CITY HALL

Mr. King called the meeting to order at 8:40 AM.

1. Roll Call
   Barry Schinder - absent
   Bruce Loucks – present
   Brad Sicari - present
   Jerry Whaley – present
   Bob King - present

   Guests
   Horacio Montes de Oca
   Greg Gosch - Sawgrass
   Grant McMurry - ICC
   John McCann - Thistle

   The minutes were unanimously approved as submitted by the Recording Secretary.

5. Presentations
   A. Grant McMurry - ICC Capital
      Mr. McMurry advised that December wasn't too bad, but it's just an all-around, terrible market because no one understands it. ICC conducts a constant rolling correlation, comparing different areas of the marketplace. In December, 99% of the behavior of one class of defensive assets matched the behavior of the cyclical stocks. Typically, cyclical stocks should sustain more damage than defensive stocks in a down market, but that was not the case. There were similar correlations in other asset classes which do not usually match up. This indicates that fear has driven investors out of the marketplace. $1.2 trillion dollars were pulled out of equity mutual funds in 2008; the majority being during the months of September and October. With huge investor demands to exit the market, managers have no choice but to sell whatever is liquid.
      ICC does not usually go down as much as the market when it's down, but they went down even more than the market this time. This decline was not normal so how do they posture themselves for the recovery? Will everything move similarly like they did with the downturn? The typical value strategy is to buy the stocks that have been hammered hard, betting that the market will run up just as fast as it dropped. There is no confidence in the market, but some stability for a few weeks may help to increase confidence.
      Mr. McMurry reported that ICC moved heavily into corporates on the bond side a while back. Most of the higher quality corporates are in the financial area, which was badly damaged, but they're starting to come back.

   B. Greg Gosch - Sawgrass Asset Management
      The market has been flat and they've been getting some better earnings over the past few days, but it's very difficult to anticipate what's ahead. Sawgrass feels that this is a buying opportunity so their getting more offensive than they have been in the past. Mr. Gosch attribute's a lot of daily movement in the market to hedge fund and margin calls. When the market drops 200 points in the last ½ hour of trading, just to move things out the door. The decline hit every sector, including defensive areas which normally hold up pretty well. They believe that if they stick with consistent growth companies, then they
will be rewarded when the market does recover. Mr. Gosch reminded the Board that Sawgrass has beaten the benchmark 8 out of the last 9 years, except 2003 when the Russell 1000 Growth was up 29.3% for a recovery year and Sawgrass was up 27.8%. They don't want to miss out on that surge this year.

The total account was down -9.5% for the 4th quarter and down -20.5% for the year, compared to the blended benchmark at -22.6%. Large cap growth was down -23.1%, slightly behind the benchmark for the year and the quarter. Both large cap growth and small cap growth are outperforming particularly well at the moment. Fixed income is up 7.3%, compared to Barclays Government Credit (used to be the Lehman Aggregate), which is only up 4.8%. For the year, fixed income was up 7.4%, to help offset the losses in equities, compared to the index at 4.8%.

Mr. Gosch reassured the Board that Sawgrass is in a very good position and has added three new people to their team in the last 18 months. They are a very conservative firm so they are well-positioned to weather a difficult market. All securities in the portfolio are listed in the report and the Pension Fund money is held by a custodian and is not physically touched by Sawgrass.

C. John McCann - Thistle Asset Consulting

Mr. McCann provided the Board with the Periodic Table of Asset Classes, pointing out a number of top performing asset classes which have fallen apart in this down market. Fixed income is the best performing asset class now, as it was in 2000-2001. For comparison, Mr. McCann reported that the S&P500 was down -21.94% for the quarter and -37% for the year. Fixed income was the best performing asset class for the quarter, 1-year and 3-years. International performed very poorly for the year and small cap growth was down -9.3%, as the worst performing asset class for the 3-year period.

In reviewing the compliance report, Mr. McCann advised that everything is "ok", even though the managers weren't able to meet the actuarial assumption. The fund actually did quite well, considering the current market conditions. The fund has $13 million in the bank, 60% in equities, 34% in fixed income and 6% in cash. The fund is almost equally split between the two managers so no rebalancing is recommended.

Mr. McCann reminded the Board that the market has performed terribly so the numbers don't look good, but the manager's have still managed to beat the policy. Last quarter (fiscal year end) was down -11%, but the policy was down -12%. The fund is down -21.7% for the year, but still beat the policy which was down at -22.7%. The total fund's 5-year number is .62%. Through all trailing periods, equities have beaten the policy, with the universal percentile in the top third for the quarter, year-to-date and 3 and 5 years. The fixed Income numbers are excellent at 6.93% for the quarter, 6.93% for the year-to-date, 6.61% for 1-year and 6.09% for the 3-year numbers, which puts the fund's fixed income in the top 1% of the comparison universe and beats the policy.

