

POMPANO BEACH POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

**TEMPORARY OFFICE LOCATION
627 E. ATLANTIC BLVD.
POMPANO BEACH, FLORIDA**

**BOARD OF TRUSTEES MINUTES
QUARTERLY MEETING
AUGUST 21, 2006**

The Board of Trustees convened at the Emma Lou Olsen Civic Center, 1801 NE 6th Street, Pompano Beach, Florida. The Chairman called the meeting to order at 5:00 p.m.

PRESENT: Chairman Paul D. O'Connell
Vice Chairman Robert W. Lynn
Trustee Sharra Aaronian
Trustee Richard E. Avallone
Trustee Daniel M. Christophers
Trustee Patrick S. Fletcher
Trustee Ernest J. Lee, Jr.
Trustee Richard H. Samolewicz
Trustee Jeffrey J. Valerga

ALSO PRESENT:
Charles H. Mulfinger of Citigroup Institutional Consulting
Jerome Garffer and Allison Corbally of INVESCO
Robert A. Sugarman, Esq., Board Attorney
Pedro Herrera, Esq., Sugarman & Susskind, P.A.
Lindsay Dalton, Deputy Administrator

Chairman O'Connell announced that Vice Chairman Lynn's term office on the Board of Trustees expires 9/12/06 and this would be his last Board meeting after ten years of service as a Trustee. Chairman O'Connell thanked Vice Chairman Lynn for his many years of dedicated service.

Chairman O'Connell reported that the market value of the Total Fund as of 7/31/06 was \$162.5 million.

APPROVAL OF AGENDA

MOTION: To amend the Meeting Agenda of August 21,2006 to indicate that this is a quarterly Board meeting and also to strike Item No. 5 - BCOM Investment Advisers and to approve the Agenda as amended.

	M O T I O N	S E C O N	V O T E D Y E S	V O T E D N O
O'Connell			X	
Lynn			X	
Aaronian			X	
Avallone			X	
Christophers			X	
Fletcher			X	
Lee, Jr.	X		X	
Samolewicz		X	X	
Valerga			X	

APPROVAL OF MINUTES OF JUNE 19, 2006 AND JULY 17, 2006

MOTION: To waive reading of the minutes of June 19, 2006 and July 17, 2006 and to approve same as submitted.

O'Connell			X	
Lynn			X	
Aaronian			X	
Avallone			X	
Christophers		X	X	
Fletcher			X	
Lee, Jr.			X	
Samolewicz			X	
Valerga	X		X	

APPROVAL OF WARRANT NOS. 2550 THROUGH 2509

MOTION: Approval of payment of bills listed on Warrant Nos. 2500 through 2509 as follows:
 No. 2500 \$654.29, No. 2501 \$217.72,
 No. 2502 \$98,921.67, No. 2503 \$8,222.00,
 No. 2504 \$5,033.60, No. 2505 \$1,447.10,
 No. 2506 \$12,656.57, No. 2507 \$4,669.55,
 No. 2508 \$59,222.56 and No. 2509 \$1,220.93.

O'Connell				X
Lynn				X
Aaronian				X
Avallone				X
Christophers				X
Fletcher				X
Lee, Jr.	X			X
Samolewicz		X		X
Valerga				X

(Detailed listing of Warrants is attached to Minutes)

Chairman O'Connell reiterated that the presentation by Denny St. Romain and Collin Ross of BCOM Investment Advisers had been stricken from the Agenda. Trustee Christophers advised that this item was stricken because BCOM had not received all the due diligence reports in regard to the purchase of the office building, but they anticipate receipt later this week. He said BCOM has requested a meeting with the Board on 8/29/06. The Board decided to hold a Special Meeting on 8/29/06 at the Elks Lodge at 3:00 p.m. and Notice will be posted.

PRESENTATION ON INVESCO'S INTERNATIONAL EQUITY TRUST FUND

Chairman O'Connell said Mr. Garffer and Ms. Corbally had asked permission to present on Invesco's International Equity Trust Fund as an alternative to our current international portfolio which is constrained to ADRs only. Mr. Garffer stated that there are benefits of transferring the assets from our current separately managed account into their International Equity Trust Fund, which is basically a commingled trust. The commingled fund is managed by the same investment team that manages our ADR portfolio. The difference is there are no emerging market shares in our ADR portfolio because Invesco discontinued using them in the constrained portfolio.

Next, Ms. Corbally distributed and reviewed an email from Brad Wilson, Director of the Global Product Management, outlining the benefits of investing in the international equity commingled fund.

