

West Palm Beach Firefighters Pension Fund
MINUTES OF MEETING HELD
May 4, 2006

Chairperson David Merrell called the meeting to order at 1:30 P.M. 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
Dorritt Miller
Matt Young
Tom Harris

OTHERS

Bonni Jensen, Hanson, Perry, & Jensen
Scott Baur, Denise Clougherty, Pension Resource Center
Michael Callaway, Al Kirschner, Merrill Lynch
Dennis Martin, John Ehli, RREEF
Douglas Lawrence, Michael E. Smith, JPMorgan
Kevin Smith, PRISA Prudential
Tom Foster, Retiree West Palm Beach Fire Rescue

Minutes

The Board reviewed the Minutes from the meeting of April 6, 2006. **A motion was made by Dorritt Miller to approve the minutes of April 6, 2006. The motion was seconded and carried 5-0.**

Reporting On Plan Financials

The Board reviewed the Financial Statement and noted that the name change from Deprince Race & Zollo to Thompson, Seigel and Walmsly was not made on the income statement or on the balance sheet. The Administrator will see that this is permanently corrected on all financial statements.

Disbursements

The Board reviewed disbursements for the month of April. **A motion was made by Tom Harris to approve the disbursements. The motion was seconded and carried 5-0.**

Benefit Approvals

A motion was made by Tom Sheppard to approve the Retirement applications for David Baxter, Paul Lotts, J.P. Czernowski, Patrick Kendrick and Robert Bothe. The motion was seconded and carried 5-0.

A motion was made by Matt Young to approve the application for disbursement of DROP account for David Baxter. The motion was seconded and carried 5-0.

A motion was made by Tom Sheppard to approve the application for disbursement of Share Account for Ronald Hungerford and J.P. Czernowski. The motion was seconded and carried 5-0.

Special guest, Tom Foster, a recent West Palm Beach Firefighter Retiree, attended the meeting and had some questions for the Board regarding the retirement plan.

Administrative Report

Scott Baur reported that there will be changes being made to the current computer system due to the recent IRS changes regarding pre-tax and after-tax monies. These changes to the system are necessary to be able to accommodate participant transactions in these areas. Mr. Baur anticipates there will be approximately 12 hours of programming work at \$85/hr. to a maximum of \$1,000.00. Mr. Baur received acknowledgement from the Board and stated the Share Statements will be mailed out this month and the Board can expect the programming fees to appear on next month's statement.

Real Estate Investment Manager Presentations

JP Morgan

Mr. Douglas Lawrence and Mr. Michael Smith of JP Morgan addressed the Board and discussed the qualifications of its staff. Mr. Smith briefly described their dedicated team and the overall company commitment to communities. He reported that they have 6,000 employees and pay \$16 million in taxes to the State of Florida, have \$100 million in investments in the City of West Palm Beach and \$100 million in investments in Palm Beach County. He reported that the company has 36 years of real estate investment management experience with five offices around the world. He provided a brief overview of the firm and its philosophy. Mr. Lawrence further reported that they provide a large, well-diversified investment portfolio of core real estate, concentrating on industry, office, retail and multi-family holdings. Their average holding period is five to ten years. He reported that it would take six to nine months to get into the fund and that the fund has doubled in size in the last five years. He discussed fees stating that their fee is 1% and emphasized that there were no additional fees. The Board asked various questions of Mr. Lawrence and Mr. Smith to which they responded accordingly.

RREEF

Mr. Dennis Martin and Mr. John Ehli of RREEF appeared before the board. Mr. Martin explained that RREEF was a subsidiary acquired by Deutsche Bank in 2002 and that they have been in business for 30 years. He advised they manage over \$35 billion in assets, \$10 billion in public real estate securities and have offices in New York, Chicago and San Francisco. He reported that \$750 million has been invested in the State of Florida. RREEF acquired \$7.2 billion in real estate acquisitions and sold \$2.6 billion in the year 2005. He went on to discuss that the firm is a vertically integrated firm, involved in investment decision making, represents all real estate property disciplines, has steady income-oriented returns in only operating real estate, that all investors are shareholders, and has a Board of Directors that controls the investment management. Mr. Ehli addressed the board and discussed how the team manages the portfolio. He stated that the team is very well governed by the Board of Directors. He went on to discuss the fund

and the portfolio highlights. He discussed fees, indicating a 90 to 110 basis point fee over a full market cycle. The Board asked various questions to which Mr. Martin and Mr. Ehli responded accordingly.

