

Miramar Firefighters Pension Fund

MINUTES OF MEETING HELD

July 18, 2007

Alan Park called the meeting to order at 9:03 AM in the Conference Room of Fire Station 100 located at 2800 SW 184th Avenue, Miramar, FL. Those persons present were:

TRUSTEES PRESENT

Alan Park, Chairman
Jay Gillette, Secretary
S. Robert Rubin
Noel Marti
Frank Espinosa

Steven Wells; Advisory Board
James Estep; Advisory Board

OTHERS PRESENT

Bonni Jensen; Hanson, Perry & Jensen; Counsel
Denise McNeill; Resource Center; Administrator
Dan Johnson; Merrill Lynch
Don Dulaney; Dulaney & Company; Actuary 11:35

Jim Skesavage & Chip Reed; Atlanta Capital
Tom Capobianco & Charles Glovsky;
Independence Investments
Martin Smith & Brian Hicks; Penn Capital Mgmt

TRUSTEES ABSENT

Susan Finn; Advisory Board

Alan Park welcomed Frank Espinosa to the Board. Mr. Espinosa was appointed to the Board in June by the City of Miramar.

INVESTMENT MONITOR REPORT

Dan Johnson of Merrill Lynch advised that the June 30, 2007 quarterly report was not available as it was too soon after the quarter end close. He did provide a preliminary update verbally, reporting that the plan was up 5.2% for the quarter resulting in a fiscal year to date return of 15.6%. Mr. Johnson reported that with increased volatility in the equity market due to rising interest rates and rising energy prices, the equity portfolio is expected to have a challenging period ahead.

Mr. Johnson explained that he has a conflict with the August meeting date. If the Board feels it is critical for him to attend, he will see what arrangements can be made.

Mr. Johnson explained that the purpose of this meeting is to interview three potential small-mid cap managers with the goal of adding further diversification for added return and to reduce overall volatility in the plan. He explained that small to mid capital stocks are sub fortune 500 companies. Mr. Johnson recommended taking 10% from the current Wilshire 4500 target and transferring that amount into a new SMID cap actively managed fund. He explained that all managers being interviewed will manage the assets at Northern and there should be no additional custodial fees charged to the plan. Mr. Johnson further explained that the strategy will not always perform well therefore it is important for the Board to select a manager they are comfortable with.

Discussion followed regarding the current benchmarks being used the plan. Mr. Johnson explained that the Wilshire 4500 index includes all stocks in the Russell 2500.

ATLANTA CAPITAL

Jim Skesavage and Chip Reed of Atlanta Capital introduced themselves and provided a summary of their company's history. Mr. Reed explained that he had previously worked for the State and explained that he has a strong sense of the issues public boards must deal with. He explained that they have an average client retention of 13 years, they currently have 19 Florida clients and has a seat on the advisory board for the FPPTA. Mr. Reed advised there is currently \$410M in SMID, however it is managed as though it has \$2B in assets. He explained they have been using a high quality discipline for the past 30 years. Lengthy discussion followed regarding their company strategy and the selection process of purchasing stocks. The company reflected slightly lower returns than their peers, however they experienced less volatility as well. The fee quoted was 80 basis points and Atlanta will accept fiduciary responsibility to the plan. Mr. Skesavage and Mr. Reed departed the meeting at 10:05 A.M.

INDEPENDENCE INVESTMENTS

Tom Capobianco and Charles Glovsky of Independence Investments introduced themselves and explained that Independence is owned 70% by employees. Mr. Capobianco explained that he is on the advisory board of the FPPTA. Mr. Capobianco explained that he had reviewed the plan through the Resource Centers' website and noted the board's dedication to the equity strategy. He then described their company strategy explaining that the process is quite disciplined with relatively low turnover. He further explained their goal is to discover the undiscovered companies. When questioned about down markets Mr. Glovsky advised that the company struggled in 2006, however they tend to do well in most any market except when there is speculative high risk. The fee quoted was 85 basis points, however when questioned, Mr. Capobianco advised that Independence would agree to 80 basis points. Independence will accept fiduciary responsibility to the plan. Tom Capobianco and Charles Glovsky departed the meeting at 10:40 A.M.

