

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
April 12, 2007

James Shook called the meeting to order at 10:05 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

Margie Adcock, Administrator
Adam Levinson, Attorney
Larry Cole, Investment Monitor
Steve Gordon, Auditor

ADDITIONS AND DELETIONS

The Board decided to add to "Other Business" a request from Steve Anderson who entered the DROP prior to the settlement of the collective bargaining agreements.

MINUTES

The Trustees reviewed the minutes of February 26, 2007. A motion was made, seconded, and carried 4-0 to accept the minutes of February 26, 2007.

AUDITOR REPORT

Steve Gordon appeared before the Board. He presented the Annual Audit as of September 30, 2006. He stated that he was issuing a clean opinion. He reviewed the Statement of Plan Net Assets. The total assets were \$23,111,719 with most of the money in investments. Total liabilities were \$388,962. Total net assets were \$22,722,757. Mr. Gordon reviewed the Statement of Changes in Plan Net Assets. He noted that the increase in Plan net assets was \$1,503,916. He reviewed the notes to the financial statements. He reviewed the administrative expenses. He stated that the expenses were slightly higher in terms of a percentage than some of his other clients, but some of his other clients have over \$22 million in plan assets. Since there are certain fees that each plan must pay no matter how much money the plan has, the percentage would be lower for those bigger plans. He stated that he does not see anything alarming in terms of the expenses. He stated that the expenses seem reasonable. Larry Cole noted that in using the market value of the Fund, the expenses are less than 1%. A motion was made, seconded, and carried 4-0 to accept the Annual Audit as of September 30, 2006. Mr. Gordon stated that he was preparing the 2006 Annual Report which should be ready for signature soon. A motion was made, seconded, and carried 4-0 to authorize the Chairman and Secretary to execute the Annual Report.

Steve Gordon departed the meeting.

INVESTMENT MONITOR: MERRILL LYNCH

Larry Cole appeared before the Board. He discussed the preliminary performance of Davis Hamilton for the quarter ending March 31, 2007. He stated that based on the numbers provided by Davis Hamilton, the total portfolio of Davis Hamilton was up 2.8% versus the benchmark which was up 1.2%. Mr. Cole still recommended that the Board proceed to replace Davis Hamilton on the equity side. He stated that he wanted to keep Davis Hamilton for the fixed income portfolio. He noted that their fixed income performance has been good and was not the cause of the problems with their performance returns. Additionally, he stated that he thought the fee for the fixed income portfolio with Davis Hamilton would be only 25 basis points.

Mr. Cole presented an investment manager search for large cap growth equity. The search included seven firms: Aletheia Research and Management; Edgewood Management; Fayez, Sarofim and Company; Rigel Capital; Santa Barbara Asset Management; William Blair and Company; and Davis Hamilton. Mr. Cole discussed the firms and the fees. He reviewed the returns as of December 31, 2006 for the quarter, year to date, 1, 3, 5, 7 and 10 year periods. He stated that Aletheia was the top performer in 2003, 2004, 2005 and 2006. He reviewed the risk and return analysis. He noted that Aletheia had higher returns but with more risk. He stated that they were taking more risk but were getting rewarded for it. He noted that for the 3 year period ending December 31, 2006 Aletheia had an up market capture ratio of 155.93% and a down market capture ratio of negative 106.29%. He stated that Aletheia was not capturing any of the down market. Mr. Cole reviewed the risk and return analysis for the 7 year trailing period ending December 31, 2006. Mr. Cole stated that if the Board wanted to hear presentations from three of the firms he would suggest Aletheia, Santana Barbara and Rigel. There was a lengthy discussion on Davis Hamilton as the equity manager. Mr. Cole stated that he felt the Board has been very patient with Davis Hamilton. He noted that the Board could have two growth managers as long as they can meet the minimum investment of each manager. There was a lengthy discussion. A motion was made to negotiate a contract with Rigel Capital. The motion died for the lack of a second. A motion was made to negotiate a contract with Aletheia Research and Management. The motion died for the lack of a second. A motion was made, seconded and carried 4-0 to negotiate a contract with Aletheia Research and Management and Rigel Capital with the equity monies to be split between those two managers and to leave the bonds with Davis Hamilton. The Board directed Mr. Levinson to negotiate the contracts with a target date of June 1, 2007.

