

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
November 5, 2007

James Shook called the meeting to order at 9:00 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
Mary Lindsay

OTHERS

Margie Adcock and Scott Baur, Administrator
Adam Levinson, Attorney
Michael Remak, Investment Monitor
Joe Lawrence and Chris Toma, AllianceBernstein

INTRODUCTIIB OF NEW TRUSTEE

The Board welcomed Mary Lindsay as the new City appointed Trustee.

ADDITIONS AND DELETIONS

Mr. Lamb stated that Mark Carsillo wanted to address the Board and suggested that he do so after the approval of the minutes. Mr. Seamon stated that there was an issue in payroll with Captain Elmore involving pension deductions that were not taken when he was out on workers' compensation and that was a concern. Mr. Levinson recommended setting up a face-to-face meeting with Finance to discuss not just to discuss that issue but other issues as well.

MINUTES

The Trustees reviewed the minutes of August 7, 2007. A motion was made, seconded, and carried 5-0 to accept the minutes of August 7, 2007.

MARK CARSILLO

Mr. Carsillo addressed the Board. He stated that he was finalizing his paperwork to enter into the DROP effective November 5, 2007.

ALLIANCEBERNSTEIN

Joe Lawrence and Chris Toma appeared before the Board. Mr. Lawrence stated that he was the Director of the United States Southeast Group. He introduced Chris Toma who joined his group six months ago. Mr. Toma discussed the firm. He stated that seven years ago Alliance, which was the leading growth manager, and Bernstein, which was the leading value manager, came together. This merger created a stable, well-diversified business. They are long-term investors. He stated that their long-term track record is very good. He reviewed a partial client list.

Mr. Lawrence discussed the economic forecast. He stated that they forecast a slight economic downturn this year. They think the stock market is fairly valued. The stock market is not cheap nor is it expensive. Since 2000 value has outperformed. They think

growth may be coming back into favor. He stated that when the Board hired them in 2000 the benchmark used was the S&P 500. He stated that the benchmark just changed in August to the Value Index. He stated that the Fund has been in the US Diversified Value Strategy that uses the S&P 500. He stated that they also have another strategy that uses the Russell 1000 Value, which is a deeper value strategy. He discussed both strategies with the Board. Mr. Lawrence stated that this past quarter is the first time they have underperformed the S&P since the Board hired them. He noted that they outperformed the Russell 1000 Value. He stated that because growth has come back into favor, the Board is in the right product going forward. The total market value of the equity portion of the account as of September 30, 2007 was \$5,907,574. The equity portion of the account was up .6% for the quarter while the S&P was up 2.0% and the Russell 1000 Value was down .2%. The total market value of the fixed income portion of the account as of September 30, 2007 was \$4,323,485. The fixed income portion of the account was up 3.1% for the quarter while the benchmark was up 3.0%. The Board asked if the Russell 1000 Value was the appropriate benchmark by which to measure this manager. Mr. Lawrence stated that the appropriate benchmark was the S&P 500 as they were hired as a core value manager. If they had been hired as a deep value manager then the Russell 1000 Value would have been the appropriate manager. However, he is fine with changing the benchmark now but they do not want to change the product now. They do not want to go deep value at the end of a value cycle. There was discussion on their financial sector distribution. Mr. Lawrence stated that their exposure to sub prime is very limited. He stated that they do not feel that there will be a recession next year. He again recommended not changing strategies and staying with the more core value strategy. They think it will do better than the deep value strategy. He stated that it was not a problem changing the benchmark but did not think the Board should change products.

Mr. Remak stated that they are seeing a rotation away from value and deep value into more growth oriented stocks. He stated that they think this is the right strategy. He stated that they think it is important for the Board to be mindful of where growth and value is for the Fund. They think the value benchmark is the correct benchmark to use but noted that they could show the S&P also. Mr. Lawrence stated that they might in the future, when growth has run its course, come back to the Board and recommend switching strategies. However, they would not recommend changing the benchmark back to the S&P 500. Mr. Remak stated that this was not a time to rush into making a change. He stated that it is the wrong time to make a change out of this product. He noted that cycles do not last forever. He stated that there would be a market in the future where deep value starts to outperform again. Mr. Remak stated that AllianceBernstein's trend to macro, financials and technology is very consistent with the Merrill Lynch macro research. A motion was made, seconded and carried 5-0 to approve the Investment Manger Report.

