

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND

MINUTES OF MEETING HELD

September 24, 2003

James Shook called the meeting to order at 9:40 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
Jeff Swanson, Investment Monitor
Richard Wells, Investment Manager
Karen Russo, Salem Trust Company
Lisa Green

ADDITIONS AND DELETIONS

It was noted that there were a few additions to the agenda. One item had to do with the calculation for Mr. Sweeney. It was also noted that Karen Russo was in attendance from Salem Trust Company. There was also discussion on individuals appointed to become notaries. It was noted that James Shook and Kevin Carson were appointed to become notaries, but they have not yet followed through in obtaining the license.

MINUTES

The Trustees discussed the minutes of August 4, 2003. A motion was made, seconded, and carried 3-0 to accept the minutes of August 4, 2003.

SALEM TRUST COMPANY

Karen Russo appeared before the Board to discuss the fee renewal. She introduced herself and gave a brief background on her qualifications. She then provided the Board with a fee comparison showing the fee that was proposed at the last meeting and the one she is now proposing. She noted that the original fee proposal provided the first 500 trades at no extra cost. Ms. Russo noted that the Attorney recommended the Board try to obtain a maximum on the cost of the trades. Ms. Russo advised that they were not in the position where they could offer such a maximum. The reason they were putting a cap on the trades was to limit their exposure. They have no control over how many trades a manager will do. Ms. Russo provided the Board with an analysis of the trades for the previous years. She noted that the trading by Bernstein has increased during the last 12 month period. Ms. Russo stated that they are now proposing to increase the free trades from 500 to 800. The trade matter is really controlled by the managers. If they do not go over 800 trades in the year, then there will be no increase in fee. She noted that they are adding in the cap to cover direct costs of processing the trades. She stated that the other Lake Worth pension plans have agreed to the change in fee schedule with the first 500 free, but they do not have Bernstein as a manager.

Jeff Swanson entered the meeting.

The Board asked Mr. Swanson about the increased trading done by Bernstein. Mr. Swanson stated that Bernstein is more active than the other value managers. He stated that they average about 150 stocks in the portfolio and are constantly trimming and adding stocks. He noted that this strategy for them has worked and they are in the top quartile for the one year period. Mr. Swanson stated that he thought \$10 per trade seemed high if the Fund goes over 800 trades in a year. Scott Baur stated that other custodians charge a higher fee than 3 basis points but will not charge per trade. Margie Adcock noted that Salem Trust is proposing this type of arrangement with all of their clients at renewal. Ms. Russo stated that if there is not a volume of trading, then the Fund will not see any change in fee. Adam Levinson stated that it is reasonable for the Board to agree with the new fee arrangement if the Board is happy with the relationship it has with Salem Trust. A motion was made, seconded, and carried 3-0 to agree to the fee change proposed by Salem Trust Company effective October 1, 2003.

Karen Russo departed the meeting.

INVESTMENT MANAGER REPORT

Richard Wells appeared before the Board to discuss the investment performance of the Fund. Mr. Wells stated that they started managing the portfolio in the middle of November 2002. He stated that the second quarter was a positive quarter. The war with Iraq ended and the federal government cut interest rates 25 basis points so interest rates are the lowest they have been in 45 years. On the negative side, unemployment is up to 6.1%. Mr. Wells discussed their value philosophy and their buy decision. Mr. Wells reported on performance for the portfolio through August 31, 2003. Since inception, the portfolio is up 17.71% versus the benchmark which was up 21.52%. The total market value as of August 31, 2003 was \$1,018,425. Mr. Wells noted that their performance was good on an absolute basis but that they were behind the benchmark. Most of the underperformance was due to the first quarter underperformance. The total market value as of June 30, 2003 was \$920,205. The total portfolio was up 20.47% for the quarter ending June 30, 2003 versus the benchmark which was up 22.72%. Mr. Wells noted that they are not changing their discipline. He then discussed the equity characteristics of the portfolio. He reviewed the industry concentration. He stated that two-thirds of the Russell 2000 Value does not pay dividends and their focus is on dividend yield. Since 1995, they have only underperformed the benchmark in one calendar year which was 1998. He noted that he thinks the current trend of non-dividend paying stocks being in favor can not last much longer. A motion was made, seconded, and carried 3-0 to accept the Investment Manager Report.

Richard Wells departed the meeting

INVESTMENT MONITOR: MERRILL LYNCH

Jeff Swanson appeared before the Board to discuss the performance of the Fund for the period ending June 30, 2003. The total market value of the Fund as of June 30, 2003 was \$17,814,790. Mr. Cole noted that the quarterly earnings were up \$1,520,298. There was a nice rebound in the markets this year. The asset allocation was comprised of 52.9% in domestic equities; 5.4% in international equities; 32.8% in fixed income; and 8.9% in cash. The asset allocation per manager was comprised of 42.7% in Bernstein; 46.7% in Davis Hamilton; 5.2% in DRZ; and 5.4% in Putnam. Mr. Swanson noted that Larry Cole would talk about rebalancing the portfolio in the November meeting. The total Fund was up 9.3% for the quarter, while the benchmark was up 10.7%. The domestic equity portion of the portfolio was up 14.3% for the quarter while the S&P 500 was up 15.4%. The international equity portion of the portfolio was up 16.4% while the EAFE was up 19.6% for the quarter. Fixed income was up 3.4% for the quarter while the benchmark was up 2.6%. Mr. Swanson discussed the risk/return analysis and noted that the Fund did 2 percentage points better each year than the target index with a little less risk. Mr. Swanson reported on the portfolio characteristics and the largest and common holdings among the managers.

