

*CITY OF MIAMI BEACH, FLORIDA  
FIREMEN'S RELIEF AND PENSION FUND  
NOVEMBER 1996 MEETING OF THE BOARD OF TRUSTEES*

*NOVEMBER 20, 1996  
9:00 A.M.  
HUMAN RESOURCE DIRECTOR'S OFFICE*

**MINUTES OF MEETING:**

*Call To Order*

Meeting was called to order at 9:20 a.m. by Jack Richardson, Chairman.

Board Members present:

FIRE DEPARTMENT

Luis Garcia ✓  
Jack Richardson  
Dale Lockett

ADMINISTRATION

T.C. Adderly

ALSO PRESENT:

Stephen Cypen  
Henry Renard

ABSENT:

Joseph Piñon

November 20, 1996

Jack Richardson, Chairman, called meeting to order at 9.20 a.m. and showed members present. He addressed the minutes of the August 14th, 1996 meeting. No changes/corrections to minutes.. T.C. Adderly made a motion to accept the minutes, seconded by Luis Garcia, all in favor, motion carried.

Chairman advised the Board that he received documents in connection with "The Community Psychiatric Centers." Luis Garcia made a motion to **authorize and direct the Chairman to execute and deliver such documents as may be necessary or appropriate in conjunction with the pending Community Psychiatric Center, seconded by, Dale Lucket, all in favor, motion carried.**

Jack Richardson discussed all non-active participants have been contacted to determine distribution of shares and beneficiary forms. This is almost complete and he will report to the Board upon completion of responses to advise of dollars to be disbursed.

Warrants for Inverness Counsel and Steve Gordon, CPA authorized for payment.

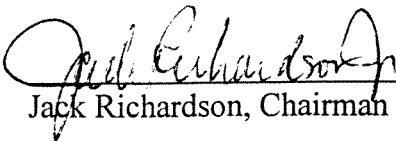
a.	Inverness Counsel	\$ 2,688
b.	Steve Gordon, CPA	\$ 4,420

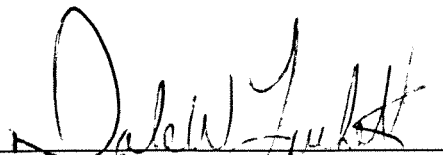
The Chairman will call a Special Meeting of the Trustees to review the "Annual Audit Report" (date to be determined). Copies of the monthly statement given to Trustees.

Henry Renard gave the investment counsel financial status report. All investments are in compliance.

No further discussion. Luis Garcia made a motion to adjourn, seconded by T.C. Adderly, all in favor, motion carried, **meeting adjourned at 9:55 a.m.**

Next meeting scheduled for February 20, 1997, 10:30 a.m., (immediately following the P&F Pension Meeting) in the Police & Fire Pension Office Conference Room.

  
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Jack Richardson, Chairman

  
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Dale Lockett, Trustee

cc: Stephen Cypen, Attorney  
All Board Members  
All Fire Dept. Personnel Distribution

WHEN WE LAST MET, THE DOW WAS PUSHING UP TOWARDS 6500 AND THE YIELD ON THE 10 YEAR BOND WAS AT 6.2%. NOW THE DOW IS AT 7000 AND THE 10 YEAR BOND IS ROUGHLY 6.5%.

CURRENTLY, WE EXPECT THE YIELD ON THE 10 YEAR BOND TO REMAIN IN A RANGE BETWEEN 6.25% AND 7.00%. THE STRENGTH OF THE ECONOMY IN THE FOURTH QUARTER, WHICH WAS SURPRISING TO MANY, WAS BEHIND THE MODEST RISE IN RATES. AS YOU MAY RECALL, LAST NOVEMBER WE HAD SUGGESTED THAT A RATE INCREASE MIGHT OCCUR. WE TOOK ADVANTAGE OF THIS RISE IN RATES TO PURCHASE BONDS. AS THE YEAR PROGRESSES AND ISSUES COME DUE WE WILL BE ADDING TEN YEAR ISSUES TO FILL-OUT THE MATURITY LADDER.

OUR POLICY OF REMAINING ALMOST FULLY INVESTED HAS PROVED REWARDING. AS YOU ARE AWARE, FOURTH QUARTER PERFORMANCE WHILE CERTAINLY RESPECTABLE, LAGGED THE S&P PRIMARILY DURING NOVEMBER WHEN THE MARKET SHIFTED GEARS AND FAVORED THE SMALLER CAP NAMES THAT ARE NOT WELL REPRESENTED IN THE FUND. SINCE THEN HOWEVER, THE MARKET HAS RISEN TO NEW HEIGHTS DRIVEN PRINCIPALLY BY THE KIND OF STOCKS THAT ARE WELL REPRESENTED IN THE FUND. DURING THE PAST 3 MONTHS WE HAVE WEEDED OUT STOCKS THAT NO LONGER MEET OUR CRITERIA AND REDUCED HOLDINGS IN STOCKS THAT HAD MOVED ABOVE OUR TARGET PRICES.

