

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND

MINUTES OF MEETING HELD

May 20, 2002

James Shook called the meeting to order at 9:30 A.M. in the Conference Room at Station 1, Lake Worth, Florida. Those persons present were:

TRUSTEES

James Shook
Mark Lamb
Sam Brandsma
Rich Seamon

OTHERS

Margie Adcock, Administrator
Larry Cole, Monitor
Adam Levinson, Attorney

It was noted that George Schurter had an excused absence.

ADDITIONS AND DELETIONS

Rich Seamon wanted to add a discussion about the proposed Ordinance. James Shook advised that he received a request from Herb Redmond to confirm his time with the City.

MINUTES

The Trustees discussed the minutes of March 25, 2002. A motion was made, seconded, and carried 4-0 to accept the minutes of March 25, 2002.

INVESTMENT MONITOR: MERRILL LYNCH

Larry Cole appeared before the Board to discuss the performance of the Fund for the period ending March 31, 2002. The total market value of the Fund as of March 31, 2002 was \$18,326,340. Mr. Cole noted that the quarterly earnings were \$256,600. The asset allocation was comprised of 52.8% in domestic equities; 6.1% in international equities; 38.6% in fixed income; and 2.5% in cash. The total market value for the Fund's portfolio with Sanford Bernstein as of March 31, 2002 was \$8,298,330. The total market value for the Fund's portfolio with Davis Hamilton as of March 31, 2002 was \$8,910,260.

The total Fund was up 1.4% for the quarter, while the benchmark was up .1%. The domestic equity portion of the portfolio was up 2.7% for the quarter while the S&P 500 was up .3%. The international equity portion of the portfolio was up 1.6% while the EAFE was up only .7% for the quarter. Fixed income was down .1% for the quarter while the benchmark was up .6%. Davis Hamilton was up .9% for the quarter and Sanford Bernstein was up 1.9% for the quarter. The asset allocation for Davis Hamilton was comprised of 58.7% in equities; 39.6% in fixed income; and 1.7% in cash. The asset allocation for Sanford Bernstein was comprised of 53.6% in equities; 42.8% in fixed income; and 3.6% in cash. The total market value for the international equities as of March 31, 2002 was \$1,117,750.

There was a discussion regarding the assumption rate of 8.5% and whether it is still a feasible long-term number. Mr. Cole advised that it was. He discussed the common portfolio holdings.

Mr. Cole advised that Mike Callaway put together some information for the Trustees on small-mid cap equity managers. Mr. Cole noted that they were recommending that about 10% of the Fund's assets be put into small-mid cap stocks. It was determined that the Board would discuss this at the next meeting.

Mr. Cole then reviewed the Investment Policy checklist and noted that everything is in compliance with one exception. He advised that Sanford Bernstein owned two bonds that were rated BAA. It was determined that these two bonds were shown as ranking A1 for those bonds. Mr. Cole noted that typically this kind of discrepancy is because of different ranking by different agencies. Mr. Cole advised that the Fund ranks number 25 in their Florida fund ranking, which is ranked on the last 12 months.

Mr. Cole discussed the possibility of adding a small-mid cap manager to the portfolio. He stated that it was not urgent, but they did think the Fund should diversify further. It would be their recommendation to put about 1 million dollars in a value and 1 million in a growth small-mid cap managers. He did acknowledge that the Fund does have some exposure to stocks through their current managers so the Fund is not completely void of exposure. Mr. Cole will follow up with Davis Hamilton to see if they have any investment capabilities in small-mid cap management. It was determined that Mr. Cole will attend the July meeting to provide an updated list of small-mid cap managers, and the Board will determine who they might want to invite to the September meeting to give presentations.

ACTION: A motion was made, seconded and carried 4-0 to accept the Investment Monitor Report.

Larry Cole departed the meeting

ATTORNEY REPORT

ORDINANCE CHANGING NORMAL RETIREMENT AGE

Mr. Levinson advised that the Ordinance was passed changing the normal retirement age as required by the minimum benefits of Chapter 175, Florida Statutes. He stated that Division II needs to pay the amount for the cost of this change to Division I.

ACTION: Adam Levinson was instructed to send a letter to the Administrator for Division II advising of the amount to be paid to Division I.

