

**LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND**  
**MINUTES OF MEETING HELD**  
**February 12, 2008**

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  
Mary Lindsay

**OTHERS**

Margie Adcock and Scott Baur, Administrator  
Adam Levinson, Attorney  
Trevor Smallwood, Investment Monitor

**ADDITIONS AND DELETIONS**

Mr. Seamon asked to add an item under Other Business regarding customer service. Mr. Levinson asked to add a couple items under the Attorney Report regarding a memorandum concerning the use of social security numbers and a RFP for consulting services. Mr. Seamon asked to add an item under the Attorney Report regarding overtime being a pensionable contribution. Ms. Lindsay asked to add an item under Other Business regarding changing the meeting place and doing more to inform the public of the meetings.

Rich Seamon stepped out of the meeting.

**MINUTES**

The Trustees reviewed the minutes of November 5, 2007 and November 30, 2007. A motion was made, seconded, and carried 4-0 to accept the minutes of November 5, 2007 and November 30, 2007.

**INVESTMENT MONITOR: MERRILL LYNCH**

Trevor Smallwood appeared before the Board. He is a Vice President with Merrill Lynch and is based in Jacksonville. He is not part of the Mike Callaway team and not a financial advisor. He is a specialist in the institutional consulting services group. He stated that they had nothing new to report regarding Mr. Callaway. Mr. Callaway is on paid leave and responding to the SEC notice. Mr. Cole has left Merrill Lynch and is working for a different consulting company. Mr. Smallwood advised that Merrill Lynch has about 45 clients at this point, whereas they had about 90 clients last year. Mr. Levinson stated that he thinks the reduction in clients represents the seriousness of the SEC notice.

Rich Seamon re-entered the meeting.

Mr. Smallwood stated that the Fund had a positive year but it was a volatile 4<sup>th</sup> quarter. The sub prime and housing markets issues are starting to take a toll on the markets. The economy is slowing and they are seeing a lot of volatility in the markets. Corporate profits are slowing down. He stated that growth-oriented investments had a rate of return of about 12% while value-oriented investments had a rate of return of about 0%.

Mr. Smallwood reviewed the preliminary performance report for the quarter ended December 31, 2007. The total market value of the Fund as of December 31, 2007 was \$26,428,500. The quarterly earnings were \$331,689. The asset allocation was comprised of 52.9% in domestic equities; 9.8% in international equities; 34.0% in fixed income; and 3.2% in cash. Mr. Smallwood reported the asset allocation per manager was comprised of 18.0% in Bernstein fixed income; 20.9% in Bernstein equity; 17.5% in Davis Hamilton; 5.5% in Baron; 6.2 in Advisory; 9.8% in Oakmark; 10.9% in Aletheia; and 11.2% in Rigel. The total Fund was down 1.2% for the quarter, while the benchmark was down .7%. The domestic equity portion of the portfolio was down 3.5% for the quarter while the Russell 3000 was down 3.4%. The international equity portion of the portfolio was down 4.8% while the EAFE was down 1.7% for the quarter. Fixed income was up 3.5% for the quarter while the benchmark was up 2.9%. He reviewed the risk/return analysis. The Fund is very much in line with the return of the target index but with less risk.

Mr. Smallwood provided a review on the individual managers. Aletheia was down 1.2% and Rigel was up 2.2% while the Russell 1000 Growth was down .8%. Bernstein was down 6.0% while the Russell 1000 Value was down 5.8%. Advisory was down 7.5% while the Russell 2000 Value was down 7.3%. Baron was down 1.1% while the Russell Mid Cap Growth was down 1.7%. Oakmark was down 4.8% while the EAFE was down 1.7%. With respect to fixed income, Davis Hamilton was up 3.2% and Bernstein was up 3.7% while the benchmark was up 2.9%.

The Board asked Mr. Smallwood if he had any recommendations with regard to the managers. Mr. Smallwood stated that it was a good time to rebalance the portfolio into high cap companies. He stated that small cap companies would typically get hurt in difficult markets. The emphasis is on high quality, large cap, growth oriented companies. The emphasis is also on the allocation in the portfolio. He stated that the Fund is split about 20%/20% between large cap value and growth. He stated that maybe it was an opportunity to increase the allocation to growth. He stated that the allocation between small and mid cap was not too bad. He noted that there was only one international component to the portfolio and perhaps the Board might want to consider splitting that into two managers. Mr. Smallwood stated that they expect by the second half of the year that growth will pick up. A motion was made, seconded and carried 5-0 to accept the Investment Monitor Report.

Trevor Smallwood departed the meeting.

### **ATTORNEY REPORT**

Adam Levinson appeared before the Board. He provided a proposed Request for Proposal for Consulting Services and a list from the FPPTA of possible consultants. There was a lengthy discussion on the RFP and who to send it to. Mr. Baur noted that some of the providers on the list provided by Mr. Levinson were investment managers versus investment monitors. Additionally, there were a few other investment monitors that were not on the list but that did have other Florida clients. A motion was made, seconded and carried 5-0 to sent the RFP to the consultants identified on the FPPTA list and those identified by Mr. Baur that have Florida public clients. There was discussion on scheduling a special meeting to review the responses to the RFP.

Mr. Levinson stated that a meeting has been scheduled with Mr. Bates on March 5. He noted that Mr. Klausner would be there as well as Mr. Shook. Mr. Baur noted that he had

a meeting with Mr. Bates and Finance last week. It was a technical workshop to transition information from the General Employees and Police Pension Plans. However, other issues emerged that also included this Plan. He stated that he thinks this Plan is at a crisis mode. He stated that the City would not produce or give the Administrator further information on active data. There are nine pending DROP calculations. He stated that if they are unable to get the data, they would have to manually get the payroll on a person-by-person basis. Procedurally that is not the best way to do it. Mr. Baur stated that they have payroll through mid-August but there is also an eight-week gap when the City went to ADP in April through June. Mr. Baur stated that they have had continual problems over time where they were not getting payroll, which has made administration of this Plan difficult. However, they always ended up getting the information. He stated that he thinks they have been getting good data. At this point, he does not think they will be getting any information in the future. The City has indicated that it will only be given on a person-by-person basis. This would prevent the ability to close the fiscal year as well as prevent the ability to complete the Audit, Valuation and State Report. Mr. Levinson stated that the City has data issues. The City believes that every pension on the General Employees and Police Pension Plans for the past six or more years has been incorrect. He noted that the issues with this Plan have to do with the interpretation of the Ordinance. He stated that the City has an obligation to the Plan to provide data. Mr. Baur stated that he thinks the Board needs to move forward with whatever formal process it can to request the information needed from the City. Ms. Lindsay stated that she thinks this represents a significant shift in City policy and needs to be brought to the City Commission. Mr. Baur stated that he saw a draft memorandum where the City would like to set forth how employees go through the process to retire. All communication would take place at Human Resources so Human Resources would communicate more directly with the employee. Mr. Baur stated that the ability not to get the information affects the Audit, Valuation and State Report as well as nine DROP participants waiting on final benefit calculations. If he cannot get the information, he will need to get it person by person and do the calculations manually. He stated that this is not a good process and is more likely to result in errors when it is done manually. If the process can be systemized, it would be better. A motion was made, seconded and carried 5-0 to send a follow up letter from the Administrator to Mr. Bates, copying the City Commission, requesting what the Administrator needs and explaining the nine retirements pending, the Audit, Valuation and State Report.

Mr. Levinson reviewed the various letters from Mr. Bates. He discussed the letters and the issues. It was noted that Mr. Bates was invited to attend this meeting today.

Mr. Levinson provided a memorandum on the use of social security numbers dated November 16, 2007. He discussed the new requirements under Section 119.071(5), Florida Statutes. He stated that the Board needed to create a policy, provide the policy to the Participants and file a compliance statement with the State. Mr. Levinson stated that he filed the compliance statement with the State. Mr. Levinson provided a proposed policy on the use of social security numbers and he recommended that the Board adopt the policy. A motion was made, seconded and carried 5-0 to adopt the policy on the use of social security numbers that was proposed by the Attorney.

Mr. Levinson provided a memorandum dated November 30, 2007 regarding the \$3,000 exclusion from gross income for qualified health insurance premiums. He stated that the IRS published 1040 Instructions that require public safety officers to report on line 16b of the Form 1040 the \$3,000 exclusion.

Mr. Levinson requested a fee increase for legal services. He stated that they have not had a fee increase since 2003/2004. He stated that he was proposing an increase from \$285 an hour to \$300 an hour. He stated that they have a retainer for attending meetings and were proposing to have the retainer cover for 3 hours of a meeting and anything over 3 hours would be charged the hourly rate. He stated that he would discuss this in more detail at the next meeting.

Mr. Shook discussed a recent grievance regarding holiday pay and pension deductions that were taken out prior to 2007 but not in 2007. He stated that the Union won the grievance.

A motion was made, seconded and carried 5-0 to accept the Attorney Report.

### **ADMINISTRATIVE REPORT**

The Board reviewed the financial statement for the period ending December 31, 2007.

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 reported that James Oliver submitted a Disability Application. The Application was forwarded to Mr. Levinson for further processing.

The Board was provided with copies of the Summary Plan Description to be distributed to the Participants.

### **OTHER BUSINESS**

Mr. Seamon discussed customer service. He stated that he understands that the Administrator does not have the information to do the final benefit calculations but asked that anyone that calls just be advised of that fact with a return call.

Ms. Lindsay stated that while this is convenient place for the Board meetings, she felt it was a small room and the public, while invited to attend the meetings, were not encouraged to attend. She recommended, if at all possible, that the meetings be moved to the conference room on the first floor of City Hall. She also asked if the agenda could be put on the City's meeting and events calendar on their website.

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

Respectfully submitted,

Mark Lamb, Secretary