

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND

MINUTES OF MEETING HELD

June 17, 2003

James Shook called the meeting to order at 9:34 A.M. in the Conference Room at Station 1, Lake Worth, Florida. Those persons present were:

TRUSTEES

James Shook
Rich Seamon
Mark Lamb

OTHERS

Margie Adcock and Scott Baur, Administrator
Adam Levinson, Attorney
Larry Cole, Investment Monitor
Joe Lawrence, Investment Manager
Steve Palmquist, Actuary

ADDITIONS AND DELETIONS

It was noted that the Board wanted to go over the Financial Disclosure with Adam Levinson. Scott Baur noted that he invited someone from Fidelity Federal to come to talk to the Board about establishing a local checking account.

MINUTES

The Trustees discussed the minutes of April 24, 2003. A motion was made, seconded, and carried 3-0 to accept the minutes of April 24, 2003.

INVESTMENT MANAGER: ALLIANCE BERNSTEIN

Joe Lawrence appeared before the Board to discuss the investment performance of the Fund. He stated that about two years ago he left the institutional client side of the business and took over the private client practice. About one month ago, Nicole Bradbury moved and the firm asked him to handle the entire institutional client side in the southeast effective July 1, 2003. Mr. Lawrence discussed the stability of the firm. He noted that the average tenure of the portfolio managers is 12 years. He also noted their extensive research capabilities. He stated that this has been the worst bear market since the Great Depression and it has been the best three year period for bonds in market history.

Mr. Lawrence then discussed the performance of the Fund. He noted that the total market value of the Fund as of May 30, 2003 was \$7,567,537. For the year-to-date through May 30, 2003, the total portfolio was up 8.5%, the equity portion was up 10.6%, and the bonds were up 5.8%. He stated that they have navigated their clients well through this very difficult time. He stated that the target allocation for the portfolio is 55%/45%. He noted that they now have 57% in stocks and that when it reaches 60% it will automatically rebalance back down. He stated that the bonds have been the bright spot in the portfolio in the last few years. He thinks it is critical to have exposure to international equities. The United States is importing much more than exporting and the dollar is down about

20% in the last five months. Mr. Lawrence stated that history does provide some valuable perspective. Stocks provide long-term growth and bonds provide stability. He noted that the Fund needs both for diversification.

Joe Lawrence departed the meeting.

INVESTMENT MONITOR: MERRILL LYNCH

Larry Cole appeared before the Board to discuss the performance of the Fund for the period ending March 31, 2003. Mr. Cole stated that his only complaint on Alliance Bernstein is that they do not communicate changes very well on their client servicing side. Mr. Cole then discussed the performance of the Fund. The total market value of the Fund as of March 31, 2003 was \$16,295,530. Mr. Cole noted that the quarterly earnings were down \$236,267. The asset allocation was comprised of 48.6% in domestic equities; 5.1% in international equities; 33.1% in fixed income; and 13.1% in cash. The asset allocation per manager was comprised of 42.6% in Bernstein; 47.6% in Davis Hamilton; 4.7% in DRZ; and 5.1% in Putnam. The total Fund was down 1.4% for the quarter, while the benchmark was down 1.8%. The domestic equity portion of the portfolio was down 3.3% for the quarter while the S&P 500 was down 3.2%. The international equity portion of the portfolio was down 8.8% while the EAFE was down 8.1% for the quarter. Fixed income was up 2.0% for the quarter while the benchmark was up 1.5%.

The total market value for the Fund's portfolio with Davis Hamilton as of March 31, 2003 was \$7,761,070. The asset allocation for Davis Hamilton was comprised of 51.3% in equities; 40.2% in fixed income; and 8.5% in cash. The total market value for the Fund's portfolio with Sanford Bernstein as of March 31, 2003 was \$6,935,630. The asset allocation for Sanford Bernstein was comprised of 46.8% in equities; 32.9% in fixed income; and 20.4% in cash. The total market value for the international equities as of March 31, 2003 was \$832,600. The total market value for the Fund's portfolio with DRZ as of March 31, 2003 was \$766,230. He noted that DRZ had a terrible quarter and it was due to the fact that quality stocks did not do well.

Mr. Cole then reviewed the Investment Policy checklist and noted that everything is in compliance. Mr. Cole stated that performance has been good relatively speaking. He advised that the Fund ranks number 18 in their Florida fund ranking, which is ranked on the last 12 months.

Larry Cole departed the meeting.

ACTUARY REPORT

Steve Palmquist appeared before the Board. He noted that there have been several requests for actuarial cost studies for various benefit changes. There was a question about creating a Back DROP on top of the existing DROP. Mr. Palmquist noted that currently the DROP is 7 years and there is no Back DROP. There was discussion on a Partial Lump sum Distribution. Mr. Palmquist stated that there would be no impact if the calculation of the lump sum was based on the same assumptions he uses for the Actuarial Valuation. Adam Levinson stated that a lump sum option is a radical change to the Plan and he would recommend that such a change be done in the form of an Ordinance.

