

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND

MINUTES OF MEETING HELD

March 2, 2004

James Shook called the meeting to order at 9:43 A.M. in the Conference Room at Station 1, Lake Worth, Florida. Those persons present were:

TRUSTEES

James Shook
Rich Seamon
Mark Lamb
Jennifer Vaughn
Bruce Catanzaro

OTHERS

Scott Baur, Administrator
Adam Levinson, Attorney
Larry Cole, Investment Monitor

MINUTES

A motion was made, seconded, and approved 5-0 to accept the minutes of the meeting on November 17, 2003.

ADDITIONS AND DELETIONS

The Board requested an overview of changes negotiated with the City of West Palm Beach to the West Palm Beach Firefighters Pension Fund. The Trustees also questioned the 6.5% payroll contribution taken by the City of Lake Worth for Sweeney, although the City appears to have refunded the additional contributions to Sweeney. Adam Levinson will discuss the employee pickup contributions on the DROP, and the Board briefly reviewed the DROP provisions.

INVESTMENT CONSULTANT

Larry Cole reported that, although the Pension Fund had strong performance on an absolute basis, the plan did not fare so well in comparison to other plans or the benchmark. He indicated that, despite the recent underperformance, he did not recommend any changes to the investment of assets at this time.

Adam commented that the Pension Fund had a net cash outflow from investments in recent years to make benefit payments. With City contributions to the plan increasing, however, the plan will likely have a net cash flow to the investments. As of December 31, 2003, the plan had 34.4% of assets allocated to fixed income securities, 62.9% to equities, and 2.7% to cash.

Larry Cole reported that the equities under performed due to the high quality holdings in the portfolio, as the market favored lower quality stocks. In particular, Davis Hamilton Jackson did not perform well given their style of management. The international and small cap value diversification, meanwhile, added to the performance. Mr. Cole advised that the Pension Fund did not yet need to begin a manager search for a small cap growth

component, since Davis Hamilton Jackson also has some mid-cap holdings in their portfolio as well. Adam Levinson requested that Larry Cole combine a chart showing the market capitalization of holdings in the DePrince Race Zollo portfolio with a similar chart showing the market capitalization of other Pension Fund assets. Larry Cole also noted that Merrill Lynch will propose a fee increase, since fees to the investment consultant have not changed since 1992.

Larry Cole then reviewed the portfolio characteristics and returns for each manager individually. Davis Hamilton Jackson still has strong long-term performance, despite the recent returns. Rich Seamon questioned if the Pension Fund should just hold an index fund, although Larry Cole did not recommend this approach. Mr. Cole reviewed the compliance with the investment policy for the Pension Fund, as well as the commission recapture arrangement through the Citation Group.

The fixed income portfolio performed under the benchmark, also due to the higher quality holdings. Mr. Cole does not have high expectations for the bonds going forward, with expectations that rising interest rates will decrease the market value of the bonds. A motion was made, seconded, and approved 5-0 to accept the investment report by Merrill Lynch.

FINANCIAL STATEMENT & DISBURSEMENTS

The Trustees compared the reporting of assets on the financial statement with the investment report presented by Larry Cole. Adam Levinson also announced the upcoming annual client conference hosted by Klausner and Kauffman. A motion was made, seconded, and passed 5-0 to approve the disbursements.

TRANSITION IN RECORD KEEPING FUNCTIONS

Scott Baur, administrator for the Pension Fund, reported on the recent lack of progress to transition maintenance of the records for the plan from the City. Scott Baur reviewed the history of the process once again for the Trustees, and the Board discussed various courses of action. The City appears to lack sufficient expertise or adequate resources to complete the process. The Trustees directed the administrator to invite someone from the finance department to report to the Board, document all requests for information to the City, and authorized the administrator and/or the programmer used by the administrator to assist the City if necessary in completing the transition. The Board discussed possible legal action against the City if necessary.

A motion was made, seconded, and approved 5-0 to set a special meeting for April 6 if the City fails to complete the transition by that date. The Trustees directed the administrator to invite appropriate personnel from the finance department, in addition to the City Manager, to the meeting.

ATTORNEY REPORT

The Board directed Adam Levinson to update the Summary Plan Description with the provisions of Ordinance 2002-9. Mr. Levinson then explained the current DROP withdrawal options available to retired participants. Retired members prior to the age of

55 may incur a 10% IRS penalty for early distributions, while members must commence minimum distributions by April following the year the member reaches the age of 70½. Prior to age 55, retired members can take withdrawals in accordance with the provisions of 72t, which stipulates that systematic distributions based on life expectancy must continue until age 59½ but not less than 5 years. The administrator will forward a sample withdrawal policy to the attorney for review, and the Board will discuss the DROP withdrawal provisions further at the next quarterly meeting. Since the plan does not provide tax advice, the Board always advises participants to seek the advice of their own qualified tax counsel regarding these matters.

Adam Levinson noted that the law firm of Klausner and Kaufman could also provide pre-retirement seminars for plan participants. The City permits members in the DROP plan to continue making contributions of 6.5% to the plan after entry in the DROP. Adam stated that the plan could only allow the ongoing contributions to the plan with an amendment to the ordinance.

Adam reviewed the requirements for the filing of the annual financial disclosure with the local Supervisor of Elections.

OTHER BUSINESS

The Board executed new signature cards for Salem Trust, custodian for the Pension Fund, and Merrill Lynch, investment consultant and custodian. Scott Baur reviewed available sweep options for cash held by Salem Trust. A motion was made, seconded, and approved 5-0 to sweep cash to the Federated Prime Value Fund.

Adam reviewed recent benefit improvements granted by the City to the general employees and police outside of collective bargaining. The firefighters gave up salary increases in negotiations to obtain plan improvements, while the other employee groups made no such concessions to obtain similar benefit improvements. Mr. Levinson wrote a letter to the City on behalf of the plan at the direction of the Board; the City responded but declined to open or discuss the issue.

Mr. Levinson presented a draft ordinance to eliminate the automatic conversion of disability benefits to a normal retirement. He will also do a search for the private letter ruling provided by the IRS to a Colorado plan regarding the taxability of disability benefits when an option exists for members to receive normal retirement benefits. He then discussed the proposed ordinance to obtain a partial lump-sum actuarial equivalent benefit at retirement, which would provide participants with a benefit similar to a BAC-DROP (Benefit Actuarially Calculated) Plan. The Board will further discuss the possible options for DROP and BAC-DROP plans at the next quarterly meeting.

Mr. Levinson reported on the proposal to coordinate benefits with the other pension plans in the City for members provided with incorrect hire dates for prior service in the City. The police have a provision in their ordinance to receive a partial benefit from the General Employees Pension Plan in similar circumstances, although Adam has not seen the final version of the ordinance for the Police Pension Fund. The Board will continue to review this matter until the City provides a workable solution for the members. Adam indicated that he would like to resolve some of these pending issues before providing an

updated Summary Plan Description to the participants. He will the current updates to the Summary Plan Description at the next quarterly meeting.

Mr. Levinson provided the Board with a model travel policy prepared by his law firm. He asked the Board to review and compare the model policy to the recently updated travel policy adopted by the Division II Firefighters Pension Fund. The Board will offer feedback regarding updates to the travel reimbursement policy at the next meeting.

The Trustees scheduled the next regular quarterly meeting for Wednesday, May 12, at 9:30 AM. There being no further business, the meeting was adjourned at 1:30 P.M.

Respectfully submitted,

Mark Lamb, Secretary