Board of Trustees Minutes Page Three	August 21, 2006	TRUSTEES	M	S	Y	N
<u>PRESENTATION ON INVESCO'S INTERNATIONAL EQUITY TRUST FUND (cont'd)</u>						
<p>Ms. Corbally said Invesco's unconstrained portfolio holds ADRs as well as ordinary shares (listed on domestic stock exchanges) that do not have a listed ADR on an American Stock Exchange. Therefore, Retirement System would gain further exposure to non-US companies and broader diversification to the international equity asset class. Also, there is limited exposure to emerging markets through an emerging markets commingled fund as part of the international equity commingled fund, which provides additional diversification. The emerging market fund is also managed by the same investment team. Ms. Corbally stated that historically Invesco has maintained an allocation of less than 10% in emerging markets.</p>						
<p>Ms. Corbally stated that the Board also would not be constrained by custodian limitations with regard to holding and reporting non-US securities, which could prove to be cost effective measure.</p>						
<p>Mr. Garffer stated that State Street is the custodian of Invesco's commingled funds. Ms. Dalton asked if State Street is also the custodian for Invesco's REIT Trust that we recently invested in. Mr. Garffer replied that State Street is the custodian. Ms. Dalton said our participation agreement is with AMVESCAP. Mr. Garffer stated that AMVESCAP is the manager of the Trust, however, the investment manager is INVESCO Real Estate. He remarked that Invesco's commingled funds are all housed under one division, AMVESCAP National Trust.</p>						
<p>At this point, Mr. Mulfinger said he is hearing two proposals being made. One is that the Board can maintain the ADR portfolio and hire a smaller commingled fund for emerging market securities and thus we only have to transfer custody of the assets on the emerging market portion. The second proposal is to transfer all of the assets from our separately managed ADR portfolio to State Street as the custodian and have one portfolio that has ADR's and ordinary shares and also has emerging markets in one commingled fund.</p>						
<p>Mr. Mulfinger stated that he prefers separately managed portfolios where the securities are held in the name of the Retirement System versus the commingled funds. He said normally when you go into a commingled fund there is a slight reduction in the fees and the commingled funds offer a little bit more diversification, but they are still going to keep it very conservative as they have managed the ADR portfolio in the past.</p>						
<p>Mr. Mulfinger stated that he monitors the ADR portfolio that is currently in place and his firm accepts fiduciary responsibility. They would not assume fiduciary responsibility on the commingled funds.</p>						
<p>Chairman O'Connell deferred any Board decision and thanked Mr. Garffer and Ms. Corbally for their presentation.</p>						

Board of Trustees Minutes Page Four	August 21, 2006	TRUSTEES	M	S	Y	N
<u>CHARLES H. MULFINGER, II OF CITIGROUP INSTITUTIONAL CONSULTING – PERFORMANCE EVALUATION AS OF JUNE 30, 2006</u>						
<p>Mr. Mulfinger distributed the performance evaluation reports for the quarter ending 6/30/06. He stated that economic growth appeared to slow as the second quarter progressed, but the economy retained momentum from the first quarter when the GDP rose at a 5.6% annual rate. Consumer prices rose at a faster pace, but core inflation measures remained relatively tame. During the quarter, while the job growth slowed, the unemployment rate dropped to 4.6% from 4.7% in March 2006.</p>						
<p>Next, Mr. Mulfinger gave a brief overview of the capital markets. For the quarter, the S&P 500 Index was down 1.44%, the Dow Jones had a slight gain of 0.94% and the Nasdaq lost 7.17% due to the technology sector. He reported that this was the first time in five years that small-cap underperformed large-cap, returning -5.03% versus -1.66%. In the small-cap universe, value lost 2.70% while growth lost 7.25%. In the large-cap universe, value had a slight gain of 0.59% while growth lost 3.90%. Lagging sectors for the quarter were Information Technology (-9.63%) and Healthcare (-4.99%). The best performing sectors for the quarter were Utilities (5.69%) and Energy (4.28%).</p>						
<p>In the bond market, Mr. Mulfinger stated that the Federal Reserve had hoped that by raising interest rates, the economy would slow down and take away commodity price increases. In a possible sign of slowing in the future, the yield curve inverted during the quarter. Comparing the 2-year and 10-year Treasuries for the last 2 quarters, there was a slight inversion.</p>						
<p>In the International markets, Mr. Mulfinger said that the EAFE Index was up 0.94%, outperforming the U.S. market. In contrast, Emerging Markets underperformed (-4.27%) both developed international and U.S. Markets.</p>						
<p>Again, Mr. Mulfinger reviewed the Invesco's proposals in regard to their commingled funds and he recommended making no changes at this time. He said in the past there were fewer ADRs, but today there is a very large selection. Also, there is more liquidity with ADRs than with ordinary shares. Discussion was held and it was decided to stay with our international portfolio investing in ADRs on the New York Stock Exchange.</p>						
<p>Prior to the vote, Chairman O'Connell handed the gavel to Vice Chairman Lynn and left the meeting.</p>						
<p>MOTION: To maintain Invesco's separately managed ADR international portfolio based on the recommendation of our investment consultant.</p>	<p>Lynn Aaronian Avallone Christophers Fletcher Lee, Jr. Samolewicz Valerga</p>	<p>X</p>	<p>X X X X X X X X</p>	<p>X X X X X X X X</p>	<p>X X X X X X X X</p>	<p>X X X X X X X X</p>

