

POMPANO BEACH POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

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

**BOARD OF TRUSTEES MINUTES
REGULAR MEETING
OCTOBER 16, 2006**

The Board of Trustees convened at the Pompano Beach Elks Lodge No. 1898, 700 NE 10th Street, Pompano Beach, Florida. The Chairman called the meeting to order at 3:08 p.m.

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

ALSO PRESENT:
Jerome Garffer, April Simon and Douglas J. Gooding
of INVESCO
Steve L. Walker of INVESCO via teleconference
Robert A. Sugarman, Esq. of Sugarman & Susskind, P.A.
Lindsay Dalton, Deputy Administrator

APPROVAL OF AGENGA

MOTION: To approve the Meeting Agenda of October 16, 2006.

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

INVESCO

Jerome Garffer distributed reports for the quarter ending 9/30/06. He informed the Board that over the last few months Invesco has been restructuring the firm's sales group and as a result his last day with the firm will be 12/31/06. Further, he advised that Allison Corbally's last day was 10/13/06 and Steve Walker's last day is 10/20/06. He introduced April Simon, Associate Marketing Director, who will replace him as our main contact at Invesco. He also introduced Douglas Gooding, Global Equity Specialist, who has replaced Ms. Corbally as our contact for the international portfolio.

Mr. Sugarman asked if there have been any changes in the portfolio managers. Mr. Garffer replied that there have been no changes in the product groups and investment teams.

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<p><u>INVESCO (cont'd)</u></p> <p>Ms. Simon explained that the restructuring is taking place in the sales group which was managed by Mr. Garffer and also in client services which was the group that Ms. Corbally and Mr. Walker represented. To eliminate overlap and inefficiencies, these two groups have now been combined.</p> <p>Chairman O'Connell stated that the Investment Committee will be charged with directing Mr. Mulfinger to do an in-depth review of this restructuring at Invesco. Mr. Garffer informed the Board that in both the real estate and international products, there are solid core teams managing our portfolios and hopefully going forward they will maintain that same structure.</p> <p>Next, Mr. Gooding reviewed the Invesco international equity portfolio. He reported that there have been no changes in the Global Equity Team. It is an experienced team averaging fifteen years of experience in the business and nine years with Invesco.</p> <p>Mr. Gooding reviewed Invesco's investment management process. He said basically they add companies to their global equity database on a combination of valuation and financial criteria. They look at how each company is valued and focus their research on the top 40% of the list, visiting as many companies as they deem worthy of consideration. They then design the portfolio in a very risk-sensitive, risk-managed approach, seeking diversification and competitive returns over the long-term.</p> <p>Next, Mr. Gooding reviewed the portfolio's investment performance. As of the quarter ending 9/30/06, the market value of the portfolio was \$13.8 million dollars. He said it was a very good quarter in terms of absolute and relative performance with the portfolio gaining 4.6% and outperforming the MSCI EAFE Index return of 3.9%. Year-to-date, the portfolio was up 15.4% versus 14.5% for the MSCI EAFE Index, outpacing the MSCI EAFE Index date by 0.9%.</p> <p>Mr. Gooding reviewed the top holdings and sector weightings as of the quarter ending 9/30/06. The top ten holdings are Nestle SA ADR, Novartis ADR, Glaxosmithkline PLC ADR, Aegon NV Amer Reg Shr, Canon Inc-SP ADR, BAE Systems PLC ADR, Fuji Photo Film Company L, Nokia OYJ ADR, TNT NV-ADR and HSBC Holdings PLC ADR. He said the portfolio is slightly overweighted in the consumer staples, energy and healthcare sectors and underweighted in financials and utilities.</p> <p>Lastly, Mr. Gooding reviewed the portfolio characteristics. He reported that Invesco pays close attention to the valuation of the companies they are buying. They try to put together a portfolio that is attractively priced compared to the benchmark. At the same time, they focus on the underlying quality of the companies and the underlying return on equity. He said over the last two years they have found that large higher quality stocks have been the most attractively valued due to the outperformance of small cap stocks and riskier stocks over the last several years.</p>						

