

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
February 16, 2006

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
Larry Cole, Investment Monitor
Adam Levinson, Attorney

ADDITIONS AND DELETIONS

The Board noted that it would like to discuss the DROP and how it applies to disabilities under the attorney's report and the pension ballot under other business.

MINUTES

The Trustees reviewed the minutes of November 10, 2005 and January 26, 2006. A motion was made, seconded, and carried 4-0 to accept the minutes of November 10, 2005 and January 26, 2006.

ADMINISTRATIVE REPORT

Margie Adcock provided the unaudited financial statements through December 31, 2005. A motion was made, seconded, and carried 4-0 to accept the unaudited financial statements through December 31, 2005.

Ms. Adcock presented a list of benefit distributions. A motion was made, seconded and carried 4-0 to approve the benefit distributions listed. There was a discussion on the 3^d and 4th quarter invoices from Merrill Lynch. It was noted that at the last meeting the Board asked for verification that the credit for Bernstein was made and that the Fund was receiving 67% rebate. It was noted that the invoice itself provides in a disclosure that 67% of commission dollars or 67% of 12b1 fees received by Merrill Lynch are being credited. Mr. Cole noted that they do not receive 12b1 fees from this account as the mutual funds the Fund has do not pay any 12b1 fees. A motion was made, seconded and carried 4-0 to pay Merrill Lynch the 3rd and 4th quarter invoices.

INVESTMENT MONITOR: MERRILL LYNCH

Adam Levinson reported that Merrill Lynch, specifically the Jacksonville office, was subpoenaed by the SEC requesting documents. He noted that this was not a demonstration of any wrongdoing on their part but does raise some questions. He noted that this was discussed at the last meeting. Mr. Cole stated that there was no update on the matter. He stated that the SEC had been looking at documents before and believes the reason for the subpoena was because now they were requesting personal information.

Mr. Levinson stated that Merrill Lynch has a disclosure statement dated November 2005. He advised that he would provide the Board with a copy of it. Mr. Levinson referred to page 9 of the booklet regarding arrangements of Merrill Lynch. He noted that there was no updated contract with Merrill Lynch yet. He stated that they responded to the SEC questions but not the supplemental questions his office prepared. Mr. Levinson stated that he is reluctant to have the Board sign a written contract until he receives answers to the supplemental questions. Mr. Cole stated that the contract was never to be held hostage to the responses to the questions. He stated that he understood that the request for the responses to the supplemental questions was dropped as the two partners in Mr. Levinson's law firm dropped the request for every other mutual client. Mr. Levinson stated that Merrill Lynch has come out with a disclosure statement and that statement states that Merrill Lynch will talk about what to do with fees in excess of the contract with the client. In light of the general disclosure, Mr. Levinson stated that he thought it would be appropriate to have the discussion first and then incorporate the results in the contract. Mr. Cole stated that he was prepared to have that discussion today. He stated that if the Citation credits exceed the hard dollar fee the Fund will get a check from Merrill Lynch for the difference on an annual basis, from January 1 to December 31. Mr. Levinson stated that the Board should consider whether they want to sign a written contract with Merrill Lynch two months after a subpoena was sent. He stated that there are other institutions where clients are getting recapture with rates as high as 70% with a minimum ticket. Mr. Cole encouraged the Board to set up any other recapture arrangement that it wanted to. There was a lengthy discussion on the matter. The Board stated that they wanted to finalize the contract with Merrill Lynch. Mr. Levinson stated that he would have a contract for the Board to review prior to the next meeting.

Mr. Cole then reviewed the performance for the Fund as of December 31, 2005. The total market value of the Fund as of December 31, 2005 was \$21,361,320. The asset allocation was comprised of 53.0% in domestic equities; 9.4% in international equities; 32.7% in fixed income; and 4.9% in cash. He recommended that the Fund reallocate to Baron by taking \$600,000 from Bernstein equities and \$600,000 from DHJ equities. A motion was made, seconded, and carried 4-0 to fund the Baron account with \$1.2 million which would come from Davis Hamilton (\$600,000 from their equity portion) and from Alliance Bernstein (\$600,000 from their equity portion).

Mr. Cole reported the asset allocation per manager was comprised of 42.2% in Bernstein; 42.1% in Davis Hamilton; 6.3% in DRZ; and 9.4% in Oakmark. He stated that he would bring a revised Investment Policy Statement to the next meeting. The total Fund was up 1.6% for the quarter, while the benchmark was up 1.7%. The domestic equity portion of the portfolio was up 2.3% for the quarter while the S&P 500 was up 2.1%. The international equity portion of the portfolio was up 2.5% while the EAFE was up 4.1% for the quarter. Fixed income was up .4% for the quarter while the benchmark was up .5%. Mr. Cole stated that the Fund was slightly below the benchmark because of the poor performance by Bernstein and the international portfolio.

Mr. Cole provided a review on the individual managers. The total market value for the Fund's portfolio with Alliance Bernstein as of December 31, 2005 was \$9,017,180. The total market value for DHJ was \$8,991,540. The total market value for Oakmark was \$1,999,510. The total market value for the Fund's portfolio with DRZ was \$1,353,090.

Mr. Cole stated that he was more comfortable taking the equity limit up as he did not think bonds would do much in the next few years. He will draft a letter to increase the equity to a maximum of 70% at market. Mr. Cole recommended changing the limitations to investment grade and above. A motion was made, seconded and carried 4-0 to have the Attorney draft an Ordinance to increase equities to a maximum of 70% and change the bond limitations to investment grade and above once he received the recommendation letter from Larry Cole. The Board directed Mr. Levinson to forward the Ordinance to the City Attorney's Office once it has been prepared.

There was discussion on the transition from DRZ to Advisory. A motion was made, seconded and carried 4-0 to have the Attorney send a termination notice to DRZ.

ATTORNEY REPORT

Mr. Levinson reported on Senate Bill 2028 which would remove the 10% cap on international and also increase the terms of trustees from 2 years to 4 years. He also discussed House Bill 2830 regarding the 72T exception which would clarify the age for public employees from 55 to 50.

Mr. Levinson discussed the status of the Ordinance. He stated that the only Ordinance that has been adopted in the last year is the one allowing a rollover from Division II. It was noted that the Attorney has given other Ordinances to the Board during the year to review but they were never forwarded to the City. There was a discussion on those other matters such as the lump sum and the coordination of benefits. It was noted that the coordination of benefits was no longer an issue. There was further discussion on the lump sum. It was asked that this matter be placed on the agenda for the next meeting for discussion also with the Summary Plan Description.

OTHER BUSINESS

There being no further business, the Trustees adjourned the meeting.

Respectfully submitted,

Mark Lamb, Secretary