ACTION: A motion was made, seconded, and carried 3-0 to have the Attorney, in consultation with the Actuary, draft an Ordinance for a Partial Lump Sum Option with a choice of 10% and 25%.

There was then discussion on the Hallandale Ordinance concerning the Enhanced Multiplier. It was noted that it provides for the purchasing of an increase in the multiplier. They are doubling the multiplier for the last 5 years and paying 8.4% of their current salary for that. For the new employees, they pay their whole career for it.

There was then discussion on deleting Section 16-77 concerning the disability conversion. Mr. Palmquist noted that most plans do not have a conversion at normal retirement. He stated that there would be no impact to get rid of the conversion because he does not assume that there will be a conversion at normal retirement when they do the benefit calculation.

ACTION: A motion was made, seconded, and carried 3-0 to authorize the Actuary to determine if there would be any impact to get rid of the conversion at normal retirement for all disability retirees and authorize the Attorney to draft an Ordinance removing the disability conversion.

There was then discussion on the Buy Back Ordinance. It was noted that there was previously an Ordinance change passed to allow for the purchase of military time at the full actuarial cost. There was discussion at the last meeting concerning allowing the purchase of prior fire service at the full actuarial cost. Mr. Palmquist noted that such a change could help with recruiting of firefighters.

ACTION: A motion was made, seconded, and carried 3-0 to authorize the Attorney to draft an Ordinance allowing the purchase of prior fire service at the full actuarial cost.

There was then discussion on the health care supplement. It was noted that the original cost study was done using a 5 year amortization and the Board would like it to be cost on a 30 year amortization.

ACTION: Mr. Palmquist noted that he would redo the study using a 30 year amortization.

Steve Palmquist departed the meeting.

FIDELITY FEDERAL

Ron Reguero appeared before the Board. Scott Baur stated that he did not do a formal request for proposal. He noted that they have done some recently and Fidelity Federal has come in with the best deal and they are local. Mr. Reguero discussed the bank and the various services they provide. He stated that they would not charge the account any fees and credit interest on the account which is better than a money market rate. They are also willing to waive all hard fees (i.e., stop payments). It is really a business checking account with interest. Adam Levinson was provided with the contract to review. It was noted that the account could be opened up now but not funded. Mr. Levinson stated that

he had a problem with the internet option disclaimer and would like to clarify the language.

ACTION: A motion was made, seconded, and carried 3-0 to approve the contract with Fidelity Federal subject to the final review by the Attorney.

A motion was made, seconded, and carried 3-0 to authorize the Chairman and Secretary to sign the signature card for the checking account.

A motion was made, seconded, and carried 3-0 to authorize the Trustees to sign the Authorized Signor form.

A motion was made, seconded, and carried 3-0 to authorize the Secretary to execute the Resolution which authorizes Fidelity Federal to handle the checking account for the Fund.

ADMINISTRATIVE REPORT

Scott Baur stated that he has been in contact with the City concerning the transition and is getting cooperation in that respect. He stated that the earliest that a transition could take place would be August 1, 2003. However, because it is so close to the fiscal year end, it would be cleaner to transition the change for October 1, 2003.

Ron Reguero departed the meeting.

ATTORNEY REPORT

Adam Levinson reported that he has not heard anything from the City as a corrected Ordinance on the early retirement option. The Board directed the Attorney to prepare an Ordinance and send it to the City.

It was noted that Division II owes Division I money for the minimum benefit that was done pursuant to House Bill 99-1. It was noted that the amount needs to be paid annually. The Administrator noted that it was waiting on a letter from the Attorney instructing Division II to pay the money to Division I. Mr. Levinson stated that he would provide such a letter.

Mr. Levinson stated that the Financial Disclosure needs to be filed by July 1, 2003 with the Supervisor of Elections in the county where the Trustee resides.

Mr. Levinson then discussed Senate Bill 1426 which governs per diem rates and travel expenses. He also provided a sample trustee reimbursement policy for the Board to review. The Board determined that it would establish a \$60 a day meal reimbursement rate. Mr. Levinson advised that he would provide the Board with an updated trustee reimbursement policy for the next meeting as well as a reimbursement form for the Trustees to use.

ACTION: A motion was made, seconded, and carried 3-0 to increase the reimbursement to \$60 a day per diem and 36.5 cents per mile for travel.

DISBURSEMENTS

Margie Adcock presented a list of disbursements to be made. A motion was made, seconded and carried 3-0 to approve the disbursements listed.

OTHER BUSINESS

There being no further business, the meeting was adjourned at 1:50 P.M.

Respectfully submitted,

Mark Lamb, Secretary