INVESTMENT MONITOR: MERRILL LYNCH

Michael Remak appeared before the Board. He stated that Larry Cole had a conflict and was unable to attend. Mr. Remak stated that he has been with Merrill Lynch for over three and a half years. He was in the consulting group in Jersey City and is now in the Chicago office. He discussed the issues involving Merrill Lynch and Michael Callaway in regards to the SEC investigation. Mr. Remak read a memo that was prepared by their legal team regarding the issues. He stated that the SEC has indicated that it has tentatively decided to recommend beginning regulatory proceedings against Mr. Callaway. He stated that Michael Callaway was on a leave of absence from the firm to be

able to prepare his response. He stated that Merrill Lynch was talking with the SEC to try to work out any issues. Mr. Remak then responded to specific written questions that Mr. Levinson submitted last week. He stated that he does not know if any allegations relate to any particular plan. He stated that they do not anticipate any additional staff departures. Mr. Levinson stated that he was instructed by Mr. Klausner to bring a RFP for the Board to decide if it needed to be sent out. He stated that he was glad to hear that Merrill Lynch did not anticipate any further turnover and did not anticipate any changes in Jersey City with respect to reporting. Mr. Levinson stated that the Board would not know any specifics on the allegations until they are made public. The SEC is still in the regulatory phase. He stated that, in the absence of perfect information, the Board needed to proceed by monitoring and staying on top of the matter.

There was then discussion on a value manager search. It was noted that Larry Cole had recommended a value manager search. Mr. Remak stated that it was not a bad idea to run a search for a value manager to identify strategies that might complement the AllianceBernstein core value strategy. He stated that he did not think the Board should terminate AllianceBernstein at this point. He stated that he did bring the search results and could review them with the Board if they wanted. He stated that he was not sure if he disagreed with Mr. Cole regarding the necessity for a search to replace AllianceBernstein. However, he was not aware of all of the circumstances and/or background of them being hired and other possible issues. Mr. Levinson stated that there was no rush to make a decision on the search. He stated that the Board could review it now or wait until the next meeting. The Board decided to wait until the next meeting. Mr. Remak provided the Board with the search information for the Board to review before the next meeting.

Chris Toma and Joe Lawrence departed the meeting.

Mr. Remak reviewed the performance for the quarter ended September 30, 2007. The total market value of the Fund as of September 30, 2007 was \$26,509,760. The quarterly earnings were \$608,804. The asset allocation was comprised of 54.2% in domestic equities; 10.3% in international equities; 33.1% in fixed income; and 2.4% in cash. Mr. Remak reported the asset allocation per manager was comprised of 38.6% in Bernstein; 16.9% in Davis Hamilton; 5.6% in Baron; 6.7 in Advisory; 10.3% in Oakmark; 11.0% in Aletheia; and 10.9% in Rigel.

The total Fund was up 2.4% for the quarter, while the benchmark was up 2.1%. The domestic equity portion of the portfolio was up 3.1% for the quarter while the Russell 3000 was up 1.6%. The international equity portion of the portfolio was down 3.5% while the EAFE was up 2.2% for the quarter. Mr. Remak stated that international was in the 99th percentile for the quarter and the fiscal year. He stated that they were less than pleased with performance for this asset class. It was well behind the benchmark for the quarter and the fiscal year. Fixed income was up 3.4% for the quarter while the benchmark was up 2.9%. He stated that fixed income outperformed the benchmark primarily because of the high credit quality of the portfolio.

Mr. Remak provided a review on the individual managers. Bernstein was up .6% while the Russell 1000 Value was down .2%. Advisory was down 3.5% while the Russell 2000 Value was down 6.3%. Baron was up 2.5% while the Russell Mid Cap Growth was up 2.2%. Oakmark was down 3.5% while the EAFE was up 2.2%. Aletheia was up 8.4%

and Rigel was up 7.1% while the Russell 100 Growth was up 4.2%. With respect to fixed income, Davis Hamilton was up 3.6% and Bernstein was up 3.2% while the benchmark was up 2.9%. Mr. Remak stated that performance has been good over the past quarter with the exception of Oakmark. He reviewed the total portfolio on a risk/return analysis. He stated that the return was in line with the target benchmark with slightly less risk. It is a well-diversified, well-balanced portfolio. He reviewed the sector diversification and performance. He reviewed the equity portfolio security holding analysis and fixed income sector performance. With respect to Oakmark, they had a very high tracking error. They made large bets. He stated that they are going to be volatile. He noted that their tracking error tends to be very good. He stated that perhaps a complement to them would be a good idea. He stated that they could look at a second international strategy to complement Oakmark. Mr. Remak reviewed the investment policy checklist. A motion was made, seconded and carried 5-0 to accept the Investment Monitor Report.