Board of Trustees Minutes Page Five	August 21, 2006	TRUSTEES	M	S	Y	N
<u>PERFORMANCE EVALUATION AS OF JUNE 30, 2006 (cont'd)</u>						
<p>Chairman O'Connell returned to the meeting in 5 minutes and Trustee Lee announced that he had to depart for the evening (5:45 p.m.).</p>						
<p>Trustee Christophers reported that he reviewed the proxy voting reports for Freedom Capital, Sands Capital and Lord Abbett for the quarter ending 6/30/06 and they were satisfactory. He said he found the detail in the report provided by Freedom to be very informative.</p>						
<p>Next, Mr. Mulfinger continued his review of the Performance Evaluation. He went over the Summary of Relevant Facts for the Fund as of 6/30/06. He reported that the market value of the Total Fund was \$159,023,027. The Total Fund had a loss of \$3,201,230 from the previous quarter. The asset allocation was 65.9% in equities, 31.1% in fixed income and less than 1% in cash. He reported that the asset allocation of the international equities was higher than our 8% target due to appreciation and this will have to be evaluated before the end of the 9/30/06 quarter to insure that it does not exceed the 10% limitation referenced in the investment guidelines.</p>						
<p>Mr. Mulfinger then reviewed the performance of the investment managers. For the quarter, Lord Abbett returned -0.42% compared to 0.59% for the Russell 1000 Value Index. He said Lord Abbett underperformed due to their weighting in energy. For the year, the return was 11.11% versus 12.08% for the benchmark. Since its 10/31/04 inception, the portfolio returned 9.61% lagging the 13.68% return of the benchmark.</p>						
<p>Sands Capital was down 7.48% for the quarter and down 3.70% for the year, underperforming the Russell 1000 Growth Index return of -3.90% for the quarter and positive 6.12% for the year. Since inception, Sands was up 12.73% versus 8.60% for the Russell 1000 Growth. Mr. Mulfinger informed the Board that Sands was overweighted in Google with a 10.4% position.</p>						
<p>Mr. Mulfinger remarked that Freedom Capital has been a disappointment as they are still staying with the growth style and growth was again out of favor this quarter. Freedom returned -3.00% versus -3.04% for the Dynamic Index and also underperformed the S&P 500 Index return of 1.44%. For the 3-year period, the portfolio underperformed the S&P Index, returning 7.53% compared to 11.21%. Mr. Mulfinger recommended replacing Freedom when the growth style comes back into favor.</p>						
<p>Mr. Mulfinger reported that Invesco, our International manager, returned 1.74% versus 0.70% for the MSCI EAFE Index. He said if the portfolio had emerging market exposure, there would have been more volatility and a bigger decline. Since its 1/31/04 inception, the portfolio gained 17.56% versus a 17.71% gain for the Index. The portfolio has slightly less return and less risk than the benchmark.</p>						
<p>As for the fixed income managers, Mr. Mulfinger stated that Allegiance returned 0.01% for the quarter in comparison to 0.13% for the Lehman Brothers Intermediate Aggregate Index.</p>						

