

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
August 15, 2006

James Shook called the meeting to order at 9:04 A.M. in the Conference Room at Station 1, Lake Worth, Florida. Those persons present were:

TRUSTEES

James Shook
Wes Lamb
Pat Highland

OTHERS

Margie Adcock, Administrator
Adam Levinson, Attorney

ADDITIONS AND DELETIONS

There were no additions or deletions.

MINUTES

The Trustees reviewed the minutes of May 8, 2006. A motion was made, seconded, and carried 3-0 to accept the minutes of May 8, 2006.

ATTORNEY REPORT

Mr. Levinson provided the 2005 premium tax distribution amounts. He noted that the state average went up by about 10%. Lake Worth Fire increased by about 11% and Lake Worth Police increased by about 3%.

Mr. Levinson discussed the status of the Ordinance regarding the multiplier increase. He stated that he received a letter from Patricia Shoemaker dated July 11, 2006 that responded to the matter of DROP Participants. He has discussed the issue with the appropriate parties and made changes to the Ordinance. They took out the explicit reference to DROP members. He provided the Board with the revised Ordinance and reviewed it with them.

INVESTMENT MONITOR: MERRILL LYNCH

Jeff Swanson appeared before the Board. He discussed the performance for the quarter ended June 30, 2006. Mr. Swanson stated that it was a difficult quarter for all asset classes as everything was down due to spikes in oil and global shocks in the market. The total market value of the Fund as of June 30, 2006 was \$21,755,350. The asset allocation was comprised of 54.8% in domestic equities; 10.4% in international equities; 31.0% in fixed income; and 3.7% in cash. Mr. Cole reported the asset allocation per manager was comprised of 39.5% in Bernstein; 37.5% in Davis Hamilton; 5.7% in Baron; 7% in Advisory; and 10.4% in Oakmark. He noted that this was the first full quarter with both Baron and Advisory. He stated that both managers outperformed in the quarter very nicely. The total Fund was down .8% for the quarter, while the benchmark was up .5%. The domestic equity portion of the portfolio was down 2.0% for the quarter while the S&P 500 was down 1.4%. The international equity portion of the portfolio was up 2.9% while the EAFE was up .9% for the quarter. Fixed income was down .1% for the quarter while the benchmark was up .2%. He discussed the risk/return analysis and noted that the Fund earned more with less risk. He stated that the long term results are quite good.

Mr. Swanson provided a review on the individual managers. The total market value for DHJ as of June 30, 2006 was \$8,152,470. He stated that the one to four year numbers are below average mostly due to style and high quality. They are also down due to stock picking. He stated that they have clearly underperformed. The style and high quality issues cover about 75% of their performance. The remaining 25% is due to bad stock picking. The six year number is above average. He stated that if high quality and large cap come back in favor, they expect them to perform well. He stated that the Board should stick with growth and not abandon it. If they lose confidence in DHJ they will change managers.

The total market value for the Fund's portfolio with Alliance Bernstein was \$8,588,850. He stated that they were below average of the Russell 1000 Value because they have a more core type style. The total market value for Oakmark was \$2,266,700. They had an outstanding quarter. He stated that most international managers were down in the quarter but they were up about 3%. The total market value for the Fund's portfolio with Advisory Research was \$1,517,580. He stated that they were small cap value and took over for DRZ. They had good outperformance for the quarter. While most managers were down they had a positive return. He reviewed their equity portfolio characteristics and noted that they picked the right stocks but not necessarily the right sectors. They are off to a good start. The total market value for the Fund's portfolio with Baron was \$1,229,750. They are the mid cap growth manager. While they were down for the quarter, they were down about half as much as the median mid cap manager.

There was discussion on the status of the revised Investment Policy Statement. It was noted that equities were currently at a cap of 60% at cost. At prior meetings it was proposed to keep the 60%/40% mix but allow up to 70% at market. The actual Ordinance passed provided that the equity exposure would increase to 70% at cost. It was noted that Mr. Klausner was going to talk to the City Attorney regarding doing a technical amendment to fix the language. Mr. Levinson stated that he would follow up with Mr. Klausner on this matter. Mr. Swanson noted that they were in compliance with the 79% at cost so they were in compliance with the Ordinance.

There was a discussion on real estate investments. Mr. Swanson stated that they would want to be diversified in property types and geography. He stated that they Board can follow up with Mr. Cole at a future meeting if they want to pursue this at a later date.

