

WEST PALM BEACH FIREFIGHTERS PENSION FUND
MINUTES OF MEETING HELD
February 6, 2002

Tom Harris called the meeting to order at 1:30 P.M. at FOF Hall, West Palm Beach, Florida. Those persons present were:

TRUSTEES

T. Harris
D. Merrell
D. Miller
T. Sheppard

OTHERS

Bonni Jensen, Hanson, Perry & Jensen, Fund Counsel
Scott Baur & Margie Adcock, Pension Resource Center
Mike Callaway, Merrill Lynch
Rick Roberts

MINUTES

The Board reviewed the minutes of the meeting held January 9, 2002. It was noted that there was a typographical error on the second line of the Administrative Report. A motion was made, seconded and carried 4-0 to approve minutes of the meeting held January 9, 2002 as corrected.

STATEMENT OF INCOME AND EXPENSE

Scott Baur presented a revised Statement of Income and Expense for October 2001, as well as a Statement of Income and Expense for November and December 2001. A motion was made, seconded and approved 4-0 to receive and file the revised Statement of Income and Expense for October 2001 and the Statement of Income and Expenses for November and December 2001.

DISBURSEMENTS

Margie Adcock reviewed the disbursement list. A motion was made, seconded and approved 4-0 to pay all listed disbursements.

ADMINISTRATIVE REPORT

Scott Baur provided the Board with an updated Share Account Allocations prepared by the Actuary. He advised that he would be conducting workshops for the Participants over the next 3 days with Bonni Jensen. They would provide the Participants with the SPD, the updated benefit statements and advise them of the pension changes that are before the Legislature.

INVESTMENT MONITOR: MERRILL LYNCH

Mike Callaway appeared before the Board to report on the investment performance of the Fund for the quarter ending December 31, 2001. He advised that the market value of the

Fund as of December 31, 2001 was \$75,501,970. Fiscal year-to-date earnings were \$4,856,175. The equity portion of the portfolio was 65.1%; the bond portion of the portfolio was 32.7%; and the cash portion of the portfolio was 2.2%. Mr. Callaway noted that the target allocation for equities was rebalanced from bonds to stocks since the last quarter and stocks have done well.

Mr. Callaway advised that the total Fund for the 4th quarter was up 6.9% while the target index for that same time period was up 7.2%. For the year to date, the total Fund was up .3%, while the target index for the year to date was down 5.1%.

The domestic equity portion of the portfolio was up 12.5% for the fourth quarter while the Russell 3000 was up 11.8% and the S&P 500 was up 10.7%. For the year to date, the domestic equity portion of the portfolio was down 4.6%. The international equity portion of the portfolio was up 9.9% for the fourth quarter while the EAFE was up 7%. For the year to date, the international equity portion of the portfolio was down 16.1% while the EAFE was down 21.2%. The fixed income portion of the portfolio was down .4% for the quarter and up 9.8 for the year to date. Mr. Callaway noted that the Fund's portfolio had no Enron stocks. He discussed the risk/return analysis noting that the Fund made more return with less risk than the target index. This was due to the domestic equities. There was discussion regarding the portfolio holdings and the issue of any problems because two of the managers had some of the same holdings. Mr. Callaway advised that the Fund has diversification and that the Fund is represented adequately in equities.

Mr. Callaway then reported on the performance of the individual managers. He advised that The Boston Company was up 10.7% for the fourth quarter, Davis Hamilton was up 8.8% for the fourth quarter, Strong Capital was up 15.2% for the fourth quarter, and DePrince, Race & Zollo was up 23.2% for the fourth quarter. The Boston Company had \$17,650,040 as the total market value as of December 31, 2001 with 97.5% in equities and 2.5% in cash. Davis Hamilton had \$17,296,880 as the total market value as of December 31, 2001 with 95% in equities and 5% in cash. Strong Capital had \$4,167,800 as the total market value as of December 31, 2001 with 96.7% in equities and 3.3% in cash. DePrince, Race & Zollo had \$4,745,220 as the total market value as of December 31, 2001 with 96% in equities and 4% in cash. It was noted by Tom Sheppard that according to one of the manager's reports it showed that they owned stock in Wells Fargo. Mr. Sheppard questioned as to whether this was the fire-related portion of Wells Fargo. Mr. Callaway advised that if the holding was by The Boston Company then it was most likely the Wells Fargo Bank stock. A motion was made, seconded and approved 4-0 to have Bonni request twice a year from each investment manager a representation that they do not have any fire-related stocks in the Fund's portfolio.