Board of Trustees Minutes Page Six	August 21, 2006	TRUSTEES	M	S	Y	N
<u>PERFORMANCE EVALUATION AS OF JUNE 30, 2006 (cont'd)</u>						
<p>Mr. Mulfinger said Allegiance is heavy in mortgages and they experienced lower returns because government securities outperformed. He said Allegiance had a little less return and less risk and is less volatile. Standish Mellon returned -0.13% versus the Lehman Aggregate Index return of -0.08% for the quarter and -0.58% versus -0.81% for the year. Lastly, Munder Capital returned 0.19% for the quarter compared to -0.08% for the Lehman Aggregate Index. For the year, they returned -0.18% versus -0.81% for the Index.</p>						
<p>Mr. Mulfinger reported that the Total Fund was down 1.97% for the quarter, underperforming the -0.86% benchmark return. This was mainly because of the underperformance of Sands Capital. For the year, the Total Fund returned 6.12% compared to 6.94% for the benchmark. Since inception the dollar-weighted internal rate of return was 10.88%. Since 2002 whenever the market has fallen, the Total Fund has fallen less in every rolling 3-year period and when the market has gone up, the Fund has gone up less.</p>						
<p>Lastly, Mr. Mulfinger reviewed the Compliance Checklist. He will contact Sands because the Google position exceeds 10% and he will make sure that foreign securities are less than 10% in compliance with the Investment Guidelines. He did not recommend any changes in investment managers. Because Sands Capital is volatile, he will continue to watch them. He also felt the market will rally at the end of the year.</p>						
<u>MONEY MARKET/STABLE VALUE ALTERNATIVES FOR EMPLOYEE-DIRECTED DROP PLAN TO REPLACE THE FEDERATED CAPITAL PRESERVATION FUND</u>						
<p>Mr. Mulfinger distributed an analysis of six DROP money fund alternatives to replace the Federated Capital Preservation Fund. He selected all money market funds as his firm believes there is risk associated with stable value funds. In addition, money funds do not require the Board to sign a contract which is reason Federated Capital Preservation Fund is being replaced. He recommended the Schwab Retirement Advantage Money Market Fund because the return was similar to the other funds, the expense ratio of 49 basis points was very reasonable plus we get 20 basis points of expense back. Ms. Dalton explained that the 20 basis points of revenue sharing are used to offset the participant fees.</p>						
<p>MOTION: To select Schwab Retirement Advantage Money Market Fund to replace Federated Capital Preservation Fund as an investment alternative in the Employee-Directed DROP Plan based on the recommendation of Mr. Mulfinger.</p>	<p>O'Connell Lynn Aaronian Avallone Christophers Fletcher Samolewicz Valerga</p>	<p>X</p>			<p>X X X X X X X X</p>	

Board of Trustees Minutes Page Eight	August 21, 2006	TRUSTEES	M	S	Y	N
<u>ROBERT A. SUGARMAN, ESQ (cont'd)</u>						
<u>Premium Tax Database</u> – Mr. Sugarman informed the Board that his firm received an email of 7/25/06 from Trish Shoemaker, with an update from the Department of Revenue stating that address updates for the premium tax database must be made by 9/3/06. The updated file will be used by insurance companies for reporting the 2007 premium taxes.						
<u>Pension Reform Legislation</u> – Mr. Sugarman reported on 8/17/06, the Pension Protection Act of 2006 was signed into law by the President. He said the new law eliminates the 10% early withdrawal penalty for public safety employees on distributions from DROP plans prior to age 55 and they are exempt from penalty on or after age 50. Also, there is a new provision, which will apply to all current and future retirees starting in 2007, that deals with health insurance. The bill provides for pre-tax distributions to retired public safety retirees of up to \$3,000 from their pension plans to be used to toward health or long term care insurance premiums. These distributions will be excluded from the gross taxable income of the retirees' pensions. Mr. Sugarman stated that Mr. Herrera is preparing a full analysis of the legislation that will be furnished to the Board.						
<u>PROPOSED ENGAGEMENT LETTER FROM CHERRY, BEKAERT & HOLLAND</u>						
Mr. Sugarman reviewed the proposed engagement letter, with the exception of the reasonableness of the fees which is a business decision, and his suggested changes were incorporated.						
<p>MOTION: To approve and authorize Chairman to execute the engagement letter of 8/15/06 from Cherry, Bekaert & Holland for purposes of the annual audit for fiscal years ending September 30, 2006, 2007 and 2008.</p>		O'Connell Lynn Aaronian Avallone Christophers Fletcher Samolewicz Valerga	X X X	X X X X X X X		
<u>COMMITTEE REPORTS</u>						
<u>Relocation Committee</u> – Chairman O'Connell reported that the Relocation Committee has indicated that they will have a report at the Special Meeting on 8/29/06.						
<u>Communication Committee Report</u> – Committee Chair Fletcher reported that the Committee continues to work on the website. He has also been working with the pension office and Mike Dippel and he has received some ideas from the members.						