ATTORNEY REPORT

Mr. Levinson discussed the status of the contract with Merrill Lynch. He provided a revised draft of the contract. He stated that he took out the investment policy language based on the discussions from the last meeting. Mr. Levinson recommended that the Chairman sign the contract and that the contract be sent to Merrill Lynch to sign or object. Mr. Levinson asked Mr. Cole if there was any update to the SEC matter. Mr. Cole responded in the negative. Mr. Shook signed the contract with Merrill Lynch.

Mr. Cole departed the meeting.

Mr. Levinson provided the Board with a revised Administrative Policy for the DROP. He stated that he made changes based on the discussions at the last meeting. He reviewed the Policy with the Board and the changes made. Mr. Levinson also provided a revised Frequently Asked Questions on the DROP. He reviewed the document with the Board.

Mr. Levinson provided a revised form to be used for the health insurance benefit provided under the Pension Protection Act.

Mr. Levinson provided a revised draft of the Summary Plan Description. He briefly reviewed the changes made. He stated that he would send the document to Steve Palmquist to review. A motion was made, seconded and carried 4-0 to authorize the Summary Plan Description to be published after Steve Palmquist has approved the document.

Pat Highland departed the meeting.

ADMINISTRATIVE REPORT

The Board reviewed the financial statement for the period ending February 28, 2007.

The Board was presented with a list of disbursements. A motion was made, seconded and carried 3-0 to pay the listed disbursements.

Ms. Adcock stated that she received a request from Harold Cline to change his joint survivor from his child to his current wife. Mr. Levinson stated that Chapter 175 allows such a change. He stated that such a change is not required but the Florida Statutes do allow the ability to make such a change. He recommended that if the Board wanted to allow such a change that the cost of the recalculation is passed on to the Participant and that the Board obtain some proof that the current joint survivor is still alive and in good health. He stated that an affidavit that the joint survivor is alive and in good health would be sufficient. A motion was made, seconded and carried 3-0 to allow Harold Cline to change his joint survivor provided that he pays for the cost of the recalculation and that an affidavit be submitted that the current joint survivor is alive and in good health.

OTHER BUSINESS

There was discussion concerning the Administrative Rule Regarding the 13th Check. It was noted that Steve Palmquist should be at the next meeting and the matter should be discussed with him. Mr. Levinson stated that he would bring copies of the current Administrative Rule to the next meeting.

The Board discussed the matter involving Steve Anderson who entered the DROP prior to the settlement of the collective bargaining agreement. It was noted that Mr. Anderson did not pay contributions to the Fund after he entered the DROP and that his pension check was not adjusted based on the retroactive check received in December 2006. Mr. Levinson stated that he wanted to obtain more information and discuss the matter with

Steve Palmquist. Scott Baur appeared before the Board via teleconference. Mr. Levinson noted that the contract was retroactive to October 2005 and Mr. Anderson entered the DROP in January 2006. The retroactive payments were made in December 2006. Mr. Levinson noted that Mr. Anderson took the risk of entering the DROP. Mr. Baur stated that this was an unusual request. He noted that it is difficult to rewrite history. He noted that member contributions were not made to the Plan after Mr. Anderson entered the DROP. He stated that in most cases such adjustments are not made for anyone who retired while a contract was pending. Mr. Levinson stated that the Board could deny Mr. Anderson's request because of the precedent and the fact that Mr. Anderson was well aware of the risks when he decided to enter the DROP. If the Board was inclined to grant the request, Mr. Levinson stated that he wanted to study the matter in more detail and discuss the matter with Steve Palmquist. The Board noted that if Mr. Anderson had terminated employment and retired in January 2006, his pension would not have changed. It was noted that entering the DROP is the same thing as retiring. Mr. Levinson stated that Mr. Anderson was also advised by representatives of the Board of the risks of entering the DROP prior to the completion of the contract negotiations and he voluntarily entered the DROP. The Board decided to hold off on making any decision regarding the matter at this time.

There being no further business, the Trustees adjourned the meeting at 2:15 P.M.

Respectfully submitted,

Mark Lamb, Secretary