Ten minute break. Meeting continued 10:50 A.M.

PENN CAPITAL MANAGEMENT

Brian Hicks and Martin Smith of Penn Capital Management introduced themselves to the Board and explained that the company initially began in 1987 as a junk bond. Mr. Smith explained that Penn is 100% employee owned and that employees are paid for 'out-performance'. Mr. Smith and Mr. Hicks went on to describe Penn's company strategy in detail and their approach to constantly monitor the companies held in the portfolio. Mr. Hicks explained that the company is a younger firm with an open environment, with a team approach on all processes. Mr. Smith explained that Penn is proposing a limited partnership fund that is fairly new with a 95 basis point fee. He also confirmed that Penn will accept fiduciary responsibility to the plan. Mr. Smith confirmed that their return is volatile, however even during the challenging times in 1998 and 2002; the company remained true to their process. Brian Hicks and Martin Smith departed the meeting at 11:30 A.M.

SMID DISCUSSION

Lengthy discussion followed regarding the presentations. The Trustees expressed their concern that Penn may be too high of a risk. The Trustees discussed the comfort level with Independence and Atlanta and their involvement with the FPPTA. Lengthy discussion followed regarding the amount to allocate to the SMID cap investment. Dan Johnson reminded the Board that the goal is to further diversify the existing portfolio.

- Robert Rubin made a motion to hire Independence Investments as an active SMID cap manager. The motion received a second by Noel Marti and was approved by the Trustees 5-0.
- Robert Rubin made a motion to allocate 20% from the passive target index SMID to the active SMID cap manager at an 80 basis point cost or lower. The motion received a second by Noel Marti and was approved by the Trustees 5-0.

Dan Johnson will draft a revised investment policy, a new addendum for Independence and a revision for Northern with the changes, also instructing Northern to use best execution. Mr. Johnson reminded the Trustees that Merrill Lynch's fee will also increase from \$15,500 to \$21,500 annually due to the addition of the active manager.

Alan Park advised that he will communicate with Independence in an effort to have the fee reduced to 75 basis points.

The Trustees instructed for the new SMID manager to begin trading October 1, 2007, the beginning of the new fiscal year.

ACTUARY REPORT

Don Dulaney presented a letter being given to the Fund's attorney which confirms the pending ordinance change has no actuarial cost impact. The ordinance change had been pending for a few years and the City had requested an updated opinion of the cost.

Frank Espinosa departed the meeting at 12:20 P.M.

Mr. Dulaney reviewed the retro payroll issue. The City had reported negative numbers in the retro pay reports but did not give an explanation as to the specific reason for the reversals. The City has since clarified the issue explaining that the adjustments related specifically to members who were paid overtime due to an error made by the Captain who had been filling in on a specific shift. The Captain had processed the wrong information on time cards, paying employees on that particular shift for 120 hours instead of 96. When the City audited the payroll files to process the retro pay, the error was found and it was determined that the entire group of employees reported by that Captain had been overpaid therefore the reversal reported in the retro pay schedule was accurate. Mr. Dulaney advised that the four pending DROP calculations should be recalculated, being reduced by the overpaid hours accordingly. Mrs. McNeill reported that the payroll data files received from the City also reflect the reversals accordingly. Regarding the pending payroll related to pay codes 112, 113 and 115, Mr. Gurdak had explained that he had caught his payroll error at the time it occurred and requested that his adjustment be taken from his sick/vacation time, however the Board agreed that Mr. Gurdak will need to address that item directly with the payroll dept. The administrator will review the data files to see if any upgrade pay is being reported. It was agreed that the pay for codes 112, 113 and 115 should be addressed across the plan for all members, however in the mean time, the matter will be addressed individually as each person applies for retirement or Drop.

There being no further business,

- Noel Marti made a motion to adjourn the meeting at 12:40 P.M. The motion received a second by Jay Gillette and was approved by the Trustees 4-0.

Respectfully submitted,

Jay Gillette, Secretary