DEERFIELD BEACH POLICE PENSION FUND
MINUTES OF MEETING HELD
April 6, 2006

Chairman Richard Giuffreda called the meeting to order at 9:04 A.M. at the Deerfield Beach Police Station Conference Room located at 300 N.E. 2nd Street, Deerfield Beach, Florida. Those persons present were:

TRUSTEES	**OTHERS PRESENT**
Richard Giuffreda	Margie Adcock & Denise Clougherty, Administrator
Robert Schnackenberg	Stuart Kaufman, Attorney
Ronald Stark	Larry Cole, Merrill Lynch
Andrew Gianino (9:18 A.M.)	Donald Bellantoni, Auditor
	Donald DuLaney, Actuary
	Grant McMurray, ICC

MINUTES

The Board reviewed the minutes of the meeting of January 12, 2006**.** A motion was made, seconded and carried 3-0 to approve minutes of the January 12, 2006 meeting.

AGREEMENT FOR NEW ADMINISTRATOR

Stu Kaufman introduced Margie Adcock and Denise Clougherty of the Pension Resource Center as potential new Administrators for the Pension Fund. Ms. Adcock addressed the Board and discussed the qualifications of the Pension Resource Center and the staff. Ms. Adcock further advised that their firm has working relationships with all of the service providers present at this meeting. She briefly described their website and noted that it would contain such information as Plan documents, minutes and various forms for use by the Participants. She advised that they would send a welcome letter to all of the Participants of the Plan advising of the new administration. They would coordinate with Mr. Mastrangelo regarding the transfer and receipt of all the Plan's documents. There was a discussion on the change in administration. A motion was made, seconded and carried 3-0 to sign and execute the contract between the Pension Resource Center and the Board effective April 1, 2006. A motion was made, seconded and carried 3-0 for the Attorney to send a letter to Joe Mastrangelo advising him that the Board selected the Pension Resource Center as the new Administrator and thanking him for his excellent administration of the Fund in years past.

Mr. Giuffreda addressed the Board with his concerns regarding the monitoring of the investment managers and the overall performance of the Fund. He noted the importance of reaching the Board's goal of a greater than 7% return so as to allow for the distribution of a COLA to retirees. He stated that the Board will need to look and monitor the investment professionals very closely so that the Fund can attain the actuarial rate of return. The Fund needs to maximize returns on both the stocks and bonds. He noted that 75% of the members are now retired and that it is imperative to stay on top of the performance of the Fund so as to ensure the distribution of a COLA. He recommended the Board consider terminating Davis Hamilton & Jackson for poor performance and stated that the Board was going to hear presentations from potential replacements later in the meeting.

ANNUAL AUDIT

Donald Bellantoni from Koch Reiss appeared before the Board to present the Audit for the year ended September 30, 2005. He stated that he was presenting a preliminary draft as he was waiting on some final information from Broward County in order to complete the audit. Mr. Bellantoni stated that the audit now includes both the Plan and Share Plan combined on one financial statement. He stated that he was issuing a clean unqualified opinion.

Andrew Gianino entered the meeting.

Mr. Bellantoni reported that there were total assets as of September 30, 2005 of $39,826,295 and total liabilities of $61,369. The total net assets of the Plan as of September 30, 2005 were $39,764,926. He reviewed the statement of changes in Plan net assets. The net increase in the Plan was $2,102,743. He stated that the net assets held in trust for pension benefits in the Plan were $39,514,087 and in the Share Plan was $250,839. He then reviewed the notes to the financial statements. He discussed the new information related to GASB 40 which requires deposit and investment risk disclosures. He also reviewed the required supplementary information on the funding progress of the Plan. He reported that the Plan was fully funded in 1999 but did not weather 2000 through 2002 very well and is now 83% funded. He reported that approximately $7.5 million is needed for the Fund to be 100% fully funded. Mr. Bellantoni stated that in addition to the Audit, he also prepared the Annual Report for the State. He just needs the calendar year payroll from the County and the Annual Report will be ready for signature. A motion was made, seconded and carried 4-0 to accept the Annual Audit.

Mr. Bellantoni departed the meeting.

