

West Palm Beach Firefighters Pension Fund
MINUTES OF MEETING HELD
August 3, 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
Dorritt Miller
Tom Sheppard

OTHERS

Bonni Jensen, Hanson, Perry, & Jensen
Scott Baur, Denise Clougherty and Bonnie Lindberg,
Pension Resource Center
Retiree Tom Foster
Alan Kirchner, Merrill Lynch
Tracy Musser, Thompson, Siegel & Walmsley

MINUTES

The Trustees reviewed the minutes for the meeting of July 6, 2006. A correction was noted for the Administrator. A motion was made to approve the Minutes of July 6, 2006, as corrected. The motion was seconded and carried 3-0.

PLAN FINANCIALS

The Trustees reviewed the financial statements for the fund. A motion was made to receive and file the financial statements for July 6, 2006. The motion was seconded and carried 3-0.

After considering the disbursements a motion was made to approve the disbursements for July, 2006. The motion was seconded and carried 3-0.

BENEFIT APPROVALS

The Trustees reviewed the Benefit Approvals. A motion was made to approve benefits for Paul Lotts and Dwight Hulse. The motion was seconded and carried 3-0.

The Board was presented with a letter from Retiree William M. Stephens, regarding early distribution of his Share Account, due to a hardship. The Board had an in-depth discussion and denied the request of Mr. Stephens, as it did not meet hardship definition stated in the Plan Document.

NEW HIRE APPEAL**Eric Bianco**

Mr. Eric Bianco, a new hire with the City of West Palm Beach Fire Rescue was granted an appeal from the Board of Trustees regarding his post-offer medical findings. Mr. Bianco was invited to present his appeal before the Board for today's meeting. Mr. Bianco was not in attendance.

INVESTMENT MANAGER REPORT**Tracy Musser: Thompson, Siegel & Walmsley**

Ms. Tracy Musser appeared before the Board to present the quarterly investment performance report for Thompson, Siegel & Walmsley.

Ms. Musser presented an overview of the company and the company's growth philosophy, stating that they have hired two new analysts, bringing their total to 34 investment professionals maintaining diversified portfolios. The company now manages \$7.3 billion in assets as of June 30, 2006. Ms. Musser emphasized that the company's singular investment objective is to outperform the Russell 2500 Index over rolling three to five year periods. They have made no changes in their investment team and employ the same process they have used in the past, effectively managing a risk/return trade-off.

Ms. Musser reported that the fund is down 2.14% gross and down 2.35% net for the quarter, compared to the Russell 2500 Value Index, which was down 2.52% for the quarter. The gross performance for the year to date is 9.88% gross and 9.41% net, compared to the Russell 2500 Value Index, which is 7.68% for the 2006 year to date. The fund has been ahead of the benchmark despite a tough market and a turbulent month of July, 2006. Thompson, Siegel and Walmsley still will not be making any drastic changes in the portfolio due to the uncertainty of the market, as they do expect the market to turn around. Ms. Musser stated that TSW will, over a market cycle, out perform the benchmark, as promised. They believe higher economic sensitive sectors are the cause for underperformance, but their belief is that it will be short lived.

The Board inquired about fiscal year to date numbers for future reports and Ms. Musser replied that they will include those numbers, to help the Board track the target.

Ms. Musser had discussion with the Board regarding the market and some of the holdings in the portfolio and their individual performances over the quarter, reporting that the global perspective is to expect some growth, and should support 6-8% corporate profit growth. With inflation pressures muted, there is still some uncertainty, stock prices are reflective of some of the risk but there are still some under value stocks available, which is a great opportunity for the portfolio. The yield curve is abnormally flat and they expect moderate upward pressure on rates. Stocks should continue to outperform bonds.

Ms. Musser concluded her report to the Board of Trustees. The Board had some questions of Ms. Musser, to which she responded accordingly.

INVESTMENT MONITOR REPORT

Alan Kirchner: Merrill Lynch

Alan Kirchner appeared before the Board. Mr. Kirchner presented the investment performance for the quarter ending June 30, 2006. He stated that the total market value of the Fund as of June 30, 2006 was \$102,882,890. The quarterly earnings were - \$1,295,280. There were no portfolio cash flows during the quarter. The asset allocation as of June 30, 2006 was 67.3% in equities, which includes the international and small cap portfolios; 31.9% in bonds; and .7% in cash and equivalents. Mr. Kirchner then reviewed the performance summary for the quarter ending June 30, 2006. The total Fund was down 1.2% net of investment fees while the benchmark was down 1.0%. The target index, which consists of 55% Russell 3000, 10% MSCI-EAFE and 35% Merrill Lynch Domestic Master Bond index, returned -1.0% for the quarter. Mr. Kirchner noted that the Dow was down 16% from May 10, 2006 to June 13, 2006; the NASDAQ was down 12% between April 19, 2006 and June 13, 2006; and the S&P 500 was down 7% between May 5, 2006 and June 13, 2006. In addition to inflation concerns, the market's volatility during the quarter was also attributable to rising oil prices and within the S&P 500 index, only utilities, energy and consumer staples posted positive results for the quarter. Health care and information technology sectors posted the quarter's largest losses and as a result, both sectors are now negative for the year. The total fund is up 5.2% for the year to date.