MANY EQUITY ANALYSTS ARE FOCUSED ON THE FED AND ITS ACTIONS BECAUSE THEY EXPECT THAT CHANGES IN THE INTEREST RATES SET BY THE FED COULD BE THE BIGGEST SINGLE FACTOR IN THE STOCK MARKET DURING THE NEXT YEAR WITH LOWER RATES DRIVING THE STOCK MARKET UP AND HIGHER RATES DRIVING IT DOWN. ONE CAMP ARGUES THAT INTEREST RATES SHOULD BE LOWER SINCE INFLATION IS AT A LOW RATE. JUST HOW LOW INFLATION IS, MAKES A SUBJECT FOR A WHOLE SEPARATE DISCUSSION. BUT WE CAN SAFELY SAY THAT LOWER INFLATION USUALLY RESULTS IN LOWER INTEREST RATES. HOWEVER, FEDERAL RESERVE CHAIRMAN GREENSPAN HAS A NEW PROBLEM TO CONTEND WITH. IN ORDER TO DESCRIBE THIS PROBLEM I WOULD LIKE TO REVIEW A BRIEF HISTORY OF SAVINGS IN AMERICA, SO BEAR WITH ME.

IN THE PAST SAVINGS WERE KEPT IN BANK CDS OR MONEY MARKET FUNDS. HOWEVER, RECENT SURVEYS INDICATE THAT STOCKS ARE NO LONGER JUST THE PROPERTY OF THE WEALTHY, BUT ALSO WHERE MANY AMERICANS ARE NOW STORING THEIR SAVINGS. THIS IS HAPPENING BECAUSE THE BABY BOOMERS ARE BECOMING INCREASINGLY CONCERNED ABOUT REPORTS THAT THERE WILL BE AS FEW AS 2 1/2 WORKERS FOR EVERY PERSON COLLECTING SOCIAL SECURITY BY 2020. THIS IN TURN IS DRIVING THEM TO BE MORE AND MORE AGGRESSIVE ABOUT THEIR SAVINGS. STOCKS NOW TAKE UP A BIG SHARE OF HOUSEHOLD SAVINGS EITHER DIRECTLY, OR IN THE FORM OF MUTUAL FUNDS. AVAILABLE WEALTH OR THE AMOUNT THAT BROKERAGE ACCOUNTS AND BANKS WILL ALLOW CUSTOMERS TO

WRITE CHECKS FOR, OR CHARGE ON THEIR CREDIT CARD, IS BASED ON THE VALUE OF TOTAL HOLDINGS IN THEIR ACCOUNTS. EVERY TIME THE MARKET RISES, SO DOES THE AMOUNT OF MONEY THAT MAY BE SPENT EVEN IF NONE OF THE WEALTH IS IN CASH. OF COURSE MORE MONEY AVAILABLE TO BUY GOODS AND SERVICES INCREASES THE RISK THAT PRICES WILL RISE. WE HAVE A WORD FOR THIS (I.E. INFLATION). WE ALL KNOW THAT ONE OF THE FED'S PRIMARY MISSIONS IS TO CONTAIN INFLATION. CONSEQUENTLY GREENSPAN NOW REGARDS RESTRAINING THE MARKET, OR IN HIS WORDS IRRATIONAL EXUBERANCE, AS PART OF THAT MISSION. THIS OF COURSE CREATES A DILEMMA FOR HIM SINCE THE OTHER MISSION FOR THE FED IS TO AVOID PUSHING THE ECONOMY INTO A RECESSION WHICH COULD BE CAUSED BY RATES RISING TOO MUCH. AND YET THE ONLY ACCEPTABLE MARKET GROWTH IN THE EYES OF THE FED WOULD BE IF IT WERE DRIVEN BY SOLID EARNINGS GAINS. OF COURSE, THAT WOULD DEPEND ON THE ECONOMY NOT GOING INTO RECESSION.

ALL OF US READ AND HEAR CONCERNS ABOUT THE RAPIDLY RISING MARKET THAT WE ARE EXPERIENCING. WE CONSIDER THIS CONCERN TO BE NORMAL, HEALTHY, AND CONSTRUCTIVE. **AND YES,** ONE DAY THE LONG AWAITED SELLOFF WILL OCCUR. BUT THE REAL QUESTION THAT NOBODY CAN ANSWER IS WHEN AND FROM WHAT LEVEL. I WOULD LIKE TO LEAVE YOU WITH A REMARK ABOUT THE MARKET MADE ABOUT 80 YEARS AGO THAT IS AS TRUE TODAY AS IT WAS THEN. A FELLOW HOPING TO GET A TIP ON HOW TO

INVEST ASKED J.P. MORGAN WHAT HE THOUGHT THE MARKET WOULD DO. MR  
MORGAN REPLIED "WELL THE MARKET IS GOING TO GO UP AND THEN IT IS  
GOING TO GO DOWN BUT NOT NECESSARILY IN THAT ORDER."