PRISA – Prudential

Mr. Kevin Smith appeared before the Board and began by stating that Prudential has a dedicated, 17-person team of professionals, with 197 clients, and that the firm has over \$29 billion in investments with \$22 billion of that in the U.S. The firm is headquartered in Parsippany, NJ. He went on to discuss their 164 investments and 325-340 properties. He reports that their team focuses on trying to pick the right assets in a growing market with long-term value. He reports that 10.5% of their investments are in the State of Florida. He noted that they have holdings in self-storage and expect and project a 12 to 15% return for the year 2006. He further stated it would take a full four to six quarters to get fully invested in the fund. He discussed fees stating a 95 to 105 basis points range with a maximum of 120 basis points. The Board has various questions to which Mr. Smith responded accordingly.

The Board had a lengthy and in-depth discussion on the three previous presentations. The Board expressed concerns regarding the queue of each manager and discussed the downside of the investments. JP Morgan can limit money being taken from the fund to ensure its protection. JP Morgan having the shorter queue, the Board discussed hiring them versus RREEF and Prudential. **A motion was made to hire JP Morgan as the new real estate investment manager for the fund at \$10.5 million. The motion was seconded and carried 5-0.**

Investment Monitor Report (Michael Callaway, Merrill Lynch)

Michael Callaway appeared before the Board and discussed returns for the first quarter of 2006. He reported that the value of the fund, which commenced at \$20 million is now valued at \$104 million. The fund is up \$4 million for the quarter, which is 4% of the total. The fund is up 6 1/2% for the year to date. He further reported that 67% of the fund is in equities. He emphasized the total return for the fund is 4%, and has averaged 15% per year over the last three years. He stated that small cap has done well and foreign investment has also done well. He reported on each of the investment managers, stating that Boston Company made changes that now puts the portfolio well above average. Davis, Hamilton & Jackson has not performed well. Mr. Callaway reports that they are a high quality manager worthy of a closer look and he will continue to focus on their performance. Baron Capital has averaged 20% per year, well above the benchmark. Thompson, Siegel and Walmsley is performing satisfactorily at 12.3%, just below the benchmark. He noted that they are doing well since they took over the portfolio. International is lagging for the quarter and is below the average for the year to date.

Mr. Callaway further reported that relative to other funds in the State of Florida, the West Palm Beach Firefighters Pension Fund ranks tenth, an excellent position for the fund, as it ranked seventeenth last quarter.

The Board discussed the Oppenheimer Capital refund and concluded that Mr. Callaway should review the proposed refund letter from Oppenheimer for accuracy. Mr. Callaway agreed to review the proposal and the figures proposed by Oppenheimer in their response letter and report back to the Board. **A motion was made by Tom Sheppard to accept the proposal from Oppenheimer, subject to the accuracy of the proposal. The motion was seconded and carried 5-0.**

Dorritt Miller departed the meeting at 4:00 p.m.

Attorney Report (Bonni Jensen)

Ms. Jensen reported on the addendum to the Salem Trust fee schedule, which would lock in a 20% per quarter reduction in fees as a guarantee on service

Ms. Jensen reported that four (4) class action claims were filed on behalf of the fund and further noted that the fund received \$183.84 in settlement of a previous class action.

She reported that all new hires from prior to June are complete. The fund has one appeal upcoming and recommends the Board wait until the employee has health insurance coverage to complete new testing for his defense in the appeal. **A motion was made by Tom Sheppard to wait for the new hire to commence health insurance coverage to re-test before presenting his appeal to the Board. The motion carried 4-0.**

Three retirees remain covered under the Escalator Clause to receive a pension increase. **A motion was made by Tom Harris to approve the increase under the Escalator Clause to the three remaining retirees. The motion was seconded and carried 4-0.**

Finally, Ms. Jensen reported that the fund received a letter from LeRoch, Coughlin regarding Star Tek and Krispy Kreme regarding class action claims which are still in the discovery process.

There being no further business and the next meeting having been scheduled for June 1, 2006, the meeting was adjourned at 4:45 p.m.

Respectfully Submitted by _____
Tom Sheppard, Secretary