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<p><u>INVESCO</u> (cont'd)</p> <p>Mr. Gooding reported that the portfolio has been positioned going forward. Year to year, despite the market changes, they continue to apply the investment process in a very consistent manner.</p> <p>Trustee Christophers then asked Mr. Gooding why the portfolio does not have exposure to utilities. He replied utilities are very expensive right now. Over the last year, this sector has been dominated by merger and acquisition activity which has driven up prices beyond reasonable valuations.</p> <p>Trustee Christophers asked what Invesco's performance goals are in terms of excess return. Mr. Gooding replied over a full market cycle of 3 to 5 years, they like to outperform the benchmark by 200-300 basis points annualized over that full cycle. Chairman O'Connell asked how long on average stocks are held in the portfolio. Mr. Gooding replied stocks are typically held 3 to 5 years.</p> <p>Next, Steve Walker presented via teleconference on the Invesco Core Real Estate Fund. He reported that the Fund continued to have strong performance for the year. The fundamentals are strong because the supply and demand on real estate is balanced and the Fund's occupancy rates remained strong. For the quarter ending 6/30/06, the total return of the Fund was 6.79%, comprised of 1.52% from income and strong appreciation of 5.27% and year-to-date, the total return was 12.66%.</p> <p>Mr. Walker reported for the quarter ending 9/30/06, the return from income was 1.36% and appreciation was 1.08%, back in line with what they expected. The Fund's performance for the trailing 1-year period was 18.51% comprised of 6.62% from income and 11.33% from appreciation. He said they are very pleased with the progress made during the two years since inception of the Fund and specifically the growth in net asset value and the number of investors. As of 10/1/06, they have added five new investors. He reported that they did not close any deals in the third quarter, but have two deals that will closed in the beginning of the fourth quarter.</p> <p>Mr. Walker reported that they are on pace for acquisitions with approximately \$225 million per quarter. The biggest challenge that they face in the market, not only as a company but as an industry, is finding good acquisitions in the right markets. When they do not buy property within a certain quarter, it is because they are taking the time to find the right deals that will continue to give the portfolio the same favorable performance as they are pleased to report today.</p> <p>With regard to the investment team changes, Mr. Walker reported that one analyst left in May or June and there have been three new employees added to the team.</p>						

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<u>INVESCO (cont'd)</u>						
<p>Next. Mr. Walker briefly reviewed the performance of the Invesco Equity Real Estate Securities Trust (REIT) Fund. He said the Fund has very strong numbers to report. Year-to-date as of 6/30/06, the Fund returned 14.91% gross of fees, outperforming the NAREIT Index return of 12.92%. For the quarter ending 9/30/06, the Fund gained 8.47%. Year-to date as of 9/30/06, the Fund returned 24.64% gross of fees compared to 23.38% for the NAREIT Index. Mr. Walker informed the Board that he did not know who will replace him when he leaves on 10/20/06.</p> <p>Ms. Simon concluded by saying that Invesco appreciated the trust we have placed in them and she will let us know who will replace Mr. Walker.</p>						
<u>APPROVAL OF MINUTES OF AUGUST 21, 2006 AND THE WORKSHOP MEETING OF SEPTEMBER 18, 2006</u>						
<p>MOTION: To waive reading of the minutes of August 21, 2006 and to approve same as submitted.</p>	<p>O'Connell Avallone Aaronian Christophers Fletcher Lee, Jr. McGinnis Samolewicz Valerga</p>	<p>X</p>	<p>X</p>	<p>X X X X X X X X X</p>	<p>X X X X X X X X X</p>	
<p>MOTION: To waive reading of the minutes of September 18, 2006 and to approve same as submitted.</p>	<p>O'Connell Avallone Aaronian Christophers Fletcher Lee, Jr. McGinnis Samolewicz Valerga</p>	<p>X</p>	<p>X</p>	<p>X X X X X X X X X</p>	<p>X X X X X X X X X</p>	

CONSENT ITEMS

Item 5a: Approval of payment of bills listed on Warrant Nos. 2510 through 2540 as follows:
 No. 2510 \$629,338.15, No. 2511 \$2,484.95, No. 2512 \$3,558.19,
 No. 2513 \$6,634.90, No. 2514 \$3,389.61, No. 2515 \$1,390.36,
 No. 2516 \$588.99, No. 2517 \$95.56, No. 2518 \$1,065.08,
 No. 2519 \$8,545.75, No. 2520 \$2,128.70, No. 2521 \$1,412.01,
 No. 2522 \$4,390.30, No. 2523 \$2,097.85, 2524 \$23,598.10,
 No. 2525 \$9,333.42, No. 2526 \$200,000.00, No. 2527 \$1,273.12,
 No. 2528 \$284.01, No. 2529 \$3,130.38, No. 2530 \$35,614.11,
 No. 2531 \$126,704.34, No. 2532 \$15,488.00, No. 2533 \$562.50,
 No. 2534 \$2,136.76, No. 2535 \$14,516.75, No. 2536 \$4,825.97,
 No. 2537 \$296,493.97, No. 2538 \$8,072.59. No. 2539 \$58.21
 and No. 2540 \$213.03.

Item 5b: To approve application for normal retirement effective 9/30/06 submitted by Deputy Sheriff Joseph L. Gill.

Item 5c: To approve application for vested benefit deferred to normal retirement date of 11/3/2011 submitted by Deputy Sheriff Maurice M. Ackerman.