INVESTMENT MANAGER REPORT

Grant McMurry appeared before the Board to discuss investment performance for the quarter ended March 31, 2006. He stated that the total market value as of March 31, 2006 was $16,039,098. The total Fund was up 2.96% for the quarter while the benchmark was up 1.88%. Equities were up 6.15% for the quarter versus the benchmark which was up 4.28%. Fixed income was down .26 for the quarter versus the benchmark which was down 1.01%. He stated that it continued to be a value quarter and a small cap quarter. He reviewed the investment performance by sectors. He noted that telecommunications was a big sector and was up 14.5% for the quarter. He also noted that energy was up 8.6% for the quarter. He stated that he has confidence in the information technology sector and believes that they have tremendous potential.

INVESTMENT MONITOR REPORT

Larry Cole appeared before the Board. He reported that the transfer from DRZ to Advisory Research went smoothly. It was an in-kind transfer so the Fund was not out of the market at all. He reported that the Fund was up approximately 10% for the quarter. He noted that the asset allocation has really helped the portfolio despite the poor performance of Davis Hamilton Jackson. Mr. Cole reported that it will be a tough market for bonds going forward as the Fed continues to raise rates. He stated that based on their preliminary numbers for the quarter, the Fund is up between 4.5% and 5%. Mr. Cole stated that bond returns for ICC and DHJ have been below average for all time periods. He noted that it is a tight range in the bond market but that does not excuse below average performance. He stated that the equity portfolio of DHJ has been well below average for the last couple of years. He recommended that the Board consider, instead of having balanced managers, taking the bond accounts from both ICC and DHJ and hiring a separate bond manager. He stated that he brought information on three fixed income managers for the Board to review. There was discussion on whether the Board wanted to hear presentations from the fixed income managers or select one based on the information provided by Mr. Cole. It was noted that there was a total of $15 million in the fixed income portfolios. It was determined that the Board should have a special meeting on May 4th to hear presentations from the fixed income managers.

INVESTMENT MANAGER PRESENTATIONS

RIGEL CAPITAL

Todd Jessup appeared before the Board. He stated that Rigel is out of Seattle, Washington and has been in business since 1998. He stated that their objective is to outperform in up markets and better preserve capital for clients in down markets. He discussed how Rigel has been able to meet client objectives with consistency, stability and purity in large cap growth. He stated that they deliver consistency and are in the top quartile in every time period. They deliver stability and have an upside capture ratio of 108% and a downside capture ratio of 49.6%. They deliver purity by staying true to their style. He discussed their team culture. They have employee ownership. They have lost only one investment professional in the history of the firm and that was due to a death last year. They are investment focused with a six member team with an average of 23 years of total experience. Mr. Jessup provided the Board with a sample client list, noting that CalPERS is one of their clients. He reviewed their investment philosophy and process. He noted that their process is grounded in fundamentals complemented by technical and price/volume tools. They are growth oriented, bottom up stock selectors. They are research driven but do not visit companies as they feel that is a waste of time. He reviewed their research process noting that they use quantitative screens, fundamental analysis and the current market environment. He discussed the portfolio construction stating that they have about 50-60 holdings in the portfolio. Every holding is reviewed daily. He reviewed their sell discipline. He then reviewed the portfolio characteristics. He stated that he would be willing to attend every meeting. He discussed fees stating that they would charge 80 basis points on the first $10 million and basis points on the next $20 million. He stated that fees were not negotiable. The Board asked various questions to which Mr. Jessup responded accordingly.

Todd Jessup departed the meeting.

SANTA BARBARA ASSET MANAGEMENT

John Creswell and Britton Smith appeared before the Board. Mr. Creswell provided a brief overview of their firm. The firm was founded in 1987. They have $3.8 billion in assets under management. They have 29 employees and 12 investment professionals.

Mr. Smith discussed their philosophy and process. Their approach is very conservative. They look for stable, consistent growing profitable companies. He reviewed their investment methodology. He reviewed their turnover analysis. They have very low turnover. They are investors, not traders. They focus on long term investing. He reviewed their portfolio characteristics and sector allocations. They have no current positions in materials, telecommunications or utilities. They are bottom up stock pickers. He reviewed their sell discipline. Mr. Creswell then reviewed their performance comparison to the Russell 1000 Growth and the S&P 500. He noted that their upside capture ratio is 100% and their downside capture ratio is 65%. He reviewed their performance summary noting that they have beaten the benchmark in both the short and long term. He reviewed their large growth composite statistics. He provided a representative police and fire client list. He discussed fees stating that they would charge 80 basis points on the first $5 million; 75 basis points on the next $5 million; 65 basis points on the next $5 million; and 50 basis points over $15 million. They would attend all meetings of the Board. The Board asked various questions to which Mr. Creswell and Mr. Smith responded accordingly.

