year. The benchmark indices in the U.S. increased ~5%, though Europe, beset by sovereign issues lost ~2%. In Latin America, returns totaled ~1% while Asia continued its march higher also adding 1%. The increases all come on the back of ~65% gains from the lows in March, 2009. As always, the major determinant of asset valuation is fundamentals, and at this point in time, the fundamentals are mixed.

Creative stimulative measures put in place after the Lehman Brothers bankruptcy in September, 2008 have accomplished their goal. They stabilized the world's economies and eventually helped drive economic activity. The longer term price of those measures is discussed below. We now stand 18 months beyond the first of those measures and from our vantage point the pace of improvement has naturally slowed. As an example, a closely followed housing index of existing home sales averaged a monthly sequential improvement of 1.8% from March – December 2009. In the two months that we have data for 2010, the monthly improvement was a muted 0.2%. Similarly, housing inventories (months of existing home supply) improved by nearly 3% during the March – December 2009 time frame, yet have worsened by an average of 9% so far in 2010, effectively erasing ~6 months of improvement in the supply of existing homes. In the manufacturing sector, an index of new orders averaged a 7% sequential monthly improvement during the 2009 period, but has since retreated to a 1.6% decline (including a 10% decline in February) in the first three months of 2010.

To be sure, the economy is not weak. Retail sales are back to near all-time highs (reached in July, 2008) and the closely watched Leading Economic Indicators Index continues to make new highs. Our concern, though, is that the economy cannot continue to grow at the pace it has during the recovery and at some point the focus will turn to 2011 earnings and the prospects for double-digit growth over 2010. For that to happen, we would need to see something close to a resumption of the pace of economic growth exhibited in the second half of 2009. We are cautiously optimistic and optimistically cautious.

In the meantime, we continue to manage accounts from a bottom-up perspective. When holdings reach valuation levels that we believe are misaligned with growth prospects, we will be trimming (or outright selling) the position. For that reason, you may see more sales in your account than normally would be expected. The market has made a very good run over the last year, and is forcing us to review names at a faster than normal pace.

With regard to fixed income, we have become increasingly concerned about long-term bonds. The stimulus had driven rates to 50 year lows and has more than doubled the size of the monetary base over the last year and a half. While longer rates have recovered to rates seen in 2008, we believe the level of borrowing and spending should drive considerably higher rates that have thus far been dampened by the strong stimulative growth in the monetary base. As the economy recovers, we will start to see pressure on rates to rise. The government can (and has) held this increase off for a time through Fed participation in the market. However, at some point the market will reassert itself. At the least, we expect this to manifest itself in higher rates. However, the longer the government can hold off that day, the greater we expect inflation to be a major component of the rising rates. You will note our use of TIPS in recent purchases as a means to address this concern.

As always, we thank you for entrusting your assets to us and promise to remain good stewards of your capital.

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

6. **Approval of Minutes for April 15, 2010.** Chairman Dougherty presented minutes from the April 15, 2010 meeting for approval. Motion by Vicki Minnaugh, second by Gary Arenson, to approve as presented. The motion carried unanimously.

7. **Approval of Warrant #485.** Chairman Dougherty presented Warrant #485 in the amount of $65,320.13 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 May, 2010	$3,250.00
Hampton Professional Center Condo No. 2 – Mo. Maint. (Suite #104) for June, 2010	$407.72
Karen Warner – Mo. Allowance for May, 2010 (Med/Dental/Life)	$375.00
James Fisher – Mo. Allowance for May, 2010 (Med/Dental/Life)	$308.00
LEAF – Xerox Copier Lease for May, 2010	$194.23
Twilight Industries, LLC – Office Maintenance for May, 2010	$152.00
Buckhead Capital Management, LLC – Mgmt. Fee for Q/E 3/31/2010	$19,106.78
Atlanta Capital Management Co., LLC – Mgmt. Fee for Q/E 3/31/2010	$39,438.00
Holland & Knight LLP – Prof. Fees for the period 1/27/2010-2/15/2010	$1,014.00
Holland & Knight LLP – Prof. Fees for the period 2/19/2010-3/08/2010	$725.00
Holland & Knight LLP – Prof. Fees for the period 3/17/2010-3/23/2010	$250.00
FPL – Electric service 3/30/2010-4/28/2010	$99.40
TOTAL	**$65,320.13**

8. **Request for DROP Account Distribution(s)** – The following DROP account distribution requests were presented for Board consideration:

- F/F Robert Bauman — Monthly ***
- P/O John Bedell — Lump Sum ***
- P.O David Belusko — 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 Robert Bauman, John Bedell and David Belusko as presented. The motion carried unanimously.