Mr. Kirchner reviewed the returns for each manager. The Boston Company's large cap value portfolio returned -0.1% for the quarter, which lagged the 0.6% return of the Russell 1000 Value index, but exceeded the -1.4% return of the S&P 500. Davis, Hamilton's large cap growth oriented equity portfolio returned -3.7% for the quarter, which was down less than the -3.9% return of the Russell 1000 Growth index but under performed the -1.4% return of the S&P 500 index. Baron Asset Management's small cap growth portfolio posted a -3.9% return for the quarter. This performance was down less than both the -7.3% return of the Russell 2000 Growth index and the -5.0% return of the Russell 2000 index. Thompson, Siegel & Walmsley posted a return of -2.1%, which ranked in the Top 31% of the small cap value sample and outperformed the -2.7% return of the Russell 2000 value index. Due to the fund's exposure to the emerging markets, which returned -4.3%, the EuroPacific fund posted a return of 0.7% for the quarter versus the 0.9% for the MSCI-EAFE index. Templeton Institutional returned 0.3% for the quarter, which lagged the benchmark but ranked in the Top 26% of the international mutual fund sample.

There was some discussion regarding Thompson, Siegel & Walmsley ranking their performance against the Russell 2500 as opposed to the Russell 2000 and Ms. Musser stated she would look into this.

The Board asked Mr. Kirchner for his recommendations on Davis, Hamilton and Jackson's consistent under performance. Mr. Kirchner stated they are a conservative growth manager and believes there are benefits in the conservative style and that it fits in with the strategy of the overall portfolio. His recommendation to the Board is to remain

with Davis, Hamilton & Jackson as the conservative growth plays a roll in the portfolio's diversity.

Mr. Kirchner concluded his report with a review of commission and management fees and noted their concurrence with all of the fund's investment guidelines. There was a brief discussion regarding JPMorgan Real Estate Investments being in queue for the first quarter of 2007 and perhaps the fourth quarter of 2006. There was also lengthy discussion regarding their Total Return Clone. Mr. Kirchner believes that a Total Return portfolio is something he recommends the fund look into. There is no harm in starting an allocation with their Total Return Clone. They will take on fiduciary responsibility; with the Total Return, they will not. Mr. Kirchner stated that he and Mike Callaway spoke about it and they recommend the fund go into the Clone and take advantage of this other discipline. The Investment Policy Guidelines allow the investment philosophy of the Clone. Mr. Kirchner will investigate the minimum investment for the Clone. He distributed a handout regarding the Total Return II fund to the Board of Trustees. The Board requested that Mr. Kirchner have Mike Callaway get back with them about whether or not to split the \$34 million or put it all into the Total Return Clone. Mr. Kirchner stated he would have an answer by next month's meeting of September 7, 2006.

The Board asked Mr. Kirchner what it would take for the fund to meeting its actuarial assumption. Mr. Kirchner replied that we really need more stabilization in the market and the economy to reach that goal. The Board thanked Mr. Kirchner for his report.

ATTORNEY'S REPORT

Bonni Jensen: Hanson, Perry & Jensen

Ms. Jensen provided the Board with information on Florida Statute 668.6076 requiring any governmental agency or legislative entity, which includes pension boards, to post a statement that e-mail addresses are public record. She also provided the language required to be prominently displayed on such websites.

Ms. Jensen also provided the Board with information received from the state regarding the premium tax distribution for the fund. The fund will receive \$876,299 this year, which is up from last year's amount. She reported that the state had questions on the Annual Report, so the fund does not actually appear on the list as of yet.

ADMINISTRATOR'S REPORT

Scott Baur and Denise Clougherty: Pension Resource Center

Mr. Baur briefly discussed the upcoming election for David Merrell's Trustee seat that will become vacant as of October 1, 2006. We are accepting nominations and the election will be concluded by October 1, 2006.

OTHER BUSINESS

Tom Sheppard requested clarification on last month's request for information in relation to retirees who are receiving pension benefits less than \$1,000 per month. The Board responded that no action has been taken, no action or solution has been discussed at this time.

There being no further business and the next meeting having been scheduled for September 7, 2006, the meeting was adjourned at 3:05 PM.

Respectfully submitted,

Tom Sheppard, Secretary