John Creswell and Britton Smith departed the meeting.

AMERICAN FUNDS

Jack Goldin appeared before the Board. He stated that he is located in Davie, Florida. He stated that the American Funds is the largest mutual fund company in the industry. He noted that they have attained that status without ever having advertised to the public. He stated that they take a long term value oriented approach to managing money. He stated that their employees are compensated on their long term performance with four year rolling averages. He stated that they have unparalleled fully integrated research. Last year they spent $150 million on research and made 9,000 visits in 65 countries. He stated that they divide assets and decision making over a number of people. He discussed the experience level of their staff that has an average of 24 years of experience. He stated that they have very low operating expenses which are about one-half of those in the industry. Mr. Goldin discussed the Growth Fund of America. He stated that it is the largest fund and the most successful fund. It has flexibility where it can hold small, medium and large cap stocks and can hold 15% international. It can also have 10% in fixed income. He reviewed the details of that fund. The average return over a 32 year period is 15.5% per year. The person with the least amount of experience on the team that manages that fund has 15 years. There are nine portfolio managers and 35 research analysts. He stated that they would be willing to have a service person attend the meetings possibly by conference call. He discussed fees stating that they would charge 40 basis points and noted that there were no 12b1 fees. The Board asked various questions to which Mr. Goldin responded accordingly.

Jack Goldin departed the meeting.

The Board had a lengthy and detailed discussion on the presentations. It was noted that Rigel seemed like more of a trader and more volatile. Mr. Cole noted that the approach of the American Funds is a little different and he was not sure the Board would get what they want from a service standpoint. This Board has wanted to have the managers attend each quarter and he was not sure the American Funds would be able to do that although they most likely would do conference calls. He stated that he thinks it might be best to start rotating the mangers and having them come to each other meeting. Mr. Cole stated that all three managers are good. He reviewed the capture ratios with the Board. He noted that the American Funds is a little more volatile but has a longer track record. If the market turns towards growth they will do better. If there is a down market they will not lose so much. Based on history, the best in a growth market would be the American Funds. They have a much better return than the average for a considerably long track record. Mr. Cole stated that he thought the American Funds would outperform Rigel if there is a turn to growth in the market. A motion was made, seconded and carried 4-0 to terminate the relationship with Davis Hamilton Jackson and hire the American Funds. Mr. Kaufman noted that there was a provision in the contract with DHJ for a 30 day termination notice although he stated that they would most likely be willing to waive that requirement. Mr. Cole stated that the Board could purchase the Growth Fund of America directly since Merrill Lynch can not purchase it and Salem would charge 5 basis points to hold it. It was determined that the portion of the fixed income portfolio that is held by DHJ would remain there until any further decision is made. The Board directed Mr. Kaufman to send a termination notice to Davis Hamilton Jackson advising them to liquidate the stock portfolio with a settlement date of May 1.

ATTORNEY REPORT

Mr. Kaufman reported on the lawsuit involving Stanford. He advised that the lawsuit settled for $62,000.

Mr. Kaufman reported on Senate Bill 2028 which would allow police and fire pension plans to increase their exposure in the international market from 10% to 20% and also increase trustee terms from two to four years. He stated that a letter of resolution was sent to all of their clients asking that the letter be sent to the State Legislatures soliciting support for the Bill. There was no objection to the letter being sent.

ACTUARIAL REPORT

Don DuLaney reported on the Actuarial Valuation. He stated that the Valuation would be ready for the Board's approval by the next meeting. He stated that because of the provision concerning the factor of .91 in the Code which has not been reflected in previous Valuations, the City's costs will increase. As it was not reflected before, it creates an actuarial loss because the true liability was not valued. It is considered an assumption change. He stated that it will not inhibit the Fund from gains and losses but it will need to be included in the Actuarial Valuations and calculations from now on.

OTHER BUSINESS

There being no further business, the next meeting of the Board was scheduled for Thursday, May 4, 2006 at 9:00 a.m. The meeting was adjourned at 11:40 A.M.

Respectfully submitted,

Andrew Gianino, Secretary