LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
August 22, 2008

James Shook called the meeting to order at 9:02 A.M. in the Conference Room at Station 1, Lake Worth, Florida. Those persons present were:

TRUSTEES	**OTHERS**
James Shook	Margie Adcock and Scott Baur (11:50 A.M.), Administrator
Rich Seamon	Adam Levinson, Attorney
Pat Highland	Steve Palmquist, Actuary
Mark Lamb	Steve Gordon, Auditor
	Mary Lindsay
	Mike Welker and Tim Nash, Investment Monitor
	Rene Varela, Candidate for City Commissioner District 4

It was noted that Mary Lindsay was not on the Board as she automatically resigned when she decided to run for City Commissioner for District 2. Ms. Lindsay offered her official resignation to the Board and thanked the Board for all their hard work. She stated that she plans to continue to attend the meetings as a citizen.

Mary Lindsay departed the meeting.

ADDITIONS AND DELETIONS

There were no additions or deletions.

MINUTES

The Trustees reviewed the minutes of May 12, 2008. It was noted that the City Attorney was present at the last meeting and asked that she be included as present. A motion was made, seconded, and carried 4-0 to accept the minutes of May 12, 2008 as corrected.

AUDITOR REPORT

Steve Gordon appeared before the Board. He presented the Annual Audit as of September 30, 2007. He stated that he was issuing a clean opinion. He reviewed the Statement of Plan Net Assets. The total assets were $27,168,566 with most of the money in investments. Total liabilities were $149,303. Total net assets were $27,019,263 versus $22,722,757 for the prior year. Mr. Gordon reviewed the Statement of Changes in Plan Net Assets. He noted that the increase in Plan net assets was $4,296,506. He reviewed the notes to the financial statements. He reviewed the administrative expenses. There was a discussion on the reasonableness of the administrative expenses compared to the size of the Plan. Steve Palmquist stated that he likes to see administrative expenses less than 1% of the Plan's assets and the Fund is below that. There was a discussion on the issue of the delay in receiving the necessary information from the City, which further delayed the Audit, Annual Report and Actuarial Valuation. A motion was made, seconded, and carried 4-0 to approve the Audit as of September 30, 2007.

Steve Gordon departed the meeting.

ACTUARY REPORT

Steve Palmquist appeared before the Board to present the Actuarial Valuation as of October 1, 2007. Mr. Seamon stated that he saw some e-mails between the Actuary and the Administrator regarding pay increases and some of the explanation seemed to refer to overtime. Since overtime is not pensionable pay it should not be a factor. Perhaps there needs to be a review of the pensionable pay to make sure that the numbers are correct. Mr. Palmquist noted that pay increases were a big issue during the year with the average pay increase of 27% versus the anticipated of only 6.5%. Mr. Palmquist discussed the required contribution. He noted that the total cost was $2,113,667 for the fiscal year ending September 30, 2009 or 46.73% of payroll. He stated that the Division II contribution is $483,977 so that the City contribution is $1,629,690 or 36.03% of pay. He reviewed the record of Chapter 175 revenue. Mr. Palmquist stated that there was a net actuarial loss of $1,824,852. The loss was due to the salary increase being higher than anticipated. There was a gain due to investments of $208,271 because the net investment return of 9.4% was higher than the 8.5% assumed rate. He reviewed the benefit of the 13th check. He advised that since there is a cumulative actuarial loss there is no 13th check that can be payable this year.

Mr. Palmquist reviewed the Valuation results. He reviewed the participant data; unfunded actuarial accrued liability; and actuarial gains and losses. He reviewed the history of salary increases and the summary of actuarial assumptions and cost methods. He reviewed the calculation of actuarial value of assets and the asset smoothing technique and noted that they were no longer including the negative returns from 2001 and 2002. He reviewed the investment rate of return since the year ending December 31, 1972. He noted that before the negative years of 2001 and 2002, the last two negative years were 1973 and 1974. The funded ratio is 65.1%. He stated that the ratio has gone down steadily as has other plans. The big drop in the funded ratio was when the new benefits were enacted in 2005. Mr. Palmquist reviewed the active member data in terms of years of service, age and pay. He stated that the good news for 2008 would be that because there is no retroactive pay there will not be high salary increases and there will be less pay because of the DROP participants. The bad news for 2008 will be the negative investment returns. There was discussion on the concern of possibly including overtime pay in the reporting. Mr. Palmquist stated that he would discuss the matter with Mr. Baur. A motion was made, seconded and carried 4-0 to approve the Actuarial Valuation as of September 30, 2007 contingent on Mr. Palmquist getting confirmation that there are no material deficiencies on his data.

Steve Palmquist and Rene Varela departed the meeting.

INVESTMENT MONITOR REPORT

Mike Welker and Tim Nash appeared before the Board. They reviewed the performance report for the quarter ended June 30, 2008. The total market value of the Fund as of June 30, 2008 was $25,379,728. The asset allocation was comprised of 49.7% in domestic equities; 8.3% in international equities; 35.2% in fixed income; and 6.8% in cash. Mr.

Welker reported the asset allocation per manager was comprised of 19.0% in Bernstein fixed income; 18.5% in Bernstein equity; 18.6% in Davis Hamilton fixed income; 5.1% in Baron; 6.3 in Advisory; 8.3% in Oakmark; 11.1% in Aletheia; and 10.7% in Rigel. Mr. Welker stated that he would like to have the manager invoices processed by the Custodian so that he can track performance net of fees. He stated that currently the managers are paid through the Fund's checking account. He stated that he would work with the Administrator regarding this matter.

