

***LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND***  
**MINUTES OF MEETING HELD**  
**February 26, 2007**

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  
Wes Lamb  
Pat Highland  
Rich Seamon

**OTHERS**

Scott Baur and Margie Adcock, Administrator  
Adam Levinson, Attorney  
Larry Cole, Investment Monitor

**ADDITIONS AND DELETIONS**

It was noted that Steve Gordon would not be able to attend to present the Audit as expected as his flight was cancelled due to weather in the Northeast. Scott Baur stated that he would like to discuss the status of the benefit calculations under the Administrative Report. Adam Levinson stated that the Board should discuss having a special meeting for the Audit.

**MINUTES**

The Trustees reviewed the minutes of November 28, 2006. Mr. Shook stated that he did not remember the specific discussion on how the money is to be paid to Division I from the State premium monies. He stated that he recalled that Patricia Shoemaker wanted the State premium monies to be paid directly to Division I as opposed to it being paid to Division II and then transferred to Division I. He recalled that this issue held up the approval of the Ordinance with the State at one point. He noted that although the minutes reflect a discussion on how the monies are to be paid, he thought the Ordinance spelled out what is supposed to be done with the State premium check when the City receives it. Mr. Levinson reviewed the Ordinance change and noted that it provided that the membership voted to transfer a certain amount of money from the State monies to Division I. He noted that the Ordinance did not provide a detailed procedure of how the process should work. Ms. Adcock noted that the original check that would have normally been received in the late summer of 2006 was received in February 2007 and deposited into Division II. It was noted that the supplemental check that is normally received in November of each year was also just received and was not yet deposited. There was a discussion on the amounts to be deposited into Division I. It was noted that the original check should have been received before September 30, 2006 and so that should stay in Division II. The supplemental check should be deposited into Division I. The check that will be received in the summer of 2007 should be deposited into Division I up to the point it reaches the amount determined by the Actuary of \$383,000 with the remaining amount to go to Division II. Larry Cole stated that the supplemental check that has been just received should be deposited into the Davis Hamilton account. A motion was made, seconded, and carried 4-0 to accept the minutes of November 28, 2006.

## **INVESTMENT MONITOR: MERRILL LYNCH**

Larry Cole appeared before the Board. He discussed the performance for the quarter ended December 31, 2006. The total market value of the Fund as of December 31, 2006 was \$23,612,270. The quarterly earnings were \$1,100,980. The asset allocation was comprised of 56.2% in domestic equities; 11.1% in international equities; 30.4% in fixed income; and 2.3% in cash. Mr. Cole reported the asset allocation per manager was comprised of 40.0% in Bernstein; 36.2% in Davis Hamilton; 5.6% in Baron; 7.1 in Advisory; and 11.1% in Oakmark.

The total Fund was up 4.9% for the quarter, while the benchmark was up 5.0%. Davis Hamilton was up 2.3% and Bernstein was up 4.8%. The domestic equity portion of the portfolio was up 6.4% for the quarter while the Russell 3000 was up 7.1%. Davis Hamilton was up 3.2% and Bernstein was up 7.9%. He noted that Davis Hamilton did not have a good quarter. Advisory was up 10.1% and Baron was up 7.4%. The international equity portion of the portfolio was up 9.6% while the EAFE was up 10.4% for the quarter. Fixed income was up 1.1% for the quarter while the benchmark was up 1.0%. Mr. Cole stated that he thinks the real estate impact has not been felt yet so there may be a slow down. He thinks Davis Hamilton should do well when the slow down occurs. He thinks the Fed will sit tight for the next two to three quarters. If the economy does not slow down they may raise the rates after that time. There are fears of inflation with unemployment being so low. The Fed wants to see what kind of impact real estate has before they make any more moves.

Mr. Cole provided a review on the individual managers. The total market value for DHJ as of December 31, 2006 was \$8,554,970. He stated that their manager research group still likes them and they are just experiencing a market aberration. However, he noted that two or three other managers improved during the quarter but Davis Hamilton is still sputtering. He still recommends that the Board look at some other similar managers. He noted that this quarter Davis Hamilton is doing well so that is not hurting the Fund.

The total market value for the Fund's portfolio with Alliance Bernstein was \$9,450,590. He stated that Bernstein would do better against their value peers when growth comes back into favor. The total market value for Oakmark was \$2,611,280. The total market value for the Fund's portfolio with Advisory Research was \$1,671,320. The total market value for the Fund's portfolio with Baron was \$1,324,110.

