

***LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND***  
**MINUTES OF MEETING HELD**  
**August 18, 2005**

James Shook called the meeting to order at 9:05 A.M. in the Conference Room at Station 1, Lake Worth, Florida. Those persons present were:

**TRUSTEES**

James Shook  
Rich Seamon  
Pat Highland  
Wes Lamb

**OTHERS**

Scott Baur & Margie Adcock, Administrator  
Steve Palmquist, Actuary  
Adam Levinson, Attorney  
Larry Cole, Investment Monitor

**INTRODUCTION**

Scott Baur stated that Wes Lamb was reelected as a Trustee on the Board for another two year term. It was noted that no one else expressed an interest to be on the Board and no one ran against Mr. Lamb in the election process. Mr. Baur noted that Rich Seamon's term as the 5<sup>th</sup> Trustee expires on September 30, 2005. Mr. Seamon has been on the Board since 1987. Mr. Baur stated that the City has still not appointed another Trustee to the Board. A motion was made, seconded, and carried 4-0 to reappoint Rich Seamon as the 5<sup>th</sup> Trustee for another two year term to expire on September 30, 2007.

**ADDITIONS AND DELETIONS**

Mr. Lamb stated that he would like to discuss new benefit proposals as they have not been discussed in awhile.

**MINUTES**

The Trustees reviewed the minutes of July 21, 2005. A motion was made, seconded, and carried 4-0 to accept the minutes of July 21, 2005.

**ACTUARIAL REPORT**

Steve Palmquist appeared before the Board to present the Actuarial Valuation as of October 1, 2004. He noted that the Valuation includes all three City Pension Funds. He stated that he can make a report of only the Firefighters Pension Plan and would prefer to do that so he can include more graphs that he would normally like to provide. The Board stated that they would prefer to keep it the way it is and have all three City Pension Funds.

Mr. Palmquist reviewed the Valuation. He noted that with respect to the pooled equity funds, \$1 million was left off the audit last year. He stated that he treated it through experience gains and losses. He stated that technically it is not an experience gain, but he had to account for it somewhere. He stated that the required City contribution for next year (fiscal year ending September 30, 2006) is \$942,443. He stated that had it not been for the \$1 million error, the City contribution would have gone up 6%-7% of payroll. Mr.

Palmquist stated that the other two City Pension Funds elected to change the method of funding from frozen initial liability to entry age normal. He stated that decreased the City contribution by \$1,631,882. He reviewed the actuarial gains and losses. The loss due to investments was \$782,612. The net actuarial gain was \$82,537. The gain due to other sources was \$865,149. Mr. Palmquist noted that the contribution rate last year for firefighters was 27.81% and this year it is 29.16%. He stated that the investment return for September 30, 2004 was 7.3% and the funded ratio for firefighters was 88.2%. He stated that the Firefighters Pension Fund is a healthier plan than the other two City Pension Plans and it has a higher funded ratio than the other two City Plans. He stated that the cash flow of the Plan will change when 16 people who have 15-19 years of service retire. Mr. Palmquist then discussed the 13<sup>th</sup> check. He stated that the Fund can not pay out a 13<sup>th</sup> check until there are cumulative gains that accumulate to \$1,643,558. He stated that there would be no 13<sup>th</sup> check for some time.

There was then discussion on the status of the benefit proposals. James Shook stated that he has had several communications with Mr. Palmquist to find the cost for certain benefit proposals. He stated that he requested certain figures from benefit changes based on Union requests. It was noted that the membership wants improvements to the Plan. The Union is requesting information and holding it up and then wanting additional information. It was noted that the Union major concern is early vesting rights. Mr. Levinson stated that there is no right answer on the matter of Plan design and what the membership wants. There was a lengthy discussion on the matter. Mr. Lamb stated that he wanted to be a part of the process and that these items should be discussed in detail at subsequent meetings. Mr. Levinson stated that Mr. Shook is doing the correct thing as there is an issue of the Sunshine Law in that Mr. Shook cannot communicate with other Board members between meetings. There was then discussion on the matter of including the DROP Participants in the benefit improvements. Mr. Levinson stated that it was his opinion that if the DROP Participants are excluded from the benefit that their Share Accounts not be touched. If they are included, then their Share Accounts can be used. Mr. Levinson stated that the general rule is that the Plan is not required to give benefits to DROP Participants because they are already retired. He stated that the DROP Participants are entitled to future share money. If they are going to be carved out of a benefit, they should get their share money. Mr. Palmquist stated that it is a smaller amount of revenue but the cost of the benefit is less not to include the DROP Participants. Mr. Levinson stated that if the DROP Participants are excluded, they should not have any exposure to their existing share money.

A motion was made, seconded, and carried 4-0 to accept the Actuarial Valuation as of October 1, 2004.

Steve Palmquist departed the meeting.

### **ATTORNEY REPORT**

Mr. Levinson stated that the state premium tax monies have been paid into Division II. He stated that the amount received this year was \$242,000 versus \$233,000 received last year. He noted that that is an increase of \$9,000 or 4%. He stated that the good news is that the amount is going up. However, it did not go up as much as it did the year before

which was 11%. He stated that the average increase was 8% so it was less than the average statewide.

Mr. Levinson stated that he sent out a questionnaire to Merrill Lynch regarding conflicts of interest. He noted that Larry Cole provided answers to some of the questions. He discussed the 12 b 1 crediting issue. He stated that if Merrill Lynch receives commissions, in theory that might cloud their judgment. It could be argued that the Board is not getting completely objective advice. He stated that Merrill Lynch has answered 10 of the 21 questions asked.

Mr. Levinson stated that he is still working on the Summary Plan Description.

Adam Levinson departed the meeting.

### **INVESTMENT MONITOR: MERRILL LYNCH**

Larry Cole appeared before the Board. He provided the Board with information on a small cap growth manager search.

Mr. Cole stated that the SEC and DOL have been looking at the consulting industry for a couple of years now. He stated that they came out with 10 suggested questions that pension funds should ask their consultants. Mr. Cole stated that they have replied to those questions and provided the Board with their response. He stated that Mr. Levinson has asked some additional questions and that is what they are still working on. He noted that he has had discussions of disclosures on mutual funds before and will continue to do so.

Larry Cole discussed the performance of the Fund for the period ending June 30, 2005. The total market value of the Fund as of June 30, 2005 was \$20,580,900. Mr. Cole noted that the quarterly earnings were \$389,078. The asset allocation was comprised of 54.9% in domestic equities; 6.4% in international equities; 33.1% in fixed income; and 5.7% in cash. The asset allocation per manager was comprised of 43.9% in Bernstein; 43.5% in Davis Hamilton; 6.3% in DRZ; and 6.4% in Oakmark. The total Fund was up 1.9% for the quarter, while the benchmark was up 1.6%. The domestic equity portion of the portfolio was up 1.5% for the quarter while the S&P 500 was up 1.4%. The international equity portion of the portfolio was down .1% while the EAFE was down .8% for the quarter. Fixed income was up 3.4% for the quarter while the benchmark was up 2.5%.

Mr. Cole then provided a review on the individual managers. He recommended that the Board authorize the move of an additional \$500,000 to Oakmark to get closer to the 10% allocation by taking \$250,000 from each of the large cap managers – Bernstein and Davis Hamilton. Ms. Highland inquired about the selection of Oakmark. Mr. Cole discussed the process. A motion was made, seconded, and carried 4-0 to rebalance the portfolio, based on the Investment Monitor's recommendation, by moving an additional \$500,000 to Oakmark by taking \$250,000 from each of the large cap managers. Mr. Cole stated that the total market value for the Fund's portfolio with Davis Hamilton as of June 30, 2005 was \$8,949,690. He recommended that the Board stay patient even though they did not have a great quarter. He stated that the most undervalued sector right now is large cap growth. The total market value for the Fund's portfolio with Alliance Bernstein as of

June 30, 2005 was \$9,029,350. The total market value for Oakmark as of June 30, 2005 was \$1,314,190. The total market value for the Fund's portfolio with DRZ as of June 30, 2005 was \$1,288,270. He noted that DRZ was here last quarter. He acknowledged that their performance has not been good. He stated that he will take a close look at them. If they do not have a good 3<sup>rd</sup> Quarter then the Board may need to take a look at other managers.

Mr. Cole then reviewed the Investment Policy checklist and noted that everything is in compliance. He reviewed their trading and fee summary. He advised that the Fund ranks number 73 in their Florida fund ranking, which is ranked on the last 12 months.

Mr. Cole then discussed the small/mid cap growth equity manager search. He stated that the search resulted in 10 firms that he is providing information on. He suggested that the Board narrow down the list to 2 or 3 to make presentations. Mr. Cole reviewed the statistical analysis. He reviewed the market capture ratios and the standard deviation. He reviewed the risk and return analysis and also reviewed fees. There was a lengthy discussion on the various managers presented. Mr. Cole provided his comments on each manager. He stated that he would suggest the Board invite Baron, Hancock and Touchstone to make a presentation. Mr. Cole stated that the Board could not really make a wrong decision. He stated that he likes Baron the best as they have done very well and have very low turnover and look for long term small cap growth companies. He stated that he is not personally familiar with Touchstone except from their research. It was determined that Mr. Cole would contact Baron and Hancock to see if they would provide a separately managed account and report back at the next meeting.

### **ADMINISTRATIVE REPORT**

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

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

Ms. Adcock advised that the Custodian was requesting an updated authorized signature card. The Board executed the document.

### **OTHER BUSINESS**

There being no further business, the Trustees adjourned the meeting at 11:55 A.M.

Respectfully submitted,

Mark Lamb, Secretary