DIVISION II

Mr. Levinson advised that he has worked with the Attorney for Division II for a proposed Ordinance to provide that in the event a Participant accepts share money from Division II, the Participant waives the right to a return of contributions from Division I. Mr. Levinson provided the Board with a copy of the proposed Ordinance from Division II and

the one that he has drafted for Division I. He noted that the proposed Ordinance from Division II also includes a rollover provision, which would allow a Participant to use Division II monies to purchase military time in Division I. Mr. Levinson stated that he had no problem with that although the transfer of money between Divisions I and II could not take place until the Participant was retired and terminated employment.

ACTION: Mr. Levinson was instructed to work with the Attorney for Division II on the Ordinance change. Mr. Levinson advised that he would send the proposed Ordinance to the Division of Retirement for comments and send the final combined Ordinance to the City for adoption.

PUBLIC RECORDS CONFIDENTIALITY

Mr. Levinson advised that if public records are in the hands of the City they are certain exemptions that keep certain material confidential. However, once the information is given to the Fund, it is no longer confidential. If the City instructs the Fund to maintain the confidentiality, then the Fund must comply. Mr. Levinson provided the Trustees with a sample letter that the Chief should sign and provide the Administrator in order to keep the confidentiality of the exempt information.

ACTION: James Shook was directed to give the information to the Fire Chief and request he provide the Administrator with the request to maintain the confidentiality of the information.

FORFEITURE PROCEEDINGS

Mr. Levinson provided the Board with a memorandum regarding forfeiture provisions. He discussed pending criminal charges on any Participant and the effect on pension benefits. He presented a proposed rule that would provide that the fund would pay a monthly benefit to someone who is charged with a possible forfeiture crime, but would treat it as a refund of contributions until it runs out. If the Participant were eventually acquitted, then the Fund would pay back the money to the Participant. This proposed rule would limit the liability of the Board, but would be disadvantageous to the employee who is wrongfully accused.

ACTION: A motion was made, seconded and carried 4-0 to adopt the Rule.

DROP STATEMENTS

Mr. Levinson provided the Board with a revised DROP Rule clarifying that the fixed rate of interest is 7% on an annual basis. Mr. Levinson explained that the City improperly calculated the DROP earnings for the first quarter of 2002 by crediting Participants with 7% for the quarter rather than for the year. It was noted that this should have never happened, as it should have been obvious to the City that the Fund would not credit a DROP Participant with 7% for a quarter. Even if the minutes from that meeting were not perfectly clear to the City, the City should have checked with the Fund on something that should have been so obvious. The City has advised that it will send corrected statements upon receipt of the DROP Rule clarifying that the fixed rate of interest is 7% on an annual basis.

ACTION: A motion was made, seconded and carried 4-0 to adopt the revised DROP Administrative Rule.

TRANSFER OF ACCUMULATED LEAVE

Mr. Levinson discussed with the Board the possibility of transferring accumulated leave to the DROP account. Mr. Levinson will draft a proposed revised DROP Administrative Rule to allow a Participant to cash out the maximum amount of time under the collective bargaining agreement and put it into their DROP account.

ADMINISTRATIVE REPORT

DISBURSEMENTS

Ms. Adcock presented a list of disbursements to be made. A motion was made, seconded and carried 4-0 to approve the disbursements listed.

CONFERENCES

Ms. Adcock provided the Board with a list of upcoming conferences. She advised that the FPPTA Conference will be held in Boca Raton and the next Trustees School will be held in Palm Beach Gardens. She inquired as to whether the Board would allow a Trustee to stay at the conference/school, as they are both in Palm Beach County. Mr. Levinson advised that the Board has the discretion to approve such expenditure. The Board decided it would be allowable to pay for hotel accommodations for any Trustee who wanted to attend either the Conference and/or the School.

OTHER BUSINESS

There was discussion regarding the draft Ordinance and the definition of salary, specifically mandatory overtime. Adam advised that he would check with Bob Klausner on this matter.

James Shook provided the Board with a written request from Herb Redmond requesting verification as to the time he has given that he purchased 3 years of service. Ms. Adcock advised that she would forward the request to the City as they have all the service information.

There being no further business and the next meeting scheduled for July 22, 2002 at 9:30 A.M., the meeting was adjourned at 12:55 P.M.

Respectfully submitted,

Mark Lamb, Secretary