

WEST PALM BEACH FIREFIGHTERS' PENSION FUND
MINUTES OF MEETING HELD
February 1, 2007

Chairperson Dorritt Miller called the meeting to order at 1:31 P.M. in the Third Floor Conference Room at Station 1, 500 N. Dixie Highway, West Palm Beach, Florida. Those persons present were:

TRUSTEES

Dorritt Miller
Rick Dorey
Tom Sheppard
Matt Young
Tom Harris

OTHERS

Bonni Jensen, Hanson, Perry, & Jensen
Denise Clougherty of Pension Resource Center
Tom Foster, Retiree
Scott Baur of Pension Resource Center
Michael Callaway of Merrill Lynch
Paul Geller, Marisa DeMato of LeRach, Coughlin,
Stoia, Geller, Rudman & Robbins, LLP
Jerry Navarrete of Boston Company

PUBLIC COMMENTS

There were no public comments.

APPROVAL OF MINUTES

The Trustees reviewed the minutes for the meeting of January 4, 2007. A motion was made by Matt Young to approve the Minutes of January 4, 2007. The motion was seconded and carried 5-0.

Tom Harris joined the meeting.

PLAN FINANCIALS

The Trustees reviewed the unaudited plan financials as of December 31, 2006, provided by the Administrator. There was discussion on the financial statements and the Administrator advised that the audit adjustments have not yet been posted. The Trustees received and filed the unaudited plan financial statements as of December 31, 2006.

DISBURSEMENTS

A motion was made by Tom Sheppard to approve the disbursements presented by the Administrator. The motion was seconded and carried 5-0.

BENEFIT APPROVALS

The Trustees reviewed the retirement benefit applications presented by the Administrator. A motion was made by Tom Sheppard to approve the benefit applications presented for Roberts, Hulse and Henderson. The motion was seconded and carried 5-0.

CLASS ACTION ATTORNEYS PRESENTATION: LeRach, Coughlin, Stoia, Geller, Rudman & Robbins, LLP

Mr. Paul Geller and Marisa DeMato appeared before the Board to solicit interest in a class action case that affects the fund. Mr. Geller presented that he is a partner who runs the Florida office for a firm that is the largest in the country. Mr. Geller stated that his firm represents many Police and Firefighter Pension Funds and would like to represent this fund to help recover money lost in an alleged securities fraud case against Stations Casino. Mr. Geller further discussed the details of the case and added that there would be no cost to the fund as they work for a contingency fee of approximately 10 – 15% and that a down side to joining this suit is non-existent. Mr. Geller asked the Board for consideration in becoming lead plaintiff in this breach of fiduciary duties case. Ms. Jensen, counsel for the fund asked if there was possibility that a Trustee would be required to give a deposition and Mr. Geller responded affirmatively. Mr. Geller anticipates that the case will last no longer than three to four months and that institutional clients increase the credibility of the case. During the time of the case, the fund would need to hold not all, but at least some of the stock. Mr. Geller concluded his presentation and thanked the Board for their time. A motion was made by Tom Sheppard to agree to be lead plaintiff in the Stations Casino Securities Fraud Law Suit. The motion was seconded and carried 5-0. Documentation on the case will be sent to Ms. Jensen for review.

INVESTMENT MANAGER REPORT: The Boston Company

Mr. Jerry Navarrete appeared before the Board to present the Value Equity Portfolio Report for the quarter ended December 31, 2006. Mr. Navarrete gave a brief overview of the firm, advising they hold \$72.7 billion in assets. He further discussed the managers of the portfolio team and the core research team, which was developed about 18 months ago. His firm is housed in Boston, MA and New York, New York.

Mr. Navarrete discussed the performance of the portfolio, noting a 9.4% return for the fourth quarter 2006 versus the Russell 1000 Value, which returned 8.0%. Since inception, the fund had a return of 7.1% versus the index at 7.8%. The total portfolio under performed the index slightly over a one-year period, five-year period and since inception but out performed the index for the current quarter. The total portfolio market value is \$25,935,599 and added that the outlook and projection for the fund is in favor and he is very optimistic. Mr. Navarrete concluded his report and the Trustees thanked him for his presentation.