ICC and Sawgrass assets combined look good. They are slightly behind for the quarter, but the 1, 3 and 5-year numbers beat the policy. The risk measures for the total fund are not volatile and are lower than the policy. The Alpha measure, over a trailing 5-year period, indicates that the fund has done very well. All the numbers are positive which is really rare during such terrible market conditions as these. Mr. McCann confirmed that the managers have done very well for the fund in a very difficult environment.
Mr. McCann reminded the Board that they requested a Real Estate Manager's search 6 months ago. The last time he met with the Board he suggested the Board wait to make a decision because the market was in such turmoil and the managers had suffered losses and needed to take advantage of any market recovery that might be on the horizon. He now feels that it may be time for the Board to consider entering this asset class, as the market has stabilized a bit. A comparison of performance numbers for the real estate managers was provided through 12/31/08. He reminded the Board that the managers they interviewed are Property Management companies, not REITs. Concerns were expressed about asking the manager's to sell assets while their value is at such a low point. Mr. McCann reminded the Board that the minimum investment is only $1 million and the manager's currently have $800,000 in cash. A suggestion was made that the Board should ask the Real Estate Manager what they intend to do with the initial investment and how soon would they require the funds. If they are not going to use it immediately, then it should stay in the fund until needed.

The discussion was tabled until all members of the Board are present. The Board asked Mr. McCann to provide them with an Asset Allocation Projection, including Real Estate, for 1, 3, 5 and 10-years for the March meeting.

Horacio Montes de Oca
Mr. Montes de Oca reported on the performance for the month.

<table>
<thead>
<tr>
<th>Portfolio Composition</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and equivalents</td>
<td>6.31%</td>
</tr>
<tr>
<td>Equities</td>
<td>59.55%</td>
</tr>
<tr>
<td>Fixed income</td>
<td>34.15%</td>
</tr>
<tr>
<td>Carrying value</td>
<td>$14.52 million</td>
</tr>
<tr>
<td>Market value</td>
<td>$13.02 million</td>
</tr>
<tr>
<td>Unrealized GAIN/(LOSS)</td>
<td>$274,715.00</td>
</tr>
<tr>
<td>Total Income</td>
<td>$34,899.00</td>
</tr>
<tr>
<td>Realized GAIN/(LOSS)</td>
<td>$(27,110.00)</td>
</tr>
<tr>
<td>Investment Income</td>
<td>$62,008.00</td>
</tr>
<tr>
<td>Contributions</td>
<td>$297,657.00</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>$237,613.00</td>
</tr>
<tr>
<td>Employee contributions</td>
<td>$60,044.00</td>
</tr>
</tbody>
</table>

4. Bills and Warrants
A. Chin, Karen – Request for Lump Sum Distribution - $23,137.61
B. FPPTA – Annual Membership Fee - $600.00
C. Gabriel, Roeder, Smith & Co. – Quarterly Fee through 12/31/08 and DROP Account Statements - $2,465.00
D. ICC Capital Management – Quarterly Fee through 3/31/09 - $8058.63
E. Klausner & Kaufman – Legal Services Rendered through 12/31/08 - $300.00
F. Salem Trust – Fee Advice through 12/31/08 - $2106.96
G. Sawgrass Asset Management – Quarterly Fee through 12/31/08 - $9127.00
H. Thistle Asset Consulting – Executive Reports through 12/31/08 and Real Estate Manager Search & Finals - $8147.00
I. Alvarez, Michelle – Per Diem – FPPTA School (St. Augustine 2/1-2/4/09) - $150
J. Sicari, Brad - Per Diem – FPPTA School (St. Augustine 2/1-2/4/09) - $150
K. City of Cooper City – Reimburse for Hotel Accommodations – Alvarez & Sicari FPPTA School (St. Augustine 2/1-2/4/09) - $1074.00
L. FPPTA – School Registration Fees for Alvarez & Sicari (St. Augustine 2/1-2/4/09) - $800.00
   Mr. Loucks made the motion to approve items A – L. Mr. Sicari seconded the motion, which passed unanimously by voice vote.

6. Old Business
   A. None

7. New Business
   A. Actuarial Valuation Report – Presentation by Steve Palmquist to be scheduled.
      Ms. Alvarez distributed the Actuarial Valuation Reports to the Board. A discussion about the increase in employer contributions followed, addressing the question of whether the employee contribution also increases. In the past, the employee contribution has been constant, as outlined in the City Ordinance, and any increase or decrease in the required contribution results in an adjustment to the City’s contributions.
      The Board directed Ms. Alvarez to schedule Mr. Palmquist’s presentation for the March meeting.
   B. Gabriel, Roeder, Smith & Co. correspondence RE: 5-year Projection of Future Pension Costs.
      Ms. Alvarez advised that the fee is $1500 - $3000. Mr. Loucks reported that there were a number of citizen questions about the funded level of the pension fund and comparisons were made to the San Diego Pension Fund. The Commission has requested a workshop to review issues and concerns about the City’s pension funds. It was suggested that the Pension Attorney, Robert Klausner, and Steve Palmquist should both attend that workshop.
      Mr. Loucks made the motion to direct Steve Palmquist to provide the Board with a 5-year Projection of Future Pension Costs. The motion was seconded by Mr. Garba and passed unanimously by voice vote.
      Mr. King confirmed that he plans to attend the conference. Mr. Sicari will advise Ms. Alvarez later in the week if he is available to attend. Ms. Alvarez will submit the registration forms for all attendees.
   D. 2009 Meeting Schedule was discussed and no concerns were raised.

8. Board Members Concerns
   A. In response to Mr. Sicari’s inquiry about the annual employee statements, Ms. Alvarez advised that they should be distributed before the end of February. She is drafting the newsletter that will accompany the statements.

9. Adjournment
   There being no further business before the Board, motion was made and seconded, and the meeting was adjourned at 9:50 AM.