Mr. Welker reviewed performance. The total Fund was down 1.30% for the quarter, while the benchmark was down 1.48%. The domestic equity portion of the portfolio was down .23% for the quarter while the Russell 3000 was down 1.69%. The international equity portion of the portfolio was down 8.96% while the EAFE was down 1.93% for the quarter. Fixed income was down 1.04% for the quarter while the benchmark was down 1.45%. Mr. Welker noted that the total international portfolio ranked in the 99th percentile, which is a concern. He stated that the international portfolio was in the 99th percentile for the quarter, year to date, 1 and 2-year periods. It was in the 98th percentile for the 3-year period and in the 97th percentile for the 4-year period. He stated that he would like to do a search for two international managers – one value and one growth. He recommended completely getting out of Oakmark and putting the money in the Vanguard Developed Markets Index Fund. This would lower the cost by 75 basis points. However, that Index Fund has no emerging market exposure. There was a discussion on emerging markets. Mr. Welker recommended having 80% in Developed Markets and 20% in Emerging Markets. A motion was made, seconded and carried 4-0 to sell Oakmark and with the proceeds purchase 80% in the Vanguard Developed Markets Index Fund and 20% in the Vanguard Emerging Markets Index Fund. Mr. Welker stated that he would also like to consolidate to one bond manager. He thinks DHJ has done a better job historically. They are a high quality manager. By consolidating, it gives the manager more assets to manage a portfolio. It would be more efficient to put the money with only one manager. He stated that because of the asset size and the asset pool, he would recommend one bond manager. The fee for Bernstein is 35 basis points and the fee for DH is 25 basis points. The downside of consolidating is that Bernstein might increase their fee on the equity side.

Mr. Welker provided a review on the individual managers. Aletheia was up 4.30% and Rigel was up 1.71% while the Russell 1000 Growth was up 1.25%. It was noted that 90% of Aletheia's outperformance came from energy. They are an opportunistic manager and not a traditional large cap manager. Mr. Welker stated that Rigel was a nice complement to Aletheia and noted that Rigel was a traditional large cap manager.

Bernstein was down 5.40% while the Russell 1000 Value was down 5.31%. Mr. Welker noted that 34% of their portfolio was in finances, which was a bad sector and they also had bad stock picking in that sector. He stated that other value managers had better stock selection. He would like to take a closer look at Bernstein. He thinks there is a better manger out there. He also had a concern on the size of the manager and their ability to move the market. Advisory was up 4.80% while the Russell 2000 Value was down 3.55%. Mr. Welker stated that Advisory was a good manager. Baron was up .20% while the Russell Mid Cap Growth was up 4.65%. He stated that Baron is a small mid cap manager and there is some overlap in style with Aletheia and Rigel. There is a lot of volatility in this area and they charge 133 basis points. He also noted that this is a mutual fund and they like more active management. He suggested getting rid of this manager. Oakmark was down 8.96% while the EAFE was down 1.93%. With respect to fixed income, Davis Hamilton was down .78% and Bernstein was down 1.59% while the benchmark was down 1.45%. Mr. Welker recommended liquidating Baron and moving the money to Rigel; consolidating fixed income to Davis Hamilton; and doing a search for a large cap value manager to replace Bernstein. A motion was made, seconded and carried to accept the Investment Monitor's recommendation to liquidate Baron and move the money to Rigel; consolidate fixed income to Davis Hamilton; and do a search for a large cap value manager to replace Bernstein.

Mr. Welker presented a manager search for large cap value. Mr. Welker reviewed the candidates in the search: Bernstein; Atlanta Life; Cornerstone Concentrated; Cambiar Investor; Dana Investors; DRZ; and Westwood. There was a lengthy discussion on all the candidates. A motion was made, seconded and carried 4-0 to invite Atlanta Life; Cornerstone Concentrated; and Westwood to make a presentation at the next meeting.

Mr. Welker stated that he would like for the managers to be paid out of their manager account held at Salem. Mr. Baur stated that there would be no problem with that. Mr. Baur added that the checking account was changed to First Southern. He noted that the Fund had used Fidelity Federal and they had a good service team. He stated that the team pretty much all left and went to First Southern. All account fees are waived and they have an enhanced money market rate for the checking account. A motion was made, seconded and carried 4-0 to begin paying the managers out of their manger accounts at Salem. A motion was made, seconded and carried 4-0 to accept the Investment Monitor's Report.

ATTORNEY REPORT

Adam Levinson appeared before the Board. He discussed the letter to the City Attorney Chris Catuccy dated July 31, 2008 regarding the background and legal authority for adoption of the DROP. He stated that none of the three City plans have a DROP Ordinance. He noted that there is no legal reason not to put the DROP in the Ordinance. If the City wants to have the DROP in the Ordinance, he has no objection to that.

Mr. Levinson reported on the status on the proposed rules to 60-T. He stated that a second workshop is being scheduled for some time in September. He discussed the background and some of the proposed changes.

ADMINISTRATIVE REPORT

Mr. Baur discussed the data reconciliation with regard to the Actuarial Valuation. He stated that he goes through data reconciliation every year with the Actuary. This year the biggest concern was payroll. Mr. Baur stated that the pay increases are there. They are not on regular overtime but rather ALS and Step Up overtime where pension contributions were taken out. It is an incentive pay at an overtime rate and incentive pay is pensionable. It was noted that these were very small amounts. The big increase in payroll was due to promotions; retroactive pay; and pay increases.

Mr. Baur reported on the status of the DROP participants. He stated that he had twelve people pending and three have made their final benefit elections and he did set up those DROP accounts.

The Board reviewed the financial statement for the period ending June 30, 2008.

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

OTHER BUSINESS

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

Respectfully submitted,

Mark Lamb, Secretary