Mr. Callaway then discussed the investment performance of Pimco. Pimco had \$24,712,620 as of December 31, 2001 and was down .4% for the fourth quarter and up 9.8% for the year to date. With respect to the international equity portfolio, the total market value was \$6,929,410 as of December 31, 2001. Putnam had 48.9% of the international portfolio and Templeton had 51.1% of the international portfolio as of

December 31, 2001. Mr. Callaway advised that the Fund was within the guidelines required by the Investment Policy.

Tom Sheppard questioned about the recent layoffs at Merrill Lynch. Mr. Callaway advised that Merrill Lynch laid off 9,000 people last year. He noted, though, that his office has increased by 3. He advised that there might be some impact on research available, but there is no consequential impact on what Merrill Lynch does for the Fund. Merrill Lynch has gone from 65,000 employees to 56,000 employees, but the significant reduction was in international equities.

Tom Sheppard then questioned about the possibility of a retiree health insurance fund that is being established investing money with the managers of the Fund. Bonni Jensen advised that the retiree health insurance fund could approach the managers of the Fund about setting up a separate account but to consider the monies in the Fund for purposes of fees. Ms. Jensen advised the Board that they cannot commingle any other monies from another fund with the Pension Fund's money. Mr. Callaway noted that it would not be a practical way to get four managers with each having such a small amount.

Mike Callaway departed the meeting.

ATTORNEY REPORT

Bonni Jensen provided the Board with a sample service purchase calculation report prepared by the Actuary. There was a lengthy discussion regarding the chart itself and the accuracy of the different scenarios. Ms. Jensen recommended that language be added to the bottom of the chart to advise that the calculations were just examples. It was determined that the Actuary would be asked to make the chart more conducive to the realistic scenarios that would apply to the Participants.

Ms. Jensen then provided the Board with an Application for Buy Back of Service and a Policy regarding Buy Back of Service. She briefly went over some of the specific issues that the Board will need to consider. It was determined that the Board would review the material and discuss it at the next meeting.

Rick Roberts departed the meeting.

Ms. Jensen advised that there has been a request that someone be at the Committee meetings to answer any questions about the Special Act that is being presented to the Legislative Delegation. She mentioned that she would be up in Tallahassee for the police plan so could be there to answer any questions.

Ms. Jensen advised that the term for Dorritt Miller is to expire on February 28, 2002 and that she has sent a letter to the City regarding reappointment of Dorritt Miller to the Board. She also advised that the term for David Allison is to expire on March 30, 2002 and his position is selected by the four other Trustees. It was determined that the Board would take action on the position of the 5th Trustee at the next meeting.

OTHER BUSINESS

It was reported that James Harmon submitted a letter advising that he received retroactive pay after he entered the DROP, which retroactive pay represented pay earned prior to entering the DROP. Mr. Harmon is requesting that this amount be added to his final average salary and that there be a recalculation of his pension. It was noted that he might have to make up contributions on the amount received as retroactive pay. Ms. Jensen noted that there was no legal issue as long as the money received is pensionable salary and is for time prior to entering the DROP. A motion was made, seconded and carried 4-0 to have Scott Baur verify with Finance and investigate the matter to determine that the amount received is pensionable and is for time prior to entering the DROP, and if so, then Bonni and Scott can arrange for a recalculation of his pension.

There being no further business and the next meeting being scheduled for Wednesday, March 6, 2002 at 1:30 P.M. at the Union Hall, the meeting was adjourned at 3:40 P.M.

Respectfully submitted,

Tom Sheppard, Secretary