Board of Trustees Minutes Page Nine	August 21, 2006	TRUSTEES	M	S	Y	N
<u>DEPUTY ADMINISTRATOR'S REPORT</u>						
<u>Disability Applications</u> – Ms. Dalton reported that the pension office received a letter from Robert Lynn today, withdrawing his application for service-incurred disability retirement.						
<u>Trustees' Elections</u> – Ms. Dalton reported that candidates were solicited to fill the expiring terms of Paul O'Connell and Robert Lynn. Only one candidate filed for each position, that being Paul O'Connell on the Police side and Peter McGinnis, a Fire Inspector with 6 years of service, on the Fire side. Therefore, it was not necessary to hold an election by ballot and they were declared elected by acclamation.						
<u>2005 State Report</u> – Ms Dalton stated the Board received a 7/26/06 from the Division of Retirement advising that the 2005 State Report was approved.						
<u>2005 Premium Tax Distributions</u> – Ms. Dalton informed the Board the Chapter 175 premium tax distribution was received and deposited on 8/10/06 in the amount of \$849,986.02, representing an increase of \$51,505.37 over last year. We did not receive the Chapter 185 check which was assumed lost, but the Division of Retirement located it and we received and deposited it today. The amount of the Chapter 185 premium tax distribution was \$827,490.06, representing an increase of \$42,315.56.						
<u>Letter to BSO Budget Manager</u> – Ms. Dalton advised on 7/19/06, the 10/1/05 Actuarial Valuation Report was sent to BSO Budget Manager Izzy Binstock along with a letter informing him of the employer contribution for FY 2006-07 of \$3,929,289. He was also advised of the \$1.5 million contribution shortfall for this fiscal year plus the \$1.2 million shortfall for fiscal year 2005-06 for a total contribution underpayment of \$2.7 million to date.						
<u>MISCELLANEOUS</u>						
<u>10/1/06 COLA</u> – Chairman O'Connell reported there was a 8/17/06 letter from Steve Palmquist providing an analysis of the COLA and certifying whether or not to pay the 1% Variable COLA. For the firefighters, a variable 1% COLA is not payable on 10/1/06. For the police officers, a contribution was required by BSO, however, no contribution was required by the City. The Chairman said the Board needs to determine what action to take, but we will wait to hear from our attorney after the settlement meeting.						
<u>October 1, 2005 Actuarial Valuation Report</u> – Chairman O'Connell reported that a 7/18/06 memo was sent to the City Manager informing him that the Board approved and adopted the revised 10/1/05 Actuarial Valuation Report. There will be a meeting of the City Manager and Mr. Palmquist to review the report with the Chairman and Ms. Dalton in attendance. Mr. Palmquist will present the report before the City Commission on 9/12/06 at 7:00 p.m.						

Board of Trustees Minutes Page Ten	August 21, 2006	TRUSTEES	M	S	Y	N
<u>MISCELLANEOUS (cont'd)</u>						
<p><u>Munder Capital's Transition to Independent Ownership</u> – Chairman O'Connell reported that the Board received a letter dated 8/4/06 from Lon Britton informing them that by mutual agreement between Munder Capital and Comerica, Munder's management team and employees, along with Crestview Partners, L.P. are buying out Comerica's ownership position. The transfer of ownership should be completed prior to year end.</p>						
<p><u>38th Annual Police Officers' & Firefighters' Pension Conference</u> – Chairman O'Connell advised that the conference, sponsored by the Division of Retirement, will be held October 25-27, 2006 at the Radisson Barcelo Hotel in Orlando. This program is offered free of charge as a public service.</p>						
<p><u>8th Annual Public Funds Summit</u> – Chairman O'Connell reported that the educational forum is sponsored by Opal Financial Group and will be held January 10-12, 2007 at the Phoenician in Scottsdale, AZ.</p>						
<p>MOTION: To permit Trustees and Deputy Administrator to attend the 8th Annual Public Funds Summit in Scottsdale, AZ.</p>	<p>O'Connell Lynn Aaronian Avallone Christophers Fletcher Samolewicz Valerga</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>
<u>ADJOURNMENT</u>						
<p>MOTION: To adjourn meeting. Meeting adjourned at 6:45 p.m.</p>	<p>O'Connell Lynn Aaronian Avallone Christophers Fletcher Samolewicz Valerga</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>
<p>Respectfully submitted,</p>						
<p>Lindsay Dalton, Deputy Administrator</p>						