Concerning the pension benefits of Deputy Gill and other police retirees, Mr. Sugarman informed the Board that we should continue to include the 8.6% contribution in the pensionable earnings for benefit calculations purposes until all the issues have been resolved and the Court issues a final order called a mandate that tells the parties what to do. Mr. Sugarman recommended the we put these retirees on notice that their benefit calculations are subject to change both prospectively and retroactively. In the event, we have to recalculate their benefits without the inclusion of the 8.6% contributions in the pensionable wages, the benefit amounts will be reduced and we will recoup any overpayments from future benefit payments.

Mr. Sugarman stated that Consent Items 5b and 5c should be amended to provide notice to the member of the possibility of both retroactive and prospective change.

MOTION: To approve Consent Item 5a and to approve Consent Items 5b and 5c as amended to include to provide notice to Deputy Sheriff Joseph Gill and Maurice Ackerman that their benefits are subject to change prospectively and retroactively due to the pending litigation.

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

SET THE NET INVESTMENT RATE OF RETURN FOR 9/30/06 FUND RATE DROP EARNINGS

MOTION: To set the net investment rate of return for the quarter ended 9/30/06 at 3.94% for purposes of the Fund Rate DROP earnings in accordance with Mr. Mulfinger's 10/13/06 letter of certification.

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

APPOINTMENT OF COMMITTEES

Chairman O'Connell made the following appointments to the Committee for fiscal year 2006-2007.

Investment Committee – Richard Avallone, **Chairman**, Sharra Aaronian, Daniel Christophers, Ernest Lee, Peter McGinnis and Jeffrey Valerga.

Chairman O'Connell charged Committee Chair Avallone with the duty of directing Mr. Mulfinger to report to the Board on the personnel changes at Invesco.

Revision Committee – Daniel Christophers, **Chairman**, Peter McGinnis and Richard Samolewicz.

Professional Advisors Review Committee – Richard Samolewicz, **Chairman**, Patrick Fletcher and Jeffrey Valerga.

Chairman O'Connell charged Committee Chairman Samolewicz with performing a review of Deputy Administrator Dalton's salary.

Building Committee – Daniel M. Christophers, **Chairman**, Richard Avallone, Peter McGinnis and Ernest Lee.

Communication Committee – Patrick Fletcher, **Chairman**, Sharra Aaronian and Jeffrey Valerga.

At this point, Trustee Christophers gave a report on the recent IFEBP conference he attended and presented ideas he brought back.

Lengthy Board Meetings – Trustee Christophers felt Board meetings should be shortened and important items for discussion should be placed at the beginning of the Agenda. He said much of the meeting time is taken up by investment manager presentations that are canned sales pitches or reports. He said since it is our investment consultant's responsibility to monitor each manager's progress and he suggested having Mr. Mulfinger provide a report each month on how each manager is doing.

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<p>If a problem is identified then the manager would have to appear before the Board. Also, rather than each manager presenting at our regular Board meetings twice a year, he recommended having an annual 2-day due diligence meeting where all the managers would report to the Board.</p> <p><u>Asset Allocation</u> – Trustee Christophers said he learned that over 90% of the investment return is directly related to our asset allocation decisions. Our interest rate assumption is 8.5% so questions arise are we going to achieve that rate of return with our asset allocation and if not, how do we get to 8.5%. These questions need to be charged to the Investment Committee, Mr. Mulfinger and Mr. Palmquist.</p> <p>Chairman O’Connell advised that the Investment Committee will be meeting on 11/13/06 at 2:00 p.m. with Mr. Mulfinger and Mr. Palmquist to discuss this topic.</p> <p><u>Annual Affidavits</u> – Trustee Christophers questioned how we know that each retiree or beneficiary receiving a pension is still alive. Ms. Dalton responded that the pension staff sends out affidavits on annual basis to all benefit recipients that must be signed, notarized and returned.</p> <p><u>Old Business</u> – Trustee Christophers stated when the Board postpones a decision or discussion on items, these items should be placed on the agenda under Old Business.</p> <p><u>Insurance Review</u> – Trustee Christophers reported that another important point that was brought up at the conference was the periodic review of our fiduciary liability insurance and other business insurance.</p> <p><u>Disclosure by Board Members</u> – Trustee Christophers said Trustees must disclose conflicts of interest and abstain from voting on such items. Mr. Sugarman said any Trustee that receives a benefit from the Plan had their benefit approved at a public meeting and must file a form that is incorporated in the minutes that the Trustee did not vote on his application for a retirement benefit.</p> <p><u>Trustee Education</u> – Trustee Christophers stated that continuing education is an important part of being a Trustee and each Trustee should attend as many conferences as possible.</p> <p><u>Securities Litigation</u> – Trustee Christophers said he was impressed by the excellent presentation at the conference given by Bernstein Litowitz Berger & Grossmann LLP, a leading firm in securities litigation and he would like the Board hear their presentation at a future date.</p> <p><u>Disability Hearings</u> – Trustee Christophers felt that the full Board need not be present at informal disability hearings and suggested that future disability hearings be held before a committee.</p>						