The total market value for the Fund's portfolio with Davis Hamilton as of June 30, 2003 was \$8,313,700. The asset allocation for Davis Hamilton was comprised of 52.8% in equities; 41.1% in fixed income; and 6.1% in cash. The total market value for the Fund's portfolio with Sanford Bernstein as of June 30, 2003 was \$7,609,850. The asset allocation for Sanford Bernstein was comprised of 54.8% in equities; 31.8% in fixed income; and 13.4% in cash. The total market value for the international equities as of June 30, 2003 was \$969,420. The total market value for the Fund's portfolio with DRZ as of June 30, 2003 was \$921,820.

Mr. Swanson then reviewed the Investment Policy checklist and noted that everything is in compliance. He advised that the Fund ranks number 6 in their Florida fund ranking, which is ranked on the last 12 months. A motion was made, seconded, and carried 3-0 to accept the Investment Monitor Report.

Jeff Swanson departed the meeting.

FIDELITY FEDERAL

Ron Reguero appeared before the Board. There was a discussion on the internet access and the contract for internet services. A motion was made, seconded, and carried 3-0 to approve the contract on the internet services with Fidelity Federal subject to review by the Attorney. A motion was made, seconded, and carried 3-0 to have the Chairman sign the contract once it is approved by the Attorney. It was noted that Fidelity Federal was also requesting updated copies of signature cards and a Resolution by the Board to open the account. A motion was made, seconded, and carried 3-0 to authorize the Trustees to execute the signature card and the Resolution.

Ron Reguero departed the meeting.

ATTORNEY REPORT

Adam Levinson reported on a Florida Supreme Court case on personal e-mails. He noted that the Court held that simply by being on a governmental computer, that does not make an e-mail a Public Record. He noted that it should be the practice of the Board that if they receive an e-mail or send an e-mail that is related to pension business, to print it out and give it to the Administrator.

Mr. Levinson reported on the case of DeSoto v. Hialeah Police Pension. It dealt with a person who was put on leave without pay who committed various illegal acts while on leave. The court held that even when someone is on leave without pay, they can still breach the public trust.

Mr. Levinson then reviewed the various proposed Ordinances. He stated that the Ordinance related to military buyback paid by rollover and the purchase of prior firefighter service was passed. He provided the Board with a proposed disability Ordinance which eliminates the requirement to convert upon normal retirement and the removal of the exclusion of disability pension if a person is eligible for normal retirement. He also noted that the Ordinance involving the 3% multiplier has passed.

Mr. Levinson then reported on the issues that were raised from the Division of Retirement concerning a group of people who were in the General Employees Plan and now are in this Plan. He spoke with the Finance Director and they discussed three possible solutions. One solution would be to increase the multiplier for that group of people. This would be the preferable way to do it. A second solution would be to do a coordination of benefits which going forward would be the way to go. The third solution would be to use the time for vesting purposes. Mr. Levinson stated that it was up to the City as to what they wanted to do.

ADMINISTRATIVE REPORT

Scott Baur reported on the status of the conversion from the City. He noted that the City has been paying the pension benefits at the end of the month for the month with deductions taken out for the following month. The Ordinance states that the pension benefits are to be paid on the first day of each month. Lisa Green provided the Board with a letter confirming that the City pays the pension checks on the last business day of the month for that month. Mr. Levinson stated that the Board was obligated to follow the Ordinance. Mr. Baur noted that to correct the matter, they can issue the October payment on October 1 and tax withholding but no other deductions. Subsequent pension payments will be paid on the first business day of the month with tax withholding and deductions. It was noted that if a retiree was to pass away during the month, the City's practice was to prorate the payment. Mr. Levinson stated that the retiree should receive payment for the entire month.

Mr. Baur stated that he has made a request for data on active Participants and has not yet received the information needed. The information that the City could provide would require a lot of manual manipulation. The City has requested that the information be provided with payroll but will need to do a programming change. The City wants to be reimbursed for any programming charges to set up the data file. A motion was made,

seconded, and carried 3-0 to authorize reimbursement to the City for programming charges unless the amount seems to be astronomical in which a special meeting should be called. Mr. Baur then discussed a transfer of funds that was done back to the City to satisfy a negative balance that the City was carrying for pension payments.

There was then a discussion on the Fund's need to have an independent auditor. The Board inquired as to who was the accountant for Division II. Margie Adcock stated that Steve Gordon was the accountant for Division II. The Board requested that Steve Gordon attend the next Board meeting and supply an engagement letter to the Attorney prior to the meeting. A motion was made, seconded, and carried 3-0 to invite Steve Gordon to the next Board meeting to discuss doing the audit for the Fund for the fiscal year ending September 30, 2003.

Mr. Baur stated that he would make the October 1, 2003 payment as discussed earlier in the meeting. If for any reason he did not think the payments were accurate, he would hold the payments for a day or two. He would not rush the payments if there was any possibility that they might not be completely accurate. A motion was made, seconded, and carried 3-0 to direct the Administrator not to release any pension checks that they did not feel were accurate.

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

Ms. Adcock stated that the Trustees were each mailed a memorandum advising that the Actuary would be presenting the Actuarial Valuation on October 1, 2003.

OTHER BUSINESS

There was then discussion on the benefit calculation of Mr. Sweeney. Mr. Baur stated that if the Board determines that it is necessary to make an adjustment, then the process will be done for everyone. He noted that he did not want the City to be deviating from what they had been doing in the past. He noted that it would probably take several months for this matter to be resolved.

There being no further business, the meeting was adjourned at 1:00 P.M.

Respectfully submitted,

Mark Lamb, Secretary