UNFINISHED BUSINESS

None.

NEW BUSINESS

9. **Review / Approve – Net Return for Q/E 3/31/2010.** Copies of the rate of return letter from Dahab Associates were distributed. Their correspondence indicates the return has been calculated at 3.81% (net of fees). Motion by Vicki Minnaugh, second by Isadore Nachimson, to accept the rate of return for the Q/E 3/31/2010 as presented. The motion carried unanimously. A copy of the Dahab letter was provided to Actuary Pete Strong, enabling GRS to finalize DROP statements based upon this information.

10. **Reports:**

Actuary – Representing GRS in Larry Wilson's absence, Pete Strong stated they were asked to do a 175/185 State funds analysis regarding the impact of making proposed changes. Copies of the one page summary created by GRS were distributed for discussion purposes. Trish Shoemaker, Division of Retirement, indicates some areas are problematic, as benefit levels cannot fall below those in effect in 1999. However, until there is a City ordinance and Actuarial Impact Statement available to the State, they are unable to make a final determination.

Attorney – None.

Chairman – Chairman Dougherty requested further clarification on his theoretical question from the April meeting regarding buy-backs in process (but not yet completed) in the light of possible union concessions. Following discussion, Attorney Cypen agreed with the interpretation that if GRS determined the cost of buy-back based upon a 4% multiplier for the member, and if the member pays the calculated buy-back according to plan, then the member would be entitled to the 4% multiplier for all additional years purchased.

Plan Administrator – Karen Warner reported that the State has accepted and approved the 9/30/2009 Annual Report for this fund. The State's website will be monitored for updated information regarding the allocation and release of Chapter funds.

Ms. Warner reminded the Board about the Inverness client dinner to be held on May 21st at the Lauderdale Yacht Club.

Anyone interest in attending the following conferences should coordinate with the Pension Office for registration and travel arrangements:

- Stars & Stripes (June 17-18)
- FPPTA (June 27-30)
- NCPERS/Harvard Law School (July 26-28)
- Public Fund Boards Forum – combined with Guns & Hoses (December 11-14) *

*Trustee Gary Arenson has been asked to be a panel participant

It was noted that the warrant to be added to this agenda includes a transfer of funds to American National Insurance Company, and a memo to the Trustees was distributed as a matter of explanation. The transaction represents accumulated employer contributions for Karen Warner per the employment contract. For discussion purposes, motion by Gary Arenson, second by Vicki Minnaugh, to add "Retirement Contributions / American National Insurance Company" to the agenda. The motion carried unanimously.

Trustee Arenson expressed concern about the taxability of the transaction as it directly relates to Ms. Warner. He would like to speak with the company representative to clarify the exact nature of the vehicle to be used to accomplish the transaction. Following discussion, motion by Gary Arenson, second by Vicki Minnaugh, to authorize the transfer to American National Insurance Company, subject to Trustee Arenson's conversation with a representative from the insurance company and satisfaction with the resolution to his questions. The motion carried unanimously.

The Pension Office is in receipt of additional bills for payment and other disbursements for approval. Chairman Dougherty presented Warrant #486 for addition to the agenda and approval for payment. Motion by Gary Arenson, second by Vicki Minnaugh, to add Warrant #486 to the agenda. The motion carried unanimously. Motion by Gary Arenson, second by Vicki Minnaugh, to approve the payment of Warrant #486 as presented in the amount of $193,661.59 (subject to Trustee Arenson's resolution noted above). The motion carried unanimously, authorizing the payment of:

F/F Robert Bauman – Monthly DROP Withdrawal commencing 5/1/2010			***
P/O John Bedell – Lump Sum DROP Withdrawal			***
P/O David Belusko – Lump Sum DROP Withdrawal			***
P/O Michael Segarra – Normal Retirement Benefit commencing 6/1/2010			***
US Treasury – FIT Withholding (Bedell-Belusko)			***
Dahab Associates, Inc. – Consulting Fee for Q/E 3/31/2010			$21,820.24
Gabriel, Roeder, Smith & Co. – Prof. Services for April, 2010			$24,919.00
SunTrust Bank (Visa – Fisher)	Bd Mtg / Ofc Supplies	$125.92	
	DirecTV	95.05	
	Gasoline	40.00	
	Medical Records (Hines Disability)	7.67	
	AT&T	367.30	
	AT&T / Bellsouth	400.61	
	Monthly Storage	104.00	
		$1,140.55	$1,140.55
SunTrust Bank (Visa – Warner)	Xerox (maintenance + qtr copies)	$21.60	
	Bd Mtg / Ofc Supplies	119.72	
	Conference Reg. (Arenson–NCPERS)	1,000.00	
	ISP	24.95	
		$1,166.27	$1,166.27
ICMA-RC – Semi-monthly ER Cont to 457 f.b.o. Karen Warner commencing 5/1/2010 (to coincide with payroll payments)			$471.39
American National Insurance Co. f.b.o. Karen Warner – Retroactive ER Cont through 4/30/2010			$46,792.66
Adam Cabeza – Reimb. Conference Exp. (Airfare – Division of Retirement)			$550.40
*** (See Attachment A)		**TOTAL**	**$193,661.59**

11. **Input from Retirees**: Retired F/F Robert Weaver stated he is interested in withdrawing funds from his DROP account but would like clarification from Attorney Cypen about the 10% penalty for early distribution. F/F Weaver retired in 2004 at the age of 45. Attorney Cypen explained that a retiree cannot "grow" into age 55 or 50 as now permitted by law and, therefore, would be subject to the age 59-1/2 requirement as per the law in 2004. F/F Weaver was directed to seek professional advice from a tax expert.

12. **Input from Active Members:** F/F David Cunningham addressed the Board, seeking clarification on several issues being raised by the membership. It would appear they are being told that changes need to happen because the City can no longer afford contributions to this fund at current levels. Other comments indicate a feeling that "the pension fund doesn't work" and hint that member benefits are being put in jeopardy because of pension fund decisions. Lengthy discussion followed during which the following points were made:

- These are extraordinary financial times. The magnitude of losses in the real estate market and revenue issues have resulted in an unprecedented situation. It is a global issue – not limited to the United States, or Florida, or solely to the City of Pembroke Pines.

- There are only four sources of income to the plan: State chapter funds, Employee contributions, Investment return and City contributions. In the aggregate, the total of these elements provides each year's required contribution to the fund as determined by the Actuary. There will always be fluctuations between three of the elements from year to year – State funds, Investment return and City Contributions – and the fluctuations will necessitate a shift of financial burden within these three sources of income. As mandated by the Florida State Constitution, Florida Statutes and by City ordinance, the City is obligated to maintain the system on a sound actuarial basis.

- Sweeping benefit improvements (for Firefighters in 2003, for Police in 2004) resulted in a decrease to the plan's funding ratio. This Board is charged with administering ordinances adopted by the City Commission.

- Five-year asset smoothing is a methodology currently utilized by the Actuary to minimize the effect of fluctuations in the market value of assets. Regardless of whether the investments experience a gain or loss in a given year, only 1/5th of that amount is recognized in each of five consecutive years in order to determine the value of current year actuarial assets.

It was noted that it was impossible to predict the economic situation that exists today. In addition, the Board of Trustees takes very seriously its fiduciary responsibility to act in a prudent manner for the benefit of all plan members.

13. **Adjournment** – Chairman Dougherty announced that the next regular meeting would be held on Thursday, June 17, 2010 at 4:00 pm. There being no further business to come before the Board, motion by Vicki Minnaugh, second by Gary Arenson, to adjourn the meeting at 5:20 pm. The motion carried unanimously.

Steven Dougherty – Chairman

Kevin McCluskey – Secretary