

West Palm Beach Firefighters Pension Fund
MINUTES OF MEETING HELD
February 2, 2006

Chairman David Merrell called the meeting to order at 1:45 PM in the Third Floor Conference Room at Station 1, 500 N. Dixie Highway, West Palm Beach, Florida. Those persons present were:

TRUSTEES

David Merrell, Chairperson
Tom Sheppard , Secretary
Matt Young
Tom Harris

OTHERS

Bonni Jensen, Hanson, Perry, & Jensen
Scott Baur & Dave Jakubiak, Pension Resource Center
Al Kirchner, Merrill Lynch
Carl O'Connell & David Macy, Boston Company

Minutes

Tom Harris noted that he could not attend the meeting of January 5, 2006, but the minutes recorded him as having made a motion.

Tom Harris made a motion to approve the minutes for the meeting of January 5 as amended. Tom Sheppard seconded the motion, approved by the Trustees 4-0.

Reporting Of Plan Financials

The Trustees requested that the administrator update the name for the DePrince Race Zollo Account on the Financial Statement to Thompson, Segal, & Walmsley. The Board also requested the deletion of any zero balance accounts on the Balance Sheet. Finally, Tom Harris requested that the Pension Resource Center report on the change in the City contribution from October to November.

Tom Sheppard made a motion to approve the disbursements. Tom Harris seconded the motion, approved by the Trustees 4-0.

Benefit Approvals

The Board had no new benefits to approve for February.

Boston Company (Carl O'Connell & David Macy)

Carl O'Connell announced that Mello had a new CEO, but the change had no impact on the investment management service provided by the Boston Company. He also noted that the Boston Company has \$60 billion in assets under management in various strategies.

Mr. O'Connell reported that the portfolio had returns of 3.5% for the quarter ending December 31, 2005, compared to returns of 1.3% for the benchmark. The portfolio also

gained 20.8% for the 2005 fiscal year, compared to 16.7% for the benchmark. The Boston Company managed assets on behalf of the Pension Fund of \$25,046,450 as of December 31, 2005.

David Macy reviewed the performance attribution for the portfolio, noting that energy and financial services contributed most to the performance. He also reviewed the contribution to the portfolio made by specific holdings. The manager looks for holdings with good value characteristics, strong business fundamentals, and positive business momentum. The Boston Company has a bottom-up approach to portfolio construction. Boston looks for a compelling story when selecting holdings for the portfolio, so the manager does not weight to the market sectors representing in the benchmark. Mr. Macy reported that the portfolio typically has turnover of 60% annually, and the manager trims or sells positions when the holdings reach their price targets.

Investment Consultant Report (Al Kirchner, Merrill Lynch)

Al Kirchner reported that the invested assets of the Pension Fund reached \$99,272,070 as of December 31, 2005. The portfolio earned 2.4% overall for the quarter, compared to returns of 1.7% for the benchmark. The portfolio gained 6.9% for the calendar year compared to 5.7% for the benchmark. Mr. Kirchner remarked on the consistency of the performance for the Pension Fund assets over time.

Tom Harris asked if the target index should more closely reflect on the composition of the portfolio. The Board discussed the recent performance of the market indices as opposed to the active managers. The portfolio had significantly greater returns than the target with similar volatility. Then Mr. Kirchner reviewed the characteristics of the securities held by each investment manager.

Mr. Kirchner noted that the recent performance for the fixed income portfolio was weak, although the bonds had better long-term performance. He addressed the clone funds created by Oppenheimer to mirror the Pimco Total Return Fund, although the Bill Gross would not actually manage the portfolio offered by Pimco. Merrill Lynch recommended that the Pension Fund go to Pimco and invest directly in the Total Return Fund, although Ms. Jensen stated that Pimco would not acknowledge a fiduciary relationship to the Pension Fund unless assets in the portfolio exceeded \$75 million.

The Trustees also discussed the fees charged by Oppenheimer to manage the Total Return II Fund. Oppenheimer should have charged 40 bp for the portfolio, rather than 50 bp. The Trustees decided to wait for Oppenheimer to clarify the details for the proposed portfolio before moving the assets in the current fixed income account.

Mr. Kirchner updated the Board regarding the SEC inquiry of consulting operations at Merrill Lynch. The SEC has not issued findings of any wrongdoing to date, not has the SEC made recommendations for any changes to business practices. Dave Merrill asked if Thompson Segal Walmsley stepped out any trades executed at Capis back to the commission recapture account at Citation. Mr. Kirchner stated tat he would provide an answer to the question. Mr. Kirchner provided the Trustees with the information for the

recent search for a real estate manager, and Merrill Lynch will review the information with the Trustees at the next meeting by conference call.

Share and DROP Distribution Policy

Ms. Jensen reviewed the prior discussion by the Board regarding the changes to the Share and DROP Distribution Policy. The updated policy permits members to make hardship withdrawals between the annual October 1 date for making or altering distributions.

Tom Sheppard made a motion to adopt the Policy as amended. Matt Young seconded the motion, approved by the Trustees 4-0.

Attorney Report

Bonni Jensen reported that the insurance companies would begin to report premium tax receipts for Mangonia Park for the current year. She also stated that she would receive the response to the RFP for custodial services prior to the next meeting. Ms. Jensen then presented a new fee proposed by GRS, with annual fee increases of between 4-5% for the next 3 years.

Tom Harris made a motion to accept the fee increase proposed by GRS. Tom Sheppard seconded the motion, approved by the Trustees 4-0.

The Trustees briefly discussed the trend toward defined contribution plans in place of defined benefit plans reviewed at the recent FPPTA Conference. Cities would potentially have to pay additional amounts to cover firefighters by Social Security if eliminating the defined benefit pension plan.

Administrator Report

Scott Baur explained that the current Board policy for the Special Act allowed members to Bac-DROP between 3 and 5 years once eligible at 26 years of service. Ms. Jensen advised that, at 26 years, the Board could interpret the provisions of the Special Act to allow for only a 3-year Bac-DROP. The Board discussed the possible impact to the Pension Fund; Mr. Baur will ask the actuary about the possible impact for the next meeting.

OTHER BUSINESS

There being no further business and the next meeting having been scheduled for March 2, 2006, the meeting was adjourned at 4:21 PM.

Respectfully submitted,

Tom Sheppard, Secretary