INVESTMENT CONSULTANT REPORT: Merrill Lynch

Mr. Michael Callaway appeared before the Board to present the quarterly investment performance report. Mr. Callaway opened his presentation commenting that there was good news, stating the total market value of the portfolio was \$116,673,290 which represents a \$92 million investment earning since April 1988, a 10% return since inception. Broad advances in the equity and fixed income markets during the fourth

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quarter resulted in strong returns for all of 2006. The fourth quarter's momentum was led by a number of factors, including declining energy prices and a stable Federal Funds rate. The Total Fund return was 5.6% for the quarter versus 5.4% for the index. Domestic Equity returned 7.2% versus the Russell 3000 at 7.1%. International Equity underperformed the EAFE, which posted a return of 10.4%, the portfolio coming in at 10.2%. The Bond Portfolio returned 1.4% versus the index at 1.2%. Mr. Callaway added that the portfolio ranks in the top quarter relative to its peers.

Mr. Callaway further discussed re-balancing of foreign stocks. Davis, Hamilton & Jackson is still lagging their peer group with a 3.0% return versus the Russell 100 Growth index at 5.9%. The Boston Company returned 9.4% versus the Russell 1000 Value at 8.0%. Baron Asset Mgmt returned 11.6% versus the Russell 1000 Growth at 8.8%. Thompson, Seigel & Walmsley underperformed the Russell 2500 Value, 7.9% versus 9.2%. Franklin Templeton returned 11.8% versus the MSCI-EAFE at 10.4%. PIMCO reported a 1.4% return versus the ML Domestic Master index at 1.2%.

Mr. Callaway further discussed the under performance of Davis, Hamilton & Jackson noting that the last four years they have been significantly below their peer group and the benchmark. Mr. Callaway added that there have been some management changes at Davis, Hamilton & Jackson but probably not consequential. Mr. Callaway stated that he does not recommend vacating them completely, as Merrill Lynch's Research Team still stands behind Davis, Hamilton & Jackson.

The Trustees and Mr. Callaway discussed the PIMCO Oppenheimer offer and he recommends the Board go ahead and just track the performance closely, knowing a change could be made at a later date. A motion was made by Tom Sheppard to accept the PIMCO Oppenheimer offer and sign the letter of agreement. The motion was seconded and carried 5-0.

Overall, Mr. Callaway reports that the portfolio results are good, we are in compliance with the guidelines and are achieving the goals of the fund, being above average in every regard. Mr. Callaway reported that Merrill Lynch has had policy changes and the 12B1 fees are credited back at 100% instead of the partial credit the fund has been receiving. The fund will be receiving two retro-active checks as Merrill Lynch will also be canceling their recapture program completely. The Board engaged in discussion with Mr. Callaway on recapture and best execution. The fund will need to have a revised contract and Ms. Jensen will be handling that.

Investment Manager Search

Mr. Callaway prepared a list of Investment Managers for consideration by the Board and gave a brief overview of each of the Managers on the list. The Board reviewed the history of the returns and their past performance. They reviewed the risk versus return analysis provided by Mr. Callaway. There was in-depth discussion on the Davis, Hamilton & Jackson under performance, once again. A motion was made by Tom Sheppard to fire Davis, Hamilton & Jackson, allocating one half of that portfolio to Chase and one half to Altheia. The motion was seconded. There was discussion on the motion. Mr. Callaway

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recommends Fayez and one other manager, stating there will always be an opportunity to index a portion of the portfolio, without raising risk. Mr. Callaway further recommends inviting the Managers in to appear before the Board. He recommends Fayez, Chase and Altheia. Tom Sheppard withdrew his motion.

