

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

Chairperson David Merrell called the meeting to order at 1:35 P.M. in the Third Floor Conference Room at Station 1, 500 N. Dixie Highway, West Palm Beach, Florida. Those persons present were:

TRUSTEES

OTHERS

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

Bonni Jensen, Hanson, Perry, & Jensen
Scott Baur, Denise Clougherty, Pension Resource Center

Minutes

The Board reviewed the Minutes from the meeting of February 2, 2006 and noted some typographical errors, which will be corrected by the Administrator.

A motion was made by Tom Harris to approve the minutes of February 2, 2006 as amended. The motion was seconded by Tom Sheppard and carried 3-0.

Dorritt Miller joined the meeting at 1:40 p.m.

Reporting On Plan Financials

The Trustees received and filed the financial statement.

After considering the disbursements, ***a motion was made by Tom Sheppard, seconded by Tom Harris, and passed 4-0 to approve the disbursements.***

The Board received a request from Salem Trust to update the signature authorization card. It was noted that the Board must change signature authorization from Dave Allison to Dave Merrell. ***A motion was made by Tom Sheppard to update the signature card, and was seconded by Dorritt Miller. The motion passed 4-0.*** The trustees signed the updated signature card for Salem Trust. The Administrator will forward the card to Salem Trust.

Benefit Approvals

A motion was made and passed 4-0 to approve benefits for Bothe, Lotts and Baxter, also Czernowski and Kendrick as vested deferred retirements, all eligible in March to commence on April 2, 1006.

Matt Young joined the meeting at 2:00 p.m.

Investment Manager Report: (Mike Callaway, Merrill Lynch)

Mike Callaway advised the Board that he had updated the material slightly from the material of last month's meeting. He explained rationale for considering investment in real estate. He stated that this asset class provides greater diversification, a hedge against inflation, and a higher level of income than fixed income securities.

Mike Callaway recommended only a core real estate portfolio consisting of high quality properties with low debt, as opposed to value-added real estate, which is more speculative. He stated lower risk, income producing properties have most of the return coming from rental income. Mike explained the types of real estate acquisitions found in a core portfolio. He recommended investment through a commingled fund. He explained that most such funds have a queue for investment. The commingled funds have greater liquidity than direct holding of properties with quarterly redemption, although the manager can also have a queue to release assets. Portfolios have an appraisal system to value the properties. Fees typically are about 1%. Mike recommended about 10% of assets in real estate, or about \$10 million, taken from fixed income. Mike noted, however, that returns on commercial real estate are not closely related to prices for houses/homes.

(Tom Harris departed the meeting at 2:10 p.m.)

Mike stated he does not recommend speculative real estate. Real estate does not have an index that fully captures the breadth of the market. Managers identified by search had very consistent and similar performance. He stated the Board should expect returns of 8%. Mike reviewed the geographic diversification of the portfolios. Finally, he reviewed the risk-return characteristics for the managers.

Dave Merrell asked about investments in timber, which Mike did not recommend for a plan this size.

The Board agreed to invite Managers to make presentations.

A motion was made by Matt Young and seconded by Dorritt Miller to invite JP Morgan, Prudential & Deutsche Bank to each make a presentation to the Board. The motion carried 4-0.

Tom Sheppard questioned why bother inviting any managers to make a presentation. Mike recommended that the Board take the time for education and protection. Have the managers make their presentations at the May meeting, when Merrill Lynch makes their quarterly report, and will be present.

RFP Custodial Services

The Board discussed and reviewed the RFPs for Custodial Services. The Board narrowed their selection after noting that 1) Fifth Third Bank responded late, 2) AmSouth had

deferred criminal prosecution and 3) Bonni Jensen noted concerns regarding Salem Trust Sa70, trading and settlement reporting and concerns about disclosure of fees earned from money market funds, 4) Plan had Fiduciary Trust, now owned by Franklin Templeton and their fees were also high, and 5) Victory Capital was not very clear in their RFP response. *A motion was made by Matt Young and seconded by Tom Sheppard to invite Comerica, Northern and Salem Trust to the April meeting to make presentations. The motion carried 4-0.*

Attorney Report (Bonni Jensen)

Bonnie discussed the policy for Share and Drop Accounts

There was nothing new to report on Oppenheimer.

Administrative Report

Scott Baur reported that Tom Harris got 100% on his CPPT exam, being the only person “Ever” to receive 100%.

Scott described the problem with DROP/BackDROP between three and five years upon eligibility for retirement. *A motion was made by Dorritt Miller and seconded by Tom Sheppard to clarify the policy so members can BackDROP 3-5 years upon eligibility for retirement, subject to confirmation by the Actuary that it has no impact to the Plan. The motion carried 4-0.*

Mr. Baur advised that the Annual Report was ready to be signed and sent to the State of Florida for filing, after review. *A motion was made by Dorritt Miller and seconded by Tom Sheppard to execute the Annual Report, subject to review by the Administrator. The motion carried 4-0.*

Tom Sheppard requested a notice be put out encouraging members to run for the empty Trustee position. Scott Baur advised he would mention it at open enrollment for the Benefit Fund, and look into posting a notice at stations.

There being no further business and the next meeting having been scheduled for April 6, 2006, the meeting was adjourned at 3:25 p.m.

Respectfully Submitted by _____
Tom Sheppard, Secretary