

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
November 10, 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

Margie Adcock, Administrator
Adam Levinson, Attorney (9:12 A.M.)
Larry Cole, Investment Monitor (via teleconference)

ADDITIONS AND DELETIONS

The Board wanted to discuss the meeting yesterday regarding the benefit improvements. It was noted that the Actuary provided new numbers and the ballot was going to be revised.

MINUTES

The Trustees reviewed the minutes of August 18, 2005. Mark Lamb was concerned regarding the language in the minutes regarding the benefit proposals. He stated that he disagreed with the analysis. He did not ask Mr. Shook to violate the Sunshine Law but the minutes reflect that the Attorney responded that way.

Adam Levinson entered the meeting.

There was further discussion. It was determined that the minutes should be revised to note that Mr. Lamb wanted to be part of the process and that these items should be discussed in detail at subsequent meetings. A motion was made, seconded, and carried 4-0 to accept the minutes of August 18, 2005 as amended.

INVESTMENT MONITOR: MERRILL LYNCH

It was noted that Larry Cole was sick and could not attend the meeting. However, he was going to appear by teleconference. Mr. Levinson stated that with respect to the questionnaire that was sent to Merrill Lynch, they did answer the 10 questions that the SEC proposed but did not answer the questions that his office supplemented. He noted that there was nothing problematic with the answers they received to the 10 questions.

There was then a discussion on the fee increase. It was noted that the Board has not approved the increase as of yet. He stated that it looks like they increased their fee for the 3^d quarter according to their report. Mr. Levinson stated that the Board could refuse to pay the higher fee until they answer the supplemental questions or pay the 3^d quarter bill and not pay future bills until they answer the questions. He stated that they should verify the other two boards have agreed to the fee increase. Additionally they should increase the rebate percentage from 50% to something higher on Citation. There was a lengthy discussion.

Larry Cole appeared by telephone.

Mr. Levinson asked Mr. Cole regarding the supplemental questions his office provided to Merrill Lynch. Mr. Cole stated that they provided 27 pages of a response to the 10 questions the SEC proposed. He stated that they thought the 27 pages would answer all of the questions a board might have. They have asked their legal group to respond to the other questions but he is not sure of their time frame. He will make it clear to their legal group that the Board wants a response to the other questions by the next meeting if possible.

There was then discussion on the billing. Mr. Cole stated that they agreed to increase the recapture percentage from 50% to 67%. He noted that Oakmark has no 12b1 fees. Mr. Levinson noted that their fee for the 3^d quarter was \$5,500 but the Board had not signed a contract for the increase as of yet. Mr. Cole stated that at the last meeting the Board asked him to wait until this meeting to get everything signed and finalized. He stated that while he was agreeable to that, he did request the fee to be retroactive to July 1, 2005. Mr. Cole, based on Mr. Levinson's request, justified the higher fee for the Board. Mr. Cole stated that they have diversified the portfolio and there are more managers. They are doing composites of all the managers. Every time they add a manager to the portfolio that doubles their work. He noted that they have not raised their fee since 1992. Mr. Levinson asked how the fee broke down by manager. Mr. Cole stated that the fee was \$9,500 for the base and \$5,000 for each additional manager and \$2,500 for each additional mutual fund. The total fee is \$22,000 and includes searches, asset allocation studies, etc. He noted that the other two plans agreed to the identical fee. Mr. Cole stated that this Fund only needs a small cap growth manager. He noted that if the Board selects a mutual fund he will not charge extra. If the Board selects a manager he will charge \$2,500. Mr. Levinson stated that the report reflects that 100% of the trades went through Citation. Mr. Cole responded that it is up to the managers to get best execution. He noted that with the 67% rebate, trades are 2-3 cents. Mr. Levinson noted that Alliance Bernstein traded through Merrill Lynch and not Citation and no credit is shown. Mr. Cole stated that all trades probably do qualify for recapture and he will look into that.

Larry Cole then discussed the performance of the Fund for the period ending September 30, 2005. The total market value of the Fund as of September 30, 2005 was \$21,079,220. Mr. Cole noted that the quarterly earnings were \$503,795. The asset allocation was comprised of 53.8% in domestic equities; 9.2% in international equities; 31.9% in fixed income; and 5.1% in cash. The asset allocation per manager was comprised of 42.2% in Bernstein; 42.2% in Davis Hamilton; 6.4% in DRZ; and 9.3% in Oakmark. The total Fund was up 2.5% for the quarter, while the benchmark was up 2.7%. The domestic equity portion of the portfolio was up 3.1% for the quarter while the S&P 500 was up 3.6%. The international equity portion of the portfolio was up 9.0% while the EAFE was up 10.4% for the quarter. Fixed income was down .7% for the quarter while the benchmark was down .5%. Mr. Cole stated that the Fund was slightly below the benchmark because of the lack of small and mid cap allocation and the not so good performance by Davis Hamilton.

Mr. Cole provided a review on the individual managers. He noted that an additional allocation of \$500,000 was moved to Oakmark per the direction at the last meeting. He stated that that was a good move as international has helped the portfolio.

Mr. Cole stated that the total market value for the Fund's portfolio with Davis Hamilton as of September 30, 2005 was \$8,887,450. He noted that there was a little improvement

over its peers in the last year. Mr. Cole noted that he has not seen a dramatic rotation from value to growth. It is going on five years now that value has been in favor. This is the longest cycle period where one style has been in favor. The total market value for the Fund's portfolio with Alliance Bernstein as of September 30, 2005 was \$8,902,050. He noted that for the quarter growth slightly outperformed value. The total market value for Oakmark as of September 30, 2005 was \$1,950,360. The total market value for the Fund's portfolio with DRZ as of September 30, 2005 was \$1,339,360. Mr. Cole noted that the current equity exposure was 63.1% versus the maximum of 65% at market. He suggested that equity exposure be kept where it is at.

Mr. Cole noted that at the last meeting he was asked to follow up with Baron and Independence to see if they would do a separately managed portfolio. He stated that both managers responded in the negative. He stated that he would give an updated list with a few more names on it. He noted that it would not make a significant difference to wait another quarter on this, but he would like to get the portfolio where it should be for the longer term.

Mr. Cole stated that with respect to DRZ he would be ready and bring other small cap value options to the next meeting. There is no defense to their numbers. If they have another bad quarter he will have serious concern. He is not sure why their numbers are so poor expect for poor stock selection. Their two year number is 15.4% versus the benchmark of 18.4%, but they are in the 96th percentile. He is not seeing much to give him confidence that things are improving.

Mr. Cole then reviewed the Investment Policy checklist and noted that everything is in compliance. He reviewed their trading and fee summary.

Larry Cole departed the meeting.

There was further discussion on the billing for Merrill Lynch. Mr. Levinson stated that Merrill Lynch has to show the Bernstein credits against the fee and the Fund needs to verify that the Fund is receiving 67% rebate. He stated that he would have no problem in paying the invoice if the two conditions are met, but he does not want the Board to sign the contract yet. A motion was made, seconded and carried 4-0 to pay the invoice for the 3rd quarter provided that the credit for Bernstein is made and the Fund is receiving 67% rebate. Mr. Levinson wanted it clear that the Board was not agreeing to a higher fee schedule and would not sign the contract until it receives responses to the supplemental questions. Mr. Levinson stated that Merrill Lynch is the only one of their other consultants for other client plans who has not answered the supplemental questions.

ATTORNEY REPORT

Mr. Levinson asked for a brief overview of what happened at the meeting with the Union yesterday. Mr. Shook explained that the Actuary redid the numbers at the Union's request. Those new numbers were discussed and a new ballot would be prepared. Mr. Levinson stated that he wanted the Board to approve of the final ballot. A motion was made, seconded and carried 4-0 to approve the concept of the revised ballot discussed on November 9 provided it is reviewed by the Actuary and Attorney.

Mr. Levinson stated that he received a letter from the State dated November 7, 2005 regarding the ERIP Ordinance the City did in 2003. The City never presented the matter

to the Board and the Ordinance was incorrectly implemented. He stated that Patricia Shoemaker will not make any more noise about this as the ERIP window is closed. However, she noted that in the future such proposal will not be approved by her office.

Mr. Levinson stated that the Summary Plan Description has not been updated for several years. He reviewed the proposed reviewed SPD with the Board. He stated that he would make the recommended changes and have it in final form for approval at the next meeting.

There was discussion on whether there was a requirement that there had to be a 2% return above the net actuarial gain in order for the payment of the 13th Check. Mr. Levinson stated that he would check with the Actuary on this and also review the Administrative Rule Governing the 13th Check.

ADMINISTRATIVE REPORT

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

Ms. Adcock presented a list of disbursements. Ms. Adcock noted that the FPPTA 2006 Membership Dues were also due. A motion was made, seconded and carried 4-0 to approve the disbursements listed and include the FPPTA 2006 Membership Dues.

Ms. Adcock provided the Board with the engagement letter from Steve Gordon to do the audit for the fiscal year ending September 30, 2005. A motion was made, seconded and carried 4-0 to execute the engagement letter.

Ms. Adcock provided the Board with a list of updated conferences. It was noted that the Klausner conference was March 5-8, 2006.

Ms. Adcock provided the unaudited financial statements through September 30, 2005.

OTHER BUSINESS

There being no further business, the Trustees adjourned the meeting at 1:32 P.M.

Respectfully submitted,

Mark Lamb, Secretary