A motion was made by Tom Sheppard to bring Fayez, Chase and Altheia Managers in for interviews with the Board. The motion was seconded and carried 5-0. The Managers will be scheduled to come to next month's meeting of March 1, 2007

ATTORNEY'S REPORT

Bonni Jensen: Hanson, Perry & Jensen

Ms. Jensen provided the Board with the Revised BackDROP and Share Policy which reflects changes according to the provisions of the Pension Protection Act 2006 on page 2 of 6 and clarification language on page 6 of 6. A motion was made by Tom Sheppard to approve the Revised BackDROP and Share Policy. The motion was seconded and carried 5-0. The Chairman signed the document for execution.

Ms. Jensen discussed the new hires, advising that all of the Acknowledgement and Waiver forms have been sent out, though not all have been returned.

Ms. Jensen further noted that the Special Act Amendment passed and will be going forward to Tallahassee in May.

Ms. Jensen advised the Board that she received correspondence from Salem Trust on the class actions they have filed on behalf of the fund. They also reported the amounts of class action settlements received for the last quarter.

Ms. Jensen concluded her report advising the Board that the Summary Plan Description is being updated by the plan's actuary, Brad Armstrong.

ADMINISTRATOR'S REPORT

Mr. Scott Baur advised the Board that the JPMorgan Real Estate holding funding has been completed with \$10.5 million.

Mr. Baur remarked that Dr. Lamelas has noticed that one of the tests he has required is no longer being performed by Coach Comp for post-offer, pre-employment physicals, and they will be looking into that issue with Coach Comp and possibly with Concentra.

The Division of Retirement has a Trustee School upcoming on March 12-14, 2007.

Mr. Baur advised that the auditor, Davidson, Jamieson & Cristini has provided an Auditor Fee Agreement. There was discussion on continuing the relationship with Davidson, Jamieson & Cristini and other service providers. Ms. Jensen advised she would review the agreement. A motion was made by Tom Harris to continue the

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relationship with Davidson, Jamieson & Cristini. The motion was seconded and carried 5-0.

Mr. Baur advised DROP account statements can be retrieved on line and will be completed prior to the next meeting.

Mr. Baur explained to the Board that the Pension Resource Centers is adding staffing in the current support and technology areas of the company and may be moving some of its operations to South Carolina as early as March 2007, emphasizing that there will be no change in the local operations at all. The Pension Resource Centers contract agreement with the plan is due to be revised.

The Board engaged in discussion on having the new Investment Managers come in for interviews, commenting that they would like to meet, prior to any of the service providers arriving, before the March meeting, adding that they would like to have this exclusive meeting once a year. A Board member will take the minutes of that meeting and at 1:30 p.m. the regular meeting will take place. They would like to commence this at 1:00 p.m. March 1, 2007; the regular meeting will take place at 1:30 p.m., March 1, 2007.

The Board discussed the disability update on Leonard Smith. A motion was made by Tom Sheppard to have the Administrator schedule appointments with the doctors that Dr. Lamelas has recommended, keeping in mind they should be completed prior to the next meeting on March 1, 2007. The motion was seconded and carried 5-0.

OTHER BUSINESS

Rick Dorey discussed the Retirement Dinner with the Board, advising they were still doing the groundwork and will have further details by the next meeting.

The Board requested the Health Insurance Deduction provision in the Pension Protection Act 2006 be implemented; and letters need to go to all retirees to make a selection on how they would like the premium to be deducted from their pension. Mr. Baur explained the process of reporting at the end of the year. An election form must be in the retirees' file by the end of the year. The Trustees would like the form to set the amount of tax-free health insurance premium deductions at \$250.00 per month.

Tom Harris departed the meeting at 4:25 p.m.
Dorritt Miller departed the meeting at 4:35 p.m.

Mr. Baur continued, explaining that the forms will need to be changed and a cover letter provided. Ms. Jensen added that the IRS sent out a clarification of the new provision, stating that the \$3,000 tax deferred health insurance premium money does not pass to the spouse or other joint annuitants.

Ms. Jensen departed the meeting at 4:40 p.m.

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There being no further business and the next meeting having been scheduled for March 1, 2007, the meeting was adjourned at 4:55 p.m.

Tom Sheppard, Secretary