Michael Remak departed the meeting.

ATTORNEY REPORT

Adam Levinson appeared before the Board. He provided a newspaper article regarding Merrill Lynch. He provided a draft RFP for an Investment Monitor. Mr. Levinson stated that the actual allegations against Merrill Lynch are not public. There are areas that could be gray areas of perception. He stated that it was up to the Board to determine if they still were comfortable with Merrill Lynch. There was a lengthy discussion. The Board decided to wait until the allegations were published and see if Lake Worth is impacted direction and make a decision at that point. Mr. Levinson stated that he would continue to keep the Board apprised of any relevant information he is aware of.

Mr. Levinson then discussed the issues involving the potential merger. He stated that the Board's Actuary was contacted by the County for a study based upon a straw poll. Mr. Levinson asked the Actuary for a further study that expanded the options. The Board was provided with the letters and study prepared by Mr. Palmquist. Mr. Levinson also provided a series of e-mails regarding the FRS DROP review and public records request. He reviewed the e-mails and the issue with the Board. He stated that the cost for the public records was \$344.67. He stated that he thinks it is a reasonable and valuable expenditure of the Fund's monies. Mr. Levinson requested authorization for the cost of the public records request. A motion was made, seconded and carried 5-0 to authorize the cost for the public records request.

Mr. Levinson stated that he thought it made sense to meet with the Actuary and all interested parties. He stated that he thought the Board should schedule a special meeting with Mr. Palmquist and then have a face-to-face meeting with Finance on merger topics. He discussed the issues he would like to raise with Finance. Mr. Baur discussed the issue involving payroll and workers' compensation. He stated that the City outsources workers' compensation. He noted that the workers' compensation carrier makes the workers' compensation payments. It looks like the Participant is on a leave of absence because workers' compensation is not administering any deductions. That leaves the Plan short on contributions from the Participant for a period of time. The problem is when the break in service would be in the highest years to be included for the FAS. He stated that he has to manually get that information. They have to access the member the contributions and

do so by adjusting the DROP account in the first month for the missing contributions. He stated that this is best addressed on an individual basis only when it affects the FAS. Mr. Baur also noted that the City outsource payroll to ADP for about eight weeks. He stated that he is missing information on pension data for those eight weeks. He noted that this would slow down and cause problems on the fiscal year ending reporting, Actuarial Valuation and pension calculations. Mr. Levinson recommended a special meeting. There was a lengthy discussion. The Board provided three possible dates to work with.

Mr. Levinson stated that an issue arose after the last meeting where a Member submitted an application to DROP. He later revoked that application because of issues with the City. Mr. Levinson stated that the paperwork allowed the Member to revoke his application within seven days. He stated that he interpreted in line with the rules of the court, which is seven business days. A motion was made, seconded and carried 5-0 to approve the Attorney Report.

ADMINISTRATIVE REPORT

The Board was presented with a list of disbursements. A motion was made, seconded and carried 5-0 to pay the listed disbursements. It was noted that the 2008 Membership Dues for the FPPTA was \$500. The Board directed the Administrator to renew the Board's Membership for 2008.

The Board was presented with a list of benefit approvals. A motion was made, seconded and carried 5-0 to approve the list of benefit approvals.

The Board reviewed the financial statement for the period ending September 30, 2007.

The Board was presented with an Engagement Letter from Steve Gordon to perform the audit for the fiscal year ending September 30, 2007. A motion was made, seconded and carried 5-0 to execute the Engagement Letter from Steve Gordon for the audit for the fiscal year ending September 30, 2007.

OTHER BUSINESS

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

Respectfully submitted,

Mark Lamb, Secretary