Mr. Cole reviewed the investment policy checklist. He stated that he still recommended that the Board change the maximum for equities of 70% from cost to market. He stated that he would send a follow up to confirm his recommendation. He noted that other plans have changed from cost to market. Mr. Levinson stated that he thinks it would be overkill to do a change just for that especially if it is not needed right now. He stated that if the Police or General Employees make that change then he would be fine with including it then. He advised to minimize the number of times the Board goes before the Commission.

Mr. Cole reviewed the trading and fee summary. He noted that the recapture percentage went from 50% to 67% a little bit ago. He stated that Merrill Lynch established a policy

in January 2003 with a minimum 62.5% recapture regardless of any contract with any clients. He stated that Merrill Lynch was not aware if this ever got communicated and implemented with the clients so they went back and are reimbursing all of their clients that had less than the 62.5% rate and included interest. Merrill Lynch also decided from here forward that they would not keep any 12b1 fees. He noted that the SEC did not tell Merrill Lynch to do any of this. Mr. Levinson requested backup documentation to support the amount being paid to the Fund.

There was then discussion on the status of the contract with Merrill Lynch. Mr. Levinson stated that he just recently reviewed the draft contract provided and noted that he had a few comments. He stated that he would commit himself to working out a contract with the necessary people at Merrill Lynch so that he will have a contract at the next meeting for the Board to execute.

A motion was made, seconded, and carried 4-0 to accept the Investment Monitor's Report.

### **ATTORNEY REPORT**

Mr. Levinson provided the Board with a proposed SB 198 and reviewed that with the Board. He noted that it would provide, among other things, that the City might extend the terms of the Trustees from two to four years.

Mr. Levinson discussed the Pension Protection Act and the benefit that allows \$3000 to pay for health insurance to be paid pre-tax. He stated that the Board decided at the last meeting to allow the benefit to only those retirees who have City sponsored insurance deductions. He stated that he spoke with Patricia Shoemaker about the issue that Chapter 175 only allows deductions for City sponsored plans. He stated that she said she would not make an issue of allowing the benefit for other providers and were in the process of amending Chapter 175 to conform to the PPA. Mr. Levinson stated that the Board could stay with just offering the benefit to those that have City insurance or allow others as well. He provided a copy of the IRS Guidance that was issued in January and reviewed the pertinent provisions. He discussed the payment to the providers. He stated that the PPA provides that the deduction has to be paid directly to the provider. Mr. Levinson provided a sample election form that could be used. The Board noted that they already decided the issue at the last meeting to just allow deductions for City sponsored plans. There was discussion on the proposed form. Mr. Levinson stated that he would provide the form with revisions to the Administrator in electronic format. Mr. Baur discussed other concerns regarding the matter. He stated that they were capable of implementing it but would send the check to the retiree make out to the insurance provider because he was not confident that the insurance company could track the amount properly and did not want to take on that responsibility. He noted that all of the other plans that they administer have no problem with sending payment to the City as the City is acting as an extension of the insurance company for making payments and is the holder of the policy.

Mr. Levinson provided a revised Summary Plan Description. There was discussion on a few items to be changed. Mr. Levinson asked the Board to take another opportunity to

review the SPD and noted that he would provide it to the Actuary to review as well. He stated that hopefully the Board could adopt it at the next meeting.

There was discussion on the DROP Policy and years of service needed to enter the DROP. It was noted that the Policy provides that a person can enter the DROP at 15 years of service but cannot leave the DROP until they have 20 years of service. There was a lengthy discussion. A motion was made, seconded and passed 4-0 to amend the Administrative Rule to require members to be eligible for normal retirement to enter the DROP. Mr. Levinson stated that he would prepare a revised Administrative Rule for the Board's review.

### **ADMINISTRATIVE REPORT**

The Board reviewed the financial statement for the period ending December 31, 2006.

The Board was presented with a list of disbursements. A motion was made, seconded and carried 4-0 to pay the listed disbursements. The Board was presented with a list of benefit distributions. A motion was made, seconded and carried 4-0 to approve the benefit distributions.

Mr. Baur discussed the status of the benefit calculations. He stated that the calculations need to be reviewed by the Actuary before they are finalized.

### **OTHER BUSINESS**

The Board scheduled the next meeting for Thursday, April 12, 2007 at 10:00 a.m. There being no further business, the Trustees adjourned the meeting at 12:25 P.M.

Respectfully submitted,

Mark Lamb, Secretary