

WEST PALM BEACH FIREFIGHTERS PENSION FUND

MINUTES OF MEETING HELD

August 19, 2003

David Allison called the meeting to order at 1:32 P.M. at Station 2, West Palm Beach, Florida. Those persons present were:

TRUSTEES

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

OTHERS

Bonni Jensen, Hanson, Perry & Jensen, Fund Counsel
Scott Baur and Margie Adcock, Pension Resource Center
Richard Wells and Gregory Ramsby, DRZ
Mike Callaway, Merrill Lynch

MINUTES

The Board reviewed the minutes of the meeting held July 3, 2003. A motion was made, seconded and carried 5-0 to approve minutes of the meeting held July 3, 2003.

INVESTMENT MANAGER REPORT

Richard Wells and Gregory Ramsby appeared before the Board to discuss the investment performance of the Fund. Mr. Wells introduced Gregory Ramsby and noted that he was the Director of the small cap research department. Mr. Wells stated that the second quarter was a positive quarter. The war with Iraq ended and the federal government cut interest rates 25 basis points so interest rates are the lowest they have been in 45 years. On the negative side, unemployment is up to 6.1%. Mr. Wells discussed their value philosophy and their buy decision. For the calendar year to date, the portfolio was up 14.69% which is good on an absolute basis. However, compared to the Russell 2000 Value which was up 22.3%, they were behind the benchmark. For the three year trailing period the portfolio was up 12.4% while the Russell 2000 Value was up only 11.52%. The total market value as of June 30, 2003 was \$3,870,866. The total market value as of July 31, 2003 was \$4,120,130. Mr. Wells noted that the Board was probably concerned about performance. He explained what happened in the first and second quarter. He noted that the emphasis in the market was on lower quality stocks and their discipline would not allow them to buy such companies. He stated that their style was out of favor but he believes that it will come back.

Mr. Ramsby discussed the equity characteristics of the portfolio. He reviewed the industry concentration. He stated that two-thirds of the Russell 2000 Value does not pay dividends and their focus is on dividend yield. Since 1995, they have only underperformed the benchmark in one calendar year which was 1998. He noted that he thinks the current trend of non-dividend paying stocks being in favor can not last much longer. Mr. Wells and Mr. Ramsby then answered various questions from the Board.

Richard Wells and Gregory Ramsby departed the meeting.

INVESTMENT MONITOR REPORT

Mike Callaway appeared before the Board. He stated that the stocks doing well were the junk stocks. Low quality stocks were up 35% on average. The total market value of the

Fund as of June 30, 2003 was \$74,024,950. Fiscal year to date earning for the period ending June 30, 2003 was \$8,925,848. The asset allocation is 64.2% in equities; 33.6% in bonds; and 2.2% in cash. Mr. Callaway noted that in February the Board decided to rebalance the portfolio and took some money from the bond manager and put it in equities. He stated that that one decision put \$500,000 more in the portfolio than there would have been had the Board decided not to rebalance. The total Fund was up 10.6% for the quarter with the benchmark up 11.8%. Domestic equities were up 15.2% and the Russell 3000 was up 16.3%. International equities were up 18.5% and the EAFE was up 19.6%. The fixed income portion of the portfolio was up 2.8% and the benchmark was up 2.5%. Mr. Callaway noted that the underperformance versus the index benchmarks for the quarter, fiscal year to date and one year is because, on average, the managers are buying higher quality stocks than the index benchmarks.

Mr. Callaway stated that Davis Hamilton was up 10.9%; The Boston Company was up 16.2%; DRZ was up 20.3%; and Strong Capital was up 16.8%. Mr. Callaway noted that DRZ is the only equity manager that has a positive return for the three year period. He stated that while DRZ is lagging on a relative basis, they are providing up returns when every other manager was lagging. Mr. Callaway then discussed the risk/return analysis and noted that the Fund has more return with less risk than the target index. He then reviewed the equity portfolio characteristics. As of June 30, 2003, the total market value of The Boston Company's portfolio was \$17,162,200 with 95.8% in equities and 4.2% in cash. The total market value for the portfolio of Davis Hamilton was \$16,915,460 with 95.5% in equities and 4.5% in cash. The total market value of DePrince, Race & Zollo's portfolio as of June 30, 2003 was \$3,877,410 with 97.5% in equities and 2.5% in cash. The total market value for the portfolio of Strong Capital was \$3,865,440 with 98.4% in equities and 1.6% in cash. There was an inquiry as to whether the managers are holding too much in cash. Mr. Callaway responded that a cash position of 5% or higher is when they start to question the manager.

Mr. Callaway then discussed the investment performance of Pimco. Pimco had \$24,847,250 as of June 30, 2003. With respect to the international equity portfolio, the total market value was \$7,357,190 as of June 30, 2003. Putnam had 50.1% of the international portfolio and Templeton had 49.9% of the international portfolio. Mr. Callaway stated that Pimco was one of the best bond managers available. He stated that the Fund is in a managed fund through Oppenheimer and several years ago the Board was told that they were being moved to another fund that was supposed to measure the Pimco Total Return II Fund. Mr. Callaway stated that the fund that the Fund currently is invested with has done 60 basis points below what the Pimco Total Return II has done. Mr. Callaway recommended that he contact Pimco and see what it would take to be in their other fund as the performance is much better. A motion was made, seconded and approved 5-0 to have Mike Callaway follow up with Pimco.

Bonni Jensen stated that she was contacted by a law firm that does class action litigation and would monitor the Fund's portfolio. She stated that the law firm is different from the one the Board met last year. She stated that the Board can have more than one of these law firms monitoring the portfolio. The Board questioned as to what has been done, if anything, by Mike Pucillo who the Board met previously. Ms. Jensen stated that she would check with Mike Pucillo on this. Mike Callaway stated that the firm contacting the Fund now, Milberg Weiss, is the biggest such firm. He stated that most of the pension funds he is involved with are signing up with them to have them monitor the portfolio. He stated that the Fund's Custodian gets information on class actions and signs up the

Fund so the Fund is protected in pretty much all class actions. A motion was made, seconded and approved 5-0 to terminate the relationship with Mike Pucillo and enter into a relationship with Milberg Weiss.

Mike Callaway departed the meeting.

STATEMENT OF INCOME AND EXPENSE

Scott Baur presented a Statement of Income and Expense for the fiscal year through the end of June 2003. Mr. Baur reported that the miscellaneous expense paid out to Mr. Chapman in previously was due to a reimbursement for an overdraft that he incurred with Fidelity Federal incorrectly processed the direct deposit file on January 1, 2003. Fidelity Federal has indicated that they have credited the Fund's account which his office is verifying. The Trustees received and filed the Statement of Income and Expense for the fiscal year through the end of June 2003.

DISBURSEMENTS

Margie Adcock reviewed the disbursement list. A motion was made, seconded and approved 5-0 to pay all listed disbursements.

ADMINISTRATIVE REPORT

Margie Adcock provided the Board with a letter from Alton Ashby concerning the annual affidavits that the Board requires be completed by all of the retirees receiving benefit payments. There was a lengthy discussion on the matter. It was noted that the Board created a policy to require all retirees to complete an annual affidavit to ensure that any retiree receiving a benefit payment is still alive. This is to protect the assets of the Plan. It was also noted that the Auditor for the Fund had recommended that this policy continue. The Board directed the Administrator to respond to Mr. Ashby advising him of the Board's policy and providing him with an affidavit to complete.

ATTORNEY REPORT

Bonni Jensen provided the Board with a revised proposed Statement of Policy Regarding DROP and Share Accounts. Ms. Jensen noted that the Accountant for the Fund has reviewed it and agrees with the Statement of Policy. She then reviewed the revised proposed Policy with the Board. The Board then discussed the Policy and noted a couple additional changes they would like to be made. A motion was made, seconded and carried 5-0 to approve the Statement of Policy Regarding DROP and Share Accounts as amended.

OTHER BUSINESS

There being no further business, the meeting was adjourned.

Respectfully submitted,

Tom Sheppard, Secretary