

WEST PALM BEACH FIREFIGHTERS PENSION FUND
MINUTES OF MEETING HELD
November 6, 2003

The meeting was called to order at 1:43 P.M. at Station 2, West Palm Beach, Florida.
Those persons present were:

TRUSTEES

Tom Harris
Tom Sheppard
David Merrell

OTHERS

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

MINUTES

The Board reviewed the minutes of the meeting held October 2, 2003. It was noted that there were a couple typographical errors that should be corrected. A motion was made, seconded, and passed 3-0 to approve the minutes as corrected.

STATEMENT OF INCOME AND EXPENSE

Scott Baur presented a Statement of Income and Expense for the fiscal year through the end of September 2003. He noted that he added the expenses for fiscal year 2001-2002 to the Statement. It is not an exact match as the chart of accounts is a little different from last year, but the Board can see a comparison. Mr. Baur also noted that the field work has been completed for the audit for the fiscal year ending September 30, 2003. The Trustees received and filed the Statement of Income and Expense.

DISBURSEMENTS

A motion was made, seconded, and passed 3-0 to approve the disbursements.

INVESTMENT MONITOR REPORT

Mike Callaway appeared before the Board. He provided the Board with an abbreviated report as the complete report was not yet finished by the time he left the office. He stated that he would send the Trustees the completed reports as soon as possible. The total market value of the Fund as of September 30, 2003 was \$76,195,960. The asset allocation as of September 30, 2003 was 65.6% in equities; 32.6% in bonds; and 1.8% in cash.

Mr. Callaway stated that there are two matters that have come up since last meeting. He stated that Putnam is being investigated by the SEC and the Commonwealth of Massachusetts and the head portfolio manager is being charged with allegations of fraud. He noted that the head portfolio manager and the CEO have been fired. He stated that the head portfolio manager for the entire international equity product is now gone and the responsibilities have been given to more junior employees with much less experience. He thinks that the chance of Putnam being able to replace the head portfolio manager

with someone of similar stature is very low. Mr. Callaway also reported that \$4 to \$6 billion has been taken away from other accounts and at least \$20 billion more is to follow. The revenues of the firm will be so reduced that it will be hard for them to do research and attract appropriate personnel. He stated that he feels that there is no choice but to take the Fund's money out of Putnam as soon as possible.

Mr. Callaway then reported on a matter involving Strong Capital. He stated that Richard Strong has been accused of allegedly trading for his own account and for his family. He noted that Richard Strong has claimed that he has done nothing wrong. The Board of Directors has asked him to step down as Chairman and the SEC has suggested that they will file charges against him. He noted that this is different from Putnam in that Richard Strong did not manage any portfolios for the Fund and there is no mass exit of clients from the firm. They have also hired a former SEC employee to review their process. He stated that in the case of Strong Capital there is no risk for the Fund to do anything until there are more facts and charges are actually filed. No revenues are being depleted and he was not the manager of the portfolio in which the Fund is invested. There was then a lengthy discussion regarding both matters. Mr. Callaway stated that he would notify the Board if he feels any action needs to be taken before the next quarterly meeting.

Mr. Callaway then reviewed the performance of the Fund for the quarter ending September 30, 2003. The total Fund was up 2.9% for the quarter with the benchmark up 2.7%. Domestic equities were up 4.1% and the Russell 3000 was up 3.4%. International equities were up 7.7% and the EAFE was up 8.2%. The fixed income portion of the portfolio was flat and the benchmark was down .1%. Mr. Callaway stated that Davis Hamilton was up 3.0%; The Boston Company was up 2.7%; DRZ was up 8.9%; and Strong Capital was up 8.0%. Templeton was up 9.9% for the quarter and Putman was up 5.6% for the quarter.

Mr. Callaway then discussed the information he had on other international equity managers to replace Putnam. He stated that the Fund should still have international exposure. Over the long term such exposure made money for the Fund. If the recent matter involving the head portfolio manager did not occur, he stated that Putnam would still be on their list of international managers. Mr. Callaway advised the Board to find a replacement and not just go into cash or not have international exposure. He provided the Board with a list of options he believes is reasonable and recommended the Board take all of the money out of Putnam. He reviewed the various options with the Board. He stated that they narrowed it down to those options because they were looking for quality firms; low emerging markets; expectation to do well; and mutual fund options. Mr. Callaway reviewed the performance and fees of all of the options. A motion was made, seconded, and approved 3-0 to move the money in Putnam to Capital Research and Management (American Funds Euro Pacific A). Mr. Callaway noted that the transfer could be done as an exchange through Merrill Lynch.

Mr. Callaway then reported that he did some research on Pimco versus Oppenheimer. At the last meeting he attended, he mentioned that he was going to see if the Fund could use Pimco directly. He has since learned that the Fund can not go to Pimco directly. The Pimco fund that mirrors the Oppenheimer account allows bonds below BBB and that would be outside the Investment Policy. There was then further discussion regarding the

matter involving Strong Capital. The Board stressed to Mr. Callaway to watch Strong Capital very closely.

ATTORNEY REPORT

Bonni Jensen provided the Board with the proxy votes by The Boston Company. A motion was made, seconded, and approved 3-0 to accept the proxy voting of The Boston Company.

Mike Callaway departed the meeting.

Ms. Jensen provided the Board with a draft Policy Requiring Annual Retiree Certification. Ms. Jensen reviewed the Policy with the Board. There was a discussion on the cessation of the monthly pension payments. Ms. Jensen reported that she sent a letter to Alton Ashby on November 4, 2003. There was discussion on the process at this point. The Board noted the importance, given the number of people who have direct deposit and do not need to do anything affirmative to receive such deposit, to independently verify that the Participants are still alive. A motion was made, seconded, and approved 3-0 that if the Fund does not receive an Affidavit by 5:00 p.m. on November 20, 2003, the Administrator should hold Mr. Ashby's December 1, 2003 pension payment.

Ms. Jensen stated that a hearing has been set for Mildred Hubbard for January 8, 2004 at 1:00 P.M.

Ms. Jensen advised that she sent a letter to Lois Frankel to have the Chapter 175 monies sent to the Fund.

Ms. Jensen reported that the Florida League of Cities has appealed the case on minimum benefits. She noted that she would keep the Board apprised of what happens with this case.

OTHER BUSINESS

There was discussion on DROP Participants not being allowed to serve on the Board. Ms. Jensen stated that the Special Act can be amended to allow DROP Participants to be elected to the Board.

There being no further business and the next meeting being scheduled for Thursday, December 4, 2003, at 1:30 P.M. at Station 2, the meeting was adjourned at 3:30 P.M.

Respectfully submitted,

Tom Sheppard, Secretary