There was then discussion on the status of the contract with Merrill Lynch. Mr. Swanson stated that at the last meeting Mr. Cole proposed changing the fee from a fixed fee to a percentage fee based on the portfolio. Mr. Swanson discussed how the basis fee is an advantage to the client. He noted that it aligns their interests directly with the Fund. Also, since the Fund needs diversification to grow in the future, one fee for everything would be better as it does not depend on what the portfolio looks like. He noted that right now there would be some savings. He stated that they have about 30 clients that have moved to the basis point fee as it is easier to understanding. There was a lengthy discussion. A motion was made, seconded, and carried 3-0 to adopt the basis point fee schedule. The Board directed Mr. Levinson to finalize the contract.

Mr. Swanson stated that there was no update on the SEC investigation. They have received no direction from the SEC as of yet.

There was a discussion on commission recapture arrangements. Mr. Swanson stated that they were in favor of using as many recapture arrangements as a Board wants. The Board directed Mr. Levinson to have commission recapture arrangements for the next meeting.

A motion was made, seconded, and carried 3-0 to accept the Investment Monitor's Report.

Jeff Swanson departed the meeting.

AUDITOR REPORT

Steve Gordon appeared before the Board. He presented the Annual Audit as of September 30, 2005. He reviewed the Statement of Plan Net Assets. The total assets were \$21,247,477 with most of the money in investments. Total liabilities were \$28,636. Total net assets were \$21,218,841. Mr. Gordon reviewed the Statement of Changes in Plan Net Assets. He noted that the increase in Plan net assets was \$1,920,618. He stated that his only comment to the report was regarding some of the assets that were held by the City. He stated that when there was the switch of administration from the City to the Administrator, there were two Bank of America accounts of about \$35,000 and \$100, respectively, and a commingled account of about \$8,000. He stated that they transferred in March 2006 the two Bank of America accounts which amount was less about \$1,800 than he thought it would be. He noted that the other part had not been transferred as of yet. Mr. Gordon stated that he would ask formally for an accounting of these accounts. A motion was made, seconded, and carried 3-0 to accept the Annual Audit as of September 30, 2005.

Mr. Gordon provided the Board with the 2005 Annual Report. A motion was made, seconded, and carried 3-0 to authorize the Chairman and Secretary to execute the Annual Report.

Steve Gordon departed the meeting.

ATTORNEY REPORT (CONTINUED)

There was further discussion on the July 11 letter from Patricia Shoemaker regarding the Ordinance. Mr. Levinson explained the discrimination issue of the DROP versus the non-DROP members. He noted that it was going forward to the Commission tonight.

Mr. Levinson reviewed an August 11 e-mail regarding hypothetical examples demonstrating the value of the new multiplier.

Mr. Levinson provided a memorandum dated July 24, 2006 regarding a requirement that a warning be posted on governmental website advising that e-mail addresses are public records. Ms. Adcock advised that they have posted the required language on their website.

Mr. Levinson discussed the Pension Protection Act which is supposed to be signed into law shortly. He noted that the Act will provide a provision related to retiree health care. This law would allow current and future retirees to designate up to \$3,000 to pay for health insurance which amount would be considered pre-tax. Additionally there is to be a provision which will reduce the age from 55 to 50 for the early distribution tax penalty.

Mr. Levinson discussed the issue of the 13th check. He stated that there were two versions of the Administrative Rule – an unsigned 1998 version and a signed 1999 version which had a 2% limitation on it. He recommended that the Board go with the later of the two versions as it was signed. It was noted that in 1999 a 13th check was paid and he has asked Mr. Palmquist to see what they did on that point. According to Mr. Palmquist the Fund will not be able to pay a 13th check for another four to five years. He stated that he will have an updated Administrative Rule for the Board to consider although the Board will have to determine if it wants to keep the 2% limitation, reduce it to 1% or take it out. It was determined that this would be discussed at a future meeting when the entire Board is available.

Mr. Levinson stated that once the Ordinance is adopted he will make the changes to the Summary Plan Description and provide a final version to the Board to approve.

Mr. Levinson stated that with respect to the DROP Application Package, he is waiting to see if the legislation is signed by the President on the early withdrawal age change.

ADMINISTRATIVE REPORT

Margie Adcock provided the unaudited financial statements through June 30, 2006. A motion was made, seconded, and carried 3-0 to accept the unaudited financial statements through June 30, 2006.

Ms. Adcock presented a list of benefit distributions. A motion was made, seconded and carried 3-0 to approve the benefit distributions listed.

Ms. Adcock presented the list of disbursements. A motion was made, seconded and carried 3-0 to pay the listed disbursements.

OTHER BUSINESS

There being no further business, the Trustees adjourned the meeting at 12:05 P.M.

Respectfully